SUPPLEMENT DATED 25 JUNE 2018 TO THE BASE PROSPECTUS DATED 14 MARCH 2018

AIB Group plc

(a company incorporated with limited liability in Ireland)

€10,000,000,000
Euro Medium Term Note Programme

This supplement (the "**Supplement**") to the Base Prospectus dated 14 March 2018 (the "**Base Prospectus**") is prepared in connection with the €10,000,000,000 Euro Medium Term Note Programme (the "**Programme**") established by AIB Group plc ("**AIB**").

This Supplement constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to and should be read in conjunction with the Base Prospectus. The purpose of this Supplement is to (i) amend certain terms and conditions of the Subordinated Notes and the Senior Notes and (ii) reflect certain recent developments in relation to AIB.

This Supplement has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive. The Central Bank only approves this Supplement as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive.

AIB accepts responsibility for the information contained in this Supplement. To the best of AIB's knowledge and belief (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statement in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme since the publication of the Base Prospectus.

RECENT DEVELOPMENTS

Unaudited trading update for the first quarter ended 31 March 2018

Financial performance

In the first quarter ended 31 March 2018, net interest margin ("**NIM**") was 2.53 per cent., which is in line with the equivalent period in 2017. This reflects lower funding costs offset by the disposal of high yielding government bonds and the absorption of mortgage pricing changes in the fourth quarter of 2017.

Fees and commission income remained stable in the first quarter ended 31 March 2018.

The operating costs of the Group in the first quarter ended 31 March 2018 were as anticipated and in line with the equivalent period in 2017. The factors expected to impact costs in 2018 include wage inflation, continued investment in loan restructuring and increased depreciation.

While a net credit provision write-back was recorded in the first quarter ended 31 March 2018, there is some volatility in provisioning due to the introduction of IFRS 9 and the move to lifetime expected loss calculation.

Balance sheet

The performing loan book increased during the first quarter ended 31 March 2018 as new lending exceeded redemptions. Gross loans of €63.6 billion were up €0.3 billion, however an equal increase in provisions due to IFRS 9 implementation resulted in a flat net loan book of €60.0 billion.

New lending drawdowns in the quarter were strong. Lending in Ireland increased by 18 per cent. on the prior year period. In the United Kingdom, new lending was lower in the first quarter ended 31 March 2018 compared to the prior year period, overall however, the United Kingdom loan book has remained stable since December 2017.

Non-performing exposures ("**NPE**")[1] reduced by €1.0 billion to €9.2 billion driven by continued case by case resolution (approximately €400 million) and the impact of harmonisation of definitions of defaulted loans under IFRS 9[2].

Customer accounts of €64.8 billion increased from €64.6 billion as at 31 December 2017 primarily as current accounts continue to grow. During the first quarter ended 31 March 2018, AIB sold a €0.5 billion high yielding government bond within its Available-for-Sale portfolio to lower this balance to €15.7 billion at 31 March 2018. The loan to deposit ratio was 93 per cent. at 31 March 2018.

Funding and Capital

On 29 March 2018, AIB issued €500,000,000 senior unsecured 1.500 per cent. notes due 2023 under the Programme.

The fully loaded CET1 at 31 March 2018 was 17.1 per cent. (17.5 per cent. at the end of 2017), driven by strong profitability offset predominantly by the IFRS 9 impact[2], a marginal increase in risk-weighted assets and dividend accrual.

Sale of non-performing loan portfolio

As announced on 17 May 2018, AIB has agreed to sell a non-performing loan portfolio to Everyday Finance DAC ("**Everyday**") as part of a consortium arrangement with Everyday and affiliates of Cerberus Capital Management.

At 31 March 2018, the loan portfolio had a gross balance sheet value of €1.1 billion which represented risk weighted assets of €0.8 billion. In the year ended December 2017, this loan portfolio incurred a loss of €1.1 million.

At completion, AIB will receive cash consideration of €0.8 billion and the proceeds will form part of its ongoing liquidity management. The conclusion of the transaction will be capital accretive.

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1 NPEs can broadly be split into two categories: customers that AIB has resolved subject to a probationary period or completion of property sales before the loans exit from NPE; customers yet to be resolved (previously defined as impaired and 90 days past due).

