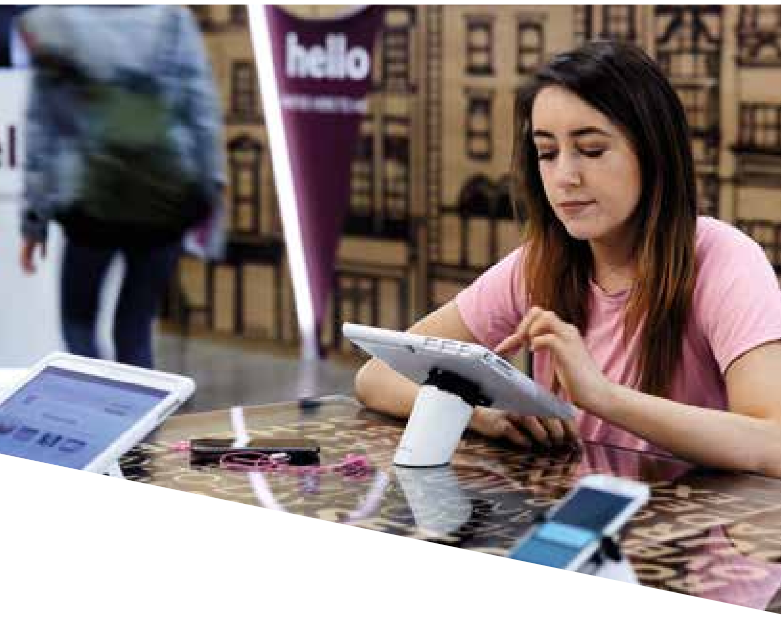

Pillar 3 Report

For the year ended 31 December 2017

AIB Group plc

Important Information and Forward-Looking Statements

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.

AIB Group Pillar 3 Disclosures 2017

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EU CR10	– IRB (specialised lending and equities)
EU INS1	– Non-deducted participations in insurance undertakings
EU CR3	– CRM techniques – Overview
EU CCR 7	– RWA flow statement of CCR exposures under IMM
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EU MRB	– Qualitative disclosure requirements for institutions using the IMA
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1. Introduction and AIB Group key information

Introduction

This document comprises the required regulatory disclosures under Capital Requirements Directive IV ("CRD IV"), Part 8 – Disclosures by Institutions and gives further insight into how the Group's capital management relates to its risk profile, in addition to the disclosures in the Annual Financial Report 2017.

Key metrics

The following key metrics reflect the Group's risk profile (as described on pages 24 to 28 of the Risk management section). During 2017, the Group's performance was in compliance with the Group Risk Appetite Framework which underpins the risk profile. These key metrics form part of the Risk Appetite Statement and have been calculated as prescribed in CRD IV, on a transitional and fully loaded basis.

Regulatory capital and capital ratios

Common equity tier 1 capital *(transitional)*	Total capital *(transitional)*	Common equity tier 1 capital *(fully loaded)*	Total capital *(fully loaded)*
€ 10,768 million	**€ 11,672 million**	**€ 9,045 million**	**€ 9,856 million**
(2016: € 10,307 million)	(2016: € 11,772 million)	(2016: € 8,314 million)	(2016: € 9,591 million)

Common equity tier 1 ratio *(transitional)*	Total capital ratio *(transitional)*	Common equity tier 1 ratio *(fully loaded)*	Total capital ratio *(fully loaded)*
20.8%	**22.6%**	**17.5%**	**19.0%**
(2016: 19.0%)	(2016: 21.7%)	(2016: 15.3%)	(2016: 17.6%)

Risk weighted assets ("RWA")

Total RWA *(transitional)*	Credit risk *(transitional)*	Total RWA *(fully loaded)*	Credit risk *(fully loaded)*
€ 51,728 million	**€ 46,319 million**	**€ 51,823 million**	**€ 46,414 million**
(2016: € 54,235 million)	(2016: € 48,843 million)	(2016: € 54,419 million)	(2016: € 49,027 million)

Market risk *(transitional)*	Operational risk *(transitional)*	Market risk *(fully loaded)*	Operational risk *(fully loaded)*
€ 360 million	**€ 4,248 million**	**€ 360 million**	**€ 4,248 million**
(2016: € 288 million)	(2016: € 3,874 million)	(2016: € 288 million)	(2016: € 3,874 million)

Liquidity ratios

Liquidity coverage ratio ("LCR")	Net stable funding ratio ("NSFR")
132%	**123%**
(2016: 128%)	(2016: 119%)

Leverage ratios

(transitional)	*(fully loaded)*
11.9%	**10.3%**
(2016: 11.0%)	(2016: 9.2%)

Key movements in capital and RWAs are detailed in Chapter 2 – Capital and capital management on pages 15 to 23.

1. Introduction and AIB Group key information

Background and context

The Basel Accords were introduced as global regulatory standards on capital adequacy. The Basel III capital adequacy framework builds on the Basel II regulatory base and further underpins how regulatory capital requirements reflect a credit institution's underlying risks. The Basel framework is based on three pillars:

– Pillar 1 ('minimum capital requirements') defines rules for the calculation of credit, market and operational risk;
– Pillar 2 ('supervisory review') requires banks to estimate their own internal capital requirements through an Internal Capital Adequacy Assessment Process ("ICAAP"), which is subject to supervisory review and evaluation; and
– Pillar 3 ('market discipline') involves the disclosure of a suite of qualitative and quantitative risk management information to the market.

The legal basis for implementing Basel III is the European Union ("EU") adopted legislative package, known as CRD IV, which came into force on 1 January 2014, with some of the provisions being phased-in from 2014. CRD IV consists of the Capital Requirements Regulation ("CRR") which is directly applicable across firms in the EU, and the Capital Requirements Directive ("CRD"), which was implemented by member states of the European Economic Area through national law.

The Single Supervisory Mechanism (''SSM''), comprising the European Central Bank (''ECB'') and the national competent authorities of EU countries (in the Republic of Ireland this is the Central Bank of Ireland ("Central Bank" or "CBI")) was established in 2014. The SSM places the ECB as the central prudential supervisor of financial institutions in the Eurozone, including AIB, and in those non-eurozone EU countries that choose to join the SSM. The aims of the SSM are to ensure the safety and soundness of the EU banking system and to increase financial integration and stability in the EU. Although the ECB has been conferred with the task of ensuring financial stability, some functions such as consumer protection, supervision of payment services and the combat of money laundering remain at national level.

Corporate restructuring

In December 2017, a new company, AIB Group plc became the holding company of the AIB Group. This was to give effect to a regulatory decision taken by AIB's Resolution Authorities under the EU Bank Recovery and Resolution Directive ("BRRD") with respect to the structure of the AIB Group. Specifically, AIB's Resolution Authorities determined that the Preferred Resolution Strategy for the AIB Group was a "Single Point of Entry" via a holding company. Implementation of the Preferred Resolution Strategy required the introduction of a new AIB Group holding company to sit at the top of the AIB Group, directly above Allied Irish Banks, p.l.c. and meant that any future bail-in of instruments held by external creditors would be expected to take place in the first instance at the level of that holding company.

The new company, AIB Group plc is a recently incorporated public company registered in Ireland. Allied Irish Banks, p.l.c., the existing principal operating company and holding company of the AIB Group, and its operating subsidiaries will continue as the principal trading entities of the AIB Group. The new holding company will carry on the usual activities of a group holding company and will also become the primary issuer of external capital securities and debt securities, issued to meet minimum requirement for own funds and eligible liabilities ("MREL") requirements on behalf of the AIB Group.

Basis of disclosures

AIB Group plc ('the parent company') is a company domiciled in Ireland and is the holding company of the Group.

AIB Group plc was incorporated on 8 December 2016. At 31 December 2016, the Company had no subsidiaries and was not the parent company of the Group. On 8 December 2017, Allied Irish Banks, p.l.c. was acquired by AIB Group plc and as a result, Allied Irish Banks, p.l.c. is now a 100% subsidiary of AIB Group plc.

Under Article 4 of the CRR, AIB Group plc is a financial holding company. Under Article 13 (2) of the CRR, disclosure obligations as laid down in Part Eight of the CRR are on the basis of the consolidated situation of the financial holding company i.e. AIB Group plc.

Allied Irish Banks, p.l.c., a direct subsidiary of AIB Group plc, is a credit institution authorised by the Central Bank/SSM. Both Allied Irish Banks, p.l.c. and its subsidiaries: AIB Mortgage Bank; EBS d.a.c.; and EBS Mortgage Finance are licenced entities and are required to file regulatory returns with the Central Bank for the purpose of assessing, inter alia, their capital adequacy and their balance sheets.
In addition, AIB Group (UK) p.l.c. also a subsidiary of Allied Irish Banks, p.l.c., is a licenced entity and files regulatory returns with the Prudential Regulatory Authority ("PRA").

Background and context *(continued)*

AIB Group plc and its subsidiaries (collectively '"AIB Group" or "Group") prepare consolidated financial statements ("consolidated accounts") under International Financial Reporting Standards ("IFRS").

All subsidiaries are consolidated for both statutory reporting purposes under IFRS and for regulatory reporting, and accordingly, for AIB Group, the regulatory returns and financial statements are similar, other than presentation.

In accordance with Article 13 of the CRR, AIB Group presents its Pillar 3 information for AIB Group plc and its subsidiaries on an AIB Group consolidated basis.

The Pillar 3 disclosures have been prepared to explain the basis on which the Group has prepared and disclosed capital requirements and information about the management of certain risks and for no other purpose. They do not constitute any form of financial statement and should not be relied upon exclusively in making any judgement on the Group. They should be read in conjunction with the other information made public by AIB Group and available on the AIB Group website, including the Annual Financial Report 2017.

Regulatory disclosure developments

The Basel Committee on Banking Supervision (BCBS) released a revised version of the Pillar 3 framework in January 2015.
In December 2016, the European Banking Authority (EBA) issued own-initiative guidelines to ensure the harmonised and timely implementation of the framework in the EU. These guidelines do not change the substance of the regulatory disclosures regarding the requirements defined in Part Eight of Regulation (EU) No 575/2013 (the CRR). However, they provide guidance on these disclosures from a presentational prospective.

By introducing more specific guidance and formats for disclosures through the use of tables and templates, the guidelines represent a significant step towards enhancing the consistency and comparability of institutions' regulatory disclosures in accordance with Part Eight of the CRR.

These guidelines come as specifications of existing disclosure requirements in the CRR regarding general requirements for disclosures, risk management, scope of application, capital requirements, credit risk, counterparty credit risk (CCR), and market risk. The templates (for disclosure formats), tables (for disclosure guidance) and textual guidance items in these guidelines are linked to the CRR as specification of the requirements thereof.

All of the templates and tables included in the EBA guidelines that are relevant to the Group are published in the 2017 Pillar 3 Report. The titles of the tables and templates used in the EBA guidelines have been used in this 2017 Pillar 3 Report and an index of tables is provided on pages 4 to 7. A roadmap has been included on pages 179 to 186 which details how the Group has complied with the Pillar 3 requirements under Part Eight of the CRR.

Frequency

This report is made on an annual basis, with the disclosures based on the financial year-end date of 31 December. A condensed Pillar 3 document will also be published on a quarterly and half-yearly basis.

Reporting conventions

In this report, comparative data is included, where relevant, and presented as reported under CRD IV. This relates to Allied Irish Banks, p.l.c. as at 31 December 2016, i.e. before AIB Group plc became the holding company.

Disclosure policy

The Group maintains a formal Pillar 3 disclosure policy which is reviewed annually and subject to approval within the Group's internal governance framework.

Media and location

The Pillar 3 report is published on AIB Group's website (http://aib.ie/investorrelations), alongside the Annual Financial Report 2017.
Pillar 3 reports from previous years are also available on this website.

Verification

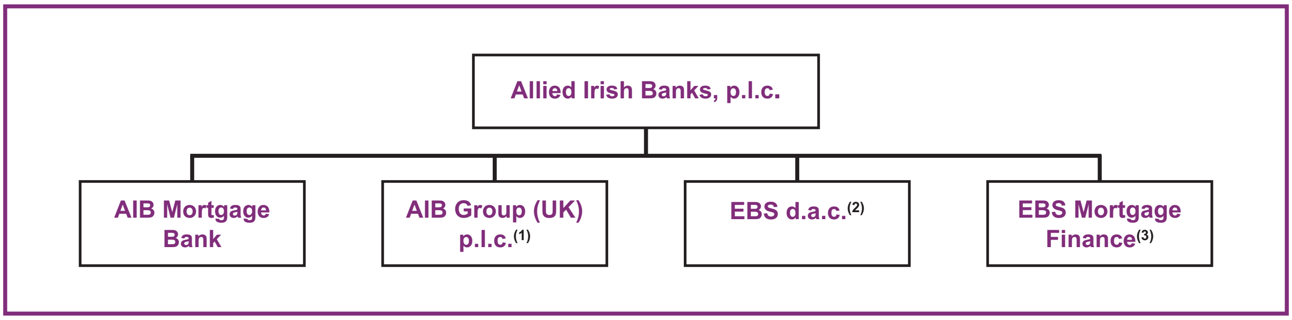
The Pillar 3 disclosures have been subject to internal review procedures broadly consistent with those undertaken for unaudited information published in the Annual Financial Report 2017 and have not been audited by the Group's external auditors. Any audited information that has been included in these disclosures is included in the Annual Financial Report 2017.

1. Introduction and AIB Group key information

Basis of consolidation for accounting and prudential purposes

Under Article 4 of the CRR, AIB Group plc is a financial holding company. AIB Group prepares consolidated financial statements under IFRS as adopted by the EU for statutory reporting purposes ("the Consolidated Accounts"). Additionally, AIB Group is required to prepare regulatory returns for submission to its supervisor ("the Regulatory Returns") for the purpose of assessing its capital adequacy and monitoring its balance sheet. There is no difference between the statement of financial position used for regulatory purposes and that used for statutory purposes as prepared under IFRS. All subsidiaries are consolidated for both Group statutory and regulatory purposes. Details of significant subsidiaries are set out in Appendix 3 to this document.

**Licensed banks within AIB Group
as at 31 December 2017**



(1) For the purposes of illustration, the intermediate parent company of AIB Group (UK) p.l.c. has been omitted from this diagram.

(2) On 12 September 2016, EBS Limited re-registered as a designated activity company (d.a.c.), as required under the Companies Act 2014. The registered name of the legal entity is now EBS d.a.c.

(3) EBS Mortgage Finance is a 100% owned subsidiary of EBS d.a.c. but reports separately to the Regulator.

Transfer of capital between parent company and its subsidiaries

AIB Group plc is the parent company of a number of licensed subsidiary banks which are subject to individual capital adequacy requirements. Each of the licensed subsidiaries are subject to minimum capital requirements imposed by their individual regulators.

In order to maintain capital and/or liquidity ratios at or above the levels set down by their regulators, the licensed subsidiaries are unable to remit capital to the parent when to do so would result in such ratios being breached.

Solo consolidation

The Central Bank has adopted the national discretion under Article 9 of CRR concerning the ability of institutions to include certain subsidiaries in their individual regulatory returns. This treatment, termed 'solo consolidation', in effect, treats such subsidiaries as if they were branches of the parent rather than separate entities in their own right.

There are certain criteria that must be met before the Central Bank will approve the inclusion of non-authorised subsidiaries in the 'solo consolidation'. Allied Irish Banks, p.l.c. and EBS d.a.c. have received approval to prepare their regulatory returns on a solo consolidation basis.

Associated undertakings

Interests in associated undertakings are accounted for under the equity method of accounting for statutory reporting purposes.
For regulatory reporting, the holdings in associated undertakings where the carrying value of the investment is less than 10% of Common Equity Tier 1 ("CET1") are risk weighted at 250%. Any investment where the carrying value is in excess of 10% of CET1 is deducted from CET1 capital.

Table 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			31 December 2017				
			Carrying values of items				
	Carrying values as reported in published financial statements € m	Carrying values under scope of regulatory consolidation € m	Subject to the credit risk framework € m	Subject to the CCR framework € m	Subject to the securitisation framework € m	Subject to the market risk framework € m	Not subject to capital requirements or subject to deduction from capital € m
Assets							
Cash and balances at central banks	6,364	6,364	6,364	–	–	–	–
Items in course of collection	103	103	103	–	–	–	–
Disposal groups and non-current assets held for sale	8	8	8	–	–	–	–
Trading portfolio financial assets	33	33	0	–	–	33	–
Derivative financial instruments	1,156	1,156	0	1,156	–	613	–
Loans and receivables to banks	1,313	1,313	1,310	3	–	–	–
Loans and receivables to customers	59,993	59,993	59,961	19	13	–	–
Financial investments available for sale	16,321	16,321	15,508	–	544	–	269
Interests in associated undertakings	80	80	80	–	–	–	–
Intangible assets	569	569	0	–	–	–	569
Property, plant and equipment	321	321	321	–	–	–	–
Other assets	418	418	418	–	–	–	–
Current taxation	5	5	5	–	–	–	–
Deferred tax assets	2,736	2,736	1,976	–	–	–	760
Prepayments and accrued income	459	459	459	–	–	–	–
Retirement benefit assets	183	183	0	–	–	–	183
Total assets	90,062	90,062	86,513	1,178	557	646	1,781
Liabilities							
Deposits by central banks and banks	3,640	3,640	–	–	–	–	3,640
Customer accounts	64,572	64,572	–	–	–	–	64,572
Trading portfolio financial liabilities	30	30	–	–	–	30	–
Derivative financial instruments	1,170	1,170	–	12	–	604	554
Debt securities in issue	4,590	4,590	–	–	–	–	4,590
Current taxation	68	68	–	–	–	–	68
Deferred tax liabilities	97	97	–	–	–	–	97
Retirement benefit liabilities	87	87	–	–	–	–	87
Other liabilities	824	824	–	–	–	–	824
Accurals and deferred income	348	348	–	–	–	–	348
Provisions for liabilities and commitments	231	231	–	–	–	–	231
Subordinated liabilities and other capital instruments	793	793	–	–	–	–	793
Total liabilities	76,450	76,450	0	12	0	634	75,804
Equity							
Share capital	1,697	1,697	–	–	–	–	1,697
Reserves	11,421	11,421	–	–	–	–	11,421
Other equity interests	494	494	–	–	–	–	494
Total equity	13,612	13,612	0	0	0	0	13,612
Total liabilities and equity	90,062	90,062	0	12	0	634	89,416

1. Introduction and AIB Group key information

Table 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The table below provides information on the main sources of differences between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

					31 December 2017
			Items subject to		
		Total € m	Credit risk framework € m	CCR framework € m	Securitisation framework € m
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**88,248**	**86,513**	**1,178**	**557**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	**(12)**	**–**	**(12)**	**–**
3	Total net amount under the regulatory scope of consolidation	**88,236**	**86,513**	**1,166**	**557**
4	Off-balance-sheet amounts	**2,988**	**2,988**	**–**	**–**
6	Differences due to different netting rules other than those already in row 2	**1,020**	**–**	**1,020**	**–**
7	Differences due to the consideration of provisions	**1,016**	**1,016**	**–**	**–**
8	Net potential future exposures	**507**	**–**	**507**	**–**
9	Other regulatory adjustments	**253**	**253**	**–**	**–**
10	**Exposure amounts considered for regulatory purposes**	**94,020**	**90,770**	**2,693**	**557**

2. Capital and capital management

Objectives

The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the current and future risk inherent in its business and to support its future development.
The Group does this through a control framework encompassing an annual Internal Capital Adequacy Assessment Process ("ICAAP") and quarterly stress tests, which are both subject to supervisory review and evaluation. These are AIB's main capital management tools and to give a clear picture of the Group's capital and material risks.

ICAAP and Stress Testing

The ICAAP is a key process for arriving at a sound Capital Plan, rooted in a clear risk appetite and strategy, which has been appropriately shocked and tested to ensure capital adequacy under a severe stress and a number of scenarios.

The key stages in the ICAAP process are as follows:

- a Risk Appetite Statement is reviewed and approved by the Board annually and contains lending and other limits to mitigate against the risk of an excessive leverage;
- business strategy is set consistent with the approved Risk Appetite Statement which underpins the annual financial planning process;
- performance against plan and risk appetite is monitored monthly;
- material risk assessment identifies all relevant (current and anticipated) risks and identifies those that require capital adequacy assessment;
- financial planning drives the levels of required capital to support growth plans and meet regulatory requirements. Base and stress capital plans are produced as part of the integrated financial planning process;
- Scenario analysis and stress testing is applied to capital plans and to all material risks in order to assess the resilience of the Group and inform capital needs as they arise. Stress testing is also applied to assess the viability of management actions in the ICAAP, the Capital Contingency Plan and the Recovery Plan;
- Reverse stress tests are undertaken to determine scenarios that could lead to a pre-defined breach of capital ratios; and
- the final stage of the ICAAP is the creation of base and stressed capital plans over a three year timeframe, comparing the capital requirements to available capital. This is fully integrated with the Group's financial planning process and ensures that the Group has adequate capital resources in excess of minimum regulatory capital requirements and internal capital requirements.

The Board reviews and approves the ICAAP on an annual basis and is also responsible for signing a Capital Adequacy Statement attesting that the Board has reviewed and is satisfied with the capital adequacy of the Group.

The ICAAP process is supported by a programme of quarterly stress testing which serves to ensure that the Group's assessment of capital adequacy is dynamic and responsive to changes in such factors as balance sheet size, business mix and the macro-economic and financial market outlook.

Risk management and mitigation

The ICAAP is fully integrated and embedded in the strategic, financial and risk management processes of the Group. This is facilitated through capital planning, the setting of risk appetite and risk adjusted performance monitoring. In addition to the Capital Plan, a Capital Contingency Plan is in place which identifies and quantifies actions which are available to the Group in order to mitigate against the impact of a stress event. Trigger points at which these actions will be considered are also identified. A further set of triggers and capital options are set out in the Group's Recovery Plan, which presents the actions available to the Group to restore viability in the event of extreme stress. Finally, the Group has an approved capital allocation mechanism in place which seeks to ensure that capital is allocated on a risk-adjusted basis.

The Group uses Risk Adjusted Return on Capital ("RAROC") for capital allocation purposes and as a behavioural driver of sound risk management. The use of RAROC for portfolio management and in lending decisions continues to be an area of focus and a key consideration for pricing of lending products, both at portfolio level and individually for large transactions.

Risk Monitoring and Reporting

The Group monitors its capital adequacy on a monthly basis when, a capital reporting pack is presented to senior executive and Board Committees setting out the evolution of the Group's capital position. The output of quarterly stress tests is reviewed by the Group's Asset and Liability Committee ("ALCo") and on an annual basis an ICAAP Report is produced which is a comprehensive analysis of the Group's capital position in base and stress scenarios over a three year horizon. This document is reviewed and approved by the Board and is submitted to the Joint Supervisory Team, where it forms the basis of their Supervisory Review and Evaluation Process ("SREP").

AIB Group plc

In February 2017, AIB announced that it had been informed by the Single Resolution Board ("SRB") that the preferred strategy for the Group is a single point of entry bail-in strategy through a holding company. All new issuances of MREL eligible liabilities will be issued by AIB Group plc.

On 6 December 2017, the High Court of Ireland sanctioned the setup of the new Holding Company ("AIB Group plc"), which became effective on 8 December 2017 upon the registration of the Court Order with the Registrar of Companies.

On 13 December 2017, AIB Group plc received High Court approval for a capital reduction of approximately € 5 billion, involving a reduction in the nominal value of AIB Group plc's ordinary shares, in order to create distributable reserves at the level of the new holding company.

Under CRD IV, a portion of the capital reserves attributable to the Additional Tier 1 Securities and tier 2 capital instruments issued by Allied Irish Banks, p.l.c., which exceed the minimum own funds requirement, is not recognised for AIB Group plc consolidated regulatory capital purposes. The impact on the consolidated regulatory capital will reduce if the outstanding Additional Tier 1 Securities and tier 2 capital instruments issued by Allied Irish Banks, p.l.c. are redeemed.

2. Capital and capital management

Table 3: Regulatory capital and capital ratios

The following table summarises AIB Group's capital position:

	CRD IV transitional basis		CRD IV fully loaded basis	
	31 December 2017 € m	31 December 2016[1] € m	**31 December 2017 € m**	31 December 2016[1] € m
Equity	**13,612**	13,148	**13,612**	13,148
Less: Additional Tier 1 Securities	**(494)**	(494)	**(494)**	(494)
Proposed ordinary dividend	**(326)**	(250)	**(326)**	(250)
Regulatory adjustments:				
Intangible assets	**(569)**	(392)	**(569)**	(392)
Cash flow hedging reserves	**(257)**	(460)	**(257)**	(460)
Available for sale securities reserves	**(196)**	(445)	**–**	–
Pension	**(150)**	(140)	**(139)**	(126)
Deferred tax	**(829)**	(610)	**(2,764)**	(3,050)
Expected loss deduction	**–**	(28)	**–**	(46)
Other	**(23)**	(22)	**(18)**	(16)
	(2,024)	(2,097)	**(3,747)**	(4,090)
Total common equity tier 1 capital	**10,768**	10,307	**9,045**	8,314
Additional tier 1 capital				
Additional Tier 1 Securities	**–**	494	**–**	494
Instruments issued by subsidiaries that are given recognition in additional tier 1 capital	**260**	–	**291**	–
Expected loss deduction	**–**	(9)	**–**	–
Total additional tier 1 capital	**260**	485	**291**	494
Total tier 1 capital	**11,028**	10,792	**9,336**	8,808
Tier 2 capital				
Subordinated debt	**–**	783	**–**	783
Instruments issued by subsidiaries that are given recognition in tier 2 capital	**442**	–	**492**	–
Credit provisions	**199**	200	**28**	–
Expected loss deduction	**–**	(9)	**–**	–
Other	**3**	6	**–**	–
Total tier 2 capital	**644**	980	**520**	783
Total capital	**11,672**	11,772	**9,856**	9,591
Risk weighted assets				
Credit risk	**46,319**	48,843	**46,414**	49,027
Market risk	**360**	288	**360**	288
Operational risk	**4,248**	3,874	**4,248**	3,874
Credit valuation adjustment	**796**	1,225	**796**	1,225
Other	**5**	5	**5**	5
Total risk weighted assets	**51,728**	54,235	**51,823**	54,419
	%	%	**%**	%
Common equity tier 1 ratio	**20.8**	19.0	**17.5**	15.3
Tier 1 ratio	**21.3**	19.9	**18.0**	16.2
Total capital ratio	**22.6**	21.7	**19.0**	17.6

[1]Relates to the consolidated capital position of Allied Irish Banks, p.l.c. as at the 31 December 2016.

Table 4: Movements in total capital

The following table analyses the movements in total capital on a transitional basis:

	31 December 2017 € m	31 December 2016 € m
Common equity tier 1 capital at 1 January	**10,307**	9,285
Profit for the year	**1,114**	1,356
Other comprehensive income:		
Net actuarial gain in retirement benefit schemes	**24**	103
Net change in fair value of available for sale securities reserves	**(132)**	(359)
Net change in cash flow hedging reserves	**(203)**	106
Foreign currency translation reserves	**(53)**	(168)
Other	**–**	(1)
	(364)	(319)
Total comprehensive income for the year	**750**	1,037
	11,057	10,322
Proposed ordinary dividend	**(326)**	(250)
Payment of Additional Tier 1 distribution	**(37)**	(37)
Movements in regulatory adjustments:		
Intangible assets	**(177)**	(100)
Cash flow hedging reserves	**203**	(106)
Reversal of fair value of contingent capital instrument[(1)]	**–**	46
Available for sale securities reserves	**250**	805
Pension	**(10)**	(49)
Deferred tax	**(219)**	(293)
Expected loss deduction	**28**	(28)
Other	**(1)**	(3)
Total movements in regulatory adjustments	**74**	272
Common equity tier 1 capital at 31 December	**10,768**	10,307
Additional tier 1 capital at 1 January	**494**	494
Additional Tier 1 issued by subsidiary	**(494)**	–
Instruments issued by subsidiaries that are given recognition in AT1 capital	**260**	–
Expected loss deduction	**–**	(9)
Total tier 1 capital at 31 December	**11,028**	10,792
Total tier 2 capital at 1 January	**980**	1,269
Subordinated loan capital issued by subsidiary	**(783)**	–
Instruments issued by subsidiaries that are given recognition in Tier 2 capital	**442**	–
Regulatory amortisation adjustment	**–**	(190)
Eligible credit provisions	**(1)**	(87)
Expected loss deduction	**9**	(9)
Other	**(3)**	(3)
Total tier 2 capital at 31 December	**644**	980
Total capital at 31 December	**11,672**	11,772

[(1)]Reversal of amortisation in 2016 of initial fair value adjustment.

2. Capital and capital management

Table 5: Reconciliation of shareholders' equity to regulatory capital

The following table provides a reconciliation of the shareholders' equity to regulatory capital on a transitional basis.

	31 December 2017 € m	2016 € m
Total shareholders' equity[(1)(2)]	**13,612**	13,148
Less: Additional Tier 1 capital	**(494)**	(494)
Accrued coupon on Additional Tier 1 capital	**(3)**	(3)
Proposed dividend	**(326)**	(250)
	12,789	12,401
Regulatory adjustments:		
Intangible assets[(2)(3)]	**(569)**	(392)
Cash flow hedging reserves[(4)(5)]	**(257)**	(460)
Available for sale securities reserves[(5)(8)]	**(196)**	(445)
Pension:		
Revenue reserves relating to pension schemes in surplus[(3)]	**(139)**	(126)
Regulatory adjustment relating to pension schemes in deficit[(6)]	**14**	52
Pension filter[(6)]	**(25)**	(66)
	(150)	(140)
Deferred tax[(3)(7)]	**(829)**	(610)
Prudent valuation adjustment[(9)]	**(15)**	(13)
Revaluation reserves[(5)(6)(10)]	**(5)**	(6)
Expected loss deduction	**–**	(28)
Common equity tier 1 capital	**10,768**	10,307
Additional Tier 1 securities[(2)]	**494**	494
Minority interest deduction in respect of AT1 securities[(14)]	**(234)**	–
Expected loss deduction[(13)]	**–**	(9)
Total tier 1 capital	**11,028**	10,792
Tier 2 capital		
Subordinated debt:		
Subordinated liabilities and other capital instruments[(2)]	**793**	791
Instruments not allowable for capital purposes	**(10)**	(8)
	783	783
Regulatory adjustments:		
IRB excess of impairment provisions over expected losses[(11)]	**28**	–
Expected loss deduction[(3)(13)]	**–**	(9)
IBNR relating to standardised portfolios[(12)]	**171**	200
Revaluation reserves[(5)(6)(10)]	**3**	6
Minority interest deduction in respect of Tier 2 securities[(14)]	**(341)**	–
	(139)	197
Total tier 2 capital	**644**	980
Total capital	**11,672**	11,772

[(1)]The capital figures reflect the audited 2017 year-end profit for the Group. These have also been included in the quarterly SSM regulatory capital reporting for December 2017.

[(2)]Per statement of financial position in the Annual Financial Report 2017.

[(3)]Deductions applied as described under CRR Article 36.

[(4)]Prudential filter applied as described under CRR Article 33.

[(5)]Per statement of changes in equity in the Annual Financial Report 2017.

[(6)]Transitional arrangements as described under CRR Article 481, the 20% transitional rate has been applied for 2017 (2016: 40%).

[(7)]Transitional arrangements as described under CRR Article 478, the 30% transitional rate has been applied for 2017 (2016: 20%).

[(8)]Transitional arrangements as described under CRR Articles 467 and 468 as per Regulation (EU) 2016/445 of the European Central Bank of 14 March 2016.

[(9)]Per Article 34 and 105 of the CRR.

[(10)]Revaluation reserves regulatory capital adjustment portion treated as tier 2.

[(11)]As described under CRR Article 62.

[(12)]Transitional arrangements as described under CRR Article 486, the 50% transitional rate has been applied for 2017 (2016: 60%).

[(13)]Transitional arrangements as described under CRR Articles 469, 472 and 478.

[(14)]Minority interest deduction in respect of AT1 and T2 securities calculated in accordance with Articles 85, 87 and 480 of the CRR.

Table 6: Movements in risk weighted assets

The following tables analyse the movements in risk weighted assets by risk categories.

	Credit Risk STD € m	Credit risk IRB € m	Market risk € m	Operational risk € m	Credit valuation adjustment € m	Other € m	31 December 2017 Total € m
At 1 January	**27,693**	**21,150**	**288**	**3,874**	**1,225**	**5**	**54,235**
Asset size[1][2]	**172**	**787**	**72**	**–**	**(429)**	**–**	**602**
Asset quality[3]	**(63)**	**(836)**	**–**	**–**	**–**	**–**	**(899)**
Methodology and policy[4]	**–**	**(1,822)**	**–**	**–**	**–**	**–**	**(1,822)**
Foreign exchange movements	**(359)**	**(403)**	**–**	**–**	**–**	**–**	**(762)**
Other	**–**	**–**	**–**	**374**	**–**	**–**	**374**
At 31 December	**27,443**	**18,876**	**360**	**4,248**	**796**	**5**	**51,728**

	Credit risk STD € m	Credit risk IRB € m	Market risk € m	Operational risk € m	Credit valuation adjustment € m	Other € m	31 December 2016 Total € m
At 1 January	30,470	23,125	457	3,139	1,352	5	58,549
Asset size and quality	(1,186)	(1,906)	(169)	–	(127)	–	(3,389)
Foreign exchange movements	(1,591)	(69)	–	–	–	–	(1,660)
Other	–	–	–	735	–	–	735
At 31 December	27,693	21,150	288	3,874	1,225	5	54,235

[1]Increased asset size in credit risk driven by new lending offset by loan redemptions, restructures, asset sales and write offs.

[2]Credit valuation adjustment reduction driven by the movement in derivative mark to market.

[3]Asset quality represents a positive impact of PD and LGD migration changes within the loan book.

[4]Methodology and policy is related to an agreement to remove a national discretion regarding measurement of asset maturity.

2. Capital and capital management

Capital requirements

The Group is required to maintain a CET 1 ratio of 9.525% effective from 1 January 2018 (2017: 9%). This includes a Pillar 1 requirement of 4.5%, a Pillar 2 requirement ("P2R") of 3.15% and a capital conservation buffer ("CCB") of 1.875%. The minimum requirement for the transitional total capital ratio is 13.025% (2017 12.5%). This requirement excludes Pillar 2 guidance ("P2G") which is not publicly disclosed. The transitional CET1 and total capital ratios at 31 December 2017 were 20.8% and 22.6 % respectively. Based on these ratios, the Group has a very significant buffer over maximum distributable amount ("MDA") trigger levels.

The Group has been designated as an Other Systemically Important Institution ("O-SII"). A buffer for O-SII will be added to the minimum requirement at 0.5% from 1 July 2019, rising to 1.5% on 1 July 2021.

During 2017, the Financial Policy Committee (UK) announced the UK countercyclical capital buffer ("CCyB") will increase to 0.5% in June 2018 and to 1% from November 2018. The Group's minimum requirement will increase in proportion to its level of UK exposures which equates to c. 0.2% for the Group in November 2018. Other jurisdictional CCyB in place have a negligible impact on capital requirements.

The Central Bank of Ireland have maintained the CCyB on Irish exposures at 0%.

Capital ratios at 31 December 2017

Transitional ratio

The transitional CET1 ratio increased to 20.8% at 31 December 2017 from 19.0% at 31 December 2016. The increase in the CET1 ratio is due to an increase in CET1 capital and a reduction in risk weighted assets ("RWA").

CET1 capital increased by € 461 million to € 10,768 million at 31 December 2017. This consisted of profit for the year of € 1,114 million, partially offset by a proposed dividend on ordinary shares of € 326 million, an increase in the deduction for the deferred tax assets relating to unutilised tax losses of € 219 million due to the transitional phasing arrangements increasing from 20% to 30% in 2017 and an increase in intangible assets of € 177 million. Other movements in the period included an increase in the recognition of unrealised gains in the AFS debt and equity securities increasing from 60% to 80%.

The CET1 transitional ratio, at 20.8%, is significantly in excess of the minimum capital requirement.

The transitional tier 1 capital ratio increased to 21.3% at 31 December 2017 from 19.9% at 31 December 2016. The transitional total capital ratio increased to 22.6% at 31 December 2017 from 21.7% at 31 December 2016. The increase in the ratio was driven by the CET1 capital movements outlined above combined with RWA reductions offset by the introduction of a minority interest restriction[(1)]. The restriction reduced qualifying transitional tier 1 capital by € 234 million and qualifying transitional tier 2 capital by € 341 million.

Risk weighted assets

Credit risk RWA reduced by € 2,524 million (€ 2,613 million fully loaded) during the year to 31 December 2017. Of the reduction € 1,822 million related to an agreement to remove a national discretion regarding measurement of asset maturity and a further € 762 million decrease related to foreign exchange movements. Credit valuation adjustment RWA decreased by € 429 million reflecting movement in the derivate mark to market. These decreases were partially offset by an increase in operational risk RWA of € 374 million reflecting the increased levels of income in the annual calculation. Market risk increased by € 72 million.

Fully loaded ratio

The fully loaded CET1 ratio increased to 17.5% at 31 December 2017 from 15.3% at 31 December 2016. The increase in the CET1 ratio is due to an increase in CET1 capital and a reduction in RWA.

CET1 capital increased by € 731 million to € 9,045 million at 31 December 2017. This consisted of profit for the year of € 1,114 million and a decrease in the capital deduction for the deferred tax asset of € 286 million offset by a proposed dividend on ordinary shares of € 326 million, a reduction in AFS reserves of € 132 million and an increase in intangible assets of € 177 million.

The fully loaded tier 1 capital ratio increased to 18.0% at 31 December 2017 from 16.2% at 31 December 2016. The fully loaded total capital ratio increased to 19.0% at 31 December 2017 from 17.6% at 31 December 2016. The increase in the ratio was driven by the CET1 movements outlined above combined with RWA reductions offset by the introduction of a minority interest restriction[(1)]. The restriction reduced qualifying fully loaded tier 1 capital by € 203 million and qualifying fully loaded tier 2 capital by € 291 million.

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

Dividends

The Board proposes to pay an ordinary dividend of € 326 million or € 0.12 per share from full year 2017 profits. This is subject to the approval of shareholders at the Annual General Meeting in April 2018.

IFRS 9

IFRS 9 is effective from 1 January 2018 and replaces current impairment rules. The estimated possible impact of implementing IFRS 9, including the impact on RWA and regulatory deductions, would reduce the Group's fully loaded CET1 ratio by 0.7% or an expected CET1 ratio reduction from 17.5% to 16.8%.

The Group intends to apply transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds as per Regulation (EU) 2017/2395 of the European Parliament and of the Council. After applying IFRS 9 transitional arrangements, the expected transitional CET1 ratio would reduce from 20.8% to 20.6%.

Minimum Requirement for Own Funds and Eligible Liabilities ("MREL")

The Group continues to work towards its MREL target ensuring that there are sufficient subordinated instruments to implement the Group's preferred resolution strategy. The indicative MREL target is 29.05% with MREL eligible issuance expected to be in the range of € 3 billion to € 5 billion. The Group continues to monitor the developments in MREL legislation.

Finalisation of Basel III

The final text of the Basel III reforms were published in December 2017 which was less severe than initial industry expectations. The aim of the reforms is to enhance the reliability and comparability of risk-weighted capital ratios. Due to the Groups' high RWA density it is likely to be less severely impacted by RWA floors. The Group will continue to assess the impact of the reforms as and when they are applied to European law and regulations.

The Group is actively monitoring the advancement in regulatory frameworks and assessing potential capital impacts to ensure that the Group maintains a strong capital position.

Ratings

AIB is currently engaging with the rating agencies to obtain a rating for AIB Group plc. In relation to Allied Irish Banks, p.l.c. the following ratings are applicable.

Moody's upgraded the long term rating in June 2017, by one notch to Baa2 (investment grade) with stable outlook. According to Moody's, this rating upgrade reflects a range of positive factors, including further reduction in non-performing loans, improved capital ratios and achievement of stable core profitability.

S&P upgraded the long term rating in January 2017, by one notch to BBB- (investment grade) with a stable outlook. This rating action by S&P reflects their view that economic risks have decreased for Irish banks due to economic growth, the sustained recovery in property prices and reducing unemployment. S&P affirmed the long term rating in December 2017 at BBB- and changed the outlook to positive.

Fitch upgraded the long term rating by one notch in November 2017, to BBB- (investment grade) with a positive outlook. According to Fitch, the upgrade reflects continued improvements in asset quality, a longer record of stable profitability and strengthened capitalisation.

	31 December 2017		
Long-term ratings	**Moody's**	**S&P**	**Fitch**
Long-term	**Baa2**	**BBB-**	**BBB-**
Outlook	**Stable**	**Positive**	**Positive**
Investment grade	✓	✓	✓

	31 December 2016		
Long-term ratings	Moody's	S&P	Fitch
Long-term	Baa3	BB+	BB+
Outlook	Positive	Positive	Positive
Investment grade	✓		

2. Capital and capital management

Table 7: EU OV1 – Overview of risk weighted assets (RWAs)

The table below summarises RWAs and minimum capital requirements by risk type:

		Risk weighted assets		Minimum capital requirements[1]	
		31 December		31 December	
		2017 € m	2016 € m	2017 € m	2016 € m
1	**Credit risk (excluding counterparty credit risk)**	**44,839**	47,088	**3,587**	3,767
2	Of which: Standardised Approach	**26,705**	27,062	**2,136**	2,165
3	Foundation IRB (FIRB) Approach	**11,602**	12,515	**928**	1,001
4	Advanced IRB (AIRB) Approach	**6,532**	7,511	**523**	601
6	**Counterparty credit risk**	**1,845**	2,768	**147**	221
7	Of which: Mark-to-market	**897**	1,458	**72**	117
	Financial collateral comprehensive method (for SFTs)	**152**	85	**12**	7
12	Credit value adjustment (CVA)	**796**	1,225	**63**	98
14	**Securitisation exposures in the banking book (after the cap)**	**49**	49	**4**	4
15	Of which: IRB Approach	**49**	49	**4**	4
19	**Market risk**	**360**	288	**29**	23
20	Of which: Standardised Approach	**360**	288	**29**	23
23	**Operational risk**	**4,248**	3,874	**340**	310
25	Of which: Standardised Approach	**4,248**	3,874	**340**	310
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**382**	163	**31**	13
	Other risk exposure amounts	**5**	5	–	–
29	**Total**	**51,728**	54,235	**4,138**	4,339

[1]Minimum capital requirement is calculated as 8% of risk weighted assets.

The following table provides a bridge detailing how Credit Risk RWAs in table OV1 reconciles to the Capital and other tables (tables 3 and 9).

31 December 2017

	Per OV1 € m	Securiti-sations € m	Total credit risk € m	Amounts below the threshold for deduction € m	Total credit risk € m	Counter-party credit risk[1] € m	As reported in tables 3/9 € m
Total credit risk	**44,839**	**49**	**44,888**	**382**	**45,270**	**1,049**	**46,319**
Of which:							
Credit exposure subject to IRB Approach	**18,134**	**49**	**18,183**	**–**	**18,183**	**693**	**18,876**
Credit exposure subject to Standardised Approach	**26,705**	**–**	**26,705**	**382**	**27,087**	**356**	**27,443**

[1]Excludes CVA adjustment of € 796 million (2016: € 1,225 million) which is shown separately in capital.

31 December 2016

	Per OV1 € m	Securiti-sations € m	Total credit risk € m	Amounts below the threshold for deduction € m	Total credit risk € m	Counter-party credit risk € m	As reported in tables 3/9 € m
Total credit risk	47,088	49	47,137	163	47,300	1,543	48,843
Of which:							
Credit exposure subject to IRB Approach	20,026	49	20,075	–	20,075	1,075	21,150
Credit exposure subject to Standardised Approach	27,062	–	27,062	163	27,225	468	27,693

Leverage ratio

The transitional leverage ratio increased to 11.9% at 31 December 2017 from 11.0% at 31 December 2016. The increase was driven by an increase in tier 1 capital, outlined on page 20, and a decrease in exposures.The decrease in exposures was mainly driven by a reduction in net customer loans of € 0.6 billion, a decrease in available for sale and derivative instruments of € 3.2 billion and the redemption of the NAMA senior bonds of € 1.8 billion.

Table 8: Leverage ratio

The following table analyses the calculation of the leverage ratio on a transitional and fully loaded basis:

	31 December 2017		31 December 2016	
EULRSUM – Summary reconciliation of accounting assets and leverage ratio exposure	**Transitional € m**	**Fully loaded € m**	Transitional € m	Fully loaded € m
Total assets as per published financial statements	**90,062**	**90,062**	95,622	95,622
Adjustments for:				
Derivative financial instruments	**507**	**507**	666	666
Securities financing transactions ("SFTs")	**459**	**459**	209	209
Off-balance sheet items	**2,878**	**2,878**	2,766	2,766
Other	**(1,578)**	**(3,313)**	(1,328)	(3,333)
Total leverage ratio exposure	**92,328**	**90,593**	97,935	95,930
EURLCOM – Leverage ratio common disclosure				
On-balance sheet exposures (excluding derivatives and SFTs)				
On-balance sheet items	**89,055**	**89,055**	94,106	94,106
Asset amounts deducted in determining tier 1 capital	**(1,750)**	**(3,485)**	(1,626)	(3,631)
	87,305	**85,570**	92,480	90,475
Derivative exposures				
Replacement cost associated with all derivative transactions	**1,156**	**1,156**	1,814	1,814
Add-on amounts for PFE[1] associated with all derivative transactions	**507**	**507**	666	666
	1,663	**1,663**	2,480	2,480
Securities financing transaction exposures ("SFT")				
Gross SFT assets	**5,150**	**5,150**	7,642	7,642
Net amount of cash payable/receivable of gross SFT assets	**(5,127)**	**(5,127)**	(7,642)	(7,642)
Counterparty credit risk exposure for SFT assets	**459**	**459**	209	209
	482	**482**	209	209
Other off-balance sheet exposures				
Off-balance sheet exposures at gross notional amount	**11,111**	**11,111**	11,199	11,199
Adjustments for conversion to credit equivalent amounts	**(8,233)**	**(8,233)**	(8,433)	(8,433)
	2,878	**2,878**	2,766	2,766
Total leverage ratio exposure	**92,328**	**90,593**	97,935	95,930
Tier 1 capital at 31 December	**11,028**	**9,336**	10,792	8,808
Leverage ratio	**11.9%**	**10.3%**	11.0%	9.2%

	€ m	**€ m**	€ m	€ m
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	**89,055**	**89,055**	94,106	94,106
Of which:				
Exposures treated as sovereigns	**17,276**	**17,276**	21,090	21,090
Institutions	**4,943**	**4,943**	5,139	5,139
Secured by mortgages on immovable property	**33,773**	**33,773**	34,477	34,477
Retail exposures	**5,392**	**5,392**	4,283	4,283
Corporate	**16,121**	**16,121**	15,102	15,102
Exposures in default	**4,622**	**4,622**	6,885	6,885
Other exposures	**6,928**	**6,928**	7,130	7,130

[1]Potential future exposure ("PFE").

3. Risk management

Introduction

The Group assumes a variety of risks in undertaking its business activities. Risk is defined as any event that could damage the core earnings capacity of the Group, increase cash-flow volatility, reduce capital, threaten business reputation or viability, and/or breach regulatory or legal obligations.

Principal risks and uncertainties

The Group is exposed to a number of material risks which have been identified through the Material Risk Assessment process carried out by the Group. The Group has implemented comprehensive risk management strategies in seeking to manage these risks. Although the Group invests substantial time and effort in its risk management strategies and techniques, there is a risk that these may fail to adequately mitigate the risks in some circumstances, particularly if confronted with risks that were not identified or anticipated.

The principal risks and uncertainties facing the Group fall under the following broad categories:

– Macroeconomic and geopolitical risks;
– Regulatory and legal risks; and
– Risks relating to business operations, governance and internal control systems.

Page 19 of the Annual Financial Report 2017 provides a summary of the linkages between the Principal Risks and Uncertainties to the Group's four Strategic Pillars and to its Material Risks.

The principal risks and uncertainties pertaining to each of these categories are described in detail on pages 58 to 68 of the Annual Financial Report 2017 and should not be considered as exhaustive and other factors, not yet identified, or not currently considered material, may adversely affect the Group.

Risk profile

The Group has adopted an enterprise risk management approach to identifying, assessing and managing risks. To support this approach, a number of frameworks and policies approved by the Board (or Board delegation) are in place which set out the key principles, roles and responsibilities and governance arrangements through which the Group's material risks are managed and mitigated. These frameworks and policies are subject to annual review by the respective risk owners. The monthly Chief Risk Officer ("CRO") Report provides qualitative and quantitative information on the management of the Material Risks to which the Group is exposed to the Group Enterprise Risk Committee and Board Risk Committee.

The core aspects of the Group's risk management framework approach are set out on pages 69 to 71 of the Annual Financial Report 2017. In addition, the Directors' Statement on the effectiveness of the system of Risk Management and Internal Controls is on pages 223 to 224 of the Annual Financial Report 2017, which the Leadership Team attest to.

There have been no changes to the Group heads of compliance or internal audit during the course of 2017. Dominic Clarke, Group CRO, resigned his post on 9 January 2017, to take up employment with another financial services organisation. He was replaced by our current CRO, Deirdre Hannigan, on 24 April 2017, who joined AIB from the National Treasury Management Agency. In the intervening period, the appropriate necessary arrangements were made to ensure adequate cover of the responsibilities of the role.

The Group's risk appetite is defined as the amount and type of risk that the Group is willing to accept or tolerate in order to deliver on its strategic and business objectives. The Group Risk Appetite Statement ("RAS") is a blend of qualitative statements and quantitative limits and triggers linked to the Group's strategic objectives. The overarching qualitative statements for the RAS are reflected on page 70 of the Annual Financial Report 2017. The Group's risk profile is measured against its risk appetite and adherence to the Group RAS is reported on a monthly basis to the Group Enterprise Risk Committee and Board Risk Committee.

A number of material transactions took place within the Group during 2017. These transactions are reflected within the Chairman's Statement and Chief Executive's Review within the Annual Financial Report 2017 on pages 4 to 9. Some examples of the main transactions which took place are highlighted below but these should not be considered exhaustive:

– Successful completion of the Initial Public Offering ("IPO") which resulted in the relisting of the Group on the Irish and London Stock Exchanges;
– The implementation of a Group Holding Company structure to facilitate the Regulator's resolution plans;
– The continuation of our deleveraging strategy including the sale of certain portfolios in 2017; and
– The Group's property strategy has progressed to the next phase with the addition of two buildings in Dublin, at Molesworth Street and Central Park in Leopardstown.

Individual risk types

The following are the principal individual risk types identified through the Group's material risk assessment process:

– Credit risk;
– Restructure execution risk;
– Funding and liquidity risk;
– Capital adequacy risk;
– Financial Risk – (a) Market risk;
  (b) Pension risk
– Operational risk;
– Regulatory compliance risk including conduct risk;
– People and culture risk;
– Business model risk; and
– Model risk

These individual risk types are described in detail on pages 73 to 178 of the Annual Financial Report 2017, with prefaces to credit risk, market risk, operational risk and capital adequacy risk included below. Further discussion on credit risk can be found in Chapters 4 to 9 of this Report.

Credit risk

Credit risk is the risk that the Group will incur losses as a result of a customer or counterparty being unable or unwilling to meet a commitment that they had entered into. Credit exposure arises in relation to lending activities to customers and banks (excluding securities financing transactions ("SFT"), including 'off-balance sheet' guarantees and commitments, the trading portfolio, financial investments available for sale, financial investments held to maturity.

Counterparty credit risk exposure ("CCR") arises from our direct activity in derivatives and SFT. It is calculated in both the trading and non-trading books and is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction. Concentrations, in particular portfolio sectors, such as property and construction or residential mortgages, can impact the overall level of credit risk. At 31 December 2017, the Group used a combination of Standardised and IRB Approaches for assessing its capital requirements for counterparty credit risk.

A description of AIB Group's approach to credit risk including (a) 'measurement of credit risk'; (b) 'credit risk mitigants'; and (c) 'credit risk monitoring' are set out on pages 73 to 84 of the Annual Financial Report 2017. While details on 'Loan loss provisioning' are on pages 85 to 91 of the Annual Financial Report 2017.

In addition, there is a capital charge for credit valuation adjustment ("CVA") which is designed to capture the risk associated with potential mark-to-market losses associated with the deterioration in the creditworthiness of a counterparty. Banks are required to calculate capital charges for CVA under either the Standardised CVA Approach or the Advanced CVA Approach ("ACVA"). AIB calculates CVA using the Standardised Approach. At 31 December 2017, the minimum capital requirement for CVA was € 63 million.

The regulatory CVA capital charge applies to all counterparty exposures arising from over-the-counter ("OTC") derivatives and security financing transactions, excluding those transactions with a qualifying central counterparty, non-financial corporates and intragroup transactions.

Market risk

Market risk is the risk relating to the uncertainty of returns attributable to fluctuations in market factors. Where the uncertainty is expressed as a potential loss in earnings or value, it represents a risk to the income and capital position of the Group. The Group is primarily exposed to market risk through the interest rate and credit spread factors and to a lesser extent through foreign exchange, equity and inflation rate risk factors. AIB Group uses the Standardised Approach for assessing its capital requirements for trading book market risk. As set out on page 22 of this Report, of the total minimum capital requirement of € 4,138 million at 31 December 2017, the minimum capital requirement for market risk amounts to € 29 million. A description of AIB Group's (a) 'identification and assessment'; (b) 'management and mitigation'; and (c) 'monitoring and reporting' of market risk is set out on pages 165 and 166 of the Annual Financial Report 2017. A sensitivity analysis of the Group's banking book to movements in interest rates is set out on pages 168 to 171 of the Annual Financial Report 2017, together with a Value at Risk ("VaR") profile for both the banking and trading book.

3. Risk management

Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people and systems or from external events.
This includes legal risk – the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings, but excludes strategic and reputational risk. In essence, operational risk is a broad canvas of individual risk types which include product, project, people and property, continuity and resilience, information security and outsourcing. AIB Group uses the Standardised Approach for assessing its capital requirements for operational risk. As set out on page 22 of this Report, of the total minimum capital requirement of € 4,138 million at 31 December 2017, the minimum capital requirement for operational risk amounts to € 340 million.
A description of AIB Group's (a) 'identification and assessment; (b) 'management and mitigation' and (c) 'monitoring and reporting' of operational risk is set out on pages 174 and 175 of the Annual Financial Report 2017.

Capital adequacy risk

Capital adequacy risk is defined as the risk that the Group breaches or may breach regulatory capital ratios and internal targets. The key material risks impacting on the capital adequacy position of the Group is credit risk, although it should be noted that all material risks can to some degree impact capital ratios.

The key processes through which Capital Adequacy Risk is evaluated are the Internal Capital Adequacy Assessment Process (ICAAP) and quarterly stress tests, which are both subject to supervisory review and evaluation. Further information on 'Capital management' including 'ICAAP and Stress testing', 'Risk management and mitigation' and 'Risk monitoring and reporting' is set out in Chapter 2 of this report.

Governance overview

During 2017, AIB Group plc became the new holding company of AIB Group. This change was approved by the shareholders of Allied Irish Banks, p.l.c. at an Extraordinary General Meeting on 3 November 2017 and sanctioned by the High Court on 8 December 2017. Allied Irish Banks, p.l.c continues to be the principal operating and regulated financial services company in AIB Group.

For the purpose of this report which discusses corporate governance arrangements, 'AIB Group' or 'the Group' comprises Allied Irish Banks, p.l.c. and its subsidiaries up to 8 December 2017 and from 8 December 2017 onwards, comprises AIB Group plc and its subsidiaries (including Allied Irish Banks, p.l.c.).

AIB Group's Governance Framework (the "Framework") underpins effective decision making and accountability and is the basis on which the Group conducts its business and engages with customers and stakeholders. It ensures that organisation and control arrangements are appropriate to the governance of the Group's strategy, operations and mitigation of related material risks.
The Framework is reflective of the best practice corporate governance standards, guidelines and statutory and regulatory obligations that apply to the Group.

The governance arrangements of AIB Group plc and Allied Irish Banks, p.l.c. are mirrored and include a Board of Directors of sufficient size and expertise, the majority of whom are Independent Non-Executive Directors, to oversee the operations of the Group (together referred to as the "Board"). At 31 December 2017, the Board was composed of 10 Independent Non-Executive Directors and 2 Executive Directors. With effect from 1 January 2018, following the resignation of Dr. Michael Somers, the Board is composed of 9 Independent Non-Executive Directors and 2 Executive Directors. Full details of the responsibilities of the Board and its sub-committees are set out on pages 186 to 209 of the Annual Financial Report 2017.

Directorships held by Members of the Management Body

The Independent Non-Executive Directors of the Board hold a number of external directorships as set out on pages 28 to 29 of the Annual Financial Report 2017, which comply with Regulation 79 of S.I. 158/2014 (European Union (Capital Requirements) Regulations 2014). This regulation established limits on the number and nature of directorships permitted to be held by members of the management bodies of significant institutions.

Criteria for the selection of Members of the Management Body

The responsibilities of the Nomination and Corporate Governance Committee include recommending candidates to the Board for appointment as Directors, and reviewing the size, structure, composition, diversity and skills of the Board, Board Committees and material subsidiary company boards. A Board-approved Policy for the Assessment of the Suitability of Members of the Board, which outlines the board appointments process, is in place, in accordance with European Banking Authority ("EBA") Guidelines. The EBA and the European Securities and Markets Authority ("ESMA") have recently published joint guidelines to assess the suitability of members of management bodies and key function holders. The Policy for the Assessment of the Suitability of Members of the Board is under review and will be updated in light of the updated guidelines prior to the effective date of 30 June 2018.

The Relationship Framework specified by the Minister for Finance (the "Minister"), which governs the relationship between the Company and the State as shareholder, requires the Board to obtain the written consent of the Minister in accordance with a pre-determined consent/consultation procedure (the "Procedure") before appointing, reappointing or removing the Chairman or Chief Executive Officer, and to consult with the Minister in accordance with the Procedure in respect of all other Board appointments proposed.

Policy on Diversity

The Board recognises and embraces the benefits of diversity amongst its own Members, including diversity of skills, experience, background, gender, ethnicity and other qualities, and is committed to achieving the most appropriate blend and balance of diversity possible over time. In February 2015, the Board introduced a Board Diversity Policy (the "Policy") which included the aim, in relation to gender diversity, to ensure that the percentage of females on the Board reached or exceeded 25 per cent. The Board achieved this target in October 2016 and has continued to focus on that target, with the expressed intention to maintain or exceed that target where possible. The current ratio of females on the Board is 27%.

The search for Board candidates will continue to be conducted, and nominations/appointments made, with due regard to the benefits of diversity on the Board. However, all appointments to the Board are ultimately based on merit, measured against objective criteria, and the skills and experience the individual can bring to the Board. The Terms of Reference of the Nomination and Corporate Governance Committee are available on the Corporate Governance section of the Group's website at http://aib.ie/investorrelations. Performance relative to the diversity target set out in the Policy is published on the Group's website at: https://aib.ie/investorrelations/about-aib/corporate-governance.

Risk Management

The Board Risk Committee (the "Committee"), which comprised of 5 Non-Executive Directors to 31 December 2017 and 4 Non-Executives from 1 January 2018, whom the Board has determined have the collective skills and relevant experience to enable the Committee to discharge its responsibilities, met on 9 occasions during 2017. Further details relating to the Board Risk Committee are available on pages 200 to 203 of the Annual Financial Report 2017.

A description of the flow of information to the management body relating to risk is available on pages 69 to 71 of the Annual Financial Report 2017.

4. Credit risk – Overview

One of the Group's main sources of income from on-going activities arises from granting credit. Accordingly, this exposes it to its most significant risk, namely credit risk. The most significant credit risk in AIB Group arises from traditional lending activities to corporate, commercial and personal customers and to sovereigns and banks. Credit risk also arises through the use of derivatives, off-balance sheet guarantees and commitments and through the Group's trading, 'available for sale' and 'held to maturity' portfolios of financial instruments. Capital requirements are based on the estimated level of risk of individual credit exposures. A description of how AIB manages, monitors and reports credit risk is outlined in the 'Risk management' section on pages 72 to 150 of the Annual Financial Report 2017.

CRD IV provides two approaches for the calculation of minimum regulatory capital requirements for credit risk:

(i) The Standardised Approach

Under the Standardised Approach, risk weightings for rated counterparties are determined on the basis of the external credit rating assigned to the counterparty. For non-rated counterparties and certain other types of exposure, regulatory-determined standardised risk weightings are used. The Group's exposures under this approach are set out in Chapter 5 – Credit risk – Standardised Approach.

(ii) The Internal Ratings Based Approach ("IRB Approach").

The IRB Approach allows banks, subject to regulatory approval[(1)], use their own estimates of certain risk components to derive regulatory capital requirements for credit risk across different asset classes. The relevant risk components are probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For non-retail exposures, there are two IRB approaches. Under the Foundation IRB Approach, banks use their own estimate of PD, and regulatory estimates of LGD and EAD. Under the Advanced IRB Approach, banks use their own estimates of all three risk components. For retail exposures, there is only one IRB Approach which uses internal estimates of all three risk components. The Group's exposures under this approach are set out in Chapter 6 – Credit risk – IRB Approach.

As at 31 December 2017, the Group used a combination of Standardised and IRB Approaches for assessing its capital requirements for credit risk. It has received regulatory approval to use the Foundation IRB Approach for certain sovereign, bank and corporate exposures, and to use the Retail IRB Approach for certain residential mortgage exposures. Henceforth, for ease of reference within this document, this combination of Foundation and Retail IRB approval will be referred to as approval to use the IRB Approach.

Additional commentary on specific credit risks arising from certain transactions including derivative transactions, repurchase agreements and securitisation positions are set out in Chapter 9 – Counterparty credit risks and Chapter 10 – Securitisations. These disclosures have been provided on a Group consolidated basis.

The following guidelines apply to the tables throughout this document and should be read in conjunction with the "Glossary of definitions and explanations":

- "Exposures associated with particularly high risk" include, subject to the discretion of competent authorities, exposures associated with particularly high risks such as speculative immovable property financing (defaulted and non-defaulted) and private equity investments; and
- "Other items" refers to other assets including land and buildings, plant and machinery, other fixtures and fittings, tools and equipment, payments on account and tangible assets in the course of construction.

[(1)]The portfolios for which AIB has received regulatory approval to use the IRB Approach are outlined on pages 38 to 40 of this Report.

Table 9: Total exposures by exposure class and related minimum capital requirements

The minimum capital requirements for exposures calculated under the Standardised Approach and IRB Approach and the related exposure values are set out in the following table.

Total exposures (€ 105,908 million) include credit risk exposures net of impairment provisions before the application of credit risk mitigation (CRM) and credit conversion factors (CCF). These also include counterparty credit risk exposures (€ 7,484 million) and securitisations exposures (€ 557 million).

	31 December 2017			31 December 2016		
Exposure class	Total exposures € m	Risk weighted assets € m	Minimum capital requirements CRD IV € m	Total exposures € m	Risk weighted assets € m	Minimum capital requirements CRD IV € m
IRB Approach						
1 Central governments and central banks	8,664	269	21	9,698	337	27
2 Institutions	10,472	1,828	146	14,060	2,201	176
3 Corporates	12,683	10,187	815	11,967	11,042	883
4 Of which: Specialised lending	380	290	23	321	350	28
5 SMEs	3,910	3,594	288	4,086	4,014	321
6 Retail	19,700	6,532	523	20,159	7,511	601
7 Of which: Secured by real estate property	19,700	6,532	523	20,159	7,511	601
Securitisation position	557	49	4	546	49	4
Other non-credit obligations	11	11	1	10	10	1
Total IRB Approach	52,087[1]	18,876	1,510	56,440	21,150	1,692
Standardised Approach						
16 Central governments and central banks	10,173	106	9	11,504	–	–
18 Public sector entities	38	38	3	44	44	4
22 Corporates	9,578	7,818	626	11,131	7,544	604
24 Retail	9,747	4,103	328	11,147	4,474	358
26 Secured by mortgages on immovable property	16,450	8,999	719	15,502	8,370	670
28 Exposures in default	2,825	3,443	275	4,297	5,329	426
29 Items associated with particularly high risk	1,498	1,907	153	716	1,010	81
33 Equity exposures	126	292	23	67	166	13
34 Other exposures	3,386	737	59	3,875	756	60
Total Standardised Approach	53,821[2]	27,443	2,195	58,283	27,693	2,216
Total	105,908	46,319	3,705	114,723	48,843	3,908

[1] Includes counterparty credit risk of € 5,226 million and securitisation exposures of € 557 million.

[2] Includes counterparty credit risk of € 2,258 million and securitisation exposures of Nil.

IRB Approach

The decrease of € 4.4 billion in the IRB portfolio can be predominantly attributed to a € 3.5 billion decrease in counterparty credit risk exposures with institutions and a €1 billion decrease in sovereign exposures.

Standardised Approach

In the Standardised portfolio, total exposures decreased by € 4.33 billion during 2017, with redemptions/repayments outpacing new lending and balances moving out of default. This decrease was also driven by the redemption of the NAMA bond of € 1.8 billion.

5. Credit risk – Standardised Approach

Introduction

This section analyses the exposures which are rated under the Standardised Approach, where risk ratings are assigned on the basis of external credit ratings. The exposures are analysed as to industry and geographic distribution, residual maturity and to the assigned external ratings and credit quality assessment steps.

Exposures rated under the Standardised Approach amount to € 51,563 million (2016: € 55,897 million), with a capital requirement of € 2,167 million as at 31 December 2017 (2016: € 2,178 million). The exposure value is presented before credit risk mitigation ("CRM") and credit conversion factors ("CCF") and after impairment provisions but excluding counterparty credit risk exposures.

The main drivers of the decrease in exposures occurred in the 'Central governments and central banks' and 'Secured by mortgages on immovable property' exposure classes which decreased by € 1.3 billion and € 1.1 billion respectively. Pages 28 to 29 give further information on the movements year-on-year.

Use of external credit ratings

Under CRD IV, institutions are permitted to determine the risk weight of an exposure with reference to the credit assessments of External Credit Assessment Institutions ("ECAIs")[1].

AIB uses the following ECAIs to assess the credit risk of certain exposures under the Standardised Approach:
– Standard & Poor's Rating Services ("S&P")
– Fitch Ratings ("Fitch")
– Moody's Investors Service ("Moody's")
– Dominion Bond Rating Service ("DBRS")

AIB uses a combination of the credit weightings assigned by the ECAIs and mapping guidelines issued by the Central Bank of Ireland to map the exposures to the appropriate credit quality assessment step. These guidelines are identical to those issued by the European Banking Authority ("EBA").

The ratings applied to the credit quality assessment steps are:

Credit Quality Step	S&P/Fitch/DBRS	Moody's
Credit quality assessment step 1	AAA to AA	Aaa to Aa3
Credit quality assessment step 2	A+ to A-	A1 to A3
Credit quality assessment step 3	BBB+ to BBB-	Baa1 to Baa3
Credit quality assessment step 4	BB+ to BB-	Ba1 to Ba3
Credit quality assessment step 5	B+ to B-	B1 to B3
Credit quality assessment step 6	CCC+ and below	Caa1 and below

Where there are no available credit assessments to map to a credit quality assessment step, the Group assigns risk weights to these exposures in accordance with the CRD IV requirements for unrated exposures.

The Standardised Approach takes account of CRM that the Group has in place against an exposure, before the relevant risk weight is applied. Tables 10, 11 and 12 in this section give an analysis of the exposures rated under the Standardised Approach. Table 16 details those exposures which are rated by ECAI, those which have been allocated a credit quality step under CBI guidelines and those which are considered unrated. Table 17 further analyses the exposures which have been given a credit quality assessment step as outlined above.

Of the total standardised exposures of € 51,563 million (2016: € 55,897 million), € 8,271 million (2016: € 9,586 million) have been assigned a credit quality assessment step based on CBI guidelines.

Exposures amounting to € 8,271 million (2016: € 9,586 million) which have been assigned a credit quality assessment step mainly relate to Irish sovereign bonds (c. € 7 billion).

[1]The ECAIs are also used in calculating the risk weighted exposure amounts for certain securitisations – see Chapter 10. Securitisations.

Table 10: EU CR4 – Credit risk exposure and CRM effects – Standardised Approach

The table below shows credit risk exposures under the Standardised Approach both before and after credit risk mitigation (CRM) and credit conversion factors (CCF) and the associated RWAs and RWA density, split by exposure class. These exposures exclude counterparty credit risk exposures.

31 December 2017

	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	8,271	–	8,271	–	106	1
3 Public sector entities	–	38	–	38	38	100
7 Corporates	6,832	2,390	6,832	630	7,462	100
8 Retail	5,392	4,355	5,392	79	4,103	75
9 Secured by mortgages on immovable property	16,171	279	16,171	103	8,999	55
10 Exposures in default	2,727	98	2,727	30	3,443	125
11 Exposures associated with particularly high risk	1,106	392	1,106	166	1,907	150
15 Equity	126	–	126	–	292	231
16 Other items	3,386	–	3,386	–	737	22
17 Total	**44,011**	**7,552**	**44,011**	**1,046**	**27,087**	**60**

31 December 2016

	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	9,586	–	11,385	–	–	–
3 Public sector entities	–	43	–	43	43	100
7 Corporates	8,201	2,465	6,402	676	7,079	100
8 Retail	4,283	4,795	4,283	49	3,249	75
9 Secured by mortgages on immovable property	16,906	665	16,906	229	9,595	57
10 Exposures in default	4,196	101	4,196	31	5,329	126
11 Exposures associated with particularly high risk	637	79	637	36	1,010	150
15 Equity	65	–	65	–	163	250
16 Other items	3,875	–	3,875	–	757	20
17 Total	47,749	8,148	47,749	1,064	27,225	56

There has been a reduction in RWA for exposures which are rated under the Standardised Approach from € 27,225 million in 2016 to € 27,087 million in 2017 driven by a fall in total exposures. There was a decrease of € 596 million in RWA for the “Secured by mortgages on immovable property” exposures where there was a reclassification of some exposures to “Retail”. There was € 106 million increase in RWA for the “Central governments and central banks” exposure class due to deferred tax assets now being viewed as exposure to the Irish Government. These were previously reported as ‘Other items’.

5. Credit risk – Standardised Approach

Table 11: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach

The table below analyses exposures at default (EAD) under the Standardised Approach by risk weight, split by exposure class. All amounts presented are after CRM and CCF and net of impairment provisions but exclude counterparty credit risk.

		31 December 2017																		
		Risk weight																		of which
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Subtotal	Deducted	Total	unrated
	Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1	Central governments and central banks	8,229	–	–	–	–	–	–	–	–	–	–	42	–	–	–	8,271	129	8,400	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	38	–	–	–	–	–	38	–	38	38
7	Corporates	–	–	–	–	–	–	–	–	–	7,462	–	–	–	–	–	7,462	74	7,536	7,536
8	Retail	–	–	–	–	–	–	–	–	5,471	–	–	–	–	–	–	5,471	–	5,471	5,471
9	Secured by mortgages on immovable property	–	–	–	–	–	11,192	–	–	–	5,082	–	–	–	–	–	16,274	–	16,274	16,274
10	Exposures in default	–	–	–	–	–	–	–	–	–	1,386	1,371	–	–	–	–	2,757	–	2,757	2,757
11	Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	1,272	–	–	–	–	1,272	6	1,278	1,278
15	Equity	–	–	–	–	–	–	–	–	–	16	–	110	–	–	–	126	–	126	126
16	Other items	2,567	–	–	–	103	–	–	–	–	716	–	–	–	–	–	3,386	1,537	4,923	4,923
17	**Total**	**10,796**	**–**	**–**	**–**	**103**	**11,192**	**–**	**–**	**5,471**	**14,700**	**2,643**	**152**	**–**	**–**	**–**	**45,057**	**1,746**	**46,803**	**38,403**

		31 December 2016																		
		Risk weight																		of which
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Subtotal	Deducted	Total	unrated
	Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1	Central governments and central banks	11,385	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,385	360	11,745	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	43	–	–	–	–	–	43	–	43	–
7	Corporates	–	–	–	–	–	–	–	–	–	7,079	–	–	–	–	–	7,079	147	7,226	7,226
8	Retail	–	–	–	–	–	–	–	–	4,332	–	–	–	–	–	–	4,332	–	4,332	4,332
9	Secured by mortgages on immovable property	–	–	–	–	–	11,049	–	–	1,433	4,653	–	–	–	–	–	17,135	–	17,135	17,135
10	Exposures in default	–	–	–	–	–	–	–	–	–	2,020	2,207	–	–	–	–	4,227	–	4,227	4,227
11	Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	673	–	–	–	–	673	10	683	683
15	Equity	–	–	–	–	–	–	–	–	–	–	–	65	–	–	–	65	–	65	65
16	Other items	3,012	–	–	–	134	–	–	–	–	729	–	–	–	–	–	3,875	1,128	5,003	5,003
17	Total	14,397	–	–	–	134	11,049	–	–	5,765	14,524	2,880	65	–	–	–	48,814	1,645	50,459	38,671

There is now € 42 million of the "Central governments and central banks" exposure in the 250% risk weight driven by deferred tax assets now being viewed as exposure to the Irish government.

Table 12: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All amounts presented are before CRM and CCF but net of impairment provisions. This table excludes counterparty credit risk exposures.

														31 December 2017
	Exposure class	Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	8,271	–	8,271
9	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	38	–	38
13	Corporates	736	293	1,853	338	723	–	923	319	3,020	479	538	–	–	9,222
14	Retail	1,051	85	500	13	25	1,130	140	5,480	984	219	120	–	–	9,747
15	Secured by mortgages on immovable property	3	121	16	–	25	11,336	–	28	240	4,673	8	–	–	16,450
16	Exposures in default	101	32	151	10	10	1,264	22	162	109	960	4	–	–	2,825
17	Items associated with particularly high risk	–	873	–	–	86	–	–	–	161	378	–	–	–	1,498
21	Equity	–	–	–	16	30	–	–	–	80	–	–	–	–	126
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	3,386	3,386
23	Total	1,891	1,404	2,520	377	899	13,730	1,085	5,989	4,594	6,709	670	8,309	3,386	51,563

														31 December 2016
	Exposure class	Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	9,586	–	9,586
9	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	43	–	43
13	Corporates	706	303	1,710	232	651	–	673	452	2,872	687	561	1,819	–	10,666
14	Retail	992	148	492	11	26	37	123	5,837	1,031	273	108	–	–	9,078
15	Secured by mortgages on immovable property	5	46	26	–	33	12,770	7	38	482	4,155	9	–	–	17,571
16	Exposures in default	117	101	215	2	59	1,660	9	213	155	1,762	4	–	–	4,297
17	Items associated with particularly high risk	–	363	–	–	68	–	–	–	–	285	–	–	–	716
21	Equity	–	–	–	–	–	–	–	–	65	–	–	–	–	65
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	3,875	3,875
23	Total	1,820	961	2,443	245	837	14,467	812	6,540	4,605	7,162	682	11,448	3,875	55,897

There was a reduction of €1.4 billion in the “Corporates” exposure class which was largely driven by a € 1.8 billion decrease due to the redemption of the NAMA senior bonds.

5. Credit risk – Standardised Approach

Table 13: EU CRB–B – Total and average net amount of exposures – Standardised Approach

The table below provides the total year-end and the average[1] net exposures[2] over the period by exposure class.

Exposure class	31 December 2017 Net value of exposures at the end of the period € m	31 December 2017 Average net exposures over the period € m	31 December 2016 Net value of exposures at the end of the period € m	31 December 2016 Average net exposures over the period € m
16 Central governments and central banks	8,271	8,782	9,586	8,407
18 Public sector entities	38	41	43	42
21 Institutions	–	–	–	112
22 Corporates	9,222	9,575	10,666	12,656
24 Retail	9,747	9,763	9,078	17,607
26 Secured by mortgages on immovable property	16,450	16,625	17,571	9,464
28 Exposures in default	2,825	3,498	4,297	4,422
29 Items associated with particularly high risk	1,498	1,071	716	773
33 Equity	126	86	65	76
34 Other items	3,386	3,450	3,875	4,336
35 Total	51,563	52,891	55,897	57,895

[1]Average net exposures are calculated based on quarterly averages.
[2]Pre CRM and CCF.

Exposures rated under the Standardised Approach amounts to € 51,563 million (2016: € 55,897 million). The main drivers of the decrease in exposures occurred in the "Central governments and central banks" and "Secured by mortgages on immovable property" exposure classes which decreased by € 1.3 billion and € 1.1 billion respectively.

Table 14: EU CRB–C – Geographical[1] breakdown of exposures – Standardised Approach

The table below provides a breakdown of exposures[2] by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

		31 December 2017				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World[3] € m	Total € m
7	Central governments and central banks	8,241	17	13	–	8,271
9	Public sector entities	–	–	38	–	38
13	Corporates	3,167	5,852	23	180	9,222
14	Retail	8,611	1,090	9	37	9,747
15	Secured by mortgages on immovable property	13,063	3,185	5	197	16,450
16	Exposures in default	2,514	280	12	19	2,825
17	Items associated with particularly high risk	1,100	310	86	2	1,498
21	Equity	105	21	–	–	126
22	Other items	3,262	122	1	1	3,386
23	Total	40,063	10,877	187	436	51,563

		31 December 2016				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
7	Central governments and central banks	9,586	–	–	–	9,586
9	Public sector entities	–	–	43	–	43
13	Corporates	4,683	5,571	31	381	10,666
14	Retail	8,236	777	15	50	9,078
15	Secured by mortgages on immovable property	13,773	3,693	15	90	17,571
16	Exposures in default	3,431	500	55	311	4,297
17	Items associated with particularly high risk	643	5	68	–	716
21	Equity	47	18	–	–	65
22	Other items	3,703	170	1	1	3,875
23	Total	44,102	10,734	228	833	55,897

[1]The geographic breakdown is based on country of risk reflecting the CRD IV requirement.
[2]Pre CRM and CCF.
[3]For 2017, Rest of the World comprises less than 1% of the total exposures and comprises predominantly the Channel Islands and other European countries.

The decrease in Standardised exposures in the 'Rest of the World' area was driven by a decrease in "Corporates" exposure of € 201 million.

Table 15: EU CRB–E – Maturity of exposures – Standardised Approach

The table below provides a breakdown of net exposures[1] by contractual residual maturity and exposure classes.

		31 December 2017					
		Net exposure value					
		On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	1,209	1,076	3,397	2,547	42	8,271
9	Public sector entities	–	38	–	–	–	38
13	Corporates	1,346	1,550	3,735	2,209	382	9,222
14	Retail	52	2,563	5,018	2,114	–	9,747
15	Secured by mortgages on immovable property	259	956	2,665	12,570	–	16,450
16	Exposures in default	922	211	333	1,359	–	2,825
17	Items associated with particularly high risk	450	208	542	138	160	1,498
21	Equity	–	–	–	–	126	126
22	Other items	668	104	1	–	2,613	3,386
23	Total	4,906	6,706	15,691	20,937	3,323	51,563

		31 December 2016					
		Net exposure value					
		On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	1,529	1,249	4,372	2,436	–	9,586
9	Public sector entities	–	–	43	–	–	43
13	Corporates	471	3,846	3,497	2,551	301	10,666
14	Retail	443	2,445	5,087	1,103	–	9,078
15	Secured by mortgages on immovable property	333	1,120	2,735	13,383	–	17,571
16	Exposures in default	1,274	664	485	1,874	–	4,297
17	Items associated with particularly high risk	350	59	158	21	128	716
21	Equity	–	–	–	–	65	65
22	Other items	24	1	8	–	3,842	3,875
23	Total	4,424	9,384	16,385	21,368	4,336	55,897

[1]Pre CRM and CCF.

The longer maturities continue to be driven by the ‘Secured by mortgages on immovable property’ exposure class, given that the average life of a mortgage is longer than other exposures.

5. Credit risk – Standardised Approach

Table 16: Total exposures[1] split by external rating and credit quality assessment step

31 December 2017

Exposure class	Standard and Poor's (ECAI 1) € m	Moody's (ECAI 2) € m	Fitch (ECAI 3) € m	DBRS (ECAI 4) € m	Credit quality assessment step € m	Total rated € m	Total unrated € m	Total € m
Central governments and central banks	–	–	–	–	8,271	8,271	–	8,271
Public sector entities	–	–	–	–	–	–	38	38
Corporates	–	–	–	–	–	–	9,222	9,222
Retail	–	–	–	–	–	–	9,747	9,747
Secured by mortgages on immovable property	–	–	–	–	–	–	16,450	16,450
Exposures in default	–	–	–	–	–	–	2,825	2,825
Exposures associated with particularly high risk	–	–	–	–	–	–	1,498	1,498
Equity	–	–	–	–	–	–	126	126
Other items	–	–	–	–	–	–	3,386	3,386
	–	–	–	–	8,271	8,271	43,292	51,563

31 December 2016

Exposure class	Standard and Poor's (ECAI 1) € m	Moody's (ECAI 2) € m	Fitch (ECAI 3) € m	DBRS (ECAI 4) € m	Credit quality assessment step € m	Total rated € m	Total unrated € m	Total € m
Central governments and central banks	–	–	–	–	9,586	9,586	–	9,586
Public sector entities	–	–	–	–	–	–	43	43
Corporates	–	–	–	–	–	–	10,666	10,666
Retail	–	–	–	–	–	–	9,078	9,078
Secured by mortgages on immovable property	–	–	–	–	–	–	17,571	17,571
Exposures in default	–	–	–	–	–	–	4,297	4,297
Exposures associated with particularly high risk	–	–	–	–	–	–	716	716
Equity	–	–	–	–	–	–	65	65
Other items	–	–	–	–	–	–	3,875	3,875
	–	–	–	–	9,586	9,586	46,311	55,897

[1]Pre CRM and CCF.

Table 17: Total exposures[1] split by credit quality assessment step[2] – Standardised Approach

31 December 2017

Exposure class	Step 1 € m	Step 2 € m	Step 3 € m	Step 4 € m	Step 5 € m	Step 6 € m	Total rated € m	Total unrated € m	Total € m
Central governments and central banks	–	8,271	–	–	–	–	8,271	–	8,271
Public sector entities	–	–	–	–	–	–	–	38	38
Corporates	–	–	–	–	–	–	–	9,222	9,222
Retail	–	–	–	–	–	–	–	9,747	9,747
Secured by mortgages on immovable property	–	–	–	–	–	–	–	16,450	16,450
Exposures in default	–	–	–	–	–	–	–	2,825	2,825
Exposures associated with particularly high risk	–	–	–	–	–	–	–	1,498	1,498
Equity	–	–	–	–	–	–	–	126	126
Other items	–	–	–	–	–	–	–	3,386	3,386
	–	8,271	–	–	–	–	8,271	43,292	51,563

31 December 2016

Exposure class	Step 1 € m	Step 2 € m	Step 3 € m	Step 4 € m	Step 5 € m	Step 6 € m	Total rated € m	Total unrated € m	Total € m
Central governments and central banks	–	9,586	–	–	–	–	9,586	–	9,586
Public sector entities	–	–	–	–	–	–	–	43	43
Corporates	–	–	–	–	–	–	–	10,666	10,666
Retail	–	–	–	–	–	–	–	9,078	9,078
Secured by mortgages on immovable property	–	–	–	–	–	–	–	17,571	17,571
Exposures in default	–	–	–	–	–	–	–	4,297	4,297
Exposures associated with particularly high risk	–	–	–	–	–	–	–	716	716
Equity	–	–	–	–	–	–	–	65	65
Other items	–	–	–	–	–	–	–	3,875	3,875
	–	9,586	–	–	–	–	9,586	46,311	55,897

[1]Pre CRM and CCF.

[2]The following ratings apply to the credit quality assessment steps:

Credit quality assessment step 1: AAA to AA (S&P/ Fitch / DBRS); Aaa to Aa3 (Moody's)

Credit quality assessment step 2: A+ to A- (S&P/ Fitch / DBRS); A1 to A3 (Moody's)

Credit quality assessment step 3: BBB+ to BBB- (S&P/ Fitch / DBRS); Baa1 to Baa3 (Moody's)

Credit quality assessment step 4: BB+ to BB- (S&P/ Fitch / DBRS); Ba1 to Ba3 (Moody's)

Credit quality assessment step 5: B+ to B- (S&P/ Fitch / DBRS); B1 to B3 (Moody's)

Credit quality assessment step 6: CCC+ and below (S&P/ Fitch / DBRS); Caa1 and below (Moody's)

6. Credit risk – Internal Ratings Based Approach

Exposures rated under the IRB Approach amounted to € 46,304 million, with a capital requirement of € 1,451 million as at 31 December 2017 (2016: exposures of € 46,914 million, capital requirement of € 1,602 million). Total exposures include credit risk exposures net of impairment provisions before the application of credit risk mitigation (CRM) and credit conversion factors (CCF). These exposures exclude counterparty credit risk and securitisations exposures.

The net € 610 million decrease in total exposures rated under the IRB Approach was mainly driven by a € 830 million decrease in 'Central governments and central banks' together with a € 459 million decrease in the 'Retail' exposure class which were partially off-set by a € 739 million increase in the 'Retail' exposure class.

Regulatory approval and transition

As at 31 December 2017, the Group applied the IRB Approach to the portfolios and exposure classes listed in the table below, having received approval from the Regulator.

AIB portfolio	Exposure class
Bank	Institutions
Corporates	Corporates
Not-for-profit	Corporates
Project finance	Corporates
Commercial/large SME	Corporates
Sovereign	Central governments and central banks
Residential mortgages	Retail

The Group has an IRB roll-out plan to continue to transition Standardised portfolios to the IRB Approach and thus increase IRB coverage. The transition of new portfolios to the IRB Approach is dependent upon regulatory approval.

Governance of the rating process

AIB has a formalised governance framework in relation to the internal risk rating systems. The Group Asset and Liability Committee ("ALCo") acts as the Group's strategic balance sheet management forum which combines a business-decisioning and risk governance mandate. It is a sub-committee of the Leadership Team, chaired by the Director of Finance, and its membership includes the Chief Financial Officer ("CFO"), the Chief Risk Officer ("CRO") and the heads of significant business areas. In ensuring sound capital and liquidity management and planning, the ALCo reviews and approves models for regulatory capital ('IRB Models'), for internal capital and for the calculation of expected and unexpected credit losses and stress testing.

Credit Risk Control function

The Credit Risk Control function within the Group is an integrated set of independent units which share responsibility for key control aspects of the Group's rating systems. These responsibilities include the design, implementation, oversight, and performance of the rating systems.

Use of rating models

Rating models and systems are core to credit and risk management in the Group, with the outputs from IRB models playing an essential role in a wide range of risk processes:

a) Credit approval: Grades assigned by IRB models are a key input to the assessment of credit applications. Grades are also used in determining the size of delegated credit authorities. The outputs of the models are also used in assessing risk-return and pricing of loans;
b) Risk management and decision-making processes: In the management of existing exposure grades, rating models are fundamental to management reporting and in determining the level and nature of management attention applied to exposures;
c) Internal capital allocation: The outputs from IRB models are an input to the Internal Capital Adequacy Assessment Process ("ICAAP") including stress tests of capital adequacy; and
d) Annual planning: Risk forecasts based on the outputs of IRB models are incorporated into the annual planning process.

Use of and process for recognising credit risk mitigation

When calculating the capital requirements for the IRB Approach, the Group takes account of collateral as a credit risk mitigant for residential real estate in its retail (residential mortgage) portfolio but does not currently recognise credit risk mitigation techniques in the sovereign, institution and corporate exposure classes, with the exception of financial collateral.

The Group uses its own estimates of LGD in the calculation of risk weighted assets for exposures secured on residential real estate in its retail (residential mortgage) portfolio originated in the Republic of Ireland, excluding those originated through EBS d.a.c. The Group's approach to taking, valuing and monitoring real estate collateral is consistent with its broad framework for credit risk mitigation as described on pages 78 to 80 of the Annual Financial Report 2017.

Internal ratings process by exposure class

The following tables set out by portfolio, the exposure classes rated under the Foundation IRB Approach: Central governments and central banks; Institutions; and Corporates. It also sets out the Retail exposure class which is rated under the Advanced IRB Approach.

(a) Central governments and central banks

AIB portfolio	Portfolio description
Sovereign	Central governments Central banks Other specified multinational development banks and international organisations

Under the Foundation IRB Approach, internal rating models are used to assign central governments and central banks obligors to borrower grades to which estimates of PD are attached. The Group uses regulatory LGD and EAD measures in calculating risk weighted assets.

The rating methodology used in assigning borrowers to grades was developed based on expert judgement using statistical tests (against the external ratings) in order to challenge the judgement where appropriate. The ratings are assigned based upon perceived political risk and economic risk of the sovereign. Due to the lack of internal default data, PDs are calibrated using historic default rates of external ratings. The definition of default is aligned to the CRR and is consistent with that used by the rating agencies. The Group's validation processes are rigorous and they test, inter alia, the rank ordering of borrowers in terms of probability of default (versus the external ratings), the stability of the ratings and the probability of default estimates.

(b) Institutions

AIB portfolio	Portfolio description
Bank	Banks Securities firms subject to the same regulation as banks

Under the Foundation IRB Approach, internal rating models are used to assign institution obligors to borrower grades to which estimates of PD are attached. The Group uses regulatory LGD and EAD measures to calculate risk weighted assets.

Ratings are assigned on the basis of a hybrid model (a statistical model incorporating expert judgement). External ratings for the country of domicile are used to establish a 'country ceiling' on the rating and as an input into the quantitative score. Due to the lack of internal default data, PDs are calibrated to an equivalent external rating grade. The definition of default is aligned to the CRR and is consistent with that used by the rating agencies. The Group's validation processes are rigorous and they test, inter alia, the rank ordering of borrowers in terms of probability of default (versus the external ratings), the stability of the ratings and the probability of default estimates.

(c) Corporates

AIB portfolio	Portfolio description
Commercial/large SME	Predominantly commercial business in the Republic of Ireland – all sectors except property, agriculture and start-ups.
Corporate	Entities that are engaged in the provision of goods or services with the intention of generating profit for the owners. Excluded from this category are: a) Financial service providers; b) Special purpose entities that do not have a diversified income stream; and c) Special purpose entities set up to facilitate securitisations.
Not-for-profit	Exposures to not-for-profit entities.
Project finance	Long-term loans made to projects in the energy, infrastructure and transportation sectors.

Under the Foundation IRB Approach, internal rating models are used to assign corporate obligors to borrower grades to which estimates of PD are attached. The Group uses regulatory LGD and EAD measures in calculating risk weighted assets.

The ratings methodology and criteria used in assigning borrowers to grades vary across the models used for the four portfolios, but all the models use a combination of statistical analysis (using both financial and non-financial inputs) and expert judgement. PDs are calibrated on the basis of internal default data, supplemented with and benchmarked against external data where available. The definition of default used for all four portfolios is consistent with the CRR definition. The Group's validation processes are rigorous. They test, inter alia, the rank ordering of borrowers in terms of probability of default (versus observed default rates), the stability of the ratings, the stability of the portfolio and the probability of default estimates.

6. Credit risk – Internal Ratings Based Approach

Internal ratings process by exposure class

(d) Retail

AIB portfolio	Portfolio description
Residential mortgages	Residential mortgage lending and first five buy-to-lets

The Group uses the Advanced IRB Approach for assessing its capital requirements for residential mortgages originated in the Republic of Ireland, excluding those originated through EBS d.a.c., which uses the Standardised Approach.

Under the Retail IRB Approach, the Group uses its own estimates of PD, LGD and EAD in calculating risk weighted assets. The rating methodology is primarily statistical, with limited use of expert judgement. Both application and behavioural scorecards are used in calculating the PD. PDs and LGDs are calibrated on the basis of internal data, supplemented with benchmarking to external sources. EAD is calculated both on drawn facilities and on 'pipeline' business (mortgages which have been sanctioned but not yet drawn down). The definition of default is consistent with the CRD definition of default. The Group's validation processes are rigorous and they test, inter alia, the ranking of borrowers in terms of probability of default (versus observed default rates), the stability of the ratings and the probability of default estimates. The LGD and EAD models are also subject to rigorous validation processes, with tests including the predicted LGD/EAD versus actual observed and the ability of the models to rank on this basis.

IRB internal obligor grades

For the purpose of measuring credit risk for business decisions and managing capital, all relevant exposures are assigned to a rating system and within that to an internal risk grade. A grade is assigned on the basis of rating criteria within each rating model from which estimates of PD are derived. Individual rating models are refined and recalibrated on an ongoing basis as required.

The table below shows the Group’s mapping of the relationship between the following PD ranges and their internal grade master scale bands for a) sovereigns and b) banks to external rating agency grades.The internal grades and PD bandings are based on a through the cycle PD.

31 December 2017

					External rating agency grades	
PD band %	Internal sovereign grade	Midpoint PD %	Internal bank grade	Midpoint PD %	Standard and Poor’s / Fitch	Moody’s
0.00 to <0.15	1	0.00	1	0.04	AAA,AA+,AA,AA-	Aaa,Aa1,Aa2,Aa3
	2	0.00	2	0.10	A+,A,A-	A1,A2,A3
	3	0.02			BBB+,BBB,BBB-	Baa1,Baa2,Baa3
0.15 to <0.25	–	–	3	0.25	BBB+,BBB,BBB-	Baa1,Baa2,Baa3
0.25 to <0.50	4	0.30	–	–	BB+,BB,BB-	Ba1,Ba2,Ba3
0.50 to <0.75	–	–	4	0.62	BB+,BB,BB-	Ba1,Ba2,Ba3
0.75 to <2.50	5	1.69	5	1.55	B+	B1
2.50 to <10.00	6	4.00	6	3.87	B	B2
	7	6.69	7	9.67	B-	B3
10.00 to <100	8	18.76	8	24.14	CCC+,CCC,CCC-,CC,C	Caa,Ca,C
	9	52.59	9	60.30	–	–
100.00 (Default)	10	100.00	10	100.00	D	–

Table 18: IRB – Probability of default by geography (excluding securitisations)

The following table sets out an analysis of exposure at default (“EAD”) and probability of default (“PD”) by exposure class and geography. The table includes both credit risk (€ 45,702 million) and counterparty credit risk (€ 2,000 million) but excludes securitisations and non-credit obligation assets. Exposures (EAD) are shown after CRM and CCF.

31 December 2017

	Central governments and central banks		Institutions		Corporates Other		Corporates SME		Corporates Specialised		Retail		Total IRB	
	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD
Country of risk	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Republic of Ireland	–	–	432	0.23	3,618	1.18	3,122	4.38	308	0.54	17,981	0.73	25,461	1.23
United Kingdom	4,847	–	2,546	0.13	368	0.87	4	3.75	34	0.26	29	2.79	7,828	0.10
United States of America	312	–	207	0.06	2,175	0.57	–	0.78	5	5.00	9	1.27	2,708	0.47
Rest of the World	3,848	0.01	3,676	0.09	1,365	0.64	–	–	11	0.55	22	1.50	8,922	0.13
Total performing	9,007	0.01	6,861	0.11	7,526	0.89	3,126	4.37	358	0.58	18,041	0.74	44,919	0.73
Defaulted	–	–	–	–	76	100.00	640	100.00	–	–	2,067	100.00	2,783	100.00
Total exposures	9,007	0.01	6,861	0.11	7,602	1.88	3,766	20.62	358	0.58	20,108	10.94	47,702	6.15

31 December 2016

	Central governments and central banks		Institutions		Corporates Other		Corporates SME		Corporates Specialised		Retail		Total IRB	
	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD
Country of risk	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Republic of Ireland	–	–	648	0.22	3,405	0.80	3,122	4.81	194	0.62	17,920	0.83	25,289	1.30
United Kingdom	4,752	–	2,285	0.09	333	0.65	5	5.68	45	0.59	30	4.82	7,450	0.08
United States of America	282	–	198	0.08	2,252	0.65	–	–	20	2.48	8	0.88	2,760	0.51
Rest of the World	4,750	0.01	4,368	0.09	699	0.63	–	13.75	39	1.04	23	2.15	9,879	0.10
Total performing	9,784	0.00	7,499	0.10	6,689	0.72	3,127	4.81	298	0.80	17,981	0.84	45,378	0.71
Defaulted	–	–	–	–	201	100.00	853	100.00	32	100.00	2,951	100.00	4,037	100.00
Total exposures	9,784	0.00	7,499	0.10	6,890	3.62	3,980	25.22	330	10.38	20,932	14.82	49,415	7.89

The geographical analysis presented is that of the country of risk of the counterparty.

There is a reduction in the average PD % for the exposure classes “Corporates” and “Retail” due to the improved risk profile of the exposures during 2017.

6. Credit risk – Internal Ratings Based Approach

Table 19: EU CR8 – RWA flow statements of credit risk exposures under the IRB Approach

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

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

Credit risk exposures under the Internal Ratings Based (IRB) Approach.

The table below provides a detailed analysis, by PD grade, of credit risk exposures under the IRB Approach. Exposures are presented both on a pre and post CRM and CCF basis. The tables below take into account PD and LGD floors specified by regulators in respect of the calculation of regulatory capital requirements.

The EBA guidelines include a single precribed scale for presenting the credit quality of all IRB portfolios by asset class, which is used in the tables that follow.

Throughout this section 'RWA density' represents the 'average risk weight'. 'Number of obligors' corresponds to the number of individual PDs in each band.

The reduction in the average PD for the owner-occupier and the buy-to-let portfolios is due to the non-default population having an improved recent history of poor performance than had previously been observed. This has resulted in positive grade migration in this portion of the portfolio in the 12 months to 31 December 2017. The Corporate PD has risen slightly. The portfolio consists of a relatively small number of obligors with high exposures and so is susceptible to volatility should a few cases move to a riskier grade.
The fall in the average PD for the SME portfolio is in line with what has been observed through tracking the population which moved to better performing grades during 2017.

Table 20: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach

The table below presents the key parameters used for the calculation of capital requirements for credit risk exposures, under the IRB Approach, split by PD range.

The table[2] includes exposures rated under Foundation IRB and Advanced IRB. All exposures are presented both before and after CRM and CCF (EAD). The table excludes counterparty credit risk, securitisations and non-credit obligation assets. Gross exposures are presented before impairment provisions.

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity[1] Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Central governments and central banks													
	0.00 to <0.15	8,639	–	–	9,005	0.01	26	45.00	2.5	269	3	–	–
	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		8,639	–	–	9,005	0.01	26	45.00	2.5	269	3	–	–

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Central governments and central banks													
	0.00 to <0.15	9,469	–	–	9,705	0.00	26	45.79	2.3	337	3	0	–
	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		9,469	–	–	9,705	0.00	26	45.79	2.3	337	3	0	–

(1) At 31 December 2017, the average maturity has changed due to the methodology.
(2) Non-credit obligation assets are excluded from this analysis (€ 11 million).

Table 20: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

												31 December 2017	
	PD scale	**Original on-balance sheet gross exposures**	**Off-balance sheet exposures pre CCF**	**Average CCF**	**EAD post CRM and post CCF**	**Average PD**	**Number of obligors**	**Average LGD**	**Average maturity**	**RWAs**	**RWA density**	**EL**	**Value adjustments and provisions**
Foundation IRB	**%**	**€ m**	**€ m**	**%**	**€ m**	**%**		**%**	**Years**	**€ m**	**%**	**€ m**	**€ m**
Institutions													
	0.00 to <0.15	**4,232**	**25**	**–**	**4,232**	**0.08**	**134**	**26.03**	**2.50**	**937**	**22**	**1**	**–**
	0.15 to <0.25	**1,073**	**12**	**–**	**707**	**0.25**	**29**	**22.73**	**2.50**	**243**	**34**	**–**	**–**
	0.25 to <0.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	0.50 to <0.75	**4**	**4**	**–**	**4**	**0.62**	**14**	**45.00**	**2.50**	**4**	**104**	**–**	**–**
	0.75 to <2.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2.50 to <10.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	10.00 to <100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	100.00 (Default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total		**5,309**	**41**	**–**	**4,943**	**0.11**	**177**	**25.57**	**2.50**	**1,184**	**24**	**1**	**–**

												31 December 2016	
	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Foundation IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m
Institutions													
	0.00 to <0.15	4,469	24	–	4,469	0.08	163	25.87	3.0	964	22	1	–
	0.15 to <0.25	898	5	–	661	0.25	25	21.69	3.1	232	35	0	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	8	7	–	9	0.62	16	45.00	1.0	5	63	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		5,375	36	–	5,139	0.10	204	25.37	3.0	1,201	24	1	–

Table 20: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate specialised lending													
	0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	28	64	75	76	0.20	5	45.00	2.50	39	52	–	–
	0.25 to <0.50	55	17	93	71	0.31	8	45.97	2.50	48	67	–	–
	0.50 to <0.75	48	23	95	70	0.58	5	45.00	2.50	61	88	–	–
	0.75 to <2.50	88	19	77	102	0.87	2	45.00	2.50	107	104	1	1
	2.50 to <10.00	2	3	100	5	5.00	1	45.00	2.50	10	178	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		221	126	82	324	0.59	21	45.21	2.50	265	82	1	1

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate specialised lending													
	0.00 to <0.15	–	–	0	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	20	27	84	43	–	5	45.00	4.0	29	68	–	–
	0.25 to <0.50	60	40	90	96	–	10	45.67	4.6	93	97	–	–
	0.50 to <0.75	23	2	86	25	0.60	2	59.09	5.0	41	165	–	–
	0.75 to <2.50	46	31	85	73	1.10	3	45.00	4.8	107	148	–	1
	2.50 to <10.00	18	7	76	23	3.75	4	45.00	3.0	41	176	1	–
	10.00 to <100.00	–	–	0	–	–	–	–	–	–	–	–	–
	100.00 (Default)	31	1	75	32	100.00	3	59.37	2.0	–	–	19	22
Total		198	108	83	292	11.58	27	48.00	4.2	311	107	20	23

6. Credit risk – Internal Ratings Based Approach

Table 20: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate SME													
	0.00 to <0.15	4	1	44	4	0.10	4	45.00	2.50	2	38	–	–
	0.15 to <0.25	1	3	7	1	0.18	6	45.00	2.50	1	53	–	–
	0.25 to <0.50	111	66	41	138	0.32	51	45.00	2.50	99	72	–	–
	0.50 to <0.75	89	13	17	92	0.58	45	45.00	2.50	87	95	–	–
	0.75 to <2.50	1,220	329	26	1,307	1.47	1,292	45.00	2.50	1,251	96	9	12
	2.50 to <10.00	1,290	251	40	1,390	5.13	1,667	45.00	2.50	1,767	127	33	40
	10.00 to <100.00	189	17	30	194	23.28	325	45.00	2.50	388	200	21	11
	100.00 (Default)	625	39	39	640	100.00	1,328	45.00	2.50	–	–	288	275
Total		**3,529**	**719**	**33**	**3,766**	**20.62**	**4,718**	**45.00**	**2.50**	**3,595**	**95**	**351**	**338**

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate SME													
	0.00 to <0.15	1	2	43	2	0.10	6	45.00	3.3	1	46	–	–
	0.15 to <0.25	–	3	0	–	0.18	2	45.00	1.0	–	–	–	–
	0.25 to <0.50	60	42	30	72	0.32	46	45.00	2.5	52	72	–	–
	0.50 to <0.75	116	104	68	186	0.58	32	45.00	2.9	187	101	1	–
	0.75 to <2.50	1,066	337	31	1,172	1.54	1,292	45.00	3.5	1,260	108	8	5
	2.50 to <10.00	1,362	218	29	1,426	5.20	1,731	45.00	3.6	1,967	138	34	28
	10.00 to <100.00	261	22	35	269	21.14	419	45.00	3.5	547	203	26	12
	100.00 (Default)	839	41	35	853	100.00	1,523	45.00	1.0	–	–	384	342
Total		3,705	769	34	3,980	25.21	5,051	360	3.0	4,014	101	453	387

Table 20: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate other													
	0.00 to <0.15	641	868	57	1,137	0.07	85	45.00	2.50	333	29	1	2
	0.15 to <0.25	968	286	68	1,161	0.18	82	45.00	2.50	639	55	1	2
	0.25 to <0.50	1,152	392	58	1,381	0.32	161	45.01	2.50	993	72	2	3
	0.50 to <0.75	1,757	242	65	1,915	0.58	149	45.65	2.50	1,839	96	6	4
	0.75 to <2.50	1,567	299	50	1,717	1.20	276	45.50	2.50	2,140	125	11	4
	2.50 to <10.00	114	20	16	117	4.72	57	45.00	2.50	209	178	3	3
	10.00 to <100.00	49	8	42	52	43.16	40	45.00	2.50	125	240	12	2
	100.00 (Default)	75	1	62	76	100.00	195	45.00	2.50	–	–	34	71
Total		6,323	2,116	58	7,556	1.89	1,045	45.28	2.50	6,278	83	70	91
Total Foundation IRB		24,021	3,002	52	25,594	3.62	5,987	41.34	2.50	11,591	45	423	430

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate other													
	0.00 to <0.15	552	758	56	976	0.06	102	44.17	2.9	283	29	–	2
	0.15 to <0.25	762	275	64	938	0.18	65	45.00	3.5	635	68	1	3
	0.25 to <0.50	1,290	205	44	1,381	0.32	148	45.00	3.6	1,200	87	3	5
	0.50 to <0.75	1,511	115	63	1,583	0.58	158	45.80	4.0	1,889	119	5	6
	0.75 to <2.50	1,452	269	43	1,567	1.22	233	45.60	3.7	2,287	146	10	5
	2.50 to <10.00	145	23	17	149	5.02	100	45.00	2.0	263	176	4	2
	10.00 to <100.00	23	9	69	30	19.26	40	45.00	3.0	85	285	3	–
	100.00 (Default)	196	8	62	201	100.00	245	45.32	1.0	–	–	91	75
Total		5,931	1,662	63	6,825	3.65	1,091	45.21	3.5	6,642	97	117	98
Total Foundation IRB		24,678	2,575	49	25,941	4.98	6,339	41.50	2.88	12,505	48.21	591	508

Table 20: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Advanced IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Retail													
	0.00 to <0.15	9,167	317	67	9,379	0.05	77,635	27	–	534	6	2	15
	0.15 to <0.25	3,947	91	68	4,008	0.24	30,227	28	–	795	20	4	14
	0.25 to <0.50	58	122	67	140	0.39	357	30	–	40	28	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	3,370	10	75	3,377	1.11	24,289	28	–	1,935	57	15	17
	2.50 to <10.00	908	3	93	911	3.43	6,522	29	–	1,082	119	14	17
	10.00 to <100.00	226	–	100	226	21.91	1,718	28	–	592	262	21	10
	100.00 (Default)	2,053	14	100	2,067	100.00	14,090	31	–	1,554	75	508	513
Total Advanced IRB		19,729	557	68	20,108	10.94	154,838	28.04	–	6,532	32	564	586

31 December 2016

Advanced IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Retail													
	0.00 to <0.15	8,507	268	63	8,674	0.05	72,692	26.73	–	492	6	2	13
	0.15 to <0.25	4,157	70	64	4,203	0.24	31,442	27.93	–	829	20	4	15
	0.25 to <0.50	65	108	60	130	0.39	409	28.76	–	36	27	–	–
	0.50 to <0.75	–	–	0	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	3,475	8	80	3,481	1.10	24,769	27.83	–	1,963	56	15	19
	2.50 to <10.00	1,228	3	89	1,230	3.31	8,046	29.17	–	1,444	117	18	19
	10.00 to <100.00	262	1	100	263	21.91	1,882	28.36	–	683	260	25	9
	100.00 (Default)	2,932	19	100	2,951	100.00	18,325	35.45	–	2,064	70	881	869
Total Advanced IRB		20,626	477	64	20,932	14.82	157,565	28.56	–	7,511	36	945	944

Table 21: EU CRB–B – Total and average net amount of exposures – IRB Approach

The table below provides the total year-end and the average[1] net exposures over the period by exposure class. All exposures presented are before CRM and CCF but net of impairment provisions amounting to € 1,016 million. Counterparty credit risk and securitisations are excluded.

Exposure class	31 December 2017 Net value of exposures at the end of the period € m	31 December 2017 Average net exposures over the period € m	31 December 2016 Net value of exposures at the end of the period € m	31 December 2016 Average net exposures over the period € m
1 Central governments and central banks	8,639	8,973	9,469	9,488
2 Institutions	5,350	5,216	5,411	5,538
3 Corporates	12,604	12,140	11,865	11,404
4 Of which: Specialised lending	346	283	283	306
5 SMEs	3,910	4,018	4,087	4,086
6 Retail	19,700	19,927	20,159	20,399
7 Of which: Secured by real estate property	19,700	19,927	20,159	20,399
Non-credit obligation assets	11	19	10	17
15 Total	46,304	46,275	46,914	46,846

[1] Average net exposures are calculated based on quarterly averages.

The net € 610 million decrease in total exposures rated under the IRB Approach is driven by a € 830 million decrease in "Central governments and central banks" together with a € 459 million decrease in the "Retail" exposure class. These were partially offset by an increase of € 739 million in the "Corporates" exposure class.

Table 22: EU CRB–C – Geographical[1] breakdown of exposures – IRB Approach

The table below provides a breakdown of exposures by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

31 December 2017

Exposure class	Net value: Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World[2] € m	Total € m
1 Central governments and central banks	–	4,848	312	3,479	8,639
2 Institutions	427	886	197	3,840	5,350
3 Corporates	8,593	395	2,174	1,442	12,604
Of which: Specialised lending	313	16	5	12	346
SME	3,903	7	–	–	3,910
4 Retail	19,629	34	10	27	19,700
Non-credit obligation assets	11	–	–	–	11
6 Total	28,660	6,163	2,693	8,788	46,304

31 December 2016

Exposure class	Net value: Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World[2] € m	Total € m
1 Central governments and central banks	–	4,752	282	4,435	9,469
2 Institutions	630	759	147	3,875	5,411
3 Corporates	8,423	367	2,263	812	11,865
Of which: Specialised lending	189	33	20	41	283
SME	4,076	10	–	1	4,087
4 Retail	20,084	37	9	29	20,159
Non-credit obligation assets	10	–	–	–	10
6 Total	29,147	5,915	2,701	9,151	46,914

[1] The geographic breakdown is based on country of risk reflecting the CRD IV requirement.

[2] Rest of the World comprises predominantly other European countries, France, Spain, Italy and the Netherlands.

The decrease in IRB exposures in the 'Retail' exposure class in the Republic of Ireland can be mainly attributed to the improving credit quality of the portfolio.

6. Credit risk – Internal Ratings Based Approach

Table 23: EU CRB–D – Concentration of exposures by industry or counterparty types – IRB Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

31 December 2017

Exposure class	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other	Total exposures
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	8,639	–	8,639
2 Institutions	–	–	–	–	–	–	–	–	–	–	–	5,350	–	5,350
3 Corporates	457	387	3,997	742	259	5	2,323	39	3,151	235	1,009	–	–	12,604
Of which:														
Specialised lending	–	62	–	252	–	–	–	–	13	–	19	–	–	346
SME	214	243	1,741	89	25	4	353	34	820	166	221	–	–	3,910
4 Retail	–	–	–	–	–	19,700	–	–	–	–	–	–	–	19,700
Non-credit obligation assets	–	–	2	–	–	–	1	–	–	–	8	–	–	11
6 Total	457	387	3,999	742	259	19,705	2,324	39	3,151	235	1,017	13,989	–	46,304

31 December 2016

Exposure class	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other	Total exposures
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	9,469	–	9,469
2 Institutions	–	–	–	–	–	–	–	–	–	–	–	5,411	–	5,411
3 Corporates	452	365	3,884	598	241	15	2,107	51	2,768	275	1,074	35	–	11,865
Of which:														
Specialised lending	–	63	–	149	–	–	–	–	22	–	49	–	–	283
SME	237	233	1,834	100	24	14	405	40	797	183	220	–	–	4,087
4 Retail	–	–	–	–	–	20,159	–	–	–	–	–	–	–	20,159
Non-credit obligation assets	–	–	1	–	–	–	1	–	2	–	6	–	–	10
6 Total	452	365	3,885	598	241	20,174	2,108	51	2,770	275	1,080	14,915	–	46,914

There was an increase of € 739 million in the ‘Corporates’ exposure class which is driven primarily by growth in new lending.

Table 24: EU CRB–E – Maturity of exposures – IRB Approach

The table below provides a breakdown of net exposures by contractual residual maturity and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

31 December 2017

		Net exposure value					
	Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
1	Central governments and central banks	5,097	334	2,101	1,107	–	8,639
2	Institutions	828	162	3,898	462	–	5,350
3	Corporates	717	1,874	5,979	4,034	–	12,604
	Of which:						
	Specialised lending	17	13	94	222	–	346
	SME	466	651	1,506	1,287	–	3,910
4	Retail	95	575	553	18,477	–	19,700
	Other non-credit obligation assets	2	6	3	–	–	11
6	Total	6,739	2,951	12,534	24,080	–	46,304

31 December 2016

		Net exposure value					
	Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
1	Central governments and central banks	4,960	452	2,157	1,900	–	9,469
2	Institutions	587	410	3,474	940	–	5,411
3	Corporates	821	2,275	5,330	3,439	–	11,865
	Of which:						
	Specialised lending	1	18	57	207	–	283
	SME	502	913	1,376	1,296	–	4,087
4	Retail	117	514	536	18,992	–	20,159
	Other non-credit obligation assets	2	5	3	–	–	10
6	Total	6,487	3,656	11,500	25,271	–	46,914

The longer maturities continue to be driven by the 'Retail' exposure class, which comprises certain residential mortgage exposures, given that the average life of a mortgage is longer than other exposures.

Table 25: EU CR7 – Effect on the RWAs of credit derivatives used as CRM techniques – IRB Approach

The table below illustrates the effect of credit derivatives on the IRB Approach capital requirements calculations:

31 December 2017

	Exposure class	Pre-credit derivatives RWAs € m	Actual RWAs € m
1	**Exposures under FIRB**		
2	Central governments and central banks	269	269
3	Institutions	1,184	1,184
4	Corporates – Specialised lending	265	265
5	Corporates – SMEs	3,595	3,595
6	Corporates – Other	6,278	6,278
19	Other non-credit obligation assets	11	11
7	**Exposures under AIRB**		
14	Retail – Secured by real estate non-SMEs	6,532	6,532
20	**Total**	18,134	18,134

The Group has not used credit derivatives as a credit risk mitigant for exposures rated under the IRB Approach.

Table 26: EU CR9 – Backtesting of PD per exposure class – IRB Approach

The table below provides backtesting data to validate the reliability of PD calculations:

					31 December 2017				
					Number of obligors				
Exposure class	PD range %	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year	End of the year	Defaulted obligors in the year	*Of which new obligors*	Average historical annual default rate[(1)] %
Central governments and central banks									
	0.00 to <0.15	AAA to BBB-	0.01	0.01	26	26	–	–	0.00
	0.15 to <0.25	–	–	–	–	–	–	–	0.00
	0.25 to <0.50	BB+ to BB-	–	–	–	–	–	–	0.00
	0.50 to <0.75	–	–	–	–	–	–	–	0.00
	0.75 to <2.50	B+	–	–	–	–	–	–	0.00
	2.50 to <10.00	B to B-	–	–	–	–	–	–	0.00
	10.00 to <100.00	CCC+ to C	–	–	–	–	–	–	0.00
	100.00 (Default)	–	–	–	–	–	–	–	0.00
Total		–	0.01	0.01	26	26	–	–	0.00
Institutions									
	0.00 to <0.15	AAA to A-	0.08	0.09	163	134	–	–	0.00
	0.15 to <0.25	BBB+ to BBB-	0.25	0.25	25	29	–	–	0.00
	0.25 to <0.50	–	0.00	–	–	–	–	–	0.00
	0.50 to <0.75	BB+ to BB-	0.62	0.62	16	14	–	–	0.00
	0.75 to <2.50	B+	0.00	–	–	–	–	–	0.00
	2.50 to <10.00	B to B-	0.00	–	–	–	–	–	0.00
	10.00 to <100.00	CCC+ to C	0.00	–	–	–	–	–	2.50
	100.00 (Default)	–	0.00	–	–	–	–	–	0.00
Total		–	0.11	0.16	204	177	–	–	0.07
Corporate specialised lending									
	0.00 to <0.15	N/A	–	–	–	–	–	–	0.00
	0.15 to <0.25	N/A	0.20	0.20	5	5	–	–	0.00
	0.25 to <0.50	N/A	0.31	0.35	10	8	–	–	0.00
	0.50 to <0.75	N/A	0.58	0.60	2	5	–	–	6.67
	0.75 to <2.50	N/A	0.87	0.93	3	2	–	–	17.86
	2.50 to <10.00	N/A	5.00	5.00	4	1	–	–	0.00
	10.00 to <100.00	N/A	–	–	–	–	–	–	0.00
	100.00 (Default)	N/A	–	–	3	–	–	–	0.00
Total		N/A	0.59	0.65	27	21	–	–	3.26

(1) Average historical annual default rate is the average over the last five years.

Table 26: EU CR9 – Backtesting of PD per exposure class – IRB Approach *(continued)*

31 December 2017

Exposure class	PD range %	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	Number of obligors: End of previous year	Number of obligors: End of the year	Defaulted obligors in the year	*Of which new obligors*	Average historical annual default rate[1] %
Corporate SME									
	0.00 to <0.15	N/A	0.10	0.10	6	4	–	–	0.00
	0.15 to <0.25	N/A	0.18	0.18	2	6	–	–	0.00
	0.25 to <0.50	N/A	0.32	0.32	46	51	–	–	0.00
	0.50 to <0.75	N/A	0.58	0.58	32	45	–	–	0.00
	0.75 to <2.50	N/A	1.47	1.57	1,292	1,292	7	–	2.38
	2.50 to <10.00	N/A	5.13	4.83	1,731	1,667	56	–	6.46
	10.00 to <100.00	N/A	23.28	21.78	419	325	65	–	20.56
	100.00 (Default)	N/A	100.00	100.00	1,523	1,328	–	–	0.00
Total		N/A	20.62	31.79	5,051	4,718	128	–	7.16
Corporate other									
	0.00 to <0.15	N/A	0.07	0.08	102	85	–	–	0.00
	0.15 to <0.25	N/A	0.18	0.18	65	82	–	–	0.00
	0.25 to <0.50	N/A	0.32	0.32	148	161	–	–	0.00
	0.50 to <0.75	N/A	0.58	0.58	158	149	–	–	0.28
	0.75 to <2.50	N/A	1.20	1.46	233	276	–	–	0.78
	2.50 to <10.00	N/A	4.72	4.51	100	57	1	–	3.14
	10.00 to <100.00	N/A	43.16	44.70	40	40	–	–	0.00
	100.00 (Default)	N/A	100.00	100.00	245	195	–	–	0.00
Total		N/A	1.89	21.16	1,091	1,045	1	–	0.48
Retail									
	0.00 to <0.15	N/A	0.05	0.05	72,692	77,635	38	–	0.16
	0.15 to <0.25	N/A	0.24	0.24	31,442	30,227	70	–	0.60
	0.25 to <0.50	N/A	0.39	0.39	409	357	–	–	0.00
	0.50 to <0.75	N/A	–	–	–	–	–	–	0.00
	0.75 to <2.50	N/A	1.11	1.09	24,769	24,289	228	1	1.78
	2.50 to <10.00	N/A	3.43	3.47	8,046	6,522	433	–	6.73
	10.00 to <100.00	N/A	21.91	21.91	1,882	1,718	457	–	21.93
	100.00 (Default)	N/A	100.00	100.00	18,325	14,090	–	–	0.00
Total		N/A	10.94	9.73	157,565	154,838	1,226	1	1.82

[1] Average historical annual default rate is the average over the last five years.

6. Credit risk – Internal Ratings Based Approach

Risk weightings for IRB models

The Group's risk weightings as a percentage of EAD for IRB models at 31 December 2017 are detailed below. The weightings are influenced by the grade profile and associated PD of the portfolios, having applied the regulatory LGD of 45% for the majority[1] of the non-retail portfolios (2016: 45% for the majority), and the Group's own estimate of LGD for the retail portfolio (residential mortgages), which had an average LGD of 28% applied at 31 December 2017 (2016: 29%).

[1]An LGD of 45% is applied to senior exposures, whilst LGDs of 11.25% and 75% are applied to covered bonds and subordinated exposures, respectively.

Table 27: CRD risk weightings as a percentage of EAD for IRB models

IRB rating models[1]	31 December 2017 %	2016 %
Sovereign	3	4
Bank	18	29
Commercial	116	130
Corporate	85	101
Not-for-profit	100	112
Project finance	81	117
Residential mortgage	28	30

[1]Non-retail exposures classified as defaulted have been excluded from the calculation of the risk weightings as a percentage of EAD as these loans influence the EL calculation and not the risk weighted assets calculation.

The decrease in residential mortgage risk weightings was due to an improvement in the credit quality of the portfolio. The percentage for the 'Not-for-profit' model decreased while the percentage for 'Project finance' increased. However, both of these portfolios are immaterial from an exposure perspective and comprise a small number of borrowers.

7. Credit risk mitigation

The perceived strength of a borrower's repayment capacity is the primary factor in granting a loan, however, AIB uses various approaches to help mitigate risks relating to individual credits including: transaction structure; collateral; and guarantees. Collateral or guarantees are usually required as a secondary source of repayment in the event of the borrower's default. The main types of collateral for loans and receivables to customers are described below. Credit policy and credit management standards are controlled and set centrally by the Credit Risk function. The methodologies applied and processes used to assess the value of property assets taken as collateral are described on pages 78 to 80 of the Annual Financial Report 2017.

Collateral

The principal collateral types for loans and receivables are:
– Charges over business assets such as premises, inventory and accounts receivables;
– Mortgages over residential and commercial real estate; and
– Charges over financial instruments such as debt securities and equities.

The nature and level of collateral required depends on a number of factors such as the type of the facility, the term of the facility and the amount of exposure. Collateral held as security for financial assets other than loans and receivables is determined by the nature of the instrument. It is Group policy to obtain a valuation by an appropriately qualified source at the time of lending.

Debt securities and treasury products are generally unsecured, with the exception of asset backed securities, which are secured by a portfolio of financial assets.

Collateral is not usually held against loans and receivables to financial institutions including central banks, except where securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement.

Further details on collateral are set out in the "Risk management" section of the Annual Financial Report 2017 on pages 78 to 80, which describes the methodologies used for valuing collateral. Further information in relation to repurchase transactions is set out in Chapter 9 – Counterparty credit risks on pages 63 to 67.

Credit risk mitigation for regulatory capital requirements calculation

AIB takes limited account of credit risk mitigation in its calculation of minimum Pillar 1 capital; consequently, the credit and market risk concentrations within the credit risk mitigation taken are deemed not to be material.

Of the gross standardised exposures(1) of € 56,188 million at 31 December 2017 (2016: € 61,420 million), € 1,900 million (2016: € 1,900 million) was covered by eligible financial collateral. In 2016, the Group had exposure to NAMA senior bonds amounting to € 1,799 million which were guaranteed by the Irish Government. These were fully repaid during 2017.

For the IRB Approach, of the gross exposures(1) of € 53,103 million at 31 December 2017 (2016: € 57,893 million), € 3,226 million was covered by eligible financial collateral (2016: € 6,439 million).

(1)Gross exposures are presented before provisions for impairment, credit risk mitigation and credit conversion factors. Gross exposures also include counterparty credit risk and securitisation exposures.

8. Credit risk – Credit profile of exposures

AIB's customer loan portfolio comprises loans (including overdrafts), instalment credit and finance lease receivables. The credit quality of the customer loan portfolio is discussed in detail on pages 92 to 133 of the Annual Financial Report 2017. AIB's debt securities portfolio comprises mainly government and bank securities.

Past due

When a borrower fails to make a contractually due payment, a loan is deemed to be past due. "Past due days" is a term used to describe the cumulative numbers of days a missed payment is overdue. Past due days commence from the close of business on the day on which a payment is due but not received. In the case of overdrafts, past due days are counted once a borrower has:

- breached an advised limit;
- been advised of a limit lower than the then current outstanding; or
- drawn credit without authorisation.

When a loan or exposure is past due, the entire exposure is reported as past due, not just the amount of any excess or arrears.

Impairment

Credit grading and scoring systems facilitate the early identification and management of any deterioration in loan quality. When loans are deemed to be impaired, the Group raises specific impairment provisions in a timely and consistent way across portfolios. The Group utilises two types of impairment provision: (a) Specific; and (b) Incurred but not reported ("IBNR") which represents a collective provision relating to the portfolio of non-impaired loans. Details of the methodologies adopted by the Group in identifying, monitoring and managing impaired loans are set out on pages 82 to 91 of the Annual Financial Report 2017, whilst the relevant accounting policy can be found on pages 261 to 263.

Table 28: EU CR1–A – Credit quality of exposures by exposure class and instrument

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by exposure class. The gross carrying value of exposures presented in this table is before the application of: a) credit risk mitigation; b) credit conversion factors; and c) impairment provisions.

							31 December 2017
	Gross carrying values of[1]						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/ (credit) in the period	Net values[2]
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Central governments and central banks	–	8,639	–	–	–	–	8,639
2 Institutions	–	5,350	–	–	–	–	5,350
3 Corporates	237	12,367	430	–	–	2	12,174
4 Of which: Specialised lending	–	346	1	–	–	–	345
5 SMEs	–	3,910	338	–	–	–	3,572
6 Retail	2,269	17,431	586	–	426	(119)	19,114
7 Of which: Secured by real estate property	2,269	17,431	586	–	426	(119)	19,114
Non-credit obligation assets	–	11	–	–	–	–	11
15 Total IRB Approach	**2,506**	**43,798**	**1,016**	**–**	**426**	**(117)**	**45,288**
16 Central governments and central banks	–	8,207	–	–	–	–	8,207
17 Regional governments or local authorities	–	64	–	–	–	–	64
18 Public sector entities	–	38	–	–	–	–	38
20 International organisations	–	834	–	–	–	–	834
22 Corporates	647	7,741	213	–	906	46	8,175
24 Retail	295	9,452	247	–	359	(1)	9,500
26 Secured by mortgages on immovable property	1,697	14,753	221	–	2,316	(41)	16,229
28 Exposures in default	2,825	–	1,648	–	–	–	1,177
29 Items associated with particularly high risk	–	1,498	–	–	–	–	1,498
33 Equity exposures	–	126	–	–	–	–	126
34 Other exposures	–	3,386	–	–	–	–	3,386
35 Total Standardised Approach	**5,464**	**46,099**	**2,329**	**–**	**3,581**	**4**	**49,234**
36 Total	**7,970**	**89,897**	**3,345**	**–**	**4,007**	**(113)**	**94,522**
Of which:							
37 Loans	7,762	63,352	3,345	–	4,007	(113)	67,769
38 Debt securities	–	15,642	–	–	–	–	15,642
39 Off-balance sheet exposures	208	10,903	–	–	–	–	11,111

[1] Excludes securitisations of € 557 million and counterparty credit risk amounting to € 7,484 million.

[2] Gross carrying value minus specific credit risk adjustment.

8. Credit risk – Credit profile of exposures

Table 29: EU CR1–B – Credit quality of exposures by industry or counterparty types

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by industry.

	Gross carrying values of						31 December 2017
	Defaulted exposures € m	Non-defaulted exposures € m	Specific credit risk adjustment € m	General credit risk adjustment € m	Accumulated write-offs € m	Credit risk adjustment (credit)/ charges € m	Net values € m
Agriculture	148	2,200	50	–	106	(1)	2,298
Energy	37	1,082	15	–	24	1	1,104
Manufacturing	72	3,337	60	–	88	6	3,349
Property and construction	2,409	6,326	1,064	–	2,316	(50)	7,671
Distribution	495	6,024	278	–	465	(8)	6,241
Transport	16	1,671	16	–	23	(6)	1,671
Financial	15	1,143	13	–	3	21	1,145
Other services	303	7,442	185	–	196	27	7,560
Personal: Residential mortgages	4,056	29,379	1,418	–	427	(101)	32,017
Other	419	5,609	246	–	359	(2)	5,782
Bank, sovereign and public sector	–	22,298	–	–	–	–	22,298
Other	–	3,386	–	–	–	–	3,386
Total	**7,970**	**89,897**	**3,345**	**–**	**4,007**	**(113)**	**94,522**

Table 30: EU CR1–C – Credit quality of exposures by geography[1]

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by geography.

		Gross carrying values of						31 December 2017
		Defaulted exposures € m	Non-defaulted exposures € m	Specific credit risk adjustment € m	General credit risk adjustment € m	Accumulated write-offs € m	Credit risk adjustment (credit)/ charges € m	Net values € m
1	Republic of Ireland	7,360	61,363	2,993	–	3,975	(142)	65,730
2	United Kingdom	563	16,477	303	–	32	17	16,737
3	United States of America	10	2,870	12	–	–	(2)	2,868
4	Rest of the World	37	9,187	37	–	–	14	9,187
6	**Total**	**7,970**	**89,897**	**3,345**	**–**	**4,007**	**(113)**	**94,522**

[1] Exposures by geography are by country of risk.

Table 31: EU CR1–D – Ageing of past-due exposures

The table below presents an ageing analysis of accounting on-balance sheet past-due exposures regardless of their impairment status.

		Gross carrying values						31 December 2017
		≤ 30 days € m	> 30 days ≤ 60 days € m	> 60 days ≤ 90 days € m	> 90 days ≤ 180 days € m	> 180 days ≤ 1 year € m	> 1 year € m	Total € m
1	Loans	925	292	191	324	480	4,524	6,736
3	**Total exposures**	**925**	**292**	**191**	**324**	**480**	**4,524**	**6,736**

Non-performing exposures to customers

For regulatory reporting purposes, the Group discloses details of its non-performing exposures as defined under regulatory and EBA Implementing Technical Standards.

Details on the Group's non-performing exposures are disclosed on pages 132 to 133 of the Annual Financial Report 2017 together with the EBA's definition of the 'non preforming exposures'.

Forbearance

The Group operates a number of schemes to assist borrowers who are experiencing financial stress. Forbearance occurs when a borrower is granted a temporary or permanent concession or an agreed change to the terms of a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower.

Definitions of the Group's Forbearance strategy and together with forbearance solutions are outlined in detail in section 3.1 – Credit risk management of the Annual Financial Report 2017 (pages 82 to 84). Detailed disclosures on the quantum of loans in forbearance are set out in Risk Management – Additional credit information of the Annual Financial Report 2017 (pages 137 to 150).

The disclosures as set out in the Annual Financial Report 2017 comply with the definition of forbearance in the EBA Implementing Technical Standards.

Table 32: EU CR1–E – Non-performing and forborne exposures

The table below presents an overview of non-performing and forborne exposures.

												31 December 2017	
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
As reported in the Annual Financial Report 2017		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne		Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne	On non-performing exposures	Of which forborne exposures
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Debt securities	15,642	–	–	–	–	–	–	–	–	–	–	–	–
Loans and receivables	63,338[1]	133	2,433	10,194	7,762	6,330	5,602	326	58	3,019	1,227	6,680	5,821
Off balance-sheet exposures	11,111	–	34	322	208	24	75	–	–	–	–	–	–

[1]Loans and receivables are presented gross, i.e. before impairment provisions.

Table 33: EU CR2–B – Changes in the stock of defaulted and impaired loans and debt securities

The table below presents the changes in the stock of defaulted loans and debt securities.

		31 December 2017
		Gross carrying value[1] defaulted exposures € m
1	**Opening balance**	**11,244**
2	Loans that have defaulted or impaired since the last reporting period	893
3	Returned to non-defaulted status	(911)
4	Amounts written off	(716)
5	Other changes[2]	(2,748)
6	**Closing balance**	**7,762**

[1]Gross carrying value represents that used for financial reporting purposes in the Annual Financial Report 2017.
[2]Included in other is € 0.7 billion relating to the disposal of distressed loan portfolios, € 1.2 billion of accounts that were closed or cleared in 2017 and € 0.8 billion of balance decreases.

8. Credit risk – Credit profile of exposures

Table 34: EU CR2–A – Changes in the stock of general and specific credit risk adjustments

The table below presents the changes in the stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

		31 December 2017		31 December 2016	
		Accumulated specific credit risk adjustment € m	**Accumulated general credit risk adjustment € m**	Accumulated specific credit risk adjustment € m	Accumulated general credit risk adjustment € m
1	**Opening balance**	**4,589**	**–**	6,832	–
2	Increases due to amounts set aside for estimated loan losses during the period	**359**	**–**	158	–
3	Decreases due to amounts reversed for estimated loan losses during the period	**(472)**	**–**	(452)	–
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(716)**	**–**	(1,829)	–
6	Impact of exchange rate differences	**(26)**	**–**	(130)	–
	Disposals	**(404)**	**–**	–	–
8	Other adjustments	**15**	**–**	10	–
9	**Closing balance**	**3,345**	**–**	4,589	–
10	Recoveries on credit risk adjustments recorded directly to the income statement	**–**	**–**	–	–
11	Specific credit risk adjustments recorded directly to the income statement	**–**	**–**	–	–

At 31 December 2017, total impairment provisions amounted to € 3,345 million, which was made up specific provisions of € 2,722 million and IBNR provisions of € 623 million. The total stock of provisions decreased in 2017 by € 1,244 million (a decrease of 27%) and was due to the following:

A net writeback of specific impairment provisions of € 199 million in 2017 (2016: a writeback of € 171 million). The key drivers of the net writeback continues to be restructuring activity, offset by provisions on newly impaired loans and which has remained consistent with 2016 levels.

Specific provision writebacks (net of top-ups) during the year were € 472 million (equivalent to c. 5.2% of opening impaired loans) (2016: € 452 million and 3.5%). These writebacks were partially offset by specific provisions amounting to € 273 million on newly impaired loans (2016: € 281 million).

The key drivers of these writebacks included:

- increased security values and improved business cash flows due to the stronger economic environment;
- cases cured from impairment without loss; and
- additional security from the customer as part of the restructuring process.

The IBNR provision charge in 2017 was € 86 million (2016: a release of € 123 million). The charge was impacted by a number of factors including an increase in provisions on the long term arrears mortgage portfolio and the lengthening of emergence periods on some non-mortgage portfolios in light of the relatively benign credit environment. These were partly offset by releases of IBNR due to the continuing increases in property prices throughout 2017, and the improving credit quality profile of the 'business as usual' and post restructuring portfolios.

When the prospects of recovering a loan, either partially or fully, do not improve, a point will come when it will be concluded that as there is no realistic prospect of recovery, the loan (and any related specific provision) will be written off. Where the loan is secured, the write-off will take account of receipt of the net realisable value of the security held. Partial write-offs including non-contracted write-offs may also occur when it is considered that there is no prospect for the recovery of the provisioned amount, for example when a loan enters a legal process. The reduced loan balance remains on the balance sheet as impaired. In addition, write-offs may reflect restructuring activity with customers who are subject to the terms of the revised agreement and subsequent satisfactory performance. In 2017, the write-off amounted to € 716 million (2016: € 1,829 million).

In 2017, the Group disposed of some portfolios of distressed impaired loans on which there were specific provisions of € 404 million.

Loss experience in the preceding period – IRB Approach

An analysis of the expected loss ("EL") and actual loss experience (specific provision charge incurred) by exposure class for the year ended 31 December 2017 is outlined in table 35 below.

Regulatory EL provides a view of the expected losses that are likely to emerge in the non-defaulted loan book over a 12 month period, using through-the-cycle estimates of PD, LGD and EAD. In order to compare the expected loss to the actual loss, these estimates would need to be compared to all realised losses which may have materialised after the assets have gone through their life cycle. As life cycles last for a significant number of years, it is not possible to show this comparison. Additionally, the actual asset loss information does not provide a suitable alternative because it is measured at a point in time. This should be taken into consideration with regard to table 35 below.

The EL would generally expect to be lower than the actual loss in periods of low defaults and vice versa in periods of high default. The reducing trend from earlier years is driven by the economic crisis and the large provisions required during that period. Provisions have returned to lower levels which drives an EL which is higher than provisions in more recent years.

Table 35: Expected loss analysis – IRB Approach

Exposure class	**Total expected loss[1] at 31 December 2016 € m**	**2017 Actual loss € m**	Total expected loss[1] at 31 December 2015 € m	2016 Actual loss € m	Total expected loss[1] at 31 December 2014 € m	2015 Actual loss € m
Institutions	**–**	**–**	–	–	–	–
Corporates	**196**	**46**	162	45	191	67
Retail exposures secured by immovable property collateral non-SME	**130**	**23**	104	39	112	38
Securitisation positions[2]	**–**	**–**	–	–	–	–
	326	**69**	266	84	303	105

[1]Expected loss is derived at the end of the preceding year.

[2]Under the IRB Approach, rating agency ratings, as opposed to EL, are used in the determination of capital for securitisation positions. For this reason, AIB Group does not calculate EL for securitisation positions.

The higher EL in non-defaulted Corporate exposures at 31 December 2016 arose as a result of defaulted cases returning to performing during 2016.

The income statement specific provision charge for the year ended 31 December 2017, of which the actual loss on the IRB Approach is a component, is discussed further in the "Risk management" section of the Annual Financial Report 2017.

8. Credit risk – Credit profile of exposures

Measurement of credit risk

Use of PD, LGD, and EAD within regulatory capital

The Group uses a combination of Standardised and Internal Ratings Based ("IRB") approaches for the calculation of regulatory capital. Under the Standardised Approach, regulatory risk weightings are determined on a fixed percentage basis, depending on the portfolios, as specified in the relevant regulations. The Group has regulatory approval to use certain of its internal credit models in the calculation of its capital requirements.

Non-retail

For non-retail exposures, the Foundation IRB Approach is used for sovereign, bank, corporate, commercial, 'not for profit' and project finance portfolios. The Foundation IRB Approach is used where banks use their own estimate of PD and regulatory estimates of LGD and EAD. To calculate PD, the Group assesses the quality of borrowers and other counterparties using criteria particular to the type of borrower under consideration.

Retail

For retail exposures, the Advanced IRB Approach is adopted for Republic of Ireland residential mortgages (excluding EBS mortgages) where the Group uses its own estimates of PD, LGD and EAD. PDs and LGDs are calibrated on the basis of internal data.

The Group has a formalised governance framework around the internal ratings process. Each rating model is subject to an annual validation process undertaken by an independent validation team.

Table 36: Distribution of outstanding non-defaulted credit exposures to customers for IRB portfolios by classification in the Annual Financial Report 2017

The table below shows the distribution of outstanding non-defaulted credit exposures to customers in terms of EAD, PD, LGD and EL for IRB portfolios at 31 December 2017 and 2016. The EAD is the gross exposure after taking account of CRM and CCF and net of impairment provisions.

				2017
	EAD € m	**Average PD %**	**Average LGD %**	**EL[1] € m**
Residential mortgages				
Owner-occupier	**15,646**	**0.70**	**27.48**	**41**
Buy-to-let	**2,395**	**0.98**	**29.54**	**15**
	18,041	**0.74**	**27.75**	**56**
Corporate	**7,884**	**0.88**	**45.28**	**37**
SME	**3,126**	**4.37**	**45.00**	**63**
Total	**29,051**	**1.17**	**34.36**	**156**

				2016
	EAD € m	Average PD %	Average LGD %	EL[1] € m
Residential mortgages				
Owner-occupier	15,455	0.80	27.10	47
Buy-to-let	2,526	1.08	29.44	17
	17,981	0.84	27.43	64
Corporate	6,987	0.73	45.26	27
SME	3,127	4.81	45.00	69
Total	28,095	1.26	33.82	160

[1] EL has been applied following the outcome of the 2013 Balance Sheet Assessment by the CBI.

The reduction in the average PD for the owner-occupier and the buy-to-let portfolios is due to the non-default population having an improved recent history of poor performance than had previously been observed. This has resulted in positive grade migration in this portfolio in the 12 months to 31 December 2017. The fall in the average PD for the SME portfolio is in line with what has been observed through tracking the population which moved to better performing grades during 2017.

For financial reporting purