AIB

Backing our customers

Annual Financial Results 2017

AIB Group plc

Important information and forward looking statement

This presentation should be considered with AIB's Half-Yearly Financial Report 2017, Trading Update December 2017 and all other relevant market disclosures, copies of which can be found at the following link: http://aib.ie/investorrelations

Important Information and 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.

2017 performance and strategic objectives

AIB Group plc

2017 in summary

Momentum in performance

- ✓ Successful IPO and continued market support - €3.4bn raised. Total of €10.5bn return to State[(1)]
- ✓ Pre-exceptional profit of €1.6bn, loan book growth and significant improvement in asset quality
- ✓ Strong capital ratios, generating and returning capital, 30% increase in proposed FY dividend to €326m
- ✓ Market leading franchise with customer first strategy and investment in digital and innovation driving commercial success
- ✓ Well positioned for future challenges and opportunities in a growing economy

(1) Includes proposed dividend. Excludes value of c.71% shareholding

Return to loan book growth; strong capital generation and 30% increase in proposed dividend payment

	2017	Change YoY
Net Interest Margin [1]	2.58%	+35bps
Cost income ratio [2]	48%	-4%
Capital	+280bps pre-dividend; CET1 17.5%	+220bps
Return on Tangible Equity	12.3%	-1.2%
Asset quality	€6.3bn Impaired (€3.6bn net) NPEs €10.2bn	-€3.9bn NPEs
Relationship NPS[3]	+21 NPS	+2
Dividend payment proposed	€326m	+30%

- Momentum across business model
- Controlled cost discipline
- Continued capital generation
- Strong ROTE- impact of non-recurring items
- On track to normalised NPEs

Delivering for customers and shareholders

[1] Net interest margin (NIM) including eligible liabilities guarantee (ELG) charge. ELG charge is no longer material and is no longer separately disclosed

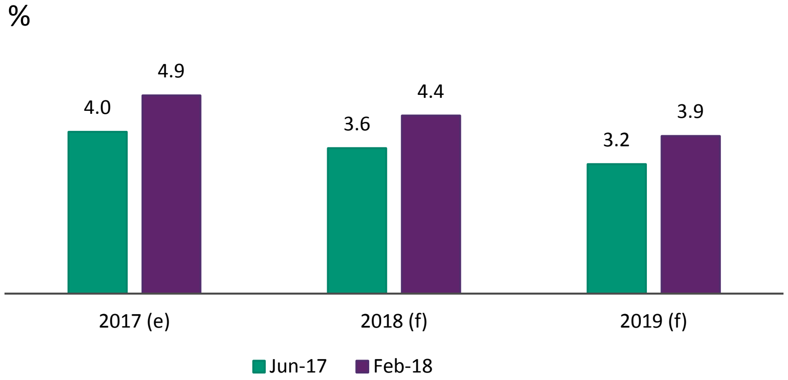
[2] Includes enhanced income effects

[3] Relationship Net Promoter Score - measures customer experience with a company's products or service and the customer's loyalty to the brand. It is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's product or services to others

Growing economy with attractive market dynamics

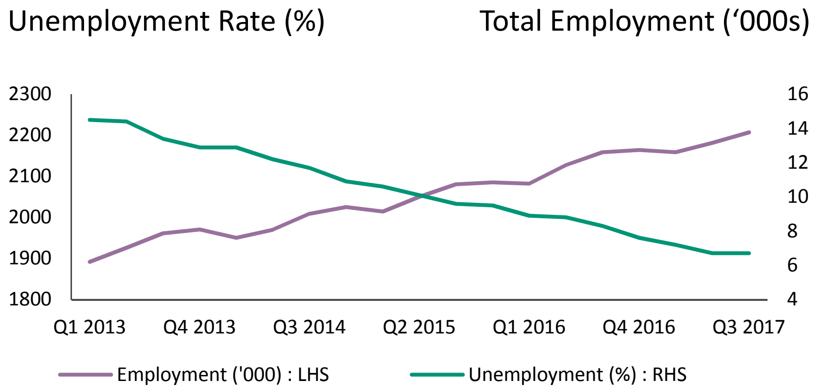
Well positioned for growth

Irish economic growth [1] improving; Brexit risk remains



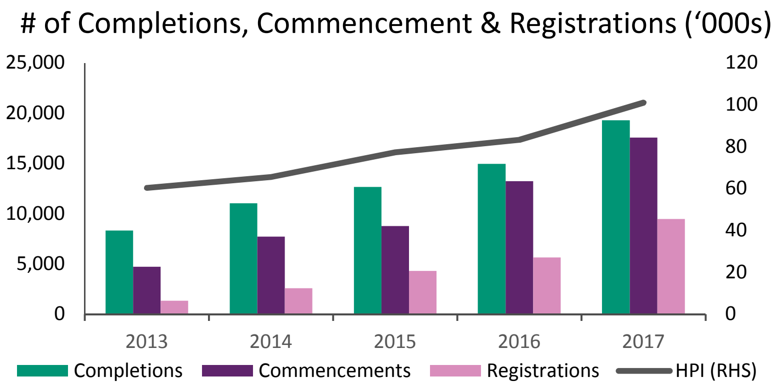
Source: European Commission for 2017/18, CBI for Feb'18 2019, Dept. of Finance for June'17 2019

Total employment levels rising as unemployment falls



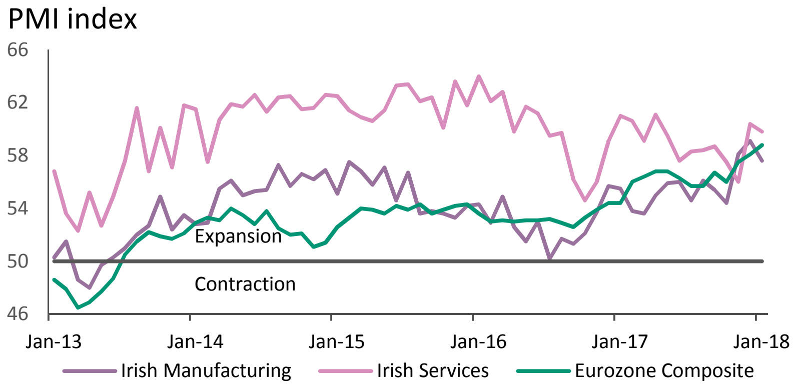
Source: CSO

Irish housing activity



Source: CSO, Department of Housing, AIB ERU , National House price index Jan 05=100

Business sector in expansionary mode



Source: Markit *via* Thomson Datastream

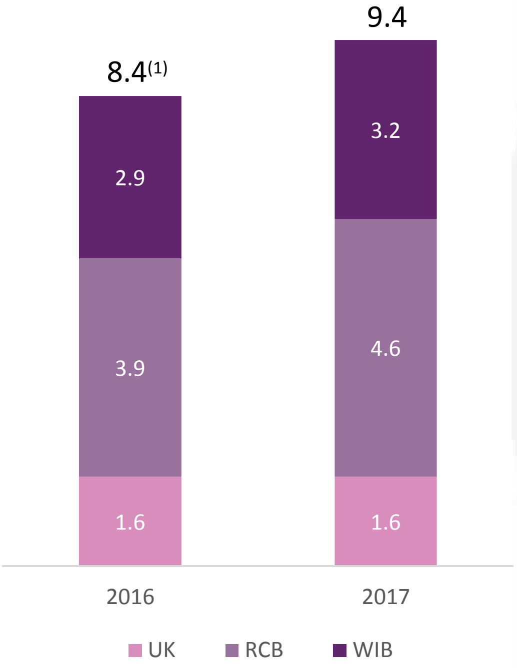
[1] GDP forecasts (except for Feb-18 2017 - Modified Final Domestic Demand used as GDP estimate distorted at 7.3%)

Resulting in increased new lending

Leading market shares in key sectors

Increase in New Lending

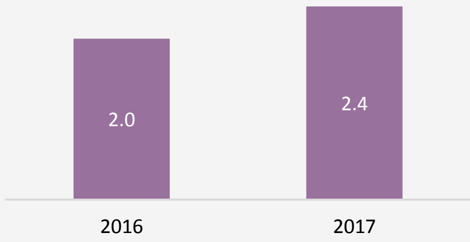
Drawdowns (€bn)



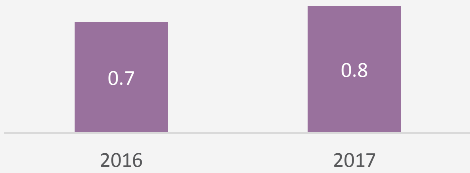
Drawdowns to approval rate of 65% in 2017
Excludes €1.1bn of transactional lending

Momentum Across Key Sectors

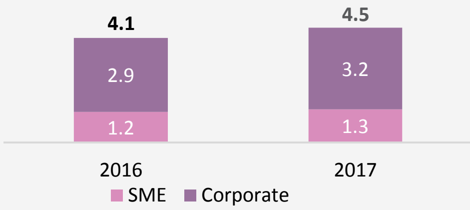
Mortgage Lending (€bn)



Personal Lending (€bn)

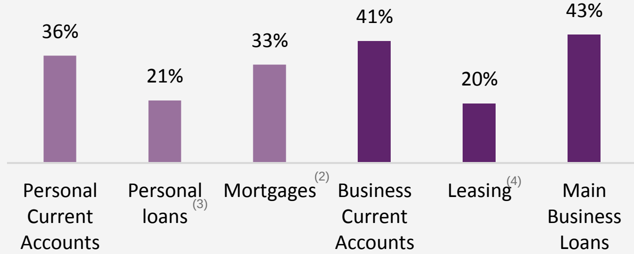


SME and Corporate(6) Lending (€bn)



Leading Market Shares

Stock



Strong Market Share Position

(Stock)

- **#1 Mortgages**
- **#1 Personal Main Current Accounts**
- **#1 Personal Loans**
- **#1 Personal Credit Cards**
- **#1 Business Main Current Accounts (5)**
- **#1 Business Main Loans**
- **#1 Business Main Leasing (5)**
- **#2 Business Credit Cards**
- **#1 bank for FDI**

Source: Ipsos MRBI AIB Personal Financial Tracker 2017; AIB SME Financial Pulse 2017, BPFI - 2017

(1) 2016 has been restated by £0.3bn to exclude UK transaction based lending
(2) New lending flow 2017
(3) Amongst banks; excludes car finance
(4) Main Business Leasing Agreement
(5) Joint number 1 position
(6) Corporate includes leverage finance, real estate >€10m, advisory and structured finance

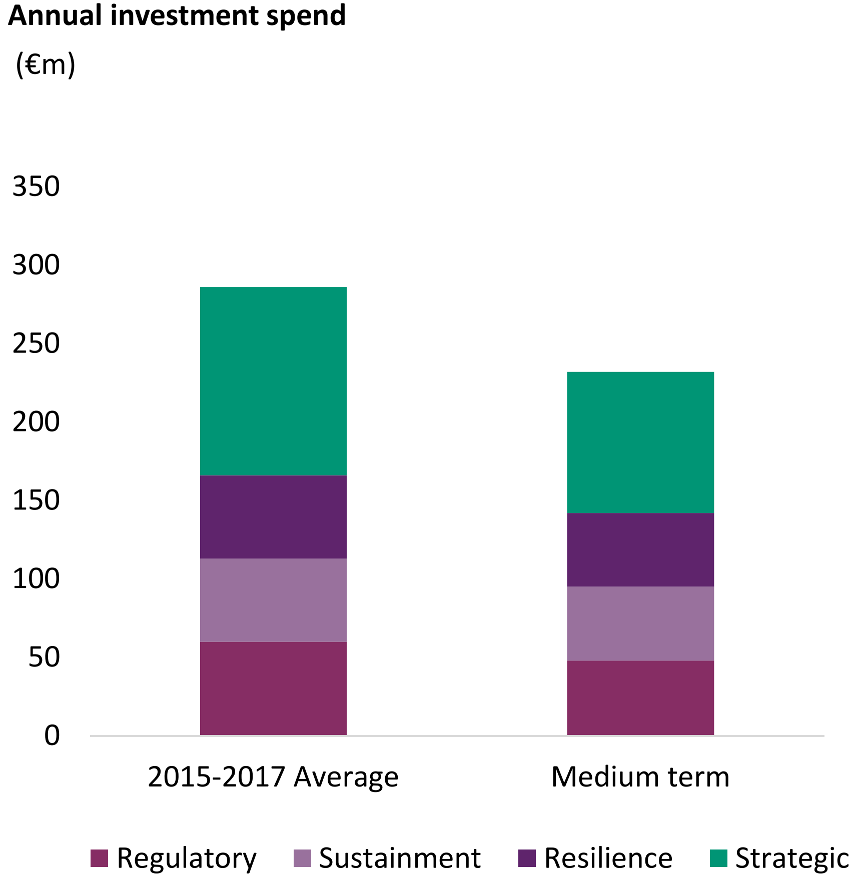
Purpose & four pillar strategy driving performance