2 Subject to finalisation.

AMENDMENTS TO THE "RISK FACTORS" SECTION

In the "Risk Factors" section on pages 7 to 35 of the Base Prospectus:

(i) The following sentence shall be added to end of the second paragraph of the risk factor "*2 Geopolitical developments, particularly in Europe and the United States, could have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group*":

"Uncertainty over the fiscal policies of the new Italian government, their consequences and the response of the EU may trigger a re-emergence of a sovereign debt crisis in highly-indebted EU member states, disrupting equity and fixed income markets and resulting in volatile bond yields on the sovereign debt of EU member states."

(ii) In the first sentence of the third paragraph of the risk factor "*2 Geopolitical developments, particularly in Europe and the United States, could have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group*", the text ", particularly in light of the contested Catalan independence referendum in 2017 and the inconclusive elections in Italy in March 2018" shall be deleted.

(iii) The penultimate paragraph of the risk factor "*2 Geopolitical developments, particularly in Europe and the United States, could have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group*" shall be deleted and replaced with the following:

"In the United States, the implementation of the new administration's policies, such as trade protectionism, use of targeted financial sanctions, travel restrictions and the withdrawal from the Joint Comprehensive Plan of Action with respect to Iran may in the future have an adverse effect on relations between the United States and the EU and may have an impact on economic conditions generally."

(iv) In the last sentence of the second paragraph of the risk factor "*4 The Group faces risks associated with the level of, and changes in, interest rates, as well as certain other market risks*", the words "available for sale" shall be deleted and replaced with "fair valued".

(v) The first two sentences of the eighth paragraph of the risk factor "*8 The Group is required to comply with a wide range of laws and regulations. If the Group fails to comply with these laws and regulations, it could become subject to regulatory actions*" shall be deleted and replaced with the following:

"The MREL requirements imposed on the Group will require the Group to raise additional funds in order to meet its obligations. The Group's MREL target is 28.04 per cent., with MREL eligible issuance expected to be in the range of €3 billion to €5 billion."

(vi) The first three sentences of the second paragraph of the risk factor "*9 Loan-to-value ("LTV")/Loan-to-income ("LTI") related regulatory restrictions on residential mortgage lending may restrict the Group's mortgage lending activities and balance sheet growth generally*" shall be deleted.

(vii) The following two paragraphs shall be inserted as the new second and third paragraphs of the risk factor "*9 Loan-to-value ("LTV")/Loan-to-income ("LTI") related regulatory restrictions on residential mortgage lending may restrict the Group's mortgage lending activities and balance sheet growth generally*":

"The Group is required to restrict lending above 90 per cent. LTV of the property, to no more than 5 per cent. (for first time buyers) and restrict lending above 80 per cent. LTV to no more than 20 per cent. (for second and subsequent buyers) of the aggregate value of the principal dwelling home ("PDH") loans made in the relevant period. Mortgages for non-PDH have a restriction to lending above 70 per cent. LTV of no more than 10 per cent.

The Group is also required to restrict lending above 3.5 times LTI to no more than 20 per cent. (for first time buyers) of the aggregate value of the PDH loans made in the relevant period. The restriction is 10 per cent. for second and subsequent buyers. Mortgages for non-PDH loans are exempt from the LTI limit."

(viii) The last paragraph of the risk factor "*10 The Group is subject to anti-money laundering, counter-terrorist financing, anti-corruption and sanctions regulations and if it fails to comply with these regulations, it may face administrative sanctions, criminal penalties and/or reputational damage*" shall be deleted and replaced with the following:

"In light of the geopolitical developments referred to in the risk factor "*2 Geopolitical developments, particularly in Europe and the United States, could have repercussions that could have a negative impact on global economic growth, disrupt markets and adversely affect the Group*" above, there has also been a recent increase in the use of targeted financial sanctions by the United States against certain Russian individuals and organisations. Given the scale, nature and complexity of these sanctions and the extent to which the targets of these are integrated into the wider global economy, there remains an increased risk that the Group could find itself transacting with customers who could become subject to such sanctions and potentially face the consequence of secondary United States sanctions as a result of this.

Although the Group has policies and procedures that it believes are sufficient to comply with applicable AML/CTF, anti-corruption and sanctions rules and regulations, it cannot guarantee that such policies and procedures completely prevent situations of money laundering, terrorist financing, breaches of sanctions or corruption, including actions by the Group's employees, agents, third party suppliers or other related persons for which the Group might be held responsible. Any such events may have severe consequences, including litigation, sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects."

