



Backing our  
customers

# Investor Presentation

Annual Financial Results  
*For the financial year ended 31 December 2018*

AIB Group plc

# Forward Looking Statement



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 62 to 68 in the 2018 Annual Financial Report. 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 62 to 68 of the 2018 Annual Financial Report 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.

# 2018 highlights

## Customer First strategy delivering sustainable performance



- Profit before tax €1.25bn, loan book growth and significant improvement in asset quality
- Reaching more normalised annual dividend level with +42% increase to €461m / 17c per share
- Business generating capital +210bps pre-dividend; fully loaded CET1 of 17.5%
- Strong progress on NPE normalisation; €6.1bn (9.6% overall), down €4.1bn (-41%) from Dec 2017
- ROTE<sup>(1)</sup> 12.4% allowing continued investment in evolving our market leading franchise

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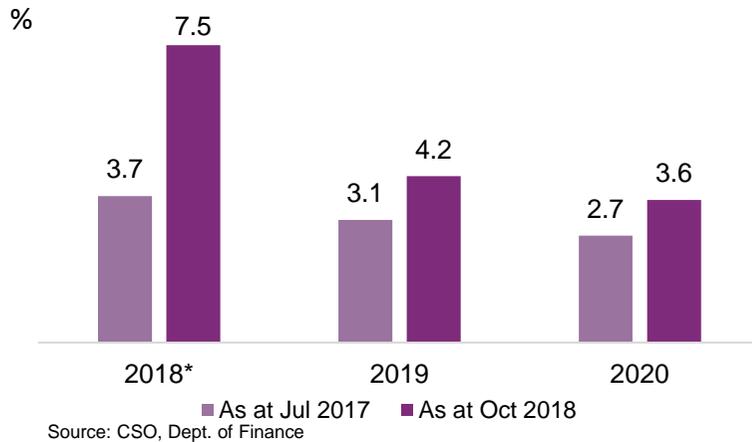
<sup>(1)</sup> ROTE based on  $(PAT - AT1\ coupon + DTA\ utilization) / (CET1 @ 13\% plus DTA)$

# Growing Irish economy

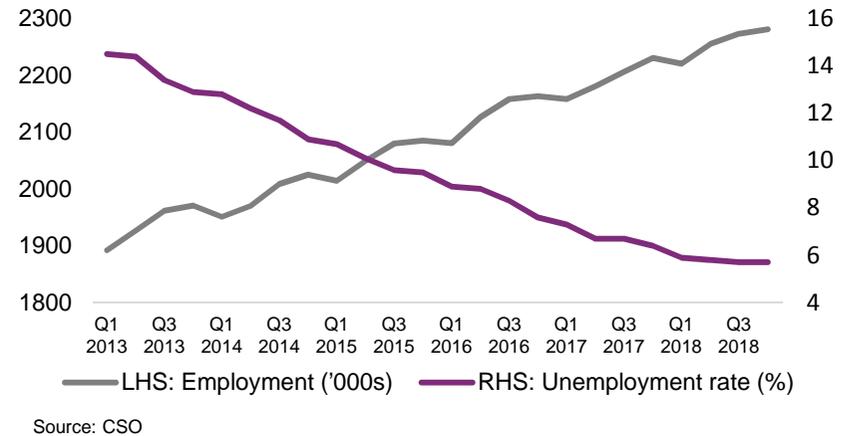
## Continuing attractive market dynamic



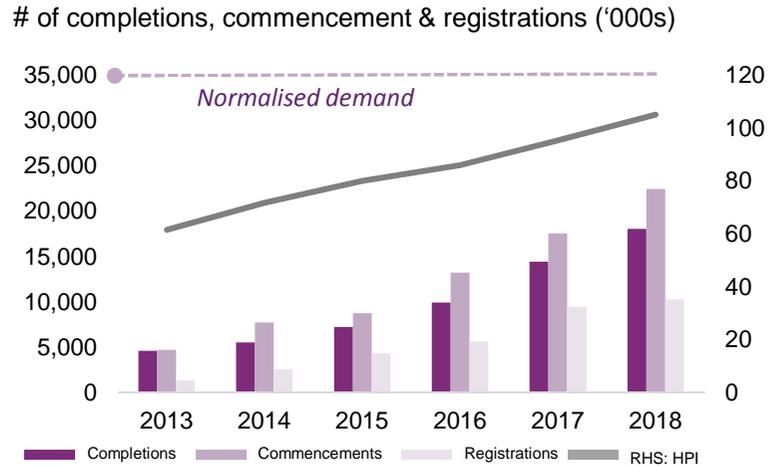
### Irish economic growth\* improving; Brexit risk remains



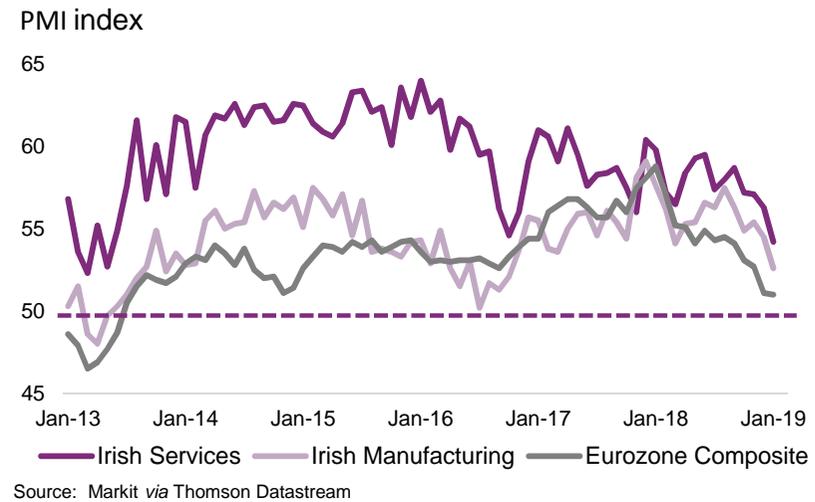
### Total employment levels rising as unemployment falls



### Irish housing activity



### Business sector in expansionary mode; cautious amid uncertainty



\* GDP forecasts used, however note that GDP can be distorted due to the impact of multi-national sector in Ireland. Modified final domestic demand in 2018 estimated at c.5%

# Delivering continued momentum

## Increased new lending; leading market shares



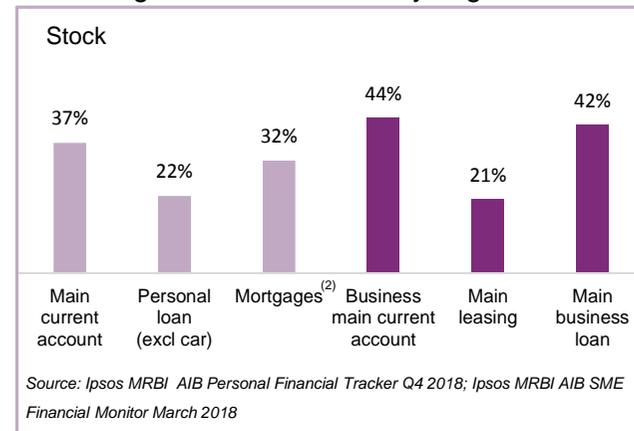
Continuing increase in new lending



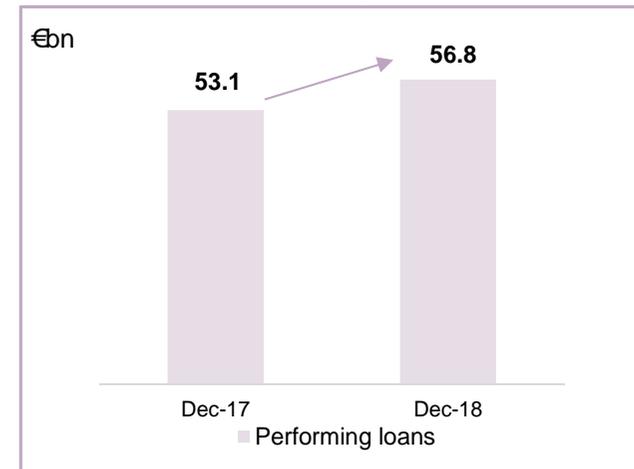
Continuing momentum in key sectors<sup>(1)</sup>



Leading market shares in key segments



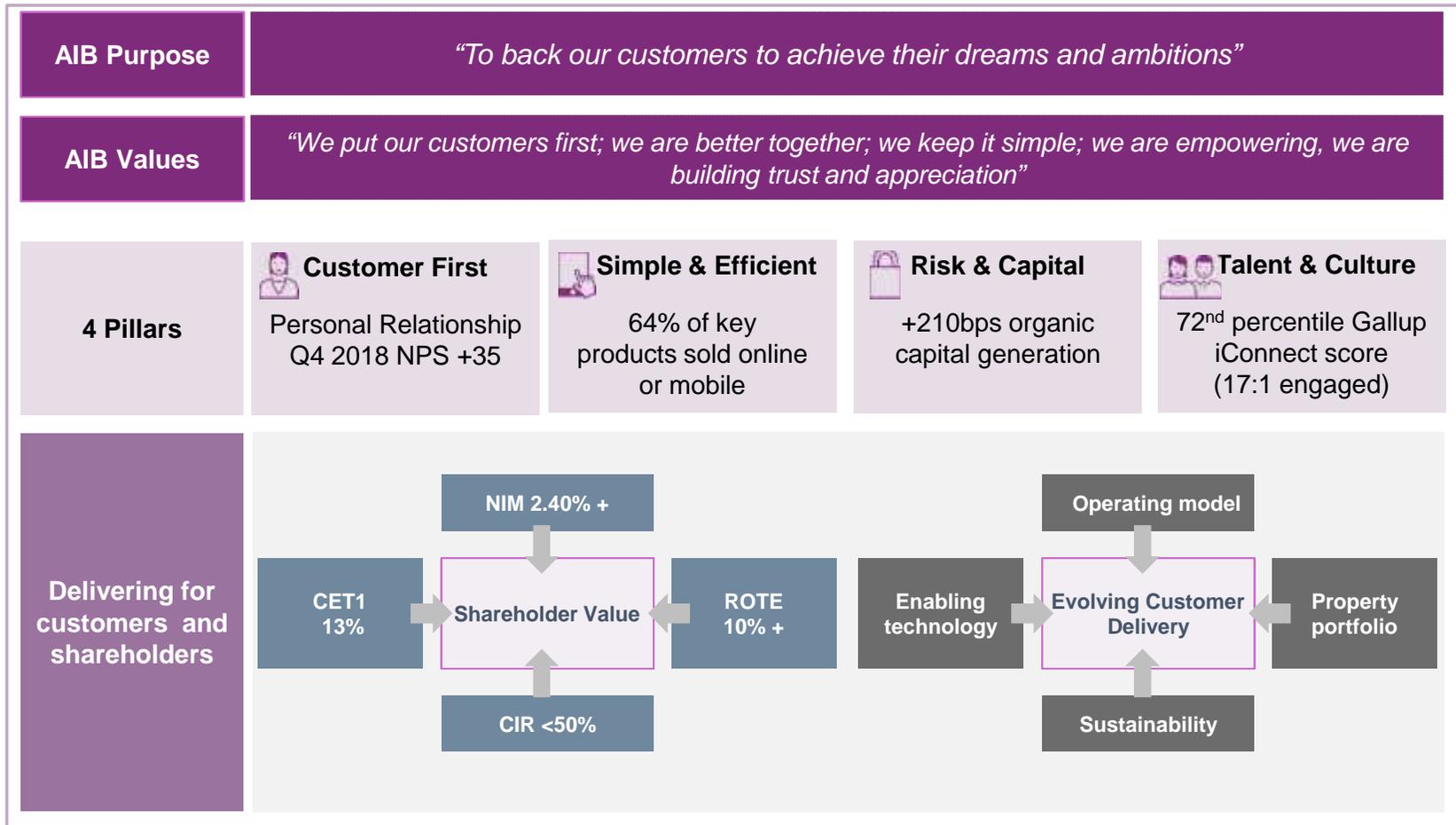
Growing the performing loan book



(1) Excludes UK and revolving credit facilities (RCF)  
 (2) New lending flow based on BPF industry drawdown data to end December 2018

# Consistency of strategy and delivery

Continued strategic, financial and operational performance through 2018



# Purpose & four pillar strategy driving performance

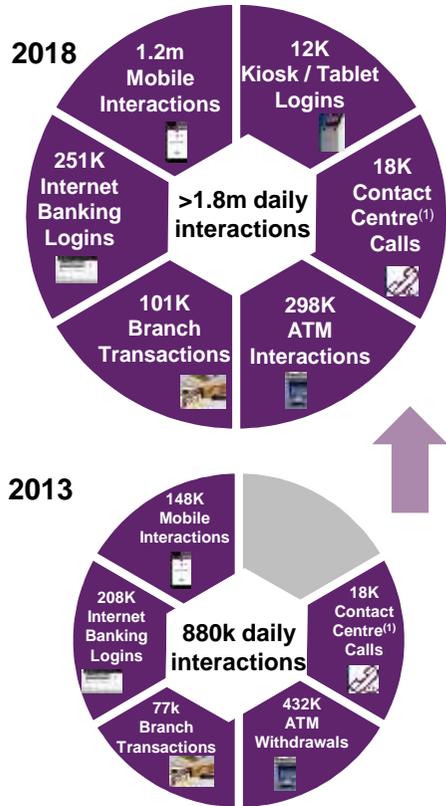
Backing our customers to achieve their dreams and ambitions and delivering for stakeholders