Focused on long term shareholder outcomes by delivering better customer experiences

Purpose	Back our customers to achieve their dreams and ambitions.			
Strategic Ambition	We will be at the heart of our customers' financial lives by always being useful, always informing and always providing an exceptional customer experience. We will deliver a bank with compelling, sustainable capital returns and a considered, transparent and controlled risk profile.			
Four Pillar Strategy	Customer First	Simple and Efficient	Risk and Capital	Talent and Culture
Tangible Shareholder Outcomes	**Strong Customer Franchise** Increasing NPS Relationship score +21	**Capital Accretion & Return** Progressive Dividend +30% increase YoY	**Long-Term Growth** Growing Earning Loan Book +3% ex FX	

Continued investment in key focus areas

Three year investment programme complete; ongoing investment



Strategic	• Refreshed customer engagement platforms, e.g. Mobile • Invested in informational and analytical capability, e.g. real time customer data capture • Modernised processing solution to deliver enhanced capability, e.g. business process management, robotics • Enhanced digital banking
Resilience	• New Payments and Treasury platforms • Enhanced cybersecurity
Sustainment	• Increasing digital and data capacity while maintaining capability and service levels
Regulatory	• Ongoing compliance • Open Banking (PSD2), IFRS 9 and UK CMA

New property re-alignment project also commenced

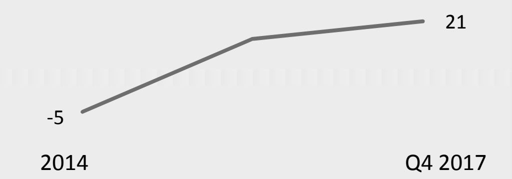
Delivering customer driven outcomes

Completed three year investment programme €870m

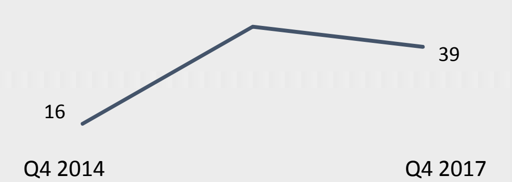
Customer First	Simple & Efficient	Risk & Capital Management	Talent & Culture

Improving Customer Experience

1) Personal Relationship NPS[2]

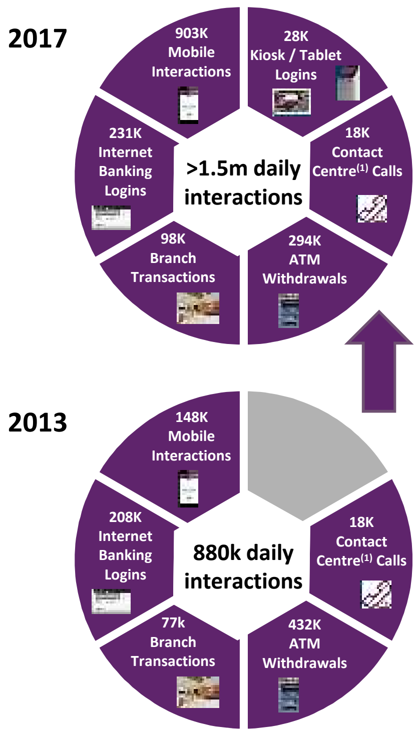


2) Transactional NPS



3) Personal Loan Journey NPS by Channel

Multiple Touchpoints



Greater Efficiency, Product offering & Delivery

1.3m active online users

95% customer transactions automated

50%+ key products purchased online

77% personal loans applied for online

80% reduction in branch paper processing

69% transactional activity on digital channels

[1] Includes calls to direct banking & service
[2] Change in survey methodologies for relationship NPS measurement in 2015 and again in 2016

Customer first driving commercial success

Focus on value management, efficiency and improving customer experience

Customer First | Simple & Efficient | Risk & Capital Management | Talent & Culture

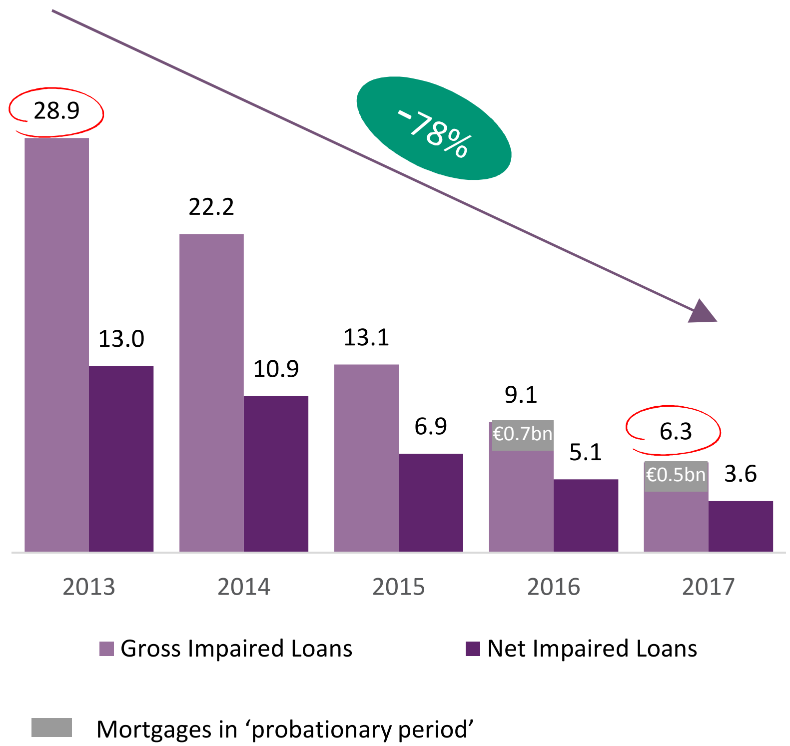
Customer Led Initiatives	Customer Benefits	Customer Outcomes
Micro SME Credit Online **Sole Traders and Farmers** **Loan value €2k-€60k** **Term 12-60 months**	- First bank in ROI offering STP - Instant approval - Funds disbursed within 15 minutes - Extending to other SMEs in 2018	- Improving customer experience – Q4 +69NPS - Great customer feedback - *"I couldn't believe it"* - Serve **more** customers in an increasingly **efficient** way
48 Hour decision up to €60k **Agri. Loans and Overdrafts**	- Continuous efficiency and speed - Enhanced credit automation - Change from manual process - Video consultations available	- Improving customer experience - Q4 +56NPS - 65% of credit requests via Direct Banking - Significant reduction in credit reworks - Customer notification through use of analytics
34% growth yoy in SME drawdowns via Direct Banking Channel	Greater efficiency and increase in level of customer interactions	Better customer experience, increased customer satisfaction and commercial success

Progress on resolving legacy customer issues

78% reduction in impaired loans since peak

Tangible progress in reducing impaired loans

Impaired loans (€bn)



Track record of delivery

- €22.6bn reduction in impaired loans to €6.3bn
- Driven by case by case restructuring with new solutions
  - Mortgage to Rent (MTR) solution with IMHO, positive early indications
- Supplemented by selective / commercial portfolio sales
- Significant focus to reach EU normalised levels
- Improved quality of new lending

Progress on industry tracker mortgage examination

- 95%+ of customers from the identified customer groupings will be redressed and compensated by end Q1 2018. Balance complete by end Q2
- Independent external oversight and appeals process
- Provision created in 2015 with non-material impact from 2017 increase

(1) Net impaired loans calculated as gross impaired loans less specific provisions (excl. IBNR)
(2) Currently performing to terms

Significant capital accretion and payments to the State

Further enhanced by dividend payment

€10.5bn return to the State

€6.8bn redemptions, dividends & levies

+

€3.4bn IPO proceeds

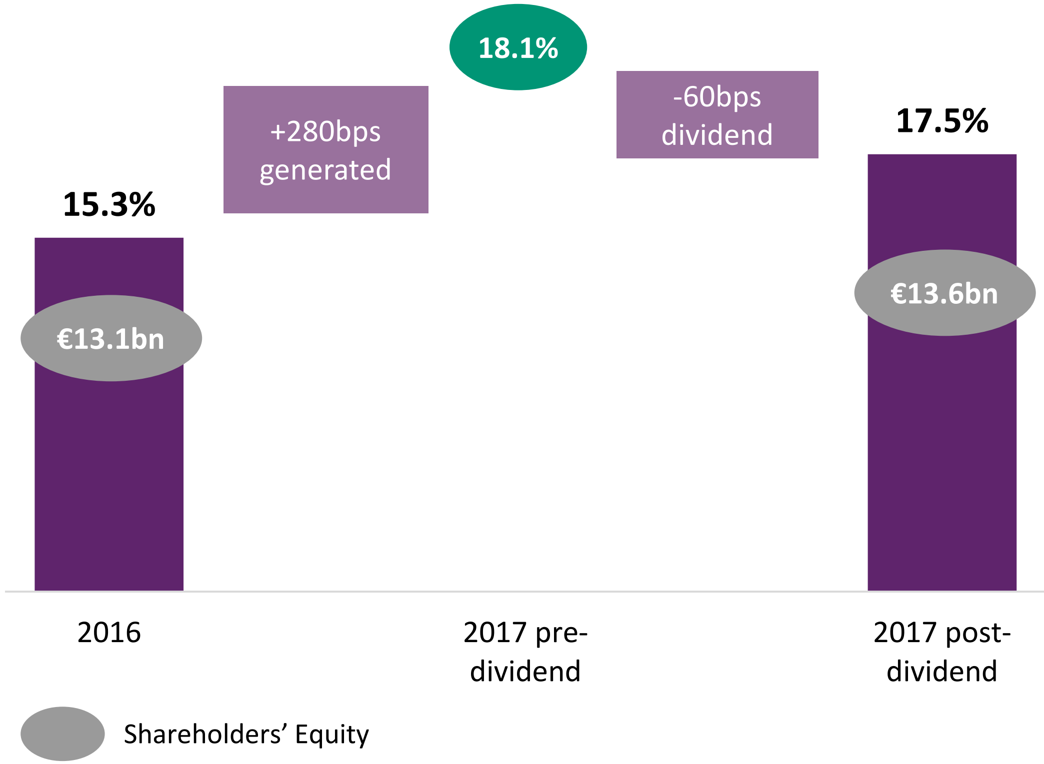
+

c. 71% of €326m ordinary dividend proposed

€10.5bn recouped by State + c. €10.6bn value of shareholding[(1)]