(ix) The first two sentences of the third paragraph of the risk factor "*14 Irish legislation and regulations in relation to mortgages, as well as judicial procedures for the enforcement of mortgages, custom, practice and interpretation of such legislation, regulations and procedures, may result in higher levels of default by the Group's customers, delays in the Group's recoveries in its mortgage portfolio and increased impairments*" shall be deleted and replaced with the following:

"During 2017, proposed legislation was introduced in Dáil Éireann, entitled 'Mortgage Arrears Resolution (Family Home) Bill 2017'. In 2018, the Courts and Land and Conveyancing Law Reform Bill 2018 is proposed to incorporate the 'Keeping People in their Homes Bill 2017'and this has now secured government approval for drafting. The purpose of the Bill is to provide further protections for home owners in mortgage difficulties. If these bills are passed into law in their current forms (or if other similar laws or regulations are introduced), the Group would face restrictions on its ability to collect mortgages that are in arrears. Further legislation is proposed with regard to loans sold to third parties which may give rise to further implications for future loan sales undertaken by the Group."

(x) The third paragraph of the risk factor "*15 The Group is subject to conduct risk, including changes in laws, regulations and practices of relevant authorities and the risk that its practices are challenged under current regulations or standards, and if it is deemed to have breached any of these laws or regulations, it could suffer reputational damage or become subject to challenges by customers or competitors, or sanctions, fines or other actions*" shall be deleted and replaced with the following:

"In March 2018, AIB and EBS were advised by the Central Bank of the commencement of investigations in connection with the Tracker Mortgage Examination. The investigations relate to alleged breaches of the relevant consumer protection legislation, principally regarding inadequate controls or instances where AIB or EBS acted with a lack of transparency, unfairly or without due skill and care. The outcome of the investigations may result in monetary penalties being imposed on the Group."

(xi) The first sentence of the risk factor "*22 The Group's risk management systems, processes, guidelines and policies may prove inadequate for the risks faced by its business and any failure to properly assess or manage the risks which it faces could cause harm to the Group's business*" shall be deleted and replaced with the following:

"The Group is exposed to a number of material risks, such as business model risk, capital adequacy risk, funding and liquidity risk, credit risk, market risk, pension risk, regulatory compliance risk, operational risk, people and culture risk, restructure execution risk, model risk and conduct risk, that it manages through its risk management framework."

(xii) The first sentence of the second paragraph of the risk factor "*24 The Group has a high level of criticised loans on its statement of financial position and there can be no assurance that it will continue to be successful in reducing the level of these loans. The management of criticised loans also gives rise to risks, including the vulnerability to challenge by customers and/or third parties, re-default, changes in the regulatory regime, further losses, costs and the diversion of management attention and other resources from the Group's business*" shall be deleted and replaced with the following:

"Criticised loans include "criticised watch", "criticised recovery" and "defaulted" loans."

(xiii) In the third paragraph of the risk factor "*24 The Group has a high level of criticised loans on its statement of financial position and there can be no assurance that it will continue to be successful in reducing the level of these loans. The management of criticised loans also gives rise to risks, including the vulnerability to challenge by customers and/or third parties, re-default, changes in the regulatory regime, further losses, costs and the diversion of management attention and other resources from the Group's business*", the word "impaired" shall be deleted and replaced with "in default".

(xiv) The following shall be added as the new fourth paragraph of the risk factor "*25 The Group faces operational risks – including people, cyber, outsourcing, process and systems risks*":

"The people risk is further heightened through the recent outcome at the annual general meeting held on 25 April 2018 where the deferred annual share plan was not passed."

(xv) The following shall be added to the end of the second paragraph of the risk factor "*29 Pursuant to the AIB Relationship Framework, certain other agreements entered into between AIB and the Irish Government, and certain general legislative powers, the Irish Government has the right to exercise a degree of influence over certain specified aspects of the Group's activities*":

"AIB is also subject to various obligations under a deed of covenant, which was entered into as part of the corporate reorganisation in 2017. The obligations are similar to those contained within the state agreements, including (a) restrictions on reduction of reserves; (b) restrictions on director and senior executive/employee remuneration and termination payments; (c) assisting in the placing, offer to the public or admission to trading of AIB shares owned by the Minister for Finance; and (d) rights to obtain information."

(xvi) The second sentence of the third paragraph of the risk factor "*29 Pursuant to the AIB Relationship Framework, certain other agreements entered into between AIB and the Irish Government, and certain* *general legislative powers, the Irish Government has the right to exercise a degree of influence over certain specified aspects of the Group's activities*" shall be deleted and replaced with the following:

"As such, the NAMA programme continues to apply to the Group. As of 29 March 2018, the AIB CIFS-covered institutions and the AIB ELG-participating institutions ceased to have any covered liabilities under the schemes. Notwithstanding this, the CIFS Scheme and the ELG Scheme continues to apply to the AIB CIFS-covered institutions and the AIB ELG-participating institutions, and their respective subsidiaries."

(xvii) The first two paragraphs of the risk factor "*34 Substitution or variation of Notes*" shall be deleted and replaced with the following:

"If, in the case of any Series of Subordinated Notes, "Substitution and Variation" is specified as being applicable in the relevant Final Terms, then following the occurrence of a Tax Event or Capital Disqualification Event, AIB may, subject as provided in Condition 5(i)(ii) of the Subordinated Notes and without the need for any consent of the Noteholders or the Couponholders, substitute all (but not some only) of such Series of Subordinated Notes for, or vary the terms of such Series of Subordinated Notes (including changing the governing law of Condition 15(c) from English law to Irish law) so that they remain or become, Tier 2 Compliant Notes (as defined in Condition 16 of the Subordinated Notes).

If, in the case of any Series of Senior Notes, "Substitution and Variation" is specified as being applicable in the relevant Final Terms, then following the occurrence of a Loss Absorption Disqualification Event, AIB may, subject as provided in Condition 5(j)(ii) of the Senior Notes and without the need for any consent of the Noteholders or the Couponholders, substitute all (but not some only) of such Series of Senior Notes for, or vary the terms of such Series of Senior Notes (including changing the governing law of Condition 15(c) from English law to Irish law) so that they remain or become, Loss Absorption Compliant Notes (as defined in Condition 16 of the Senior Notes)."

(xviii) The following paragraph shall be inserted as the new penultimate paragraph of the risk factor "*34 Substitution or variation of Notes*":

"While Tier 2 Compliant Notes or Loss Absorption Compliant Notes, as the case may be, must otherwise contain terms that are not materially less favourable to Noteholders than the original terms of the relevant Notes, the governing law of Condition 15(c) may be changed from English law to Irish law in order to ensure the effectiveness and enforceability of Condition 15(c). There can be no assurance that the terms of any Tier 2 Compliant Notes or Loss Absorption Compliant Notes, as the case may be, will be viewed by the market as equally favourable to Noteholders, or that such Notes will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms."

AMENDMENTS TO THE "TERMS AND CONDITIONS OF THE SENIOR NOTES" SECTION

In the "Terms and Conditions of the Senior Notes" section on pages 39 to 70 of the Base Prospectus:

(i) The sentence immediately preceding Condition 5(j)(i)(A) shall be deleted and replaced with the following:

"If a Loss Absorption Disqualification Event has occurred and is continuing, or in order to ensure the effectiveness and enforceability of Condition 15(c), the Issuer (in its sole discretion but subject to the provisions of paragraph (ii) below), having given:"

(ii) The first sentence immediately following Condition 5(j)(i)(B) shall be deleted and replaced with the following:

"(which notices shall be irrevocable), may, without any requirement for the consent or approval of the Noteholders, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 15(c) from English law to Irish law) so that they remain or, as appropriate, become, Loss Absorption Compliant Notes."

(iii) The following text shall be inserted at the beginning of paragraph (C) of the definition of "Loss Absorption Compliant Notes" in Condition 16:

"(other than in the case of a change to the governing law of Condition 15(c) to Irish law in order to ensure the effectiveness and enforceability of Condition 15(c))".

AMENDMENTS TO THE "TERMS AND CONDITIONS OF THE SUBORDINATED NOTES" SECTION

In the "Terms and Conditions of the Subordinated Notes" section on pages 71 to 102 of the Base Prospectus:

(i) The sentence immediately preceding Condition 5(i)(i)(A) shall be deleted and replaced with the following:

"If a Tax Event or a Capital Disqualification Event has occurred and is continuing, or in order to ensure the effectiveness and enforceability of Condition 15(c), the Issuer (in its sole discretion but subject to the provisions of paragraph (ii) below), having given:"

(ii) The first sentence immediately following Condition 5(i)(i)(B) shall be deleted and replaced with the following:

"(which notices shall be irrevocable), may, without any requirement for the consent or approval of the Noteholders, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 15(c) from English law to Irish law) so that they remain or, as appropriate, become, Tier 2 Compliant Notes."

(iii) The following text shall be inserted at the beginning of paragraph (C) of the definition of "Tier 2 Compliant Notes" in Condition 16:

"(other than in the case of a change to the governing law of Condition 15(c) to Irish law in order to ensure the effectiveness and enforceability of Condition 15(c))".