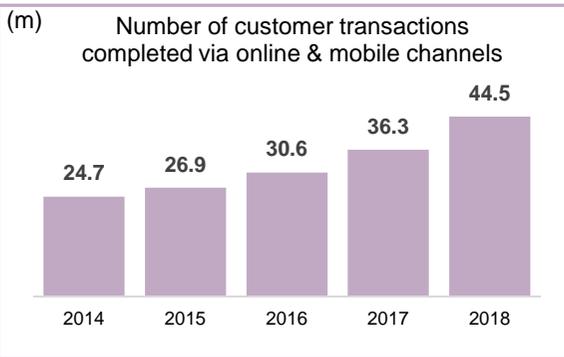
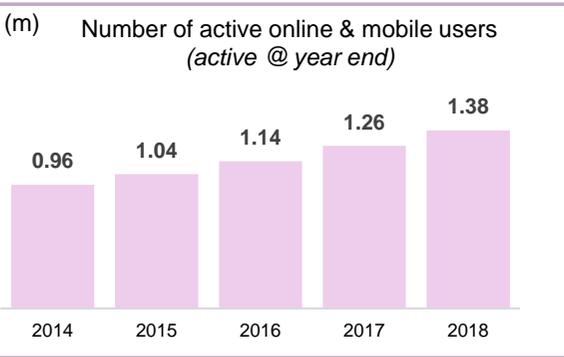
## Customer and business outcomes

Personal relationship <b>Q4 18: NPS +35</b>	Performing loan book growth <b>+€3.7bn</b>
Homes <b>Q4 18: NPS +50</b>	Organic capital generation <b>+210bps</b>
SME micro <b>Q4 18: NPS +57</b>	New lending <b>98% at strong/satisfactory grades</b>

## Multiple touchpoints



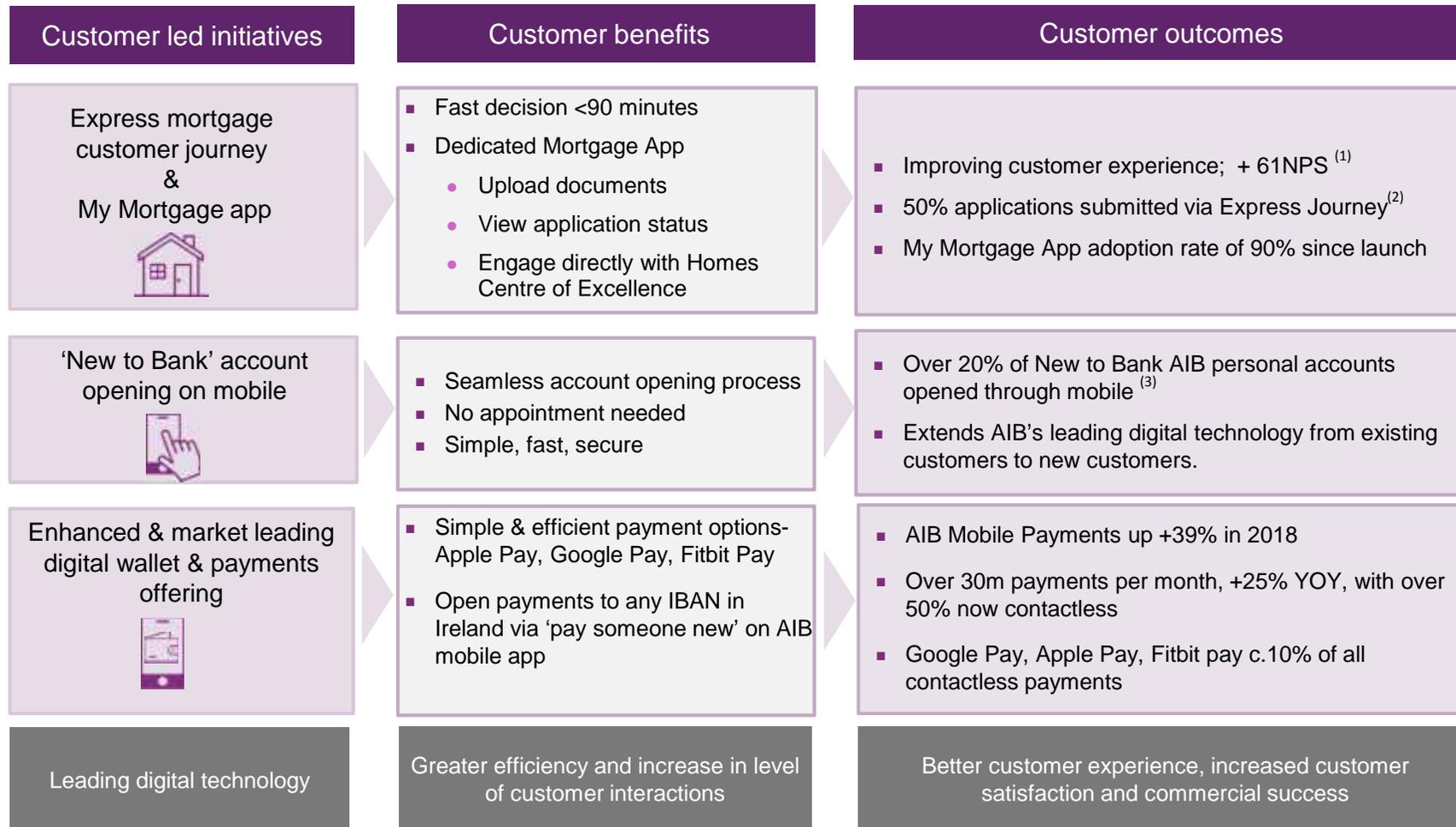
## Greater efficiency, product offering & delivery



<sup>(1)</sup> Includes calls to direct banking & service

# Customer First driving commercial success

Focus on customer value, efficiency and improving the experience



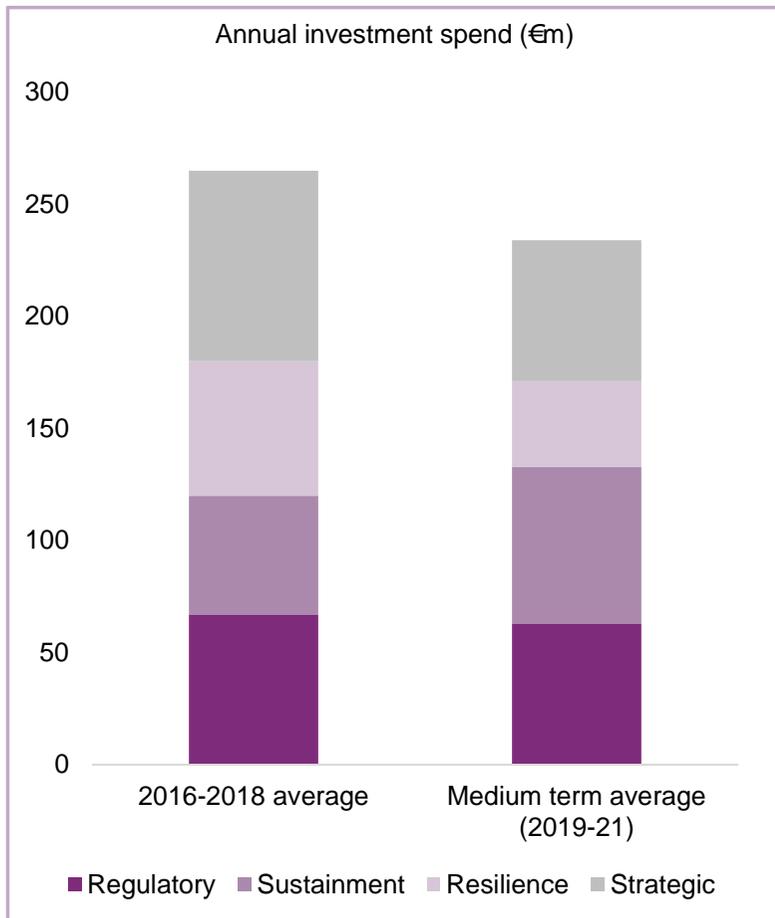
<sup>(1)</sup> NPS based on Express Journey – July to Dec 18

<sup>(2)</sup> Current percentage of total applications submitted across branch and Direct

<sup>(3)</sup> Percentage refers to eligible current accounts and excludes student accounts, advantage accounts and basic bank accounts

# Continued investment in key focus areas

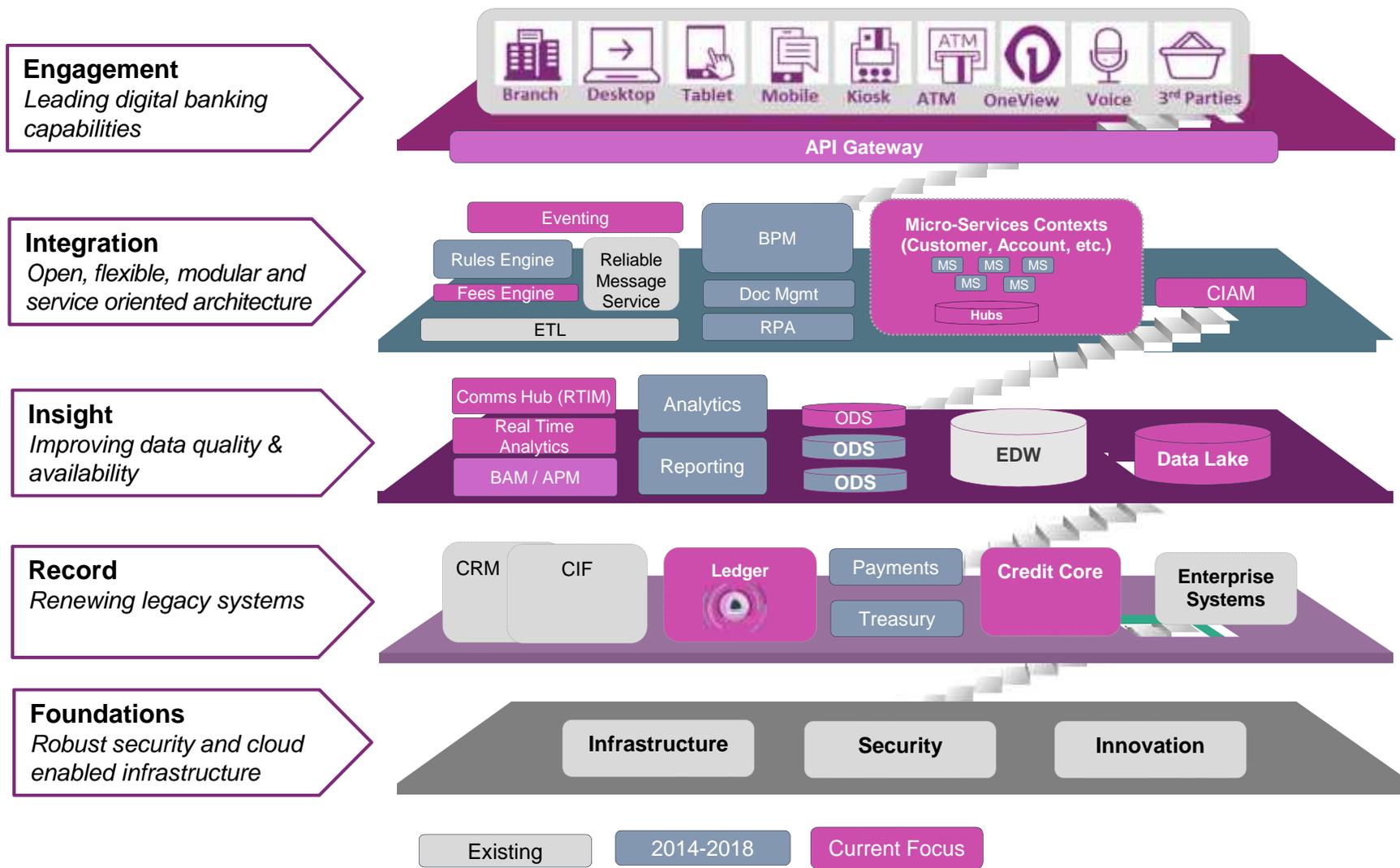
## Predictable levels of investment c.€225m per annum



Strategic	<ul style="list-style-type: none"> <li>■ Customer engagement platforms                             <ul style="list-style-type: none"> <li>● My Mortgage app</li> </ul> </li> <li>■ Informational &amp; analytical capability                             <ul style="list-style-type: none"> <li>● Real time customer data capture</li> </ul> </li> <li>■ Modernised processing solutions                             <ul style="list-style-type: none"> <li>● Express mortgage customer journey</li> <li>● Use of robotics and AI capability:                                     <ul style="list-style-type: none"> <li>○ Production bots</li> <li>○ Voice ID</li> <li>○ Comms hub</li> </ul> </li> </ul> </li> <li>■ Enhanced digital banking                             <ul style="list-style-type: none"> <li>● Digital wallets &amp; payments offering</li> </ul> </li> </ul>
Resilience	<ul style="list-style-type: none"> <li>■ New payments and treasury platforms</li> <li>■ Enhanced cybersecurity</li> </ul>
Sustainment	<ul style="list-style-type: none"> <li>■ Increasing digital and data capacity while maintaining capability and service levels</li> </ul>
Regulatory	<ul style="list-style-type: none"> <li>■ Ongoing compliance</li> <li>■ Open Banking (PSD 2), GDPR, CCR, AML and UK CMA</li> </ul>
<p>Additional strategic investment to engage with our customers / expand product and service proposition</p>	

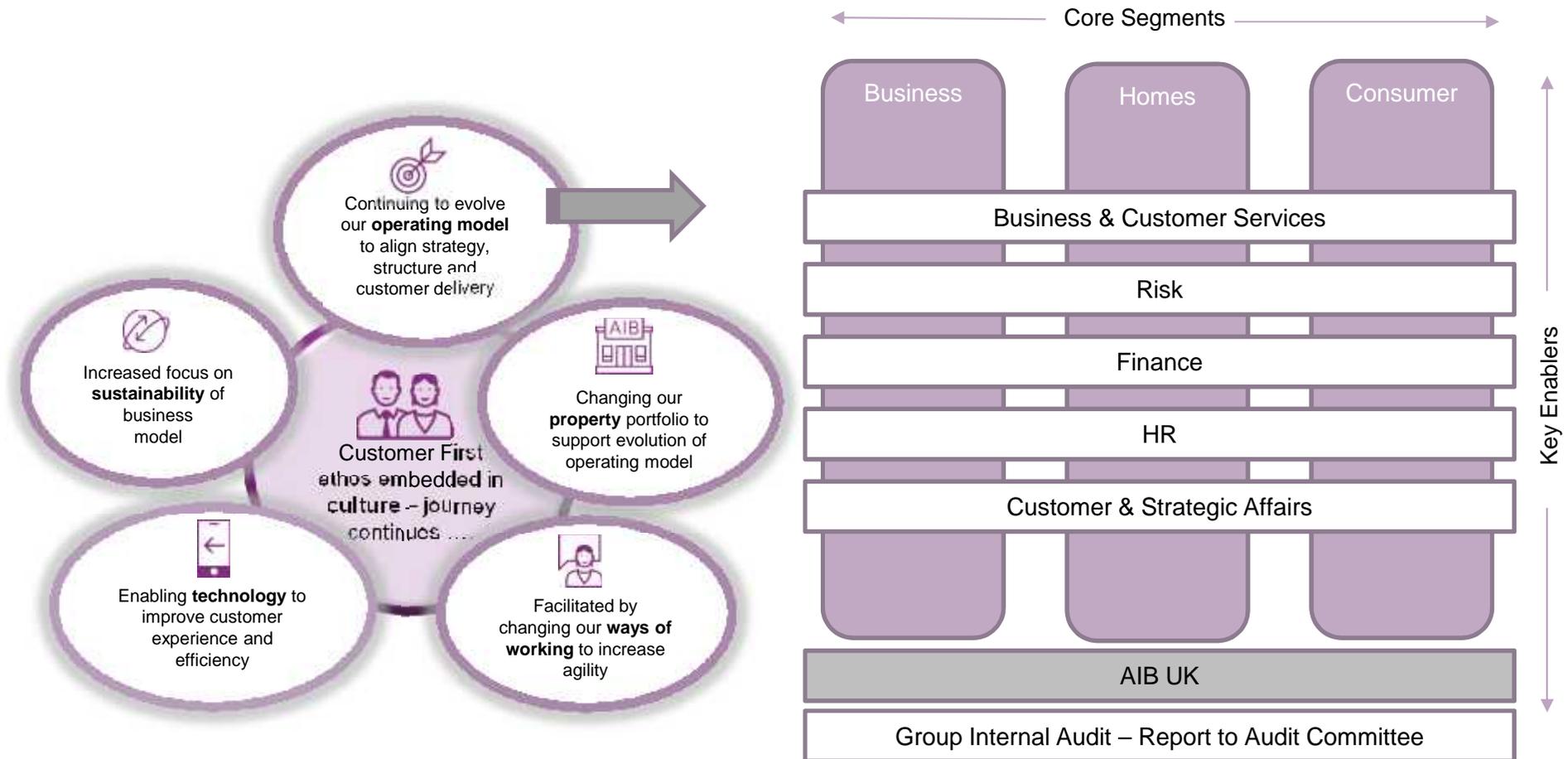
# Modern tiered architecture

Scaling our digital transformation across every tier of our technology estate



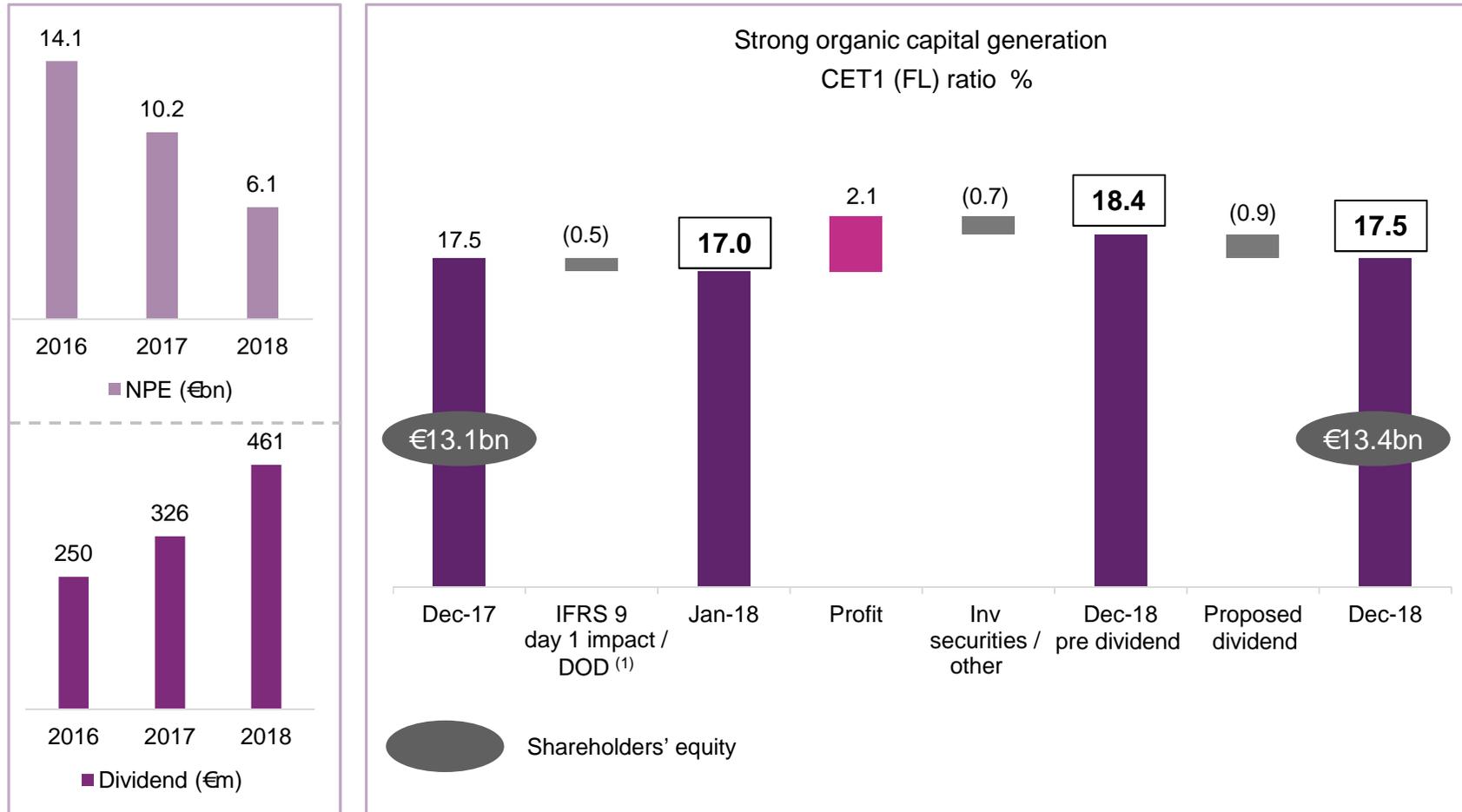
# Continuing to evolve

Improving sustainability with increased focus on customer delivery



# Significant capital generation and capacity for return

## Normalising NPEs and distributions



Reaching more normalised annual dividend levels moves our focus to returning excess capital  
**€10.8bn return to the State plus 71% shareholding**

(1) Definition of default

# Financial highlights 2018

## Strong operational and financial performance



- Profit before tax €1.25bn – strong financial performance
- NIM 2.47%; NIM on a previous basis including interest on cured loans 2.53%<sup>(1)</sup>
- Costs €1.4bn; stable year on year
- New lending €12.1bn<sup>(2)</sup>, up 15%; increased across all asset classes
- NPE €6.1bn (9.6% of gross loans), reduced by €4.1bn (41%) in the year
- CET1 (FL) 17.5%, strong capital generation, supporting proposed dividend
- Proposed dividend €461m increased by 42%; dividend pay-out ratio 44%
- €1.65bn of MREL issuance completed; investment grade (IG) achieved

<sup>(1)</sup> Following the implementation of IFRS 9, income on cured loans without financial loss is now reported within credit impairments; previously reported in interest income (2018: €44m, 2017 €61m)

<sup>(2)</sup> Includes new term lending €10.7bn and new transaction lending €1.4bn (primarily revolving credit facilities)

# Income statement

Profit before tax €1.25bn driven by strong business performance



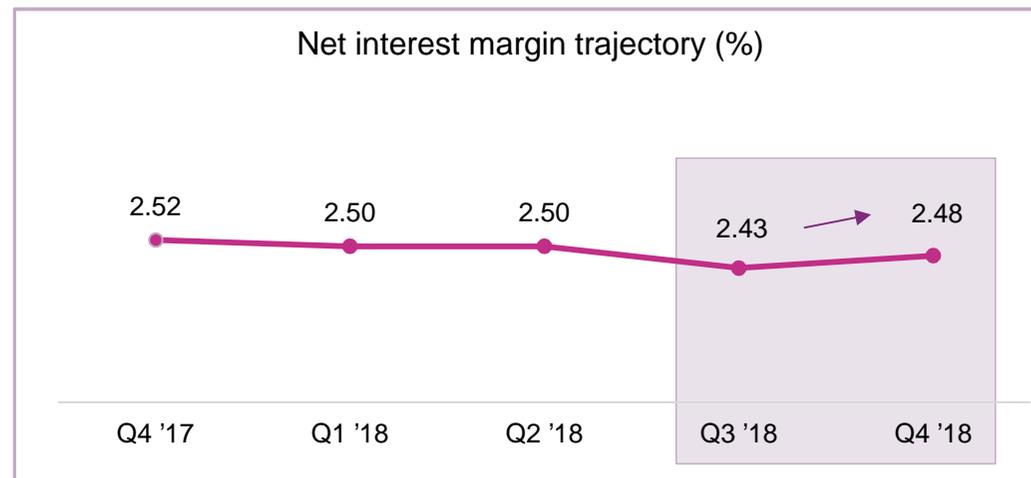
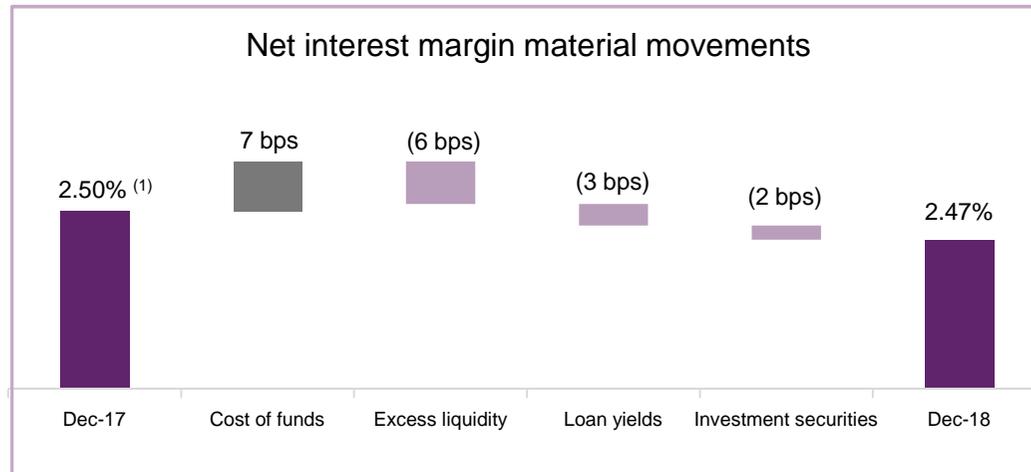
Summary Income Statement (€m)	FY 2018	FY 2017*
Net interest income	2,100	2,115
Other income	626	791
<b>Total operating income</b>	<b>2,726</b>	2,906
Total operating expenses <sup>(1)</sup>	(1,448)	(1,428)
<b>Operating profit before provisions</b>	<b>1,278</b>	1,478
Bank levies and regulatory fees	(82)	(105)
Net credit impairment writeback	204	182
Associated undertakings & other	14	19
<b>Profit before exceptionals</b>	<b>1,414</b>	1,574
Exceptional items	(167)	(268)
<b>Profit before tax from continuing operations</b>	<b>1,247</b>	1,306
<b>Metrics</b>	<b>FY 2018</b>	<b>FY 2017*</b>
Net interest margin (NIM)	2.47%	2.50%
NIM (on a previous basis incl. income on cured loans)	2.53%	2.58%
Cost income ratio (CIR) <sup>(1)</sup>	53%	49%
Return on tangible equity (RoTE)	12.4%	12.3%
Earnings per share (EPS)	38.9c	39.7c
Dividend per share (DPS)	17c	12c

- Net interest income stable
- Other income €626m – fees and commissions stable; offset by lower other items
- Operating expenses in line; continued cost discipline
- Delivering strong returns
  - ROTE 12.4%
- Proposed dividend per share 17c, increased 42% from FY 2017

\* FY 2017 has been re-presented following the implementation of IFRS 9, income on cured loans without financial loss is now reported with credit impairments; previously reported in interest income  
 (1) Excludes exceptional items, bank levies and regulatory fees

# Net interest margin (NIM)

## Stable and in excess of 2.40%+ target

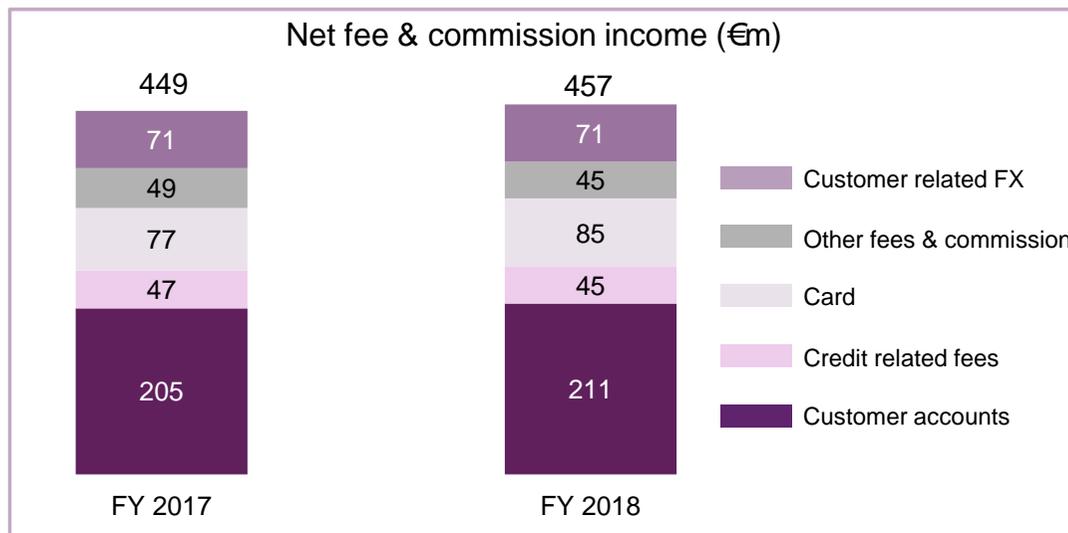


- Net interest margin stable
  - 2.47%; on a previous basis incl. income on cured loans 2.53%
- Lower cost of funding offset by
  - reducing investment securities yields
  - impact of excess liquidity
- Q4 exit NIM 2.48% reflects management actions on excess liquidity

(1) FY 2017 has been re-presented following the implementation of IFRS 9, income on cured loans without financial loss is now reported with credit impairments; previously reported in interest income

# Other income

## Stable net fee and commission income

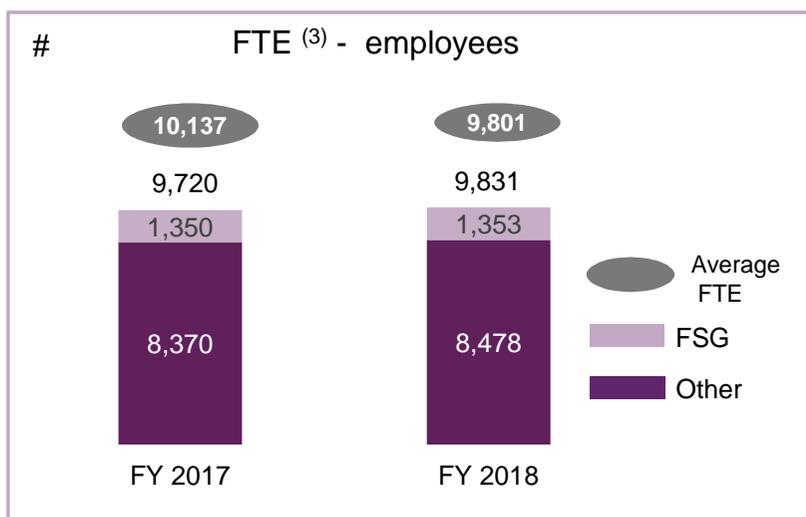
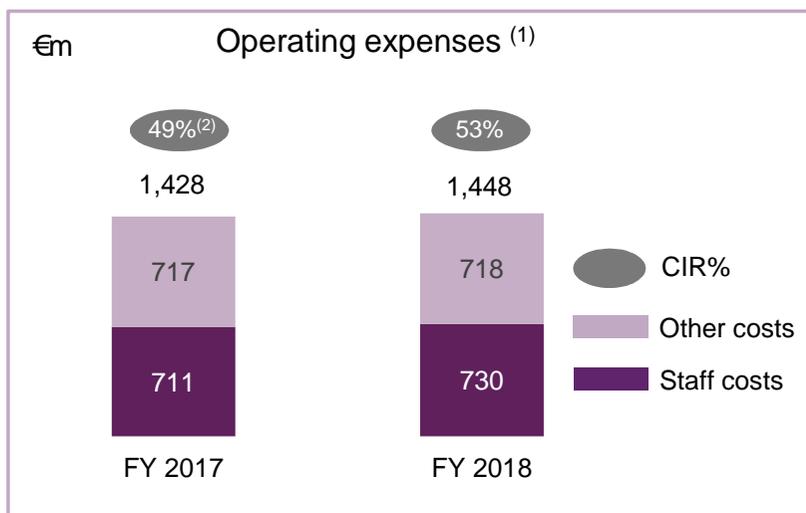


- Fees and commissions €457m
  - customer accounts and card income increase driven by higher volumes of transactions
- Other business income €44m
  - lower trading income in the year
- Other items €125m
  - lower income from gains on disposal of investment securities and realisation of cash flows on restructured loans

Other income (€m)	FY 2018	FY 2017
Net fee and commission income	457	449
Other business income	44	75
<b>Business income</b>	<b>501</b>	<b>524</b>
Gains on disposal of investment securities	15	55
Gains on equity investments	27	-
Realisation of cash flows on restructured loans	84	213
Other losses	(1)	(1)
<b>Other items</b>	<b>125</b>	<b>267</b>
<b>Total other income</b>	<b>626</b>	<b>791</b>

# Costs

## Continued focus on cost discipline



- Costs €1.4bn in line with expectations
- Factors impacting costs:
  - wage inflation 3% partially offset by lower average FTE
  - increased depreciation from investment programme
- Investing in the business and operating model; harvesting efficiencies going forward
- Exceptional items €167m primarily include:
  - gain on disposal of loan portfolios €147m
  - property strategy €81m
  - IFRS9 and associated regulatory costs €51m
  - customer redress €49m
  - restitution and restructuring costs €91m

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

(2) FY 2017 has been re-presented following the implementation of IFRS 9, income on cured loans without financial loss is now reported with credit impairments; previously reported in interest income

(3) Period end

# Balance sheet

New lending growth supported by strong liquidity and capital ratios



Balance sheet (€bn)	Dec 2018	Jan 2018	Dec 2017
Performing loans	56.8	53.7	53.1
Non-performing loans	6.1	9.6	10.2
Gross loans to customers	62.9	63.3	63.3
Loss allowance	(2.0)	(3.6)	(3.3)
Net loans to customers	60.9	59.7	60.0
Investment securities	16.9	16.3	16.3
Other assets	13.7	13.8	13.8
<b>Total assets</b>	<b>91.5</b>	<b>89.8</b>	<b>90.1</b>
Customer accounts	67.7	64.6	64.6
Deposits by central banks / banks	0.8	3.6	3.6
Debt securities in issue	5.7	4.6	4.6
Other liabilities	3.4	3.7	3.7
<b>Total liabilities</b>	<b>77.6</b>	<b>76.5</b>	<b>76.5</b>
Equity	13.9	13.3	13.6
<b>Total liabilities &amp; equity</b>	<b>91.5</b>	<b>89.8</b>	<b>90.1</b>

- Performing loans increase €3.7bn

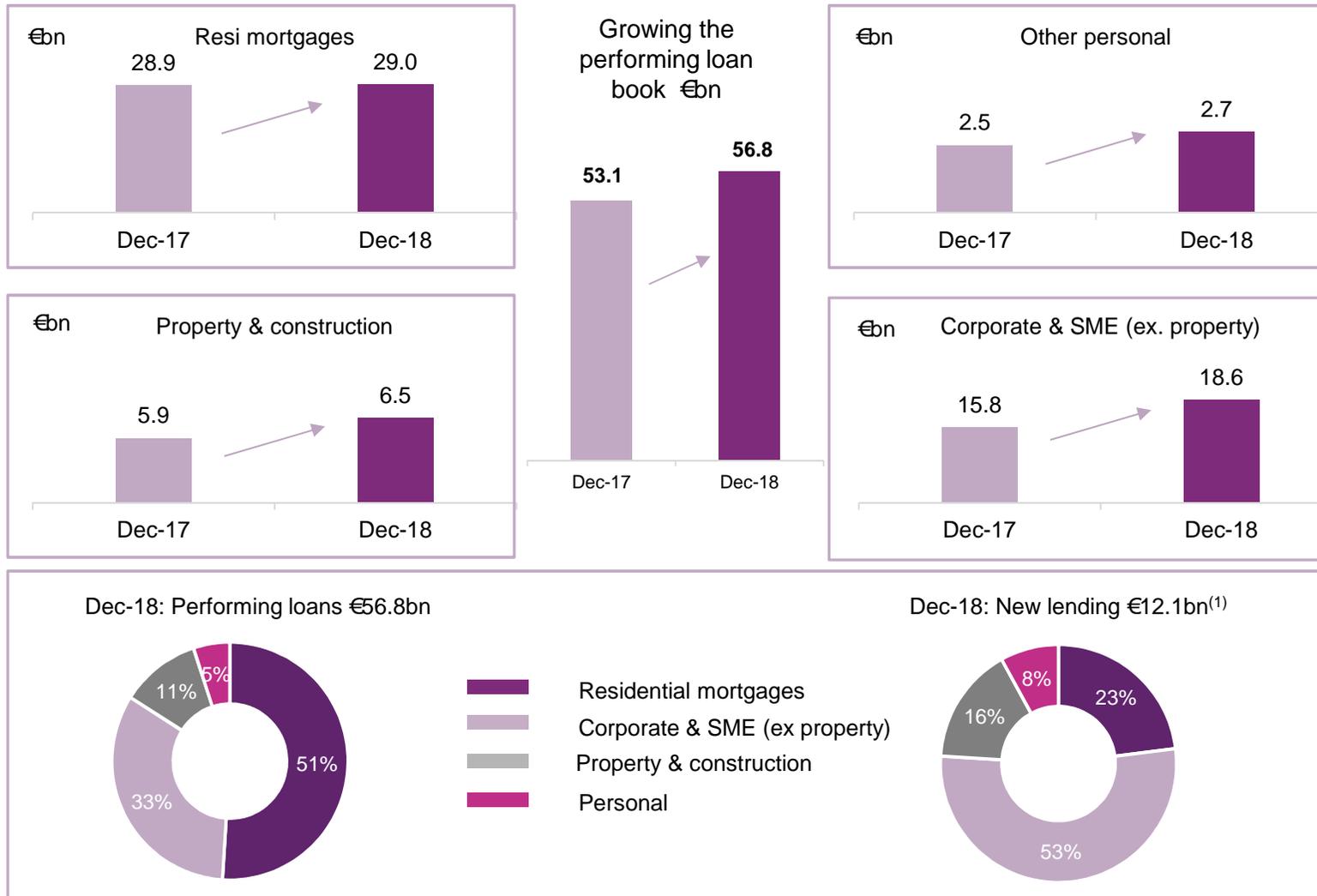
- Net loans increase €0.9bn

- No ECB funding

Key funding metrics (%)	Dec 2018	Jan 2018	Dec 2017
Fully loaded CET1 ratio	17.5	17.0	17.5
Leverage ratio (FL)	10.1	-	10.3

# Gross performing loans

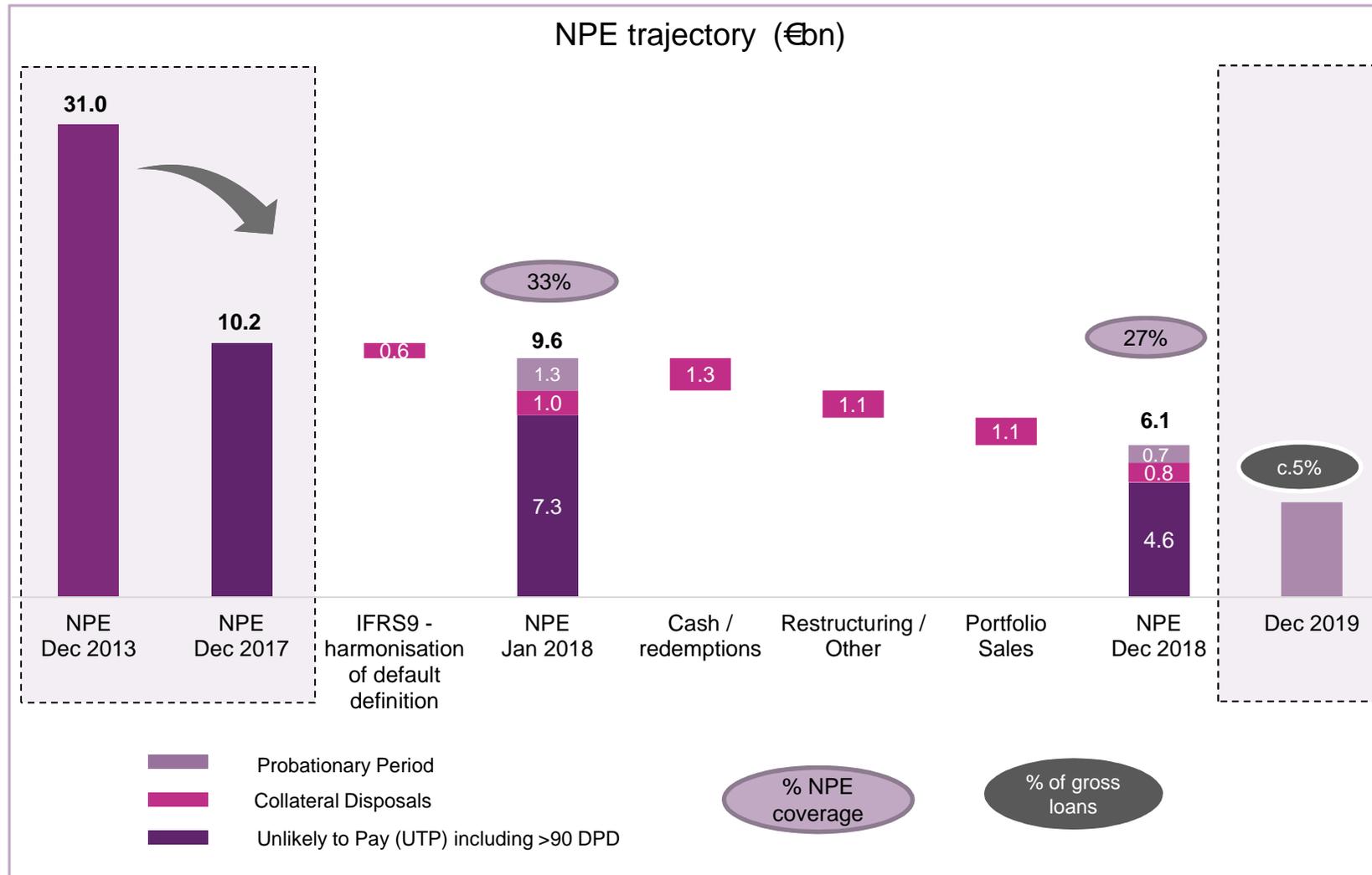
Increased €3.7bn; strong growth across all asset classes



(1) Includes new term lending €10.7bn and new transactional lending €1.4bn (primarily revolving credit facilities)

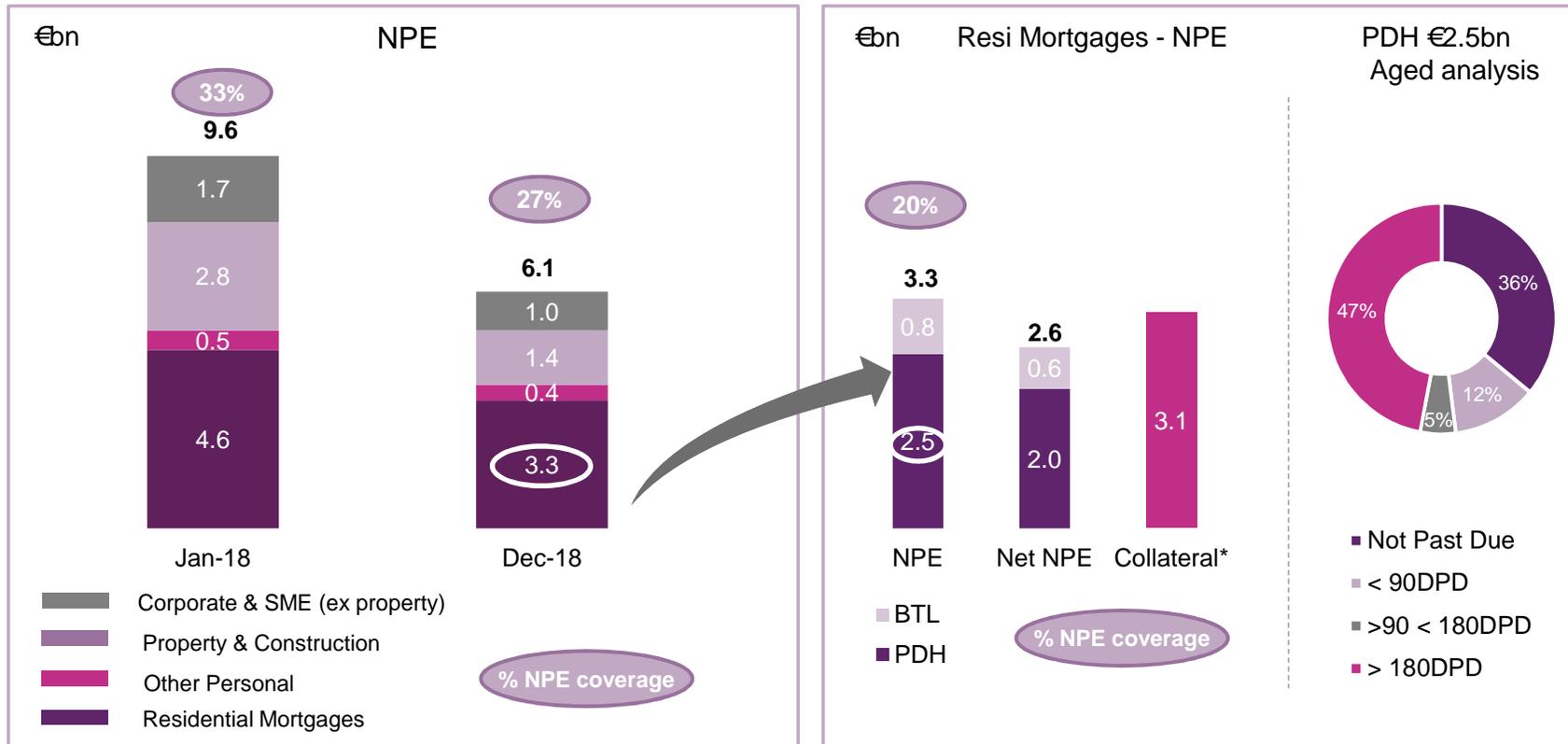
# Momentum in NPE reduction continues

On track to reach 2019 target of c.5%



# Momentum in NPE reduction continues

Progress in resi mortgages – 48% not past due and / or <90 DPD

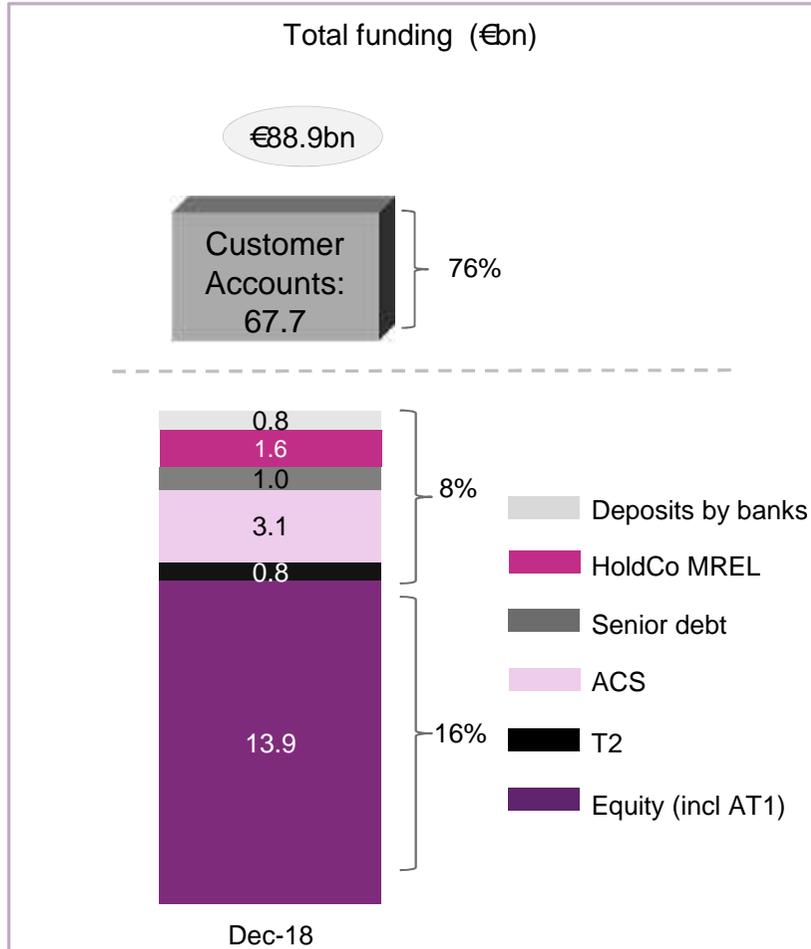


Loan to Value	PDH (ROI)	BTL (ROI)
Dec 2016 - impaired	103%	101%
Dec 2017 - impaired	92%	88%
Dec 2018 – stage 3	74%	74%

\* The value of collateral held for resi mortgages which are fully collateralised has been capped at the carrying value of the loans outstanding at year end

# Funding structure

€1.65bn MREL issuance complete; investment grade achieved



- Investment grade (IG) with all three rating agencies
  - AIB Group plc upgraded by Moody's and S&P in 2018
- MREL target 28.04% by 1 Jan 2021 - issuance plans c. €4bn of which €1.65bn completed
  - three MREL (HoldCo senior) trades executed in the market - €500m 5 year, €500m 7 year and \$750m 5 year

Liquidity metrics (%)	Dec 2018	Dec 2017
Loan to deposit ratio (LDR)	<b>90</b>	93
Liquidity coverage ratio (LCR)	<b>128</b>	132
Net stable funding ratio (NSFR)	<b>125</b>	123

# Risk weighted assets (RWA)

Strong capital position, comfortably ahead of minimum requirements



Risk weighted assets FL (€m)	Dec 2018	Dec 2017	Movement
Credit risk	46,052	46,414	(362)
Market risk	371	360	11
Operational risk	4,624	4,248	376
CVA / other	392	801	(409)
<b>Total risk weighted assets</b>	<b>51,439</b>	<b>51,823</b>	<b>(384)</b>
<b>RWA density</b>	<b>56%</b>	<b>58%</b>	<b>(2%)</b>
<b>CET1 FL ratio</b>	<b>17.5%</b>	<b>17.5%</b>	<b>-</b>
<b>Total capital ratio</b>	<b>19.1%</b>	<b>19.0%</b>	<b>0.1%</b>

- RWA density reduced to 56% from 58% in 2018
  - balance sheet growth and asset mix +€1.4bn
  - grade migration / NPE reduction -€1.4bn

#### Factors impacting RWA

- IFRS16 impact €0.5bn RWA, c.15bps
- Targeted review of internal models (TRIM)

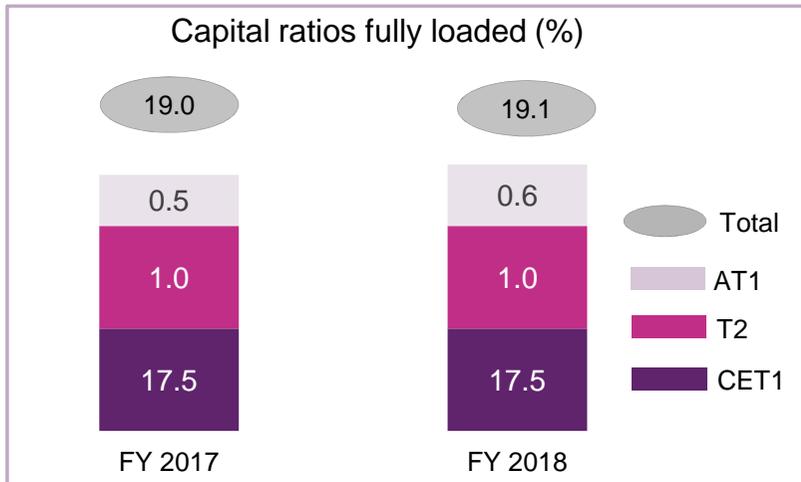
SREP - CET1 requirements (%)	FY 2019
Pillar 1 – CET1	4.50
Pillar 2 requirement (P2R)	3.15
Capital conservation buffer (CCB)	2.50
Other systemically important institution (OSII)	0.50
Counter cyclical buffer (CCyB) <sup>(1)</sup>	0.90
<b>CET1</b>	<b>11.55</b>

- SREP 2019 11.55% - no change in P2R
- EBA stress tests 2018 - CET1 FL (adverse scenario) 11.8% is 7.5% higher than 2016 result of 4.3% demonstrating strong capital resilience

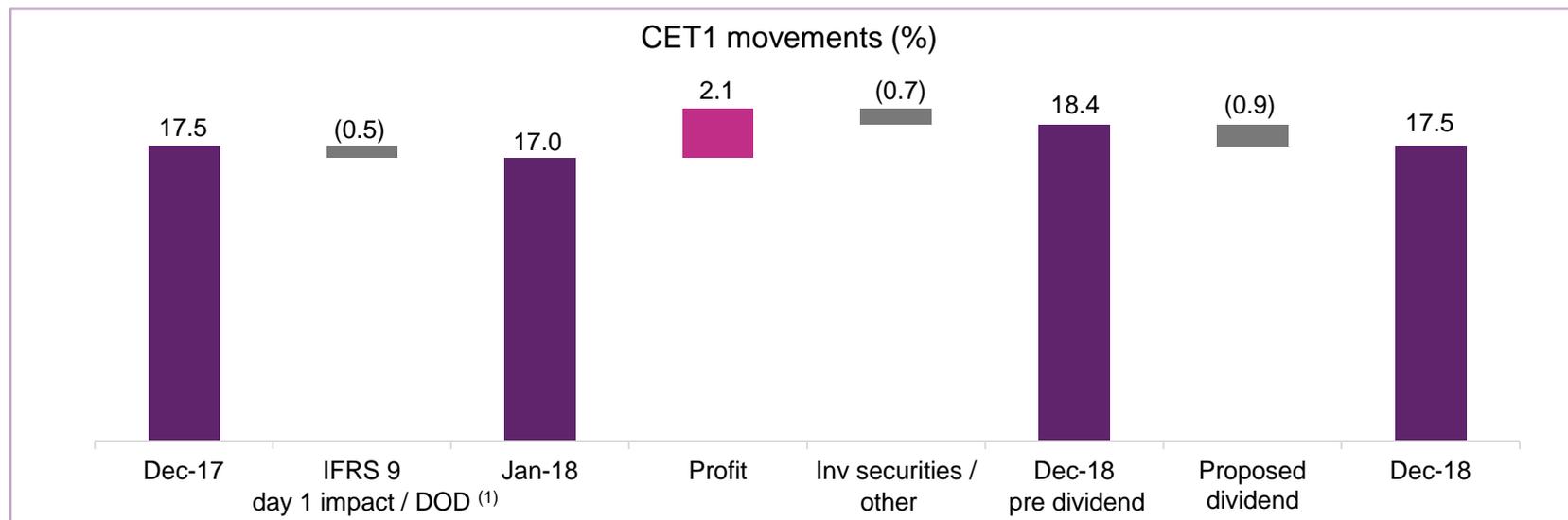
(1) CCyB rate for Ireland is 1%, this equates to a Group requirement of 0.7%; the rate for the UK is 1%, this equates to a Group requirement of 0.2%

# Capital ratios

## Strong capital position



- CET1 17.5% reflects strong profit generation +210 bps
- Increased proposed dividend -90 bps reflects 17c per ordinary share (€461m)
- Strong leverage ratio 10.1%



(1) Definition of default

# Medium term financial targets on track

## Focused on delivering sustainable performance



Metric	Medium Term Targets	Guidance & Targets	FY 2018	Commentary
Net interest margin	2.40%+	Maintain strong and stable NIM, 2.40%+	2.47%	Stable NIM, focus on excess liquidity
Cost income ratio	<50%	Below 50% by end 2019 reflecting robust and efficient operating model	53%	Stable costs
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)	12.4%	Sustainable underlying profitability generating capital
Dividends				Dividend reaching normalisation Focused on returning excess capital

Continued momentum and well positioned for growth

# Outlook

## 2019 opportunities and challenges



- Continuity and consistency of delivery
- Relentless customer focus
- Optimise our market leading franchise for growth
- Prepare for and navigate through Brexit
- Normalise NPEs and deliver attractive capital returns



# Appendix

## Annual Financial Results 2018

*for the financial year ended 31 December 2018*

AIB Group plc

# Average balance sheet

## NIM 2.47%

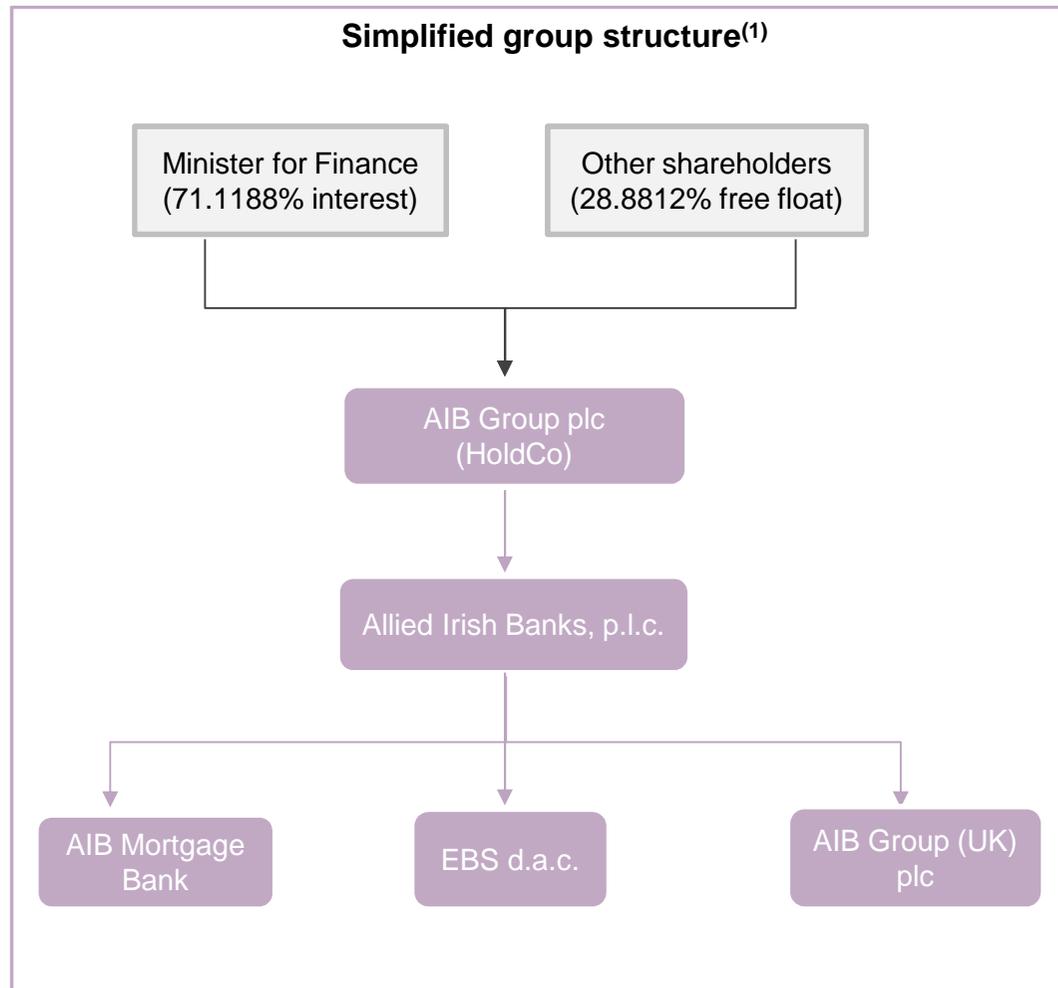


	December 2018			December 2017*		
	Average Volume €m	Interest €m	Yield %	Average Volume €m	Interest €m	Yield %
<b>Assets</b>						
Customer loans	60,879	2,082	3.42	60,619	2,105	3.47
Investment securities	15,313	226	1.47	16,908	284	1.68
Loans to banks	8,654	22	0.26	6,396	12	0.20
NAMA senior bonds	-	-	-	531	2	0.39
Interest earning assets	84,846	2,330	2.75	84,454	2,403	2.85
Non interest earning assets	7,176			7,165		
<b>Total Assets</b>	<b>92,022</b>	<b>2,330</b>		<b>91,619</b>	<b>2,403</b>	
<b>Liabilities &amp; equity</b>						
Customer accounts	36,670	151	0.41	36,608	228	0.62
Deposits by banks	2,771	2	0.06	5,071	(4)	(0.08)
Other debt issued	5,223	45	0.87	5,667	33	0.59
Subordinated liabilities	794	32	3.98	792	31	3.95
Interest earning liabilities	45,458	230	0.51	48,138	288	0.60
Non interest earning liabilities	32,986			30,141		
Equity	13,578			13,340		
<b>Total liabilities &amp; equity</b>	<b>92,022</b>	<b>230</b>		<b>91,619</b>	<b>288</b>	
<b>Net interest income / margin</b>		<b>2,100</b>	<b>2.47</b>		<b>2,115</b>	<b>2.50</b>
Income on cured loans		44			61	
Net interest income / margin on previous basis		<b>2,144</b>	<b>2.53</b>		<b>2,176</b>	<b>2.58</b>

\* FY 2017 has been re-presented following the implementation of IFRS 9, income on cured loans without financial loss is now reported with credit impairments; previously reported in interest income

# AIB Group plc

## HoldCo structure (AIB Group plc) in place for MREL issuance



### MREL

- HoldCo structure (AIB Group plc) completed in Dec 2017 and HoldCo has become the sole issuer of MREL debt
- MREL target 28.04% of RWA (per Dec 2016 balance sheet)
- EMTN issuance programme in place and €1.65bn HoldCo Senior issued 2018
  - €500m 5 year inaugural deal Mar 18
  - €500m 7 year Jun 18
  - \$750m 5 year inaugural deal Oct 18
- Issuance plans manageable c. €4bn
  - over 40% issued to date

<sup>(1)</sup> Reflects main operating credit institutions only

# Minority interest restriction<sup>(1)</sup>

## Impact of minority interest at AIB Group plc level



Dec 2018			
Fully loaded capital ratios (%)	Pre restriction	Minority interest restriction	Post restriction
CET1	17.5	-	17.5
Tier 1	18.4	-0.3	18.1
Total capital	20.0	-0.9	19.1

Dec 2018			
Transitional capital ratios (%)	Pre restriction	Minority interest restriction	Post restriction
CET1	21.1	-	21.1
Tier 1	22.1	-0.5	21.6
Total capital	23.6	-1.2	22.4

- 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 T2 instruments be redeemed and re-issued out of AIB Group plc, the impact of this restriction will be reduced

<sup>(1)</sup> The minority interest calculation may require adjustment pending the final communication of the EBA's position on the matter

# Capital detail

## Transitional and fully loaded capital detail and ratios



Transitional capital ratios		
<b>Risk weighted assets (€m)</b>	<b>Dec 18</b>	Dec 17
Total risk weighted assets	<b>51,596</b>	51,728
<b>Capital (€m)</b>		
Shareholders equity excl AT1 and dividend	<b>12,903</b>	12,792
Regulatory adjustments	<b>(1,994)</b>	(2,024)
Common equity tier 1 capital	<b>10,909</b>	10,768
Qualifying tier 1 capital	<b>235</b>	260
Qualifying tier 2 capital	<b>415</b>	644
Total capital	<b>11,559</b>	11,672
<b>Transitional capital ratios (%)</b>		
CET1	<b>21.1</b>	20.8
AT1	<b>0.5</b>	0.5
T2	<b>0.8</b>	1.3
Total capital	<b>22.4</b>	22.6

Fully loaded capital ratios		
<b>Risk weighted assets (€m)</b>	<b>Dec 18</b>	Dec 17
Total risk weighted assets	<b>51,439</b>	51,823
<b>Capital (€m)</b>		
Shareholders equity excl AT1 and dividend	<b>12,903</b>	12,792
Regulatory adjustments	<b>(3,910)</b>	(3,747)
Common equity tier 1 capital	<b>8,993</b>	9,045
Qualifying tier 1 capital	<b>316</b>	291
Qualifying tier 2 capital	<b>531</b>	520
Total capital	<b>9,840</b>	9,856
<b>Fully loaded capital ratios (%)</b>		
CET1	<b>17.5</b>	17.5
AT1	<b>0.6</b>	0.5
T2	<b>1.0</b>	1.0
Total capital	<b>19.1</b>	19.0

RWA (transitional)			
<b>Risk weighted assets (€m)</b>	<b>Dec 18</b>	Dec 17	Movement
Credit risk	<b>46,209</b>	46,319	(110)
Market risk	<b>371</b>	360	11
Operational risk	<b>4,624</b>	4,248	376
CVA/other	<b>392</b>	801	(409)
Total risk weighted assets	<b>51,596</b>	51,728	(132)

Shareholders' equity (€m)	
<b>Equity - Dec 2017</b>	<b>13,612</b>
Profit FY 2018	1,092
Impact of adopting IFRS 9	(267)
Impact of adopting IFRS15	10
Investment securities reserves	(289)
Dividend	(326)
Other	26
<b>Equity - Dec 2018</b>	<b>13,858</b>
<u>less: AT1</u>	<b>(494)</b>
<u>less: Proposed ordinary dividend</u>	<b>(461)</b>
Shareholders' equity excl AT1 and dividend	<b>12,903</b>

# Credit ratings

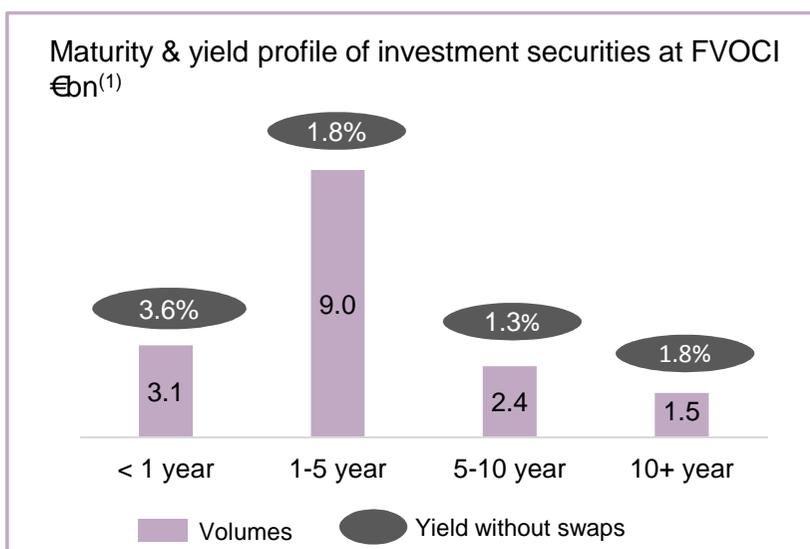
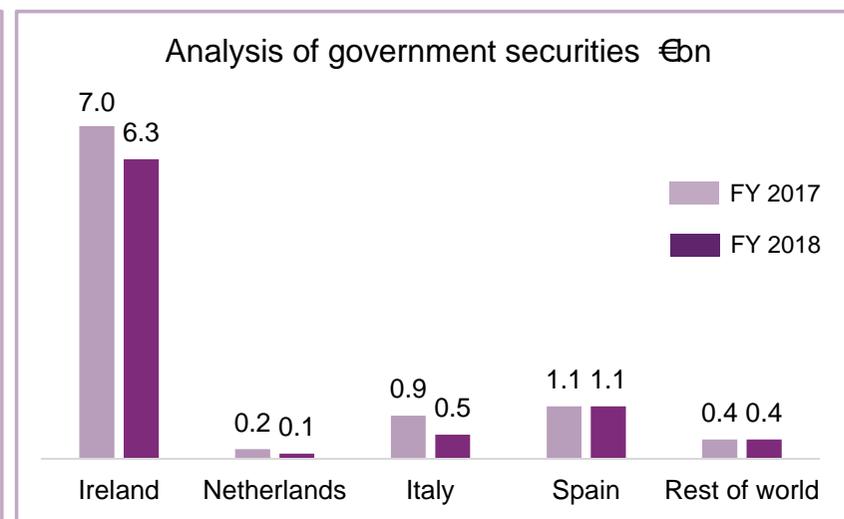
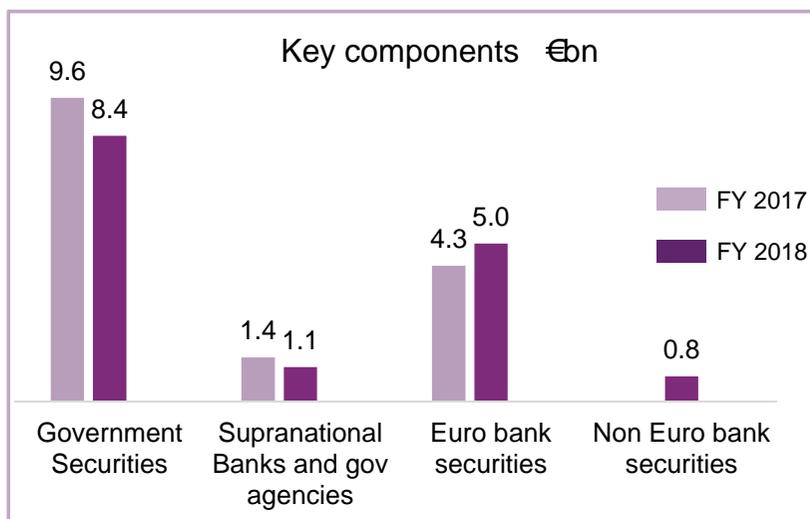
## Investment grade status for AIB Group plc



	MOODY'S	FitchRatings	STANDARD & POOR'S
AIB Group plc (HoldCo) Long term issuer rating	<b>Baa3</b>	<b>BBB-</b>	<b>BBB-</b>
Outlook	Positive	Positive	Stable
Investment grade	✓	✓	✓
AIB p.l.c. (OpCo) Long term issuer rating	<b>A3</b>	<b>BBB-</b>	<b>BBB+</b>
Outlook	Positive	Positive	Stable
Investment grade	✓	✓	✓

# Investment securities

## €16.1bn portfolio of debt securities

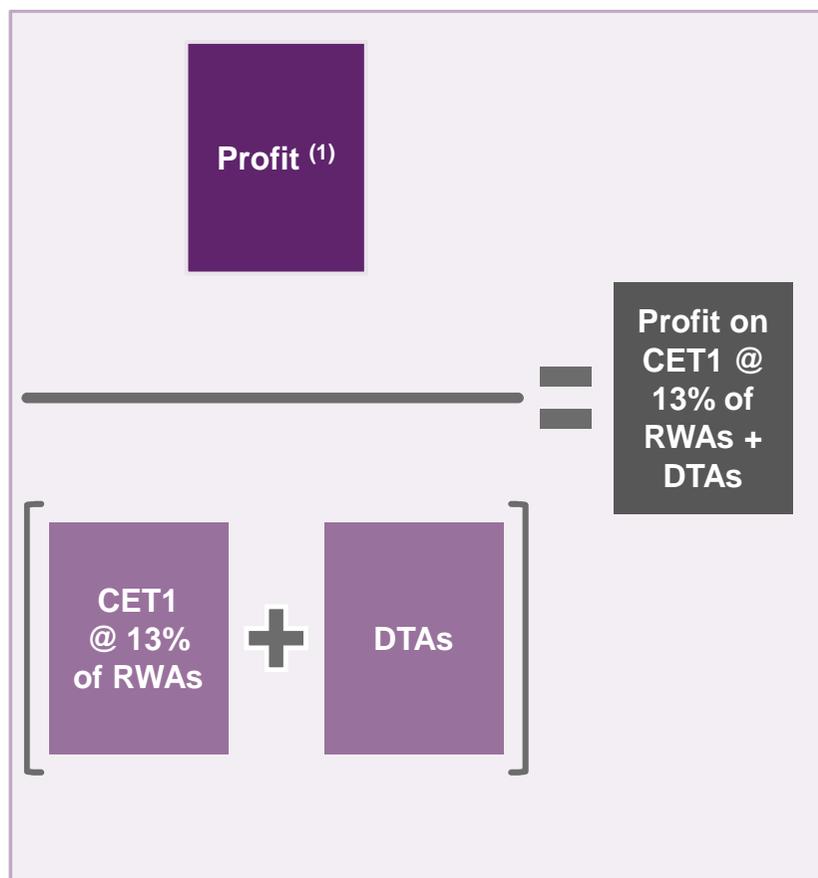


- €16.1bn up from €15.6bn
- €15m net gains from disposal of investment debt securities in FY 2018
- Average yield of 1.47%, down from 1.68% from FY 17
  - Yield reducing as higher yielding assets mature
  - C. 75% of book maturing <5year
  - Embedded value on investment securities €0.5bn

<sup>(1)</sup> Debt securities at amortised cost are not included: €187m, maturity 10+year, yield 2.3%

# Return on tangible equity

$(PAT - AT1\ coupon + DTA\ utilisation) / (FL\ CET1\ @\ 13\% + DTA)$



FY 2018	€m
PAT	1,092
(-) AT1 coupon	37
(+) DTA utilisation	114
<b>Profit (numerator)</b>	<b>1,169</b>
RWA	51,439
CET1 at 13% RWA	6,687
(+) DTA	2,697
<b>Adjusted CET1 (denominator)</b>	<b>9,384</b>
<b>Average adjusted CET1 (denominator)</b>	<b>9,442</b>
<b>Profit on CET1 @ 13% of RWA+DTA</b>	<b>12.4%</b> <sup>(2)</sup>

(1)  $PAT - AT1\ coupon + DTA\ utilisation = Profit$

(2) ROTE reflects a strong underlying performance enhanced somewhat by credit impairment writebacks and income from previously restructured loans

# Loans to customers

## Summary of movement



€bn	Performing loans	Non-performing loans	Loans to customers
<b>Gross loans (closing balance 31 December 2017)</b>	<b>53.1</b>	10.2	63.3
Harmonisation of definition of default at 1 January 2018 <sup>(1)</sup>	0.6	(0.6)	-
<b>Gross loans (opening balance 1 January 2018)</b>	<b>53.7</b>	<b>9.6</b>	<b>63.3</b>
New term lending	10.7	-	10.7
Redemptions of existing loans <sup>(2)</sup>	(7.9)	(1.3)	(9.2)
Disposals	-	(1.1)	(1.1)
Write-offs and restructures	-	(1.0)	(1.0)
Net movement from non-performing	0.4	(0.4)	-
Foreign exchange movements	0.1	-	0.1
Other movements	(0.2)	0.3	0.1
<b>Gross loans (closing balance 31 December 2018)</b>	<b>56.8</b>	<b>6.1</b>	<b>62.9</b>
Loss allowance	(0.4)	(1.6)	(2.0)
<b>Net loans (closing balance 31 December 2018)</b>	<b>56.4</b>	<b>4.5</b>	<b>60.9</b>

(1) Non-performing loans were revised from €10.2bn at 31 Dec 2017 to €9.6bn at 1 Jan 2018 reflecting the implementation and harmonization of a new definition of default policy which aligns to accounting standards and EBA guidelines.

(2) New transaction lending is netted against redemptions given the revolving nature of these products

# Asset quality by portfolio

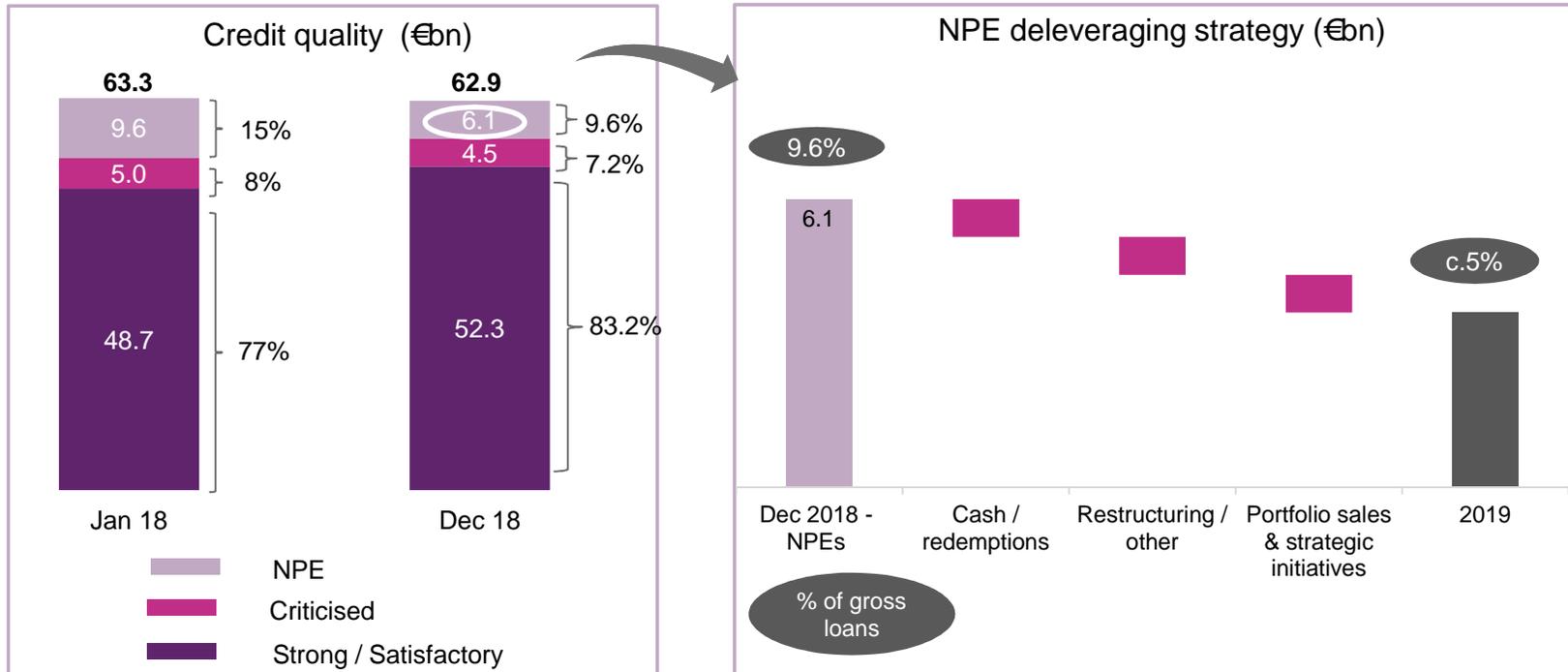
Continued progress in NPE reduction across all asset classes



€bn	Residential mortgages	PDH	BTL	Other personal	Property & construction	Corporate & SME (ex property)	Total
<b>December 2018</b>							
Customer loans	32.3	29.0	3.3	3.1	7.9	19.6	62.9
<u>of which NPEs</u>	3.3	2.5	0.8	0.4	1.4	1.0	6.1
ECL on NPE	0.6	0.5	0.1	0.2	0.4	0.4	1.6
<b>ECL / NPE coverage %</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>50</b>	<b>29</b>	<b>36</b>	<b>27</b>
<b>January 2018</b>							
Customer loans	33.7	29.7	4.0	3.1	8.8	17.7	63.3
<u>of which NPEs</u>	4.6	3.3	1.3	0.5	2.8	1.7	9.6
ECL on NPE	1.3	1.0	0.3	0.3	1.0	0.6	3.2
<b>ECL / NPE coverage %</b>	<b>28</b>	<b>29</b>	<b>25</b>	<b>49</b>	<b>36</b>	<b>37</b>	<b>33</b>

# Asset quality

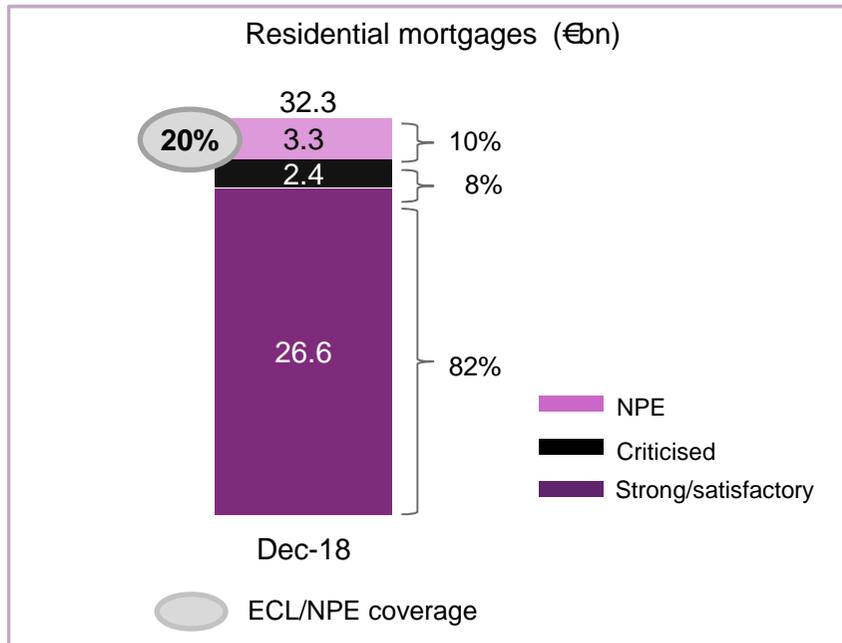
## Improving asset quality in the loan book



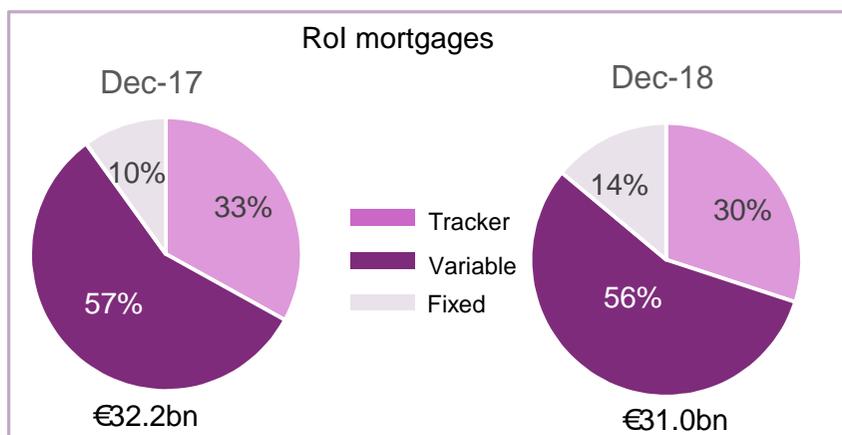
- 83.2% of the loan book is strong / satisfactory asset quality
- 98% of new lending flow is strong / satisfactory asset quality
- NPE deleveraging strategy delivering progress and on track to normalised levels (c. 5%)

# Residential mortgages

## Improving asset quality; lower NPE

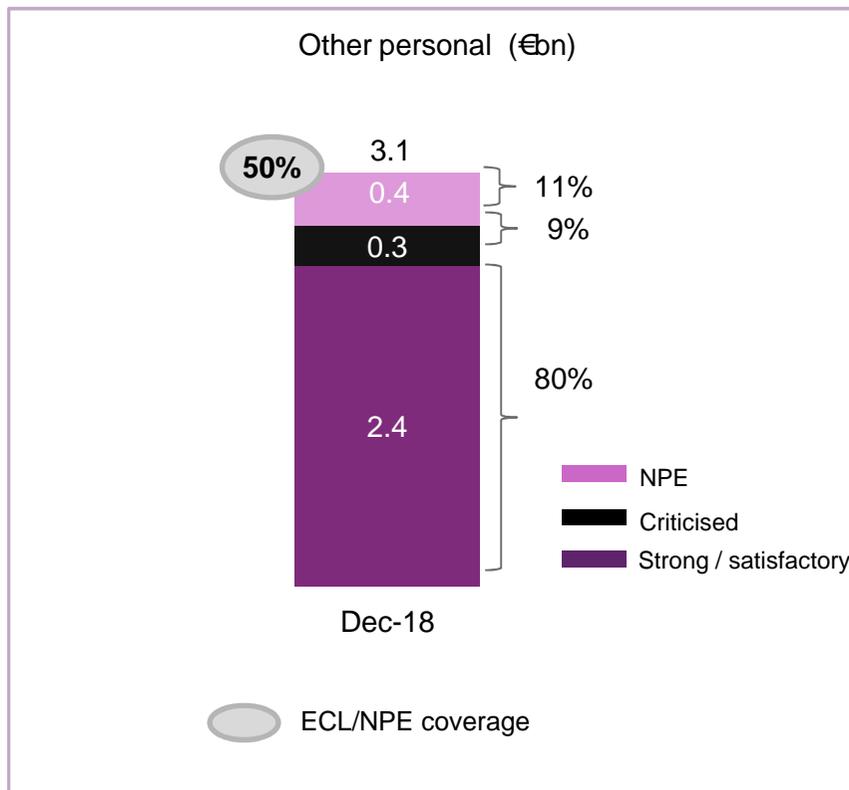


- Continued improvement in asset quality
- 82% of portfolio is strong / satisfactory
- NPE 10% of portfolio, down from 14% at Dec 17, with coverage of 20%
- Weighted average LTV for new ROI mortgages 70%



# Other personal

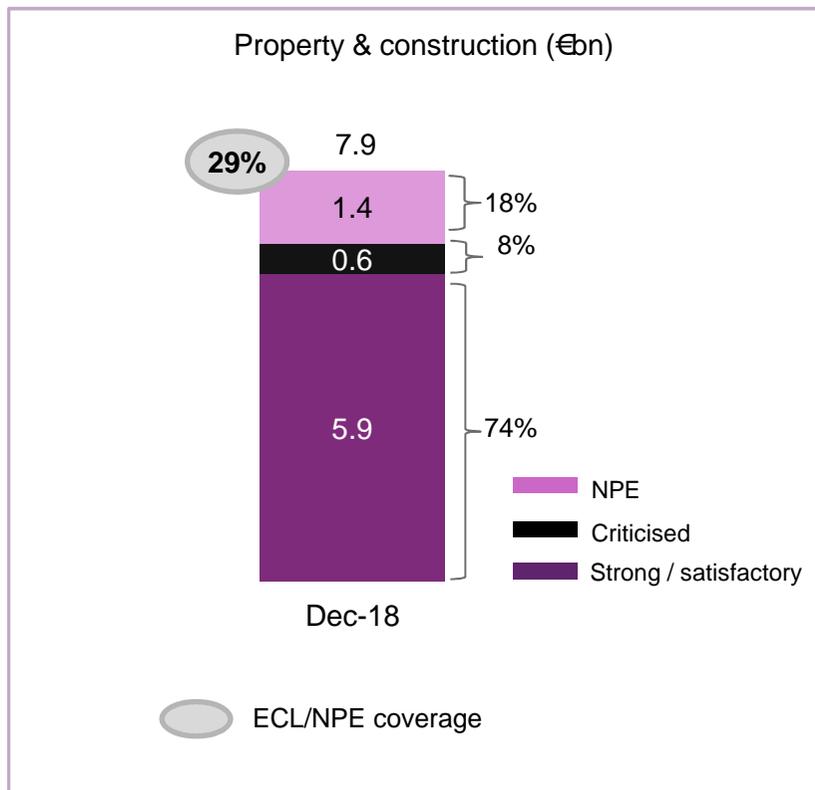
## Demand remains strong, lower NPE



- Portfolio €3.1bn comprises €2.3bn loans and €0.8bn credit card facilities
- Demand remains strong, increased online approval through internet and mobile credit application activity
- NPE 11% of portfolio down from 18% at Dec 17 with coverage of 50%

# Property & construction

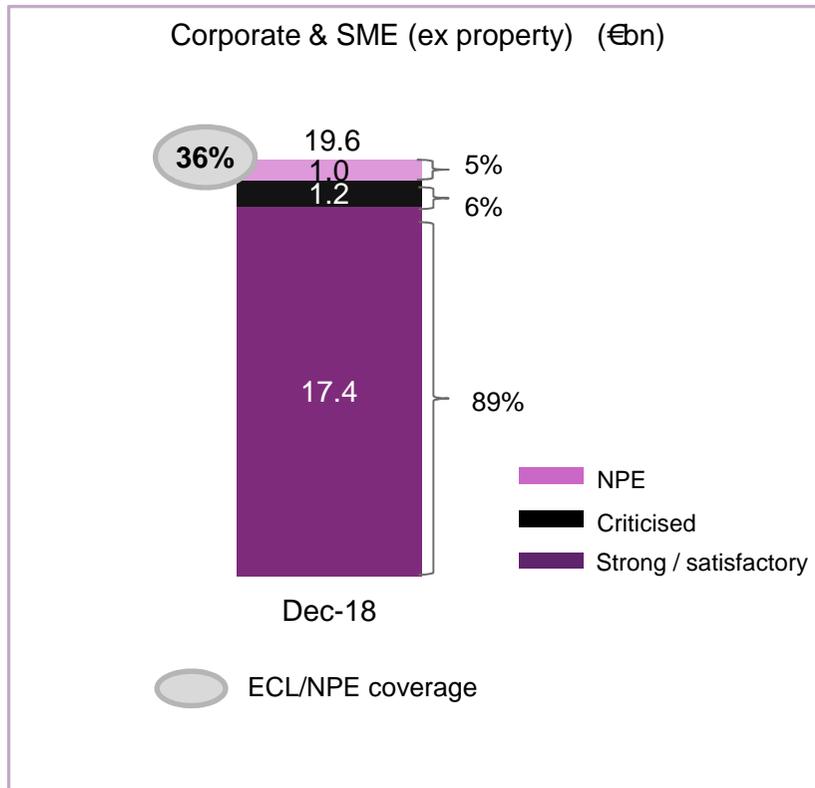
## Lower NPE



- Portfolio €7.9bn down €0.9bn (10%) due to continued restructuring, write-offs, repayments and the sale of a portfolio of loans
- 74% of the portfolio is strong / satisfactory
- NPE 18% of portfolio down from 33% at Dec 17 with coverage of 29%
- Investment property €6.2bn (78% of the total portfolio) of which €4.9bn is commercial investment

# Corporate & SME (ex property)

Improvement in asset quality of new lending and reduction in NPE



- Portfolio €19.6bn, up €1.9bn
- Overall improvement in asset quality from upward grade migration in the portfolio and new lending exceeding repayments
  - 89% of the portfolio is strong / satisfactory
  - 5% of portfolio is NPE, down from 11% Dec 17 with coverage of 36%

# Loan book analysis

## Breakdown by sector, geography and interest rate type



Concentration by sector (%)	Dec 2018
Agriculture	3
Energy	2
Manufacturing	5
Property & construction	12
Distribution	9
Transport	3
Financial	1
Other services	9
Resi mortgages	51
Personal	5
<b>Total</b>	<b>100</b>

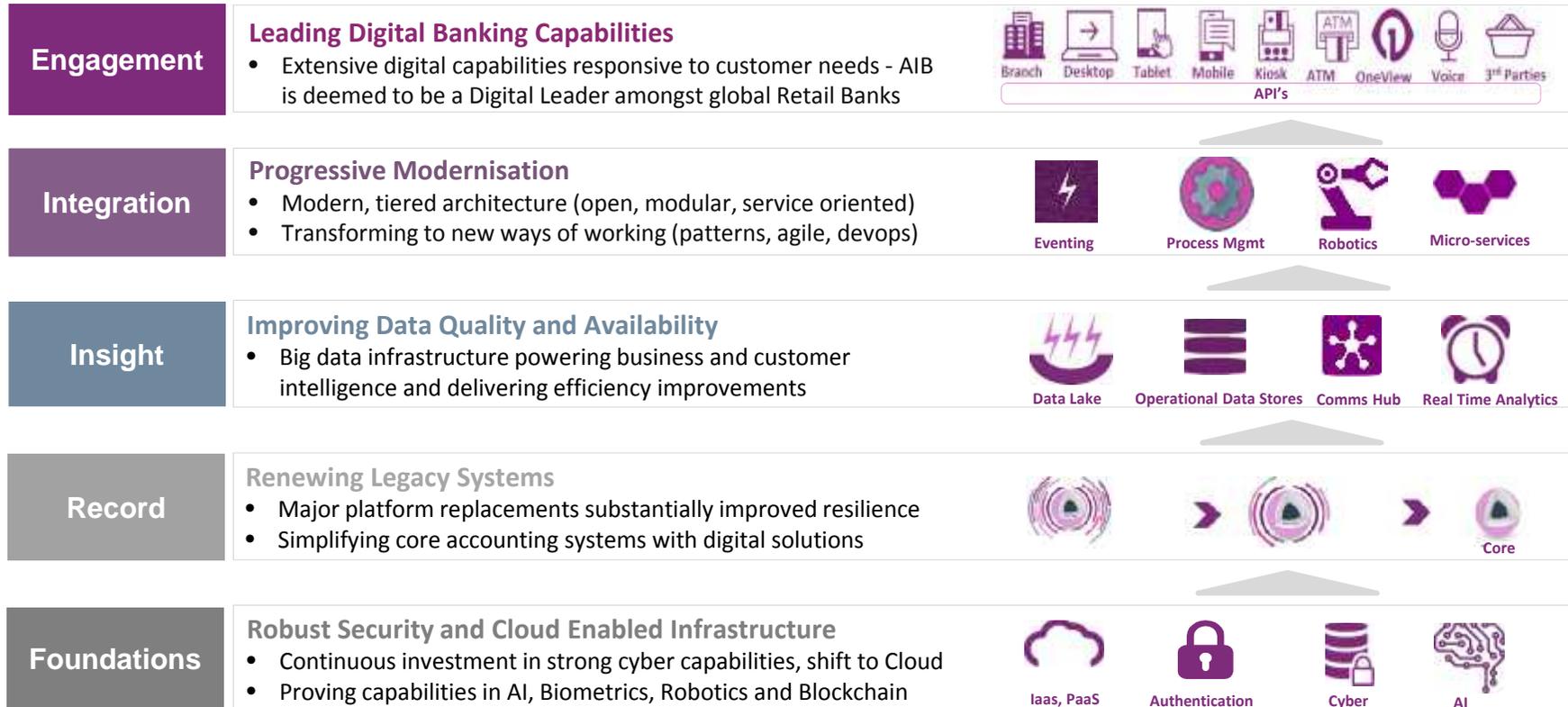
Dec 2018 Loan book by interest rate type (%)	Fixed rate	Variable rate	Total
Republic of Ireland	12	74	86
United Kingdom	1	13	14
<b>Total</b>	<b>13</b>	<b>87</b>	<b>100</b>

Concentration by location (%)	Dec 2018
Republic of Ireland	77
United Kingdom	14
North America	5
Rest of World	4
<b>Total</b>	<b>100</b>

Sensitivity of projected net interest income to interest rate movements €m	2018	2017
+100 basis points parallel move in all interest rates	211	129
-100 basis points parallel move in all interest rates	(245)	(165)

# Scaling for sustainable performance

Digital transformation across every tier of our technology estate

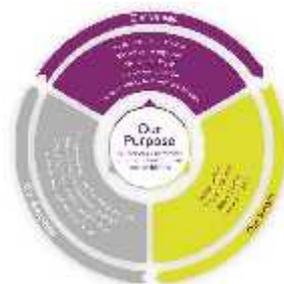
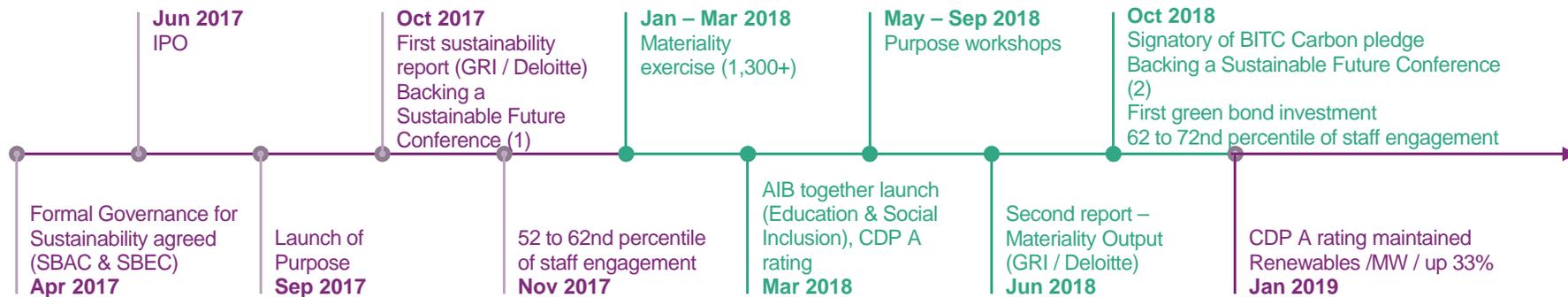


# Sustainability

## Our journey continues ....



We want to be a leader in Sustainability in Ireland.  
We are continuing to make positive steps to achieve that ambition.



**Next steps 2019**

- Reporting (KPIs, NFDs, GRI, Deloitte)
- ESG – Approve & embed framework
- Alignment with corporate strategy
- Conference

# Contacts

Our Investor Relations Department will be happy to facilitate your requests for any further information



Name	email	telephone
<b>Niamh Hore</b> Head of IR	niamh.a.hore@aib.ie	+353 1 6411817
<b>Janet McConkey</b> Head of Debt IR	janet.e.mcconkey@aib.ie	+353 1 6418974
Siobhain Walsh	siobhain.m.walsh@aib.ie	+353 1 6411901
Pat Clarke	patricia.m.clarke@aib.ie	+353 1 6412381
Susan Glynn	susan.j.glynn@aib.ie	+353 1 7724546

Visit our website at [aib.ie/investorrelations](http://aib.ie/investorrelations)