Strong organic capital generation

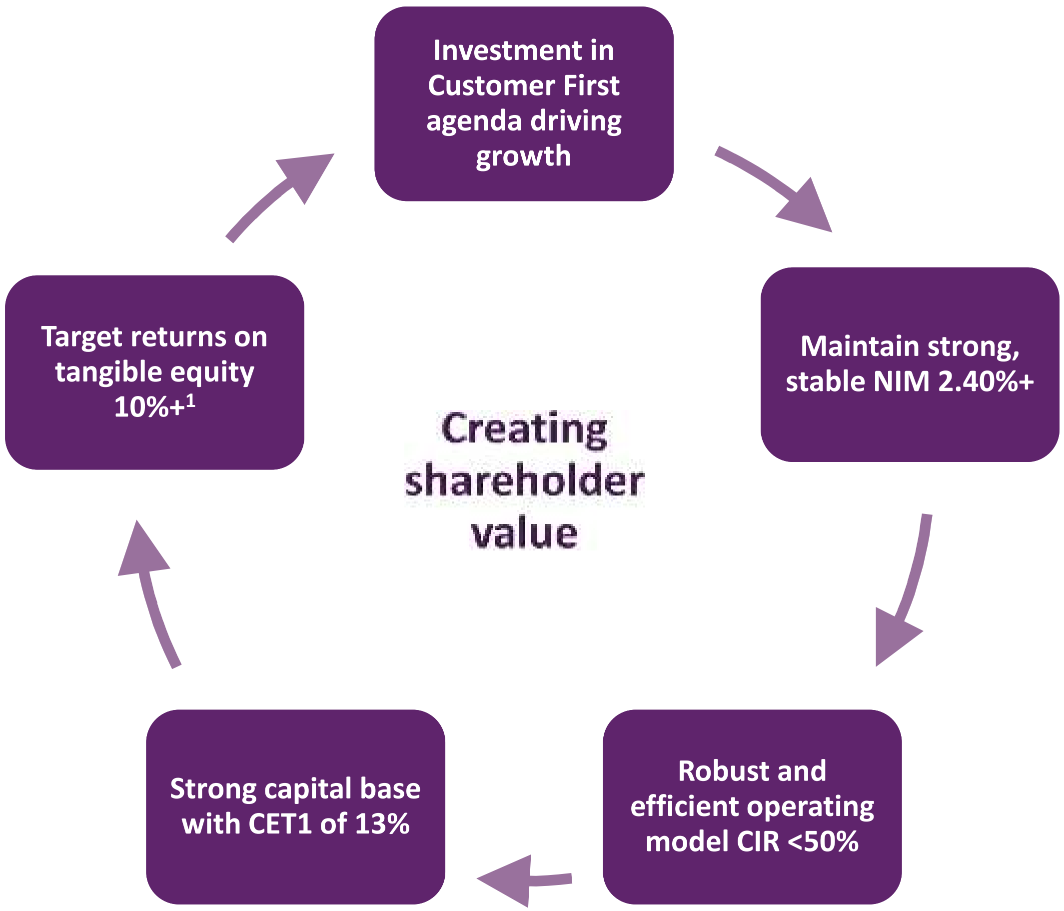
CET1 (FL) ratio



[(1)] 71.12% shareholding, closing share price of €5.50 at 29/12/2017

Focused on delivering sustainable performance

Strong customer franchise, capital accretion, growth and shareholder returns



[1]RoTE based on (PAT - AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA).

Financial Performance

AIB Group plc

Financial highlights 2017

A strong performance in line with market expectations

- ✓ Sustainable profitability underpinned by positive net interest income and margin trajectory
  NIM 2.58%; excluding interest on cured loans[(1)] 2.50%

- ✓ Continued focus on cost control, FY 2017 in line with expectations
  Stable costs and growing income, CIR 48%; excluding enhanced income effects CIR 53%[(2)]

- ✓ Growing earning loan book driven by strong momentum in new lending
  New lending +13% to €9.4bn

- ✓ Ongoing progress in NPE deleveraging; pace and quantum of writebacks moderating
  Impaired loans reduced 31% from €9.1bn to €6.3bn; NPEs[(3)] reduced from €14.1bn to €10.2bn

- ✓ Strong capital generation with robust capital position supporting growth and capital return
  CET1 (FL) 17.5%, up 220bps from 15.3% at Dec 2016

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(1) Cured loans are loans upgraded from impaired without incurring financial loss
(2) Excludes income from realisation / re-estimation of cashflows on restructured loans €213m and interest on cured loans €61m
(3) Non performing exposures exclude c. €300m of off-balance sheet commitments

Income statement

Profit before exceptional items €1.6bn up 7%

Summary income statement (€m)	FY 2017	FY 2016
Net interest income	**2,176**	2,013
Other income	**791**	617
Total operating income	**2,967**	2,630
Total operating expenses(1)	**(1,428)**	(1,377)
Operating profit before provisions	**1,539**	1,253
Bank levies and regulatory fees	**(105)**	(112)
Provisions	**121**	298
Associated undertakings & other	**19**	36
Profit before exceptionals	**1,574**	1,475
Exceptional items	**(268)**	207
Profit before tax from continuing operations	**1,306**	1,682

- Net interest income up 8%
- Other income up 28%, enhanced by other items, stable fees and commissions
- Operating expenses €1.4bn in line with expectations
- Net provisions write back €121m includes new to impaired credit charge €273m (42bps)

Metrics	FY 2017	FY 2016
Net interest margin	**2.58%**	2.23%
Cost income ratio (CIR)(1)	**48%**	52%
Return on tangible equity (RoTE)(2)	**12.3%**	13.5%
Return on assets (RoA)	**1.2%**	1.4%
Earnings per share (EPS)	**39.7c**	47.9c
Dividend per share (DPS)	**12c**	9c

- Delivering returns
  - ➢ RoTE 12.3%
  - ➢ RoA 1.2%

(1) Excludes exceptional items, bank levies and regulatory fees
(2) RoTE based on (PAT - AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)

Average balance sheet

Continued positive NIM expansion

	FY Dec 17			FY Dec 16		
	Avg Volume €bn	Income €m	Rate %	Avg Volume €bn	Income €m	Rate %
Assets						
Loans to customers	**60.6**	**2,166**	**3.57**	62.1	2,248	3.62
Financial investments (AFS / HTM)	**16.9**	**284**	**1.68**	18.4	313	1.70
NAMA senior bonds	**0.5**	**2**	**0.39**	3.6	11	0.30
Other assets	**6.4**	**12**	**0.20**	6.1	18	0.30
Interest earning assets	**84.4**	**2,464**	**2.92**	90.2	2,590	2.87
Non interest earning assets	**7.2**			8.0		
Total assets	**91.6**	**2,464**		98.2	2,590	
Liabilities & equity						
Customer accounts	**36.6**	**228**	**0.62**	38.9	341	0.88
Deposits by banks	**5.1**	**(4)**	**(0.08)**	9.7	(13)	(0.13)
Other debt issued	**5.7**	**33**	**0.59**	7.5	50	0.67
Subordinated liabilities	**0.8**	**31**	**3.95**	1.6	199	12.22
Interest earning liabilities	**48.2**	**288**	**0.60**	57.7	577	1.00
Non interest earning liabilities[1]	**30.1**			28.1		
Equity	**13.3**			12.4		
Total liabilities & equity	**91.6**	**288**		98.2	577	
Net interest margin		**2,176**	**2.58**		2,013	2.23
Net interest margin excl. interest on cured loans		**2,115**	**2.50**		1,945	2.16

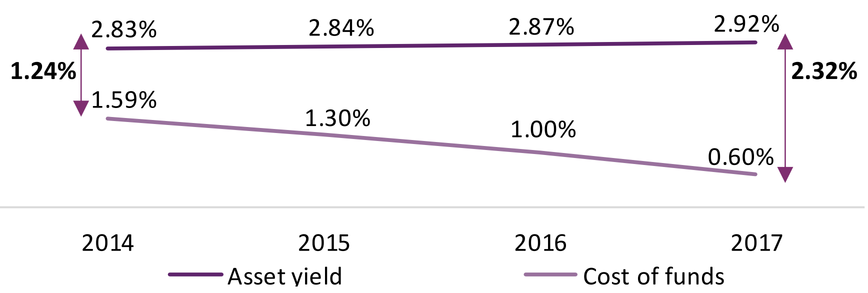
[1] Includes non-interest bearing current accounts €27bn Dec 17, €23bn Dec 16

Net interest margin – NIM 2.58%

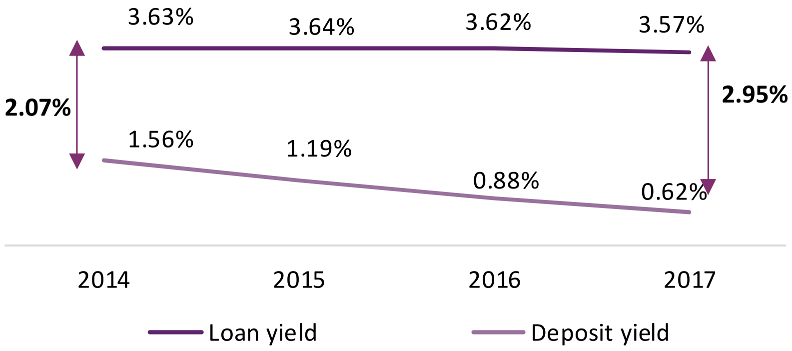
Widening spreads from stable asset yields and lower cost of funds

Target NIM 2.40%+

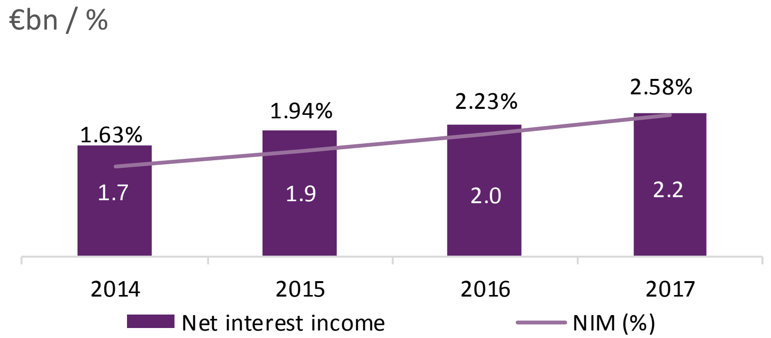
Stable asset yields, lower cost of funds



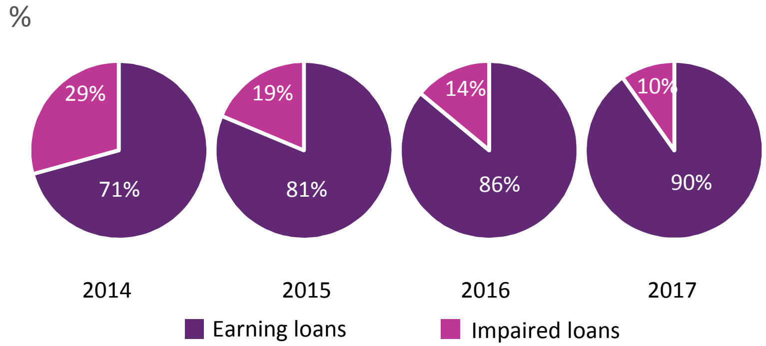
Stable loan yields, lower cost of customer accounts



Positive net interest income and NIM trajectory



Earning loans growing, impaired loans decreasing

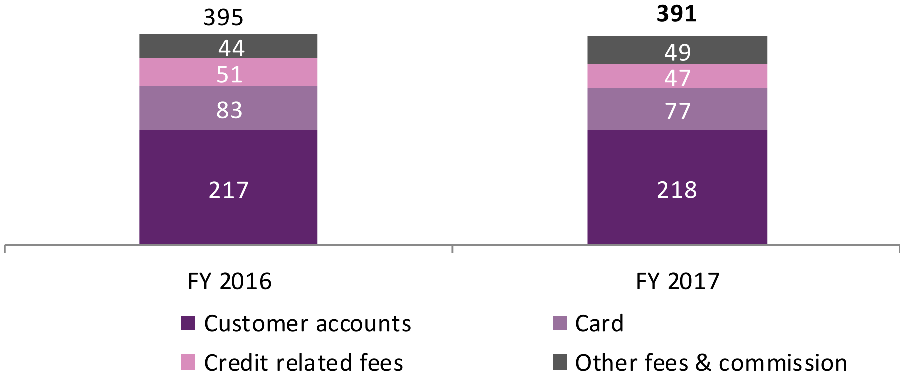


Other income

Stable net fee and commission income

Net fee & commission income

€m



Other Income (€m)	FY 2017	FY 2016
Net fee and commission income	**391**	395
Other business income	**133**	98
Business income	**524**	493
Gains on disposal of AFS securities	**55**	31
Acceleration of timing of cashflows on NAMA	**4**	10
Settlements and other gains	**208**	83
Other items	**267**	124
Total other income	**791**	617

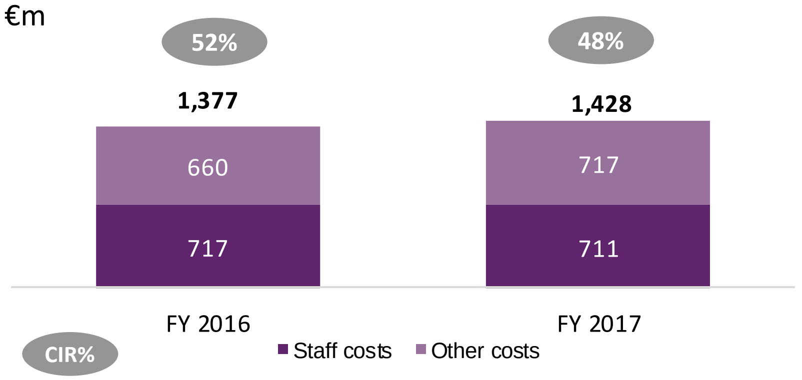
- Stable fee and commission income of €391m
  - ➢ Income from customer accounts represents 56% of net fees and commission income and includes current account fees and transaction payment fees
- Other business income €133m includes
  - ➢ Dividend income €28m
  - ➢ Customer FX income €56m
  - ➢ Valuation movements on long term derivative customer positions €21m
- Income from other items:
  - ➢ Gain on disposal of AFS includes €32m partial sale of NAMA sub bond
  - ➢ Settlements and other gains includes €213m of realisation/re-estimation of cashflows on previously restructured loans

Costs

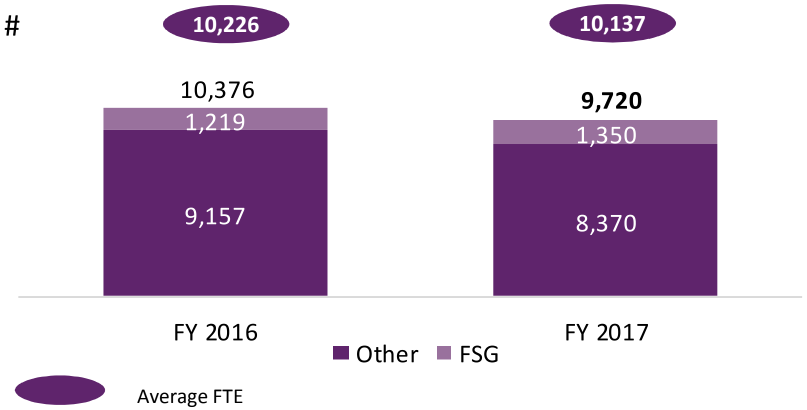
Continued focus on cost discipline, CIR 48%[1], excluding other items CIR 53%

Target CIR < 50%

Operating expenses[1]



Full time equivalent – employees[2]



- Operating expenses €1,428m (+4%) in line with expectations
- Factors impacting cost:
  - Stable staff costs while absorbing wage inflation (2.75%)
  - Continued investment in loan restructuring operations
  - Increased depreciation from investment programme
  - UK efficiencies
- CIR of 48% benefitted from:
  - Interest on cured loans €61m
  - Realisation /re-estimation of cashflows on previously restructured loans €213m
  - CIR 53% excluding above items
- Exceptional items of €268m include:
  - Restitution and restructuring €75m (incl. tracker impact)
  - Termination benefits €70m
  - Property strategy €65m
  - IPO and capital related costs €51m
  - IFRS 9 costs €41m

(1) Excluding exceptional items, bank levies & regulatory fees
(2) Year end

Balance sheet

Balance sheet

Balance sheet continues to strengthen with strong liquidity and capital ratios

Balance sheet (€bn)	Dec-17	Dec-16
Gross loans to customers	**63.3**	65.2
Provisions	**(3.3)**	(4.6)
Net loans to customers	**60.0**	60.6
Financial investments AFS	**16.3**	15.4
Financial Investments HTM	**-**	3.4
NAMA senior bonds	**-**	1.8
Other assets	**13.8**	14.4
Total assets	**90.1**	95.6
Customer accounts	**64.6**	63.5
Monetary authority funding	**1.9**	1.9
Other market funding	**1.7**	5.8
Debt securities in issue	**4.6**	6.9
Other liabilities	**3.7**	4.4
Total liabilities	**76.5**	82.5
Equity	**13.6**	13.1
Total liabilities & equity	**90.1**	95.6

Key funding metrics (%)	Dec-17	Dec-16
Loan to deposit ratio (LDR)	**93%**	95%
Liquidity coverage ratio (LCR)	**132%**	128%
Net stable funding ratio (NSFR)	**123%**	119%
Fully loaded CET1 ratio	**17.5%**	15.3%

Assets

- Net loans €60bn stable
- Earning loan book €57bn growing (up €1.6bn ex FX)
  - Impaired loans €6.3bn (down €2.8bn)
- AFS / HTM €16.3bn down €2.5bn due to liquidity management
- NAMA senior bonds fully redeemed

Liabilities

- Customer accounts €64.6bn (up €1.7bn ex FX)
  - Positive mix with increased current accounts (€3.8bn) partly offset with lower corporate deposits (€2.1bn)
- Other market funding €1.7bn, down €4.1bn as funding requirements reduced following NAMA bond redemptions and reduction in AFS

Capital

- Equity €13.6bn, up €0.5bn, includes profit €1.1bn offset by dividend paid €0.3bn
- CET1 +220bps after proposed dividend €326m
- LCR / NSFR well above minimum regulatory requirements

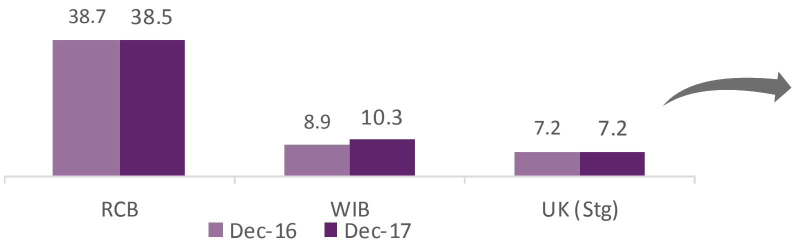
Customer loans

Earning loans €57.0bn up 2%, impaired loans €6.3bn down 31%

Customer loans (€bn)	Earning loans	Impaired loans	Gross loans	Credit provisions	Net loans
Opening balance (1 Jan '17)	**56.1**	**9.1**	**65.2**	**(4.6)**	**60.6**
New lending volumes	9.4	-	9.4	-	9.4
New impaired loans(1)	(0.7)	0.7	-	(0.3)	(0.3)
Restructures & writeoffs	1.2	(1.6)	(0.4)	1.0	0.6
Disposals	-	(0.7)	(0.7)	0.4	(0.3)
Redemptions(2)	(8.7)	(0.8)	(9.5)	-	(9.5)
Other movements	0.4	(0.4)	-	0.2	0.2
Balance excl FX movements	**57.7**	**6.3**	**64.0**	**(3.3)**	**60.7**
FX movements	(0.7)	-	(0.7)	-	(0.7)
Closing balance (31 Dec '17)	**57.0**	**6.3**	**63.3**	**(3.3)**	**60.0**

Earning loan book

€bn

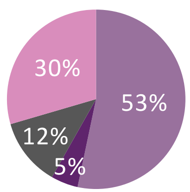


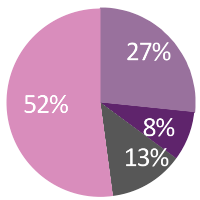
Franchise well positioned for growth

FY 2017: Earning loans €57.0bn

FY 2017: New lending €9.4bn

- Residential mortgages
- Property & construction
- Other personal
- Corporate & SME (ex. property)





(1) New to impaired includes re-impaired loans
(2) New transaction lending is netted against redemptions given the revolving nature of these products

Asset quality & NPE[1] deleveraging strategy

Impaired loans €6.3bn *(10% of gross loans)*, NPE[1] €10.2bn *(16% of gross loans)*

- ✓ Continued progress in NPE reduction in 2017
  - ➢ 31% reduction (€2.8bn) in impaired from **€9.1bn to €6.3bn**
  - ➢ 28% reduction (€3.9bn) in NPEs from **€14.1bn to €10.2bn**
- ✓ Provisions experience remains positive
  - ➢ Net credit provisions writeback €113m
- ✓ Case by case restructuring continues
- ✓ Completed three portfolio sales €0.7bn
  - ➢ UK mixed portfolio €0.3bn
  - ➢ Deep arrears BTL €0.3bn
  - ➢ Unsecured loan portfolio €0.1bn
- ✓ On track to normalised European NPE levels of c. 5% (€3bn - €4bn) by end 2019

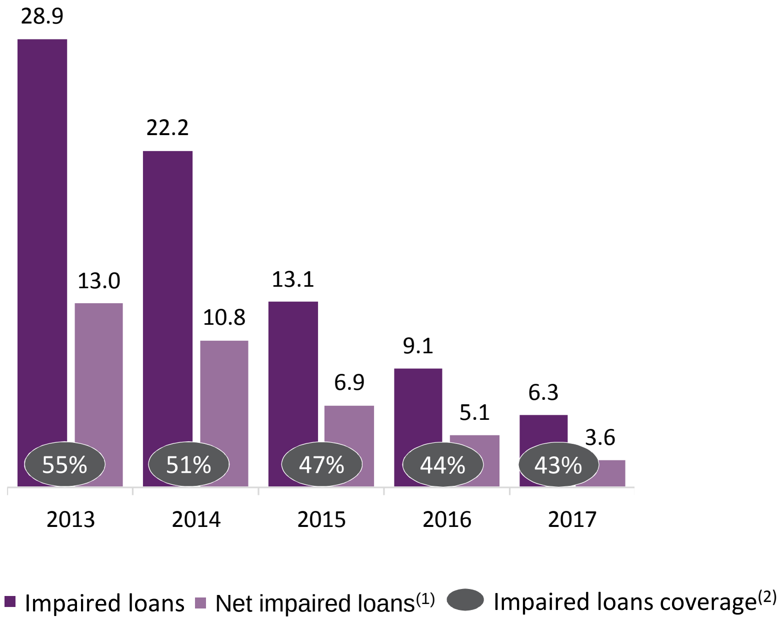
(1) Non-performing exposures (NPEs) exclude €0.3bn of off-balance sheet commitments

Momentum in NPE reduction continues

Significant progress in de-risking the balance sheet

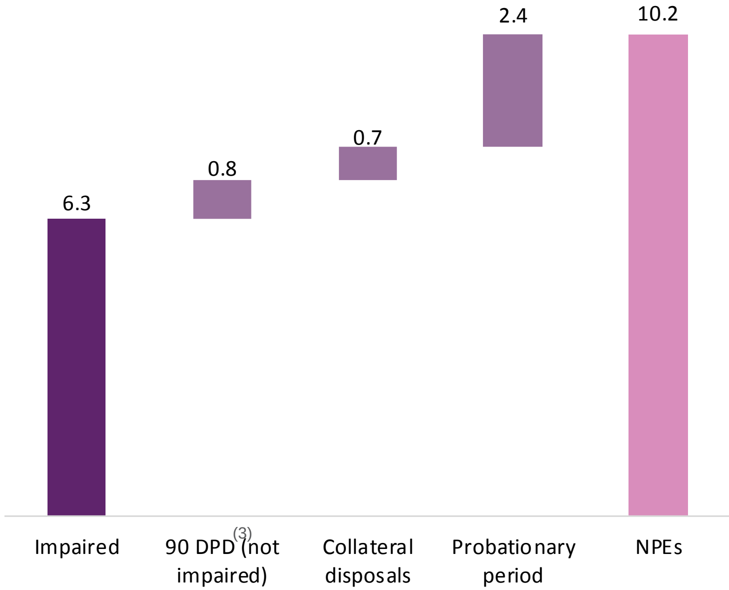
Significant progress to date in reducing impaired

€bn/%



Impaired to NPE reconciliation

€bn



- Significant progress made across all portfolios
- Pro-forma add back of write-offs / provisions, increases to 65%

€bn	Impaired	90DPD(3)	Collateral disposals	Probationary period	Sub-total	NPEs
Dec-17	**6.3**	**0.8**	**0.7**	**2.4**	**3.9**	**10.2**
Dec-16	9.1	0.9	1.2	2.9	5.0	14.1
Decrease	(2.8)	(0.1)	(0.5)	(0.5)	(1.1)	(3.9)

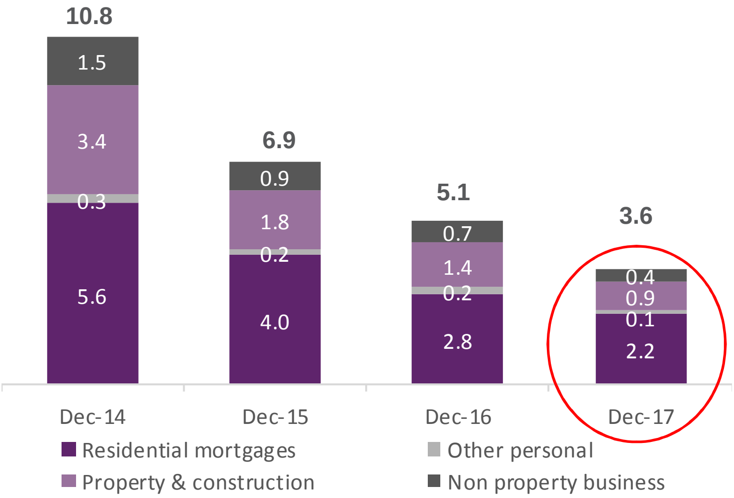
(1) Net impaired loans calculated as impaired loans less specific provisions (excl. IBNR)
(2) Coverage metrics based on specific provisions (excl. IBNR)
(3) Includes 90DPD and connected debt (2017 €0.2bn, 2016 €0.3bn)

Momentum in NPE reduction continues

Various levers to reach European norms

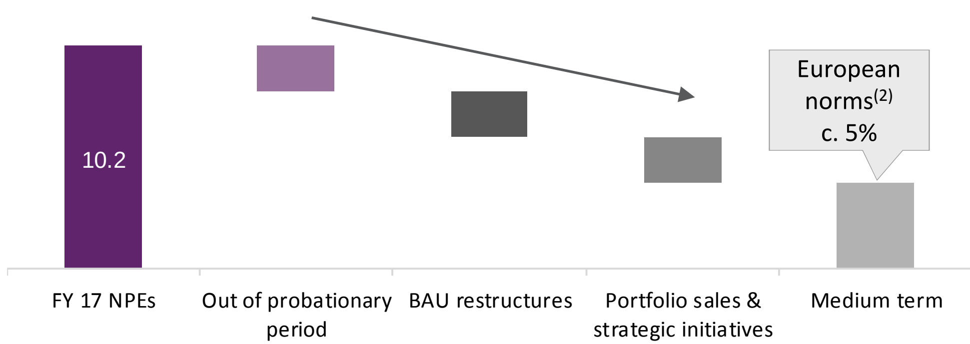
Net impaired loans[1] reducing across all portfolios

€bn



Targeting further deleveraging to European norms

€bn



Improving LTVs on Mortgages

LTV	2017	2016
RoI mortgage stock	64%	74%
RoI impaired mortgage	91%	103%

(1) Net impaired loans calculated as impaired loans less specific provisions (excl. IBNR)
(2) ECB Risk Dashboard, Q3, 2017

Asset quality by portfolio

Continued progress as impaired loans reduce across all sectors, coverage stable at 43%

Dec-17 €bn	Residential mortgages	PDH	BTL	Other personal	Property and construction	Non-property business lending	Total
Loans to customers	**33.7**	**29.7**	**4.0**	**3.1**	**8.8**	**17.7**	**63.3**
Of which: impaired	**3.3**	**2.4**	**0.9**	**0.4**	**1.8**	**0.8**	**6.3**
Balance sheet provisions (Specific + IBNR)	**1.4**	**1.0**	**0.4**	**0.2**	**1.1**	**0.6**	**3.3**
Specific provisions / impaired loans (%)	**34%**	**34%**	**35%**	**56%**	**51%**	**54%**	**43%**
Income statement - credit provision writebacks €m	**(101)**	**(11)**	**(90)**	**(2)**	**(50)**	**40**	**(113)**

Impaired loans net of specific provisions €3.6bn

Dec-16 €bn	Residential mortgages	PDH	BTL	Other personal	Property and construction	Non-property business lending	Total
Loans to customers	35.2	30.2	5.0	3.1	9.4	17.5	65.2
Of which: impaired	4.6	3.1	1.5	0.4	2.7	1.4	9.1
Balance sheet provisions (Specific + IBNR)	2.0	1.3	0.7	0.3	1.5	0.8	4.6
Specific provisions / impaired loans (%)	38%	36%	41%	58%	50%	51%	44%
Income statement - credit provision writebacks €m	(111)	(81)	(30)	(22)	(145)	(16)	(294)

Impaired loans net of specific provisions €5.1bn

Dec-15 €bn	Residential mortgages	PDH	BTL	Other personal	Property and construction	Non-property business lending	Total
Loans to customers	36.8	30.9	5.9	3.5	11.5	18.3	70.1
Of which: impaired	6.0	4.0	2.0	0.7	4.3	2.1	13.1
Balance sheet provisions (Specific + IBNR)	2.3	1.4	0.9	0.5	2.7	1.3	6.9
Specific provisions / impaired loans (%)	34%	32%	39%	70%	57%	55%	47%
Income statement - credit provision writebacks €m	(478)	(333)	(145)	(8)	(214)	(225)	(925)

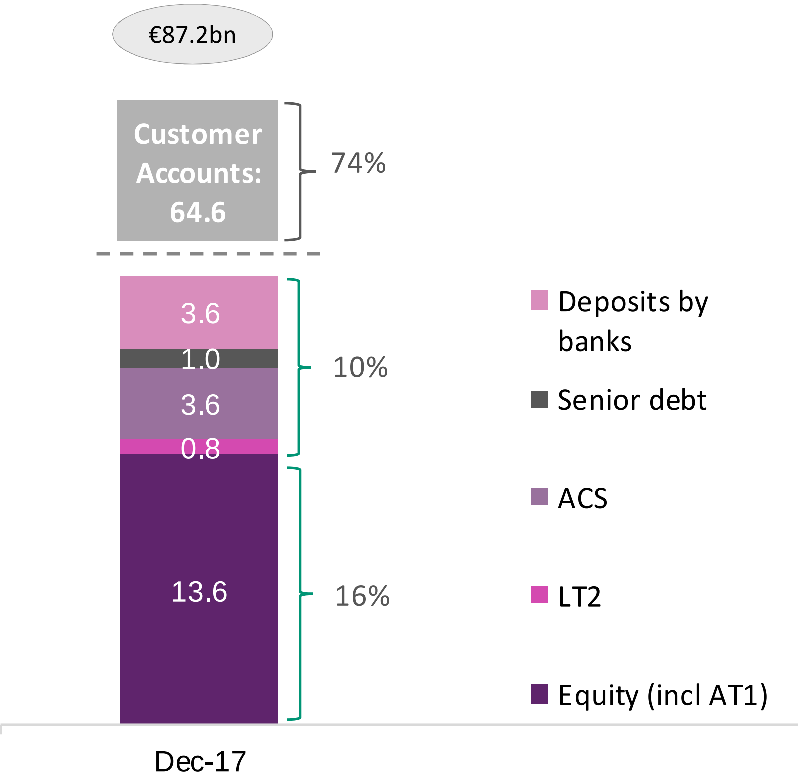
Impaired loans net of specific provisions €6.9bn

Funding structure

Stable funding well positioned for growth

Total funding

€bn



Liquidity ratios well in excess of requirements

Liquidity metrics %	FY 2017	FY 2016
Loan to deposit ratio (LDR)	**93%**	95%
Liquidity coverage ratio (LCR)	**132%**	128%
Net stable funding ratio (NSFR)	**123%**	119%

Credit ratings - Allied Irish Banks, p.l.c.

	Long-Term Rating	
	Dec '17	Dec '16
Moody's	**Baa2 / Stable (IG)**	Baa3 / Positive
S&P	**BBB- / Positive (IG)**	BB+ / Positive
Fitch	**BBB- /Positive (IG)**	BB+ / Positive

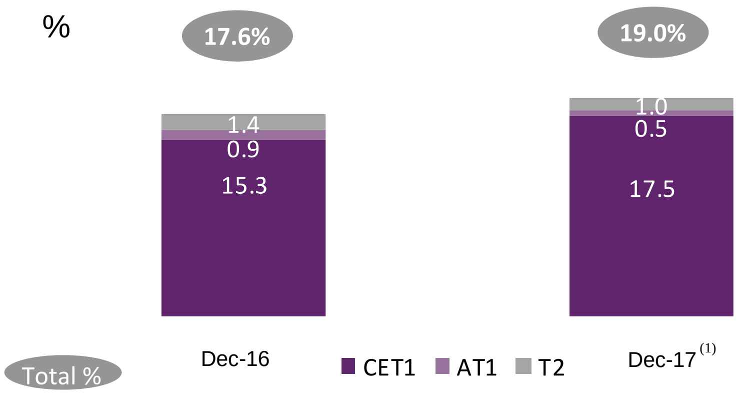
- HoldCo structure (AIB Group plc) completed in Dec 2017 and HoldCo will become the issuer of MREL debt
- MREL informative target 29.05% - issuance plans manageable (€3bn-€5bn) and issuance programme expected to commence in H1 2018
- Engaging with rating agencies to obtain a rating for AIB Group plc (HoldCo)

Capital ratios

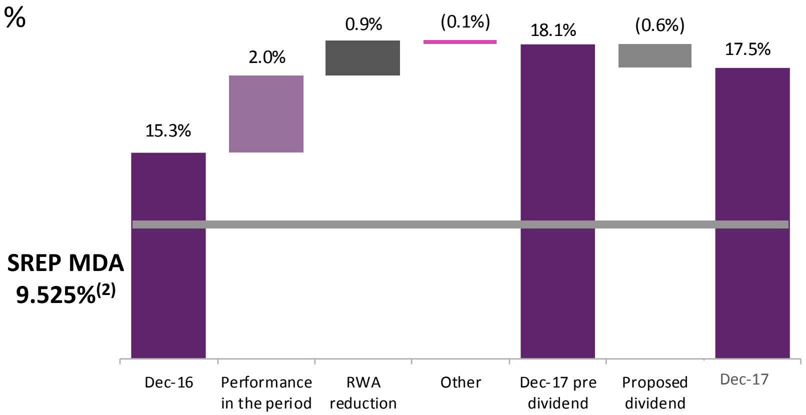
Strong capital position, +220bps, CET1 capital increase to 17.5%

Target CET1 = 13%

Capital ratios (fully loaded)



CET1 +220bps increase in 2017



RWAs (fully loaded)

Risk weighted assets (€m)	Dec-17	Dec-16	Movement
Credit risk	**46,414**	49,027	(2,613)
Market risk	**360**	288	72
Operational risk	**4,248**	3,874	374
CVA / other	**801**	1,230	(429)
Total risk weighted assets	**51,823**	54,419	(2,596)

Capital

- Strong capital position – Fully loaded CET1 of 17.5% and total capital 19.0%; Transitional CET1 20.8% and total 22.6%
  - CET1 capital increase of 220bps - profit €1.1bn; RWA decrease of €2.6bn; and impact of proposed dividend
- Estimated CET1 impact of IFRS9 70bps

RWA

- RWA decreased €2.6bn due to €1.8bn measurement change in line with CRR requirements(3) and €0.7bn FX
- Other credit risk movements - improving grade migrations, redemptions offset by new lending
- Operational risk up €0.4bn due to higher average 3 year income

(1) Dec 17 capital ratios include a minority interest restriction that reduces tier 1 capital by 0.4% and total capital by 1.0%. This restriction relates to the portion of AT1 & T2 instruments issued from Allied Irish Banks, p.l.c. not recognised in AIB Group plc capital ratios
(2) SREP 2018 applies to capital measured under transitional rules. Excludes (Pillar 2 guidance) P2G (not publicly disclosed)
(3) Removal of a national discretion regarding measurement of asset maturity

Medium term financial targets

Focused on delivering sustainable performance

Metric	Medium Term (3-5 Years)	Guidance & Targets	FY 2017	Commentary
Net interest margin	**2.40%+**	Maintain strong and stable NIM, 2.40%+	**2.58%**	*Excluding interest on cured loans 2.50%*
Cost income ratio	**<50%**	Below 50% by end 2019 reflecting robust and efficient operating model	**48%**	*Stable costs, CIR 53% excluding interest on cured / restructured loans*
Fully loaded CET1 ratio	**13.0%**	Strong capital base with normalised CET1 target of 13%	**17.5%**	*Strong capital base with capacity for shareholder returns, subject to Board & Regulatory approval*
RoTE	**10%+**	10%+ return using (PAT – AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)	**12.3%**	*Sustainable underlying profitability generating capital*

Dividends	Working towards annual payout ratio in line with normalised European banks with capacity for excess capital levels to be returned to shareholders through special dividends and/or buybacks – all subject to Regulatory and Board approval

Continued momentum and well positioned for growth

Outlook

Our focus for 2018

Core growth, investing in efficiency and adding selective capabilities

Strategic priorities

Personal Customers	Business Customers	Operating Model	NPEs
No. 1 Mortgage provider in Ireland	**No 1. SME Bank in Ireland**	**CIR < 50%**	**Normalised NPEs**
Improving our mortgage journey and customer experience	Supporting our business customers and economic growth	Continuing to drive efficiencies across the business and evolve the operating model	Continuing to reduce overall NPE levels in line with plans

Opportunities

UK

- Creating efficiencies and optionality

Other customer-led growth initiatives

- Strategic investment and partnerships
- Support for ‘new’ and ‘green’ economies

Outlook

Momentum and delivery

- ✓ Continue implementing proven strategy with relentless focus on Customer First
- ✓ Manage the business model to maintain NIM of 2.40%+ and deliver CIR <50%
- ✓ Grow balance sheet with enhanced quality of new lending and continued normalisation of NPEs
- ✓ Continue to invest in digital capability and innovation within four pillar strategic framework
- ✓ Well positioned for future challenges and opportunities in a growing economy

Deliver on medium term targets to create shareholder value and capacity to return surplus capital

Appendix

Segment performance

A strong performance in 2017

Segmental financials	RCB		WIB		AIB UK		Group		Total Group	
Contribution statement (€m)	**FY 2017**	FY 2016	**FY 2017**	FY 2016	**FY 2017**	FY 2016	**FY 2017**	FY 2016	**FY 2017**	FY 2016
Net interest income	**1,435**	1,273	**267**	269	**238**	224	**236**	247	**2,176**	2,013
Other income	**533**	398	**49**	51	**70**	65	**139**	103	**791**	617
Total operating income	**1,968**	1,671	**316**	320	**308**	289	**375**	350	**2,967**	2,630
Total operating expenses[1]	**(769)**	(745)	**(91)**	(96)	**(132)**	(139)	**(436)**	(397)	**(1,428)**	(1,377)
Operating profit before provisions	**1,199**	926	**225**	224	**176**	150	**(61)**	(47)	**1,539**	1,253
Bank levies and regulatory fees	**-**	-	**-**	-	**2**	1	**(107)**	(113)	**(105)**	(112)
Writeback/(provisions)	**143**	290	**(4)**	(23)	**(18)**	37	**-**	(6)	**121**	298
Associated undertakings & other	**13**	31	**2**	-	**4**	5	**-**	-	**19**	36
Profit before exceptionals	**1,355**	1,247	**223**	201	**164**	193	**(168)**	(166)	**1,574**	1,475
Exceptionals									**(268)**	207
Profit before tax									**1,306**	1,682

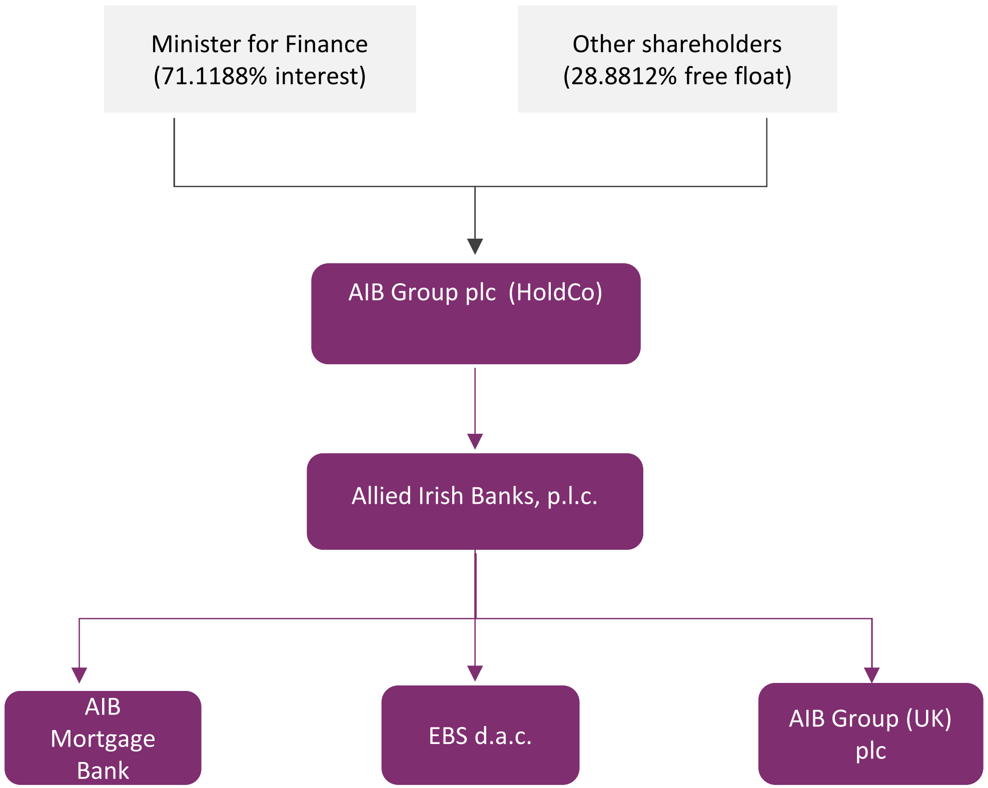
Segmental financials	RCB		WIB		AIB UK		Group		Total Group	
Balance sheet metrics (€bn)	**FY 2017**	FY 2016	**FY 2017**	FY 2016	**FY 2017**	FY 2016	**FY 2017**	FY 2016	**FY 2017**	FY 2016
Net loans	**41.4**	42.7	**10.3**	9.1	**8.2**	8.7	**0.1**	0.1	**60.0**	60.6
New lending	**4.6**	3.9	**3.2**	2.9	**1.6**	1.6 [2]	**-**	-	**9.4**	8.4
Customer accounts	**46.6**	42.9	**5.7**	6.4	**10.1**	10.3	**2.2**	3.9	**64.6**	63.5
Financial investments (AFS & HTM)							**16.3**	18.8	**16.3**	18.8
NAMA senior bonds							**-**	1.8	**-**	1.8

(1) Excludes exceptional items, bank levies and regulatory fees
(2) 2016 has been restated by €0.3bn to exclude all transaction based new lending

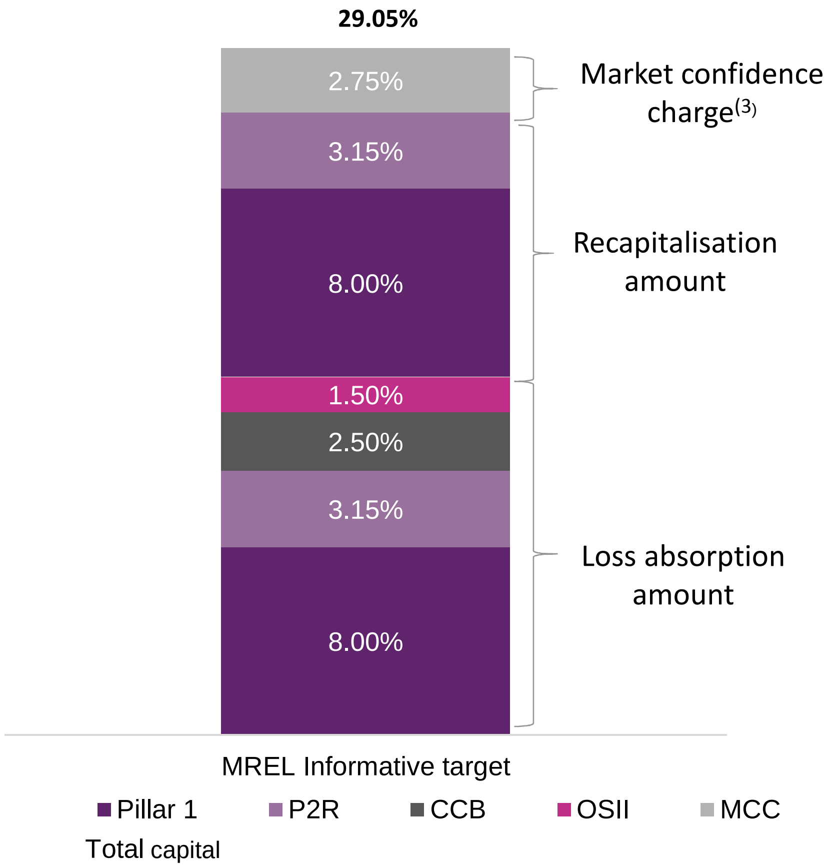
HoldCo

HoldCo structure in place – positions AIB Group plc for MREL issuance

Simplified group structure[1]



MREL[2] informative target - issuance plans (€3bn-€5bn)



(1) Reflects main operating credit institutions only
(2) MREL informative target = Loss absorption amount + recapitalisation amount + market confidence charge
(3) Market confidence charge = CCB + OSII – 1.25%

Minority interest restriction[1]

Impact of minority interest

Dec-17 Fully loaded capital ratios	Pre restriction %	Minority interest restriction	Post restriction %
CET1	17.5%	-	17.5%
Tier 1	18.4%	-0.4%	18.0%
Total capital	20.0%	-1.0%	19.0%

Dec-17 Transitional capital ratios	Pre restriction %	Minority interest restriction	Post restriction %
CET1	20.8%	-	20.8%
Tier 1	21.8%	-0.5%	21.3%
Total capital	23.7%	-1.1%	22.6%

Minority interest restriction impact at AIB Group plc level

- No impact on CET1
- Minority interest restriction – under CRD IV a portion of the AT1 and T2 instruments issued out of Allied Irish Banks, p.l.c. will not be recognised in the consolidated AIB Group plc tier 1 and total capital ratios
- Should the outstanding Allied Irish Banks, p.l.c. AT1 and tier 2 instruments be redeemed and re-issued out of AIB Group plc, the impact of this restriction will be reduced

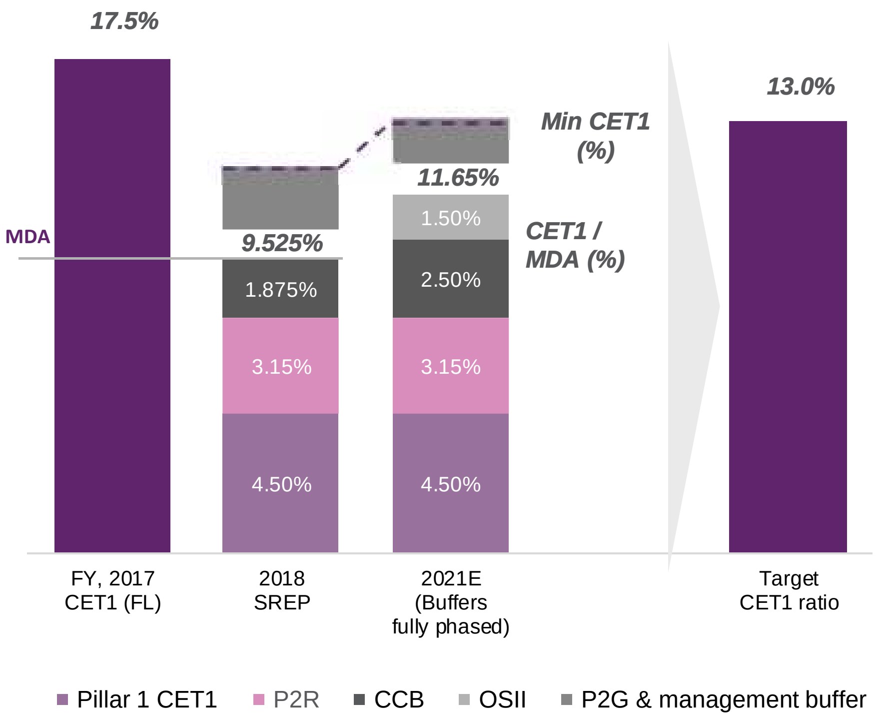
[1] The minority interest calculation may require adjustment pending the final communication of the EBA's position on the matter.

Capital requirements

Steady-state target CET1 ratio of 13%

CET1 – Dec 2017 & SREP 2018

Target CET1 ratio



Minimum capital requirements / SREP[(1)(2)]

- 9.525% CET 1 requirement for 2018 is composed of
  - 4.50% Pillar 1 CET1
  - 3.15% Pillar 2 requirement (P2R) – down 10bps from 2017
  - 1.875% Capital conservation buffer (CCB) – further 0.625% phased in 2018
- 11.65% fully loaded CET 1 requirement for 2021 includes
  - 2.5% CCB fully loaded
  - 1.50% other systemically important institution fully loaded
- Target CET1 ratio taking into account fully phased in buffers and potential impact from successful execution of NPL deleveraging strategy

(1) SREP: Supervisory Review and Evaluation Process
(2) During 2017, the Financial Policy Committee (UK) announced the UK CCyB will increase to 0.5% in June 2018 and to 1% from November 2018. This equates to c. 0.2% for the Group in November 2018.

Capital detail

Transitional and fully loaded capital detail and ratios

AIB Group - CRD IV transitional capital ratios

Risk weighted assets (€m)	31-Dec-17	31-Dec-16
Total risk weighted assets	**51,728**	54,235
Capital (€m)		
Shareholders equity excl AT1 and dividend*	**12,792**	12,404
Regulatory adjustments	**(2,024)**	(2,097)
Common equity tier 1 capital	**10,768**	10,307
Qualifying tier 1 capital	**260**	485
Qualifying tier 2 capital	**644**	980
Total capital	**11,672**	11,772
Transitional capital ratios		
CET1	**20.8%**	19.0%
AT1	**0.5%**	0.9%
LT2	**1.2%**	1.8%
Total capital	**22.6%**	21.7%

AIB Group - Fully loaded capital ratios

Risk weighted assets (€m)	31-Dec-17	31-Dec-16
Total risk weighted assets	**51,823**	54,419
Capital (€m)		
Shareholders equity excl AT1 and dividend*	**12,792**	12,404
Regulatory adjustments	**(3,747)**	(4,090)
Common equity tier 1 capital	**9,045**	8,314
Qualifying tier 1 capital	**291**	494
Qualifying tier 2 capital	**520**	783
Total capital	**9,856**	9,591
Fully loaded capital ratios		
CET1	**17.5%**	15.3%
AT1	**0.6%**	0.9%
LT2	**1.0%**	1.4%
Total capital	**19.0%**	17.6%

AIB Group - RWA (€m) (Transitional)

Risk weighted assets (€m)	31-Dec-17	31-Dec-16	Movement
Credit risk	**46,319**	48,843	(2,524)
Market risk	**360**	288	72
Operational risk	**4,248**	3,874	374
CVA/other	**801**	1,230	(429)
Total risk weighted assets	**51,728**	54,235	(2,507)

AIB Group - Shareholders equity (€m)

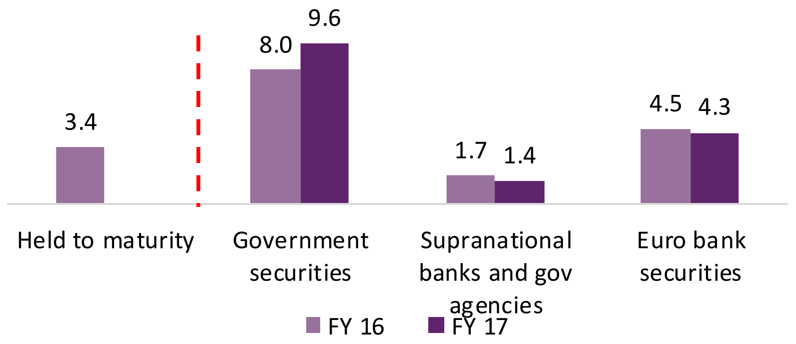
Equity - Dec 2016	**13,148**
Profit 2017	1,114
Cash flow reserves	(203)
AFS reserves	(132)
Dividend	(250)
Other	(65)
Equity - Dec 2017	**13,612**
less: AT1	**(494)**
less: Proposed ordinary dividend	**(326)**
*Shareholders equity excl AT1 and dividend	**12,792**

Financial investments AFS debt securities

€15.6bn portfolio of AFS(1) debt securities

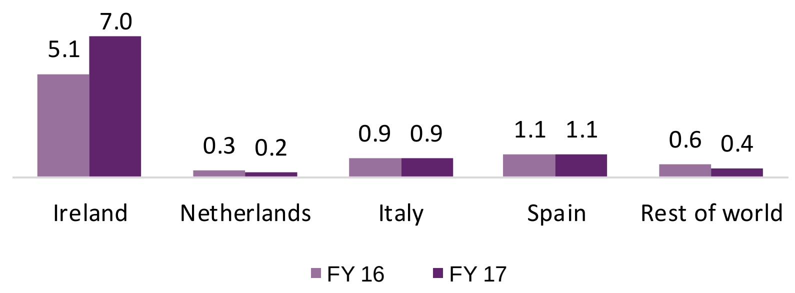
Key components

€bn



Analysis of government securities

€bn



Maturity & yield profile(2)

€bn

AFS debt securities:

- €15.6bn down from €18.2bn (AFS & HTM) - in line with plans to reduce overall AFS holdings with lower liquidity requirements
  - Net gains from disposal of AFS debt securities in 2017 €55m
- Average yield on AFS of 1.68%
  - Yield reducing as higher yielding assets mature
  - Embedded value on AFS €0.9bn
  - c. 71% of the book maturing < 5yrs

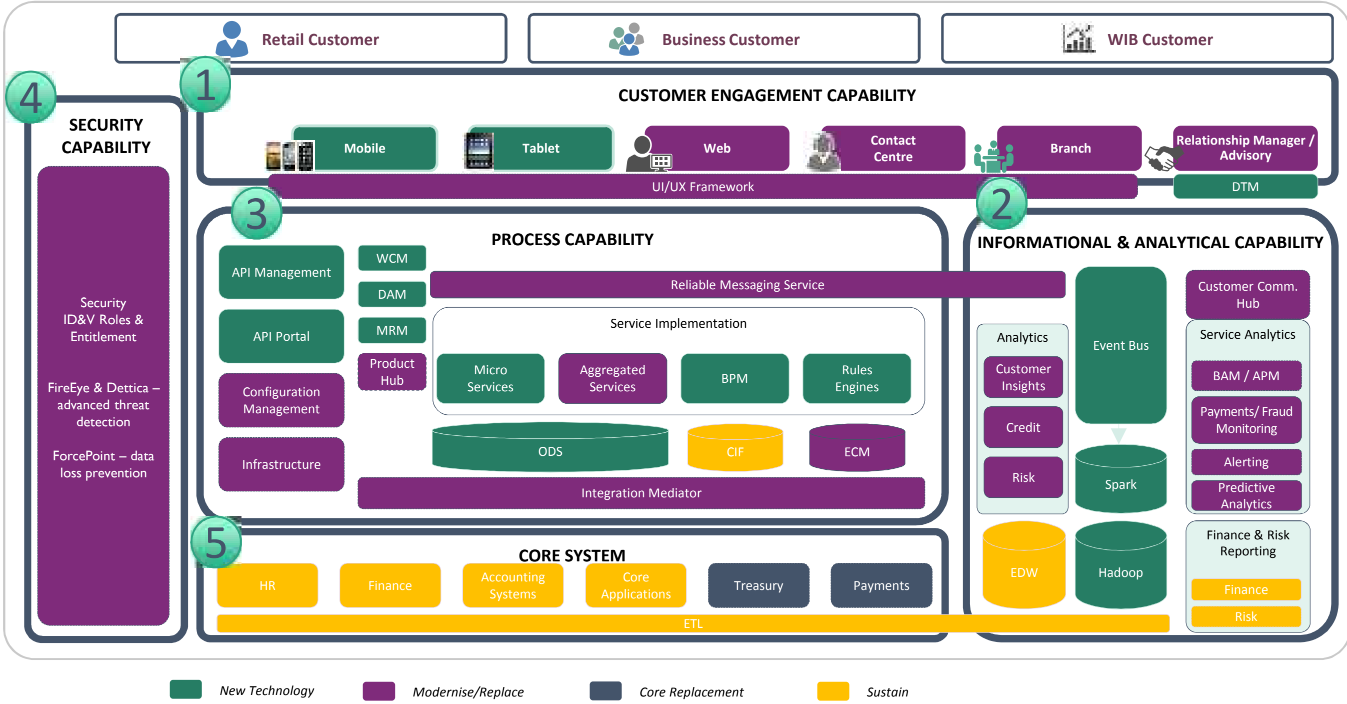
(1) €3.2bn reclassified from HTM to AFS
(2) Maturity and yield profile excludes swaps

Impact of investment on the target architecture

Harvesting benefits through simplification and efficiencies

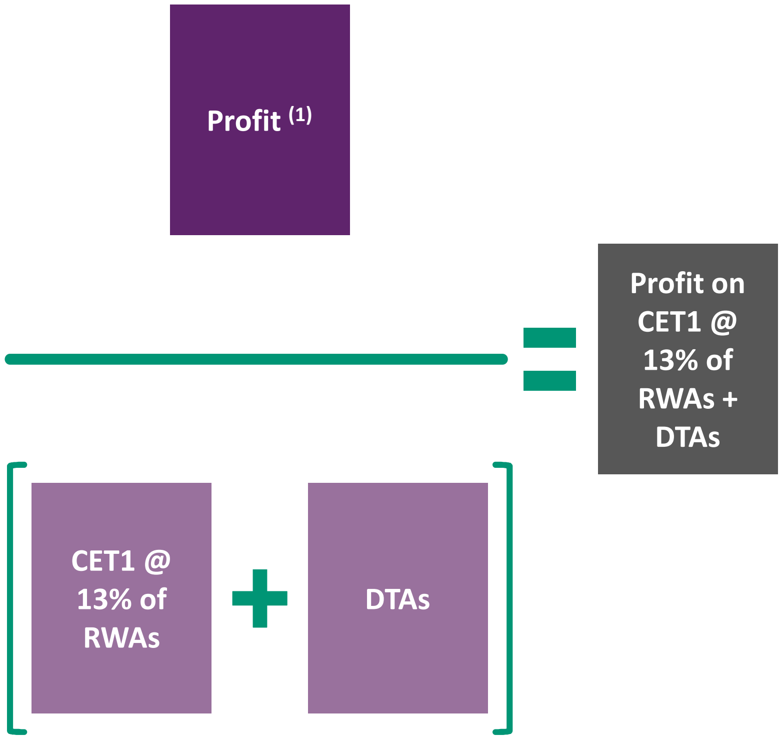
Modular approach – no "big-bang" IT solution

- Continued investment in front end, customer engagement technology
- Modernised processing and analytical solutions to deliver enhanced capability
- Fit for purpose security leveraging industry best practices
- Core replacement of our Treasury & Payments system



Return on tangible equity

(PAT – AT1 Coupon + DTA Utilisation) / (FL CET1 @ 13% + DTAs)



FY 2017	€m
PAT	**1,114**
(-) AT1 coupon	**37**
(+) DTA utilisation	**137**
Profit (Numerator)	**1,214**
Profit (Annualised)	**1,214**
RWAs	**51,823**
CET1 at 13% RWAs	**6,737**
(+) DTAs	**2,907**
Adjusted CET1 (Denominator)	**9,644**
Average Adjusted CET1 (Denominator)	**9,884**
Profit on CET1 @ 13% of RWAs + DTAs	**12.3%** [2]

(1) PAT – AT1 coupon + DTA utilisation = Profit
(2) RoTE reflects a strong underlying performance enhanced by one-off items

Balance sheet provisions

Reduction in provisions €1.3bn in 2017

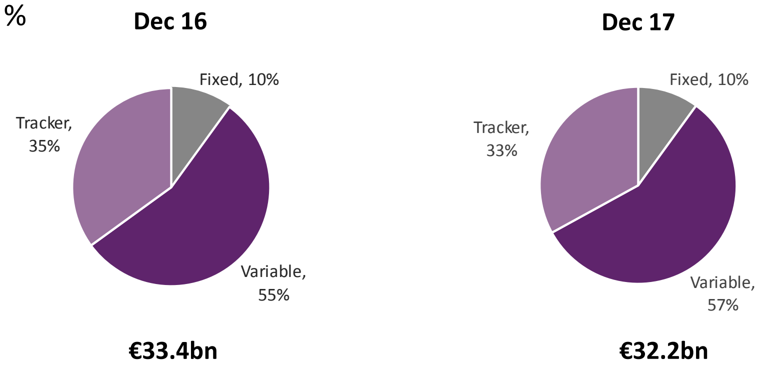
€bn	Residential mortgages	Other personal	Property and construction	Non-property business lending	Total
Opening balance sheet provisions 1 Jan 2017					
Specific	1.7	0.3	1.4	0.7	4.0
IBNR	0.3	-	0.1	0.1	0.5
Balance sheet provisions	2.0	0.3	1.5	0.8	4.6
Income statement - credit provision charge / (writebacks)					
Specific	(0.1)	-	(0.1)	-	(0.2)
IBNR	-	-	0.1	-	0.1
Total	(0.1)	-	-	-	(0.1)
Balance sheet provisions - amounts written off / other					
Total	(0.5)	(0.1)	(0.4)	(0.2)	(1.2)
Closing balance sheet provisions 31 Dec 2017					
Specific	**1.1**	**0.2**	**0.9**	**0.5**	**2.7**
IBNR	**0.3**	**-**	**0.2**	**0.1**	**0.6**
Balance sheet provisions	**1.4**	**0.2**	**1.1**	**0.6**	**3.3**

ROI residential mortgages

Improving asset quality and lower arrears and impaired loans

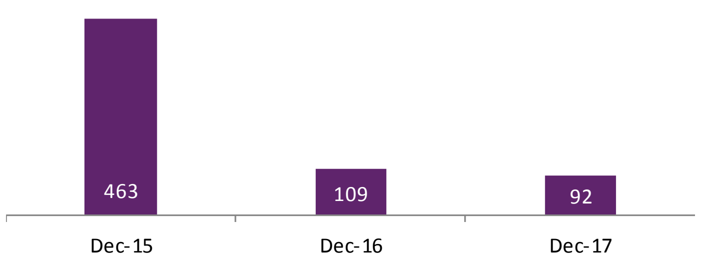
ROI mortgage portfolio

%



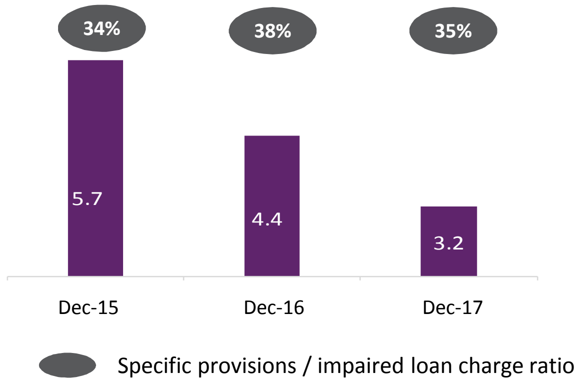
Impairment writeback

€m



Impaired loans

€bn



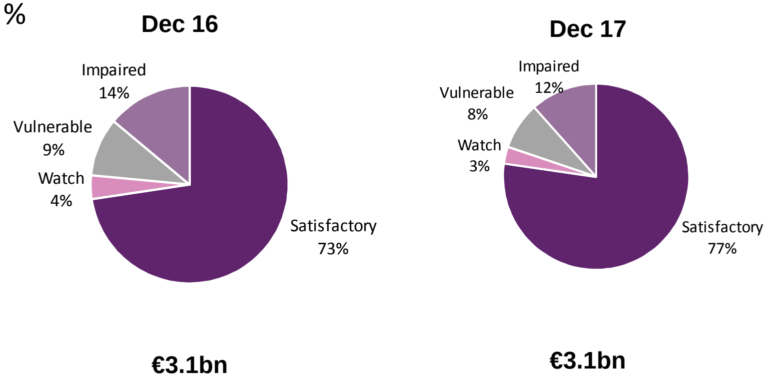
- Continued improvement in overall asset quality with lower arrears and impaired loans
- Arrears levels down 15%[1] at Dec 17 due to restructuring activity and improving economic conditions and below the industry average
  - Owner-occupier arrears down 9%
  - Buy-to-let arrears down 30%
- Impaired loans €3.2bn down €1.2bn mainly due to restructuring, buy-to-let portfolio sale, write-offs and repayments

(1) Arrears by no of accounts

Other personal

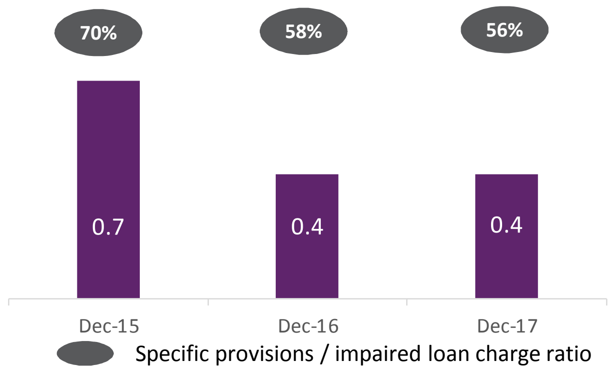
Increase in demand for personal loans and lower impaired loans

Personal loan portfolio



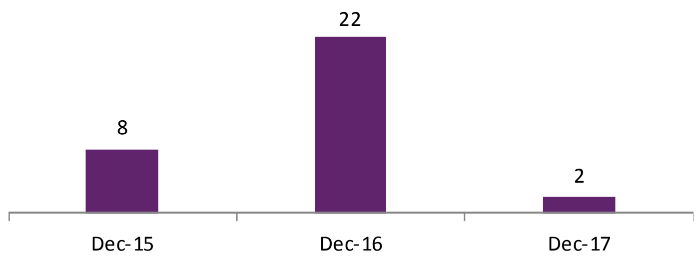
Impaired loans

€bn



Impairment writeback

€m



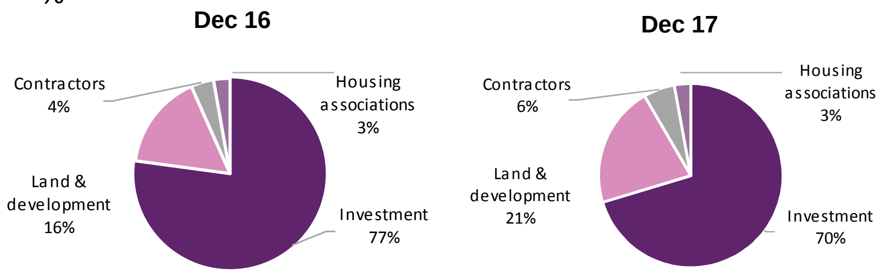
- Portfolio comprises €2.2bn loans and overdrafts and €0.9bn in credit card facilities
- Increase in demand for personal loans due to both improved economic environment and expanded service offering (including on line approval through internet, mobile credit application) offset by restructuring and redemptions
  - ➢ Strong levels of new lending is offset by redemptions and repayments

Property & construction

Lower impaired loans due to continued restructuring

Property & construction portfolio

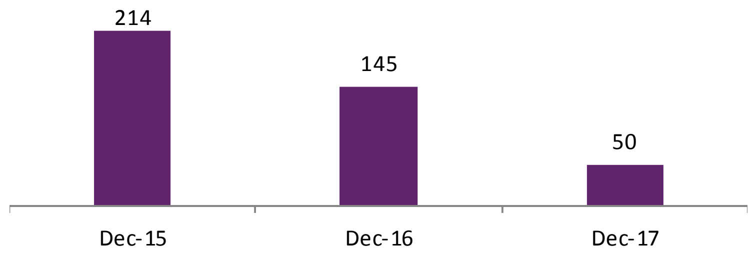
%



€9.4bn €8.8bn

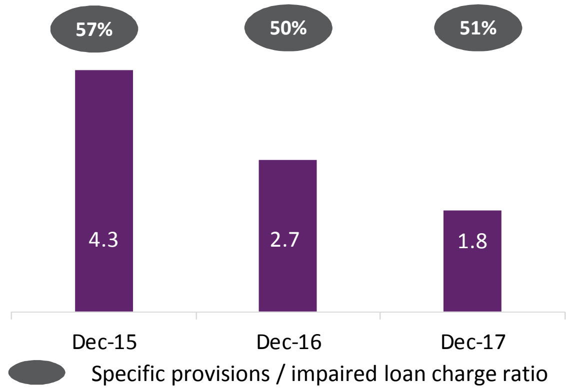
Impairment writeback

€m



Impaired loans

€bn

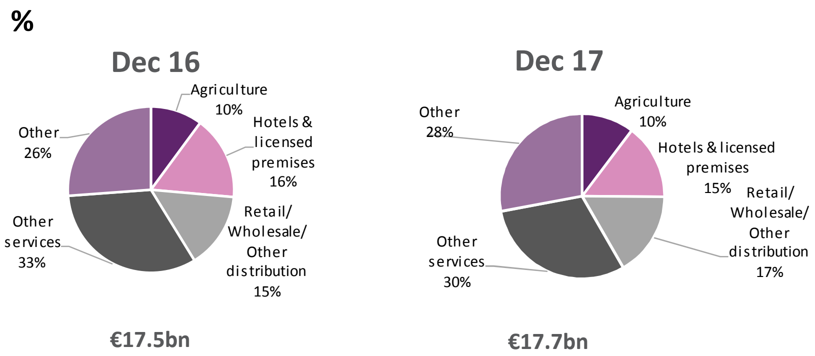


- Portfolio €8.8bn down €0.6bn (6%) due to continued restructuring, write-offs, amortisation and repayment
- Investment Property €6.2bn (71% of the total portfolio) of which €5.3bn is commercial investment
  - Reduced by €1.0bn largely due to loan redemptions (asset sales), restructures & write-offs
    - €0.7bn of this reduction is in the RCB
- Impaired loans €1.8bn down €0.9bn

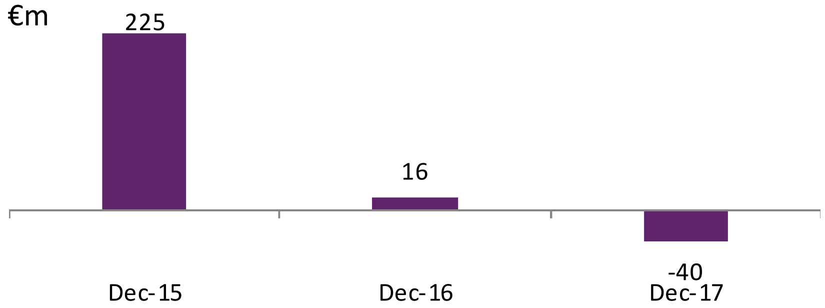
Non-property business

Improvement in asset quality of new lending and reduction in impaired loans

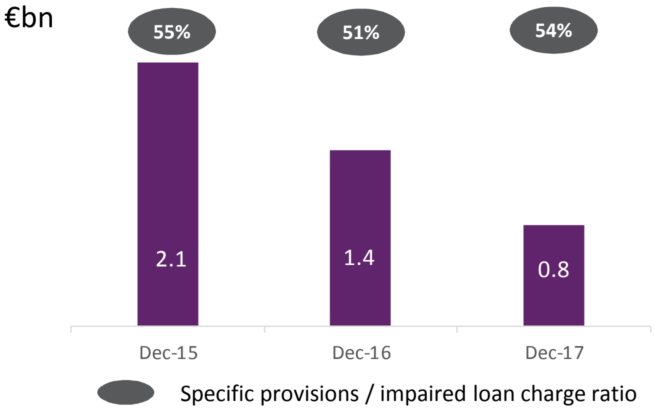
Non-property business portfolio



Impairment writeback / (charge)



Impaired loans



- Portfolio comprises Corporate and SME lending
- Overall improvement in asset quality with new lending exceeding amortisation and repayment with upward grade migration in the portfolio
  - Earning loans increased to 95% of the portfolio with strong performance in sectors such as Agri, hotels and other services
- Impaired loans €0.9bn down €0.5bn YTD
- Specific provision cover increased to 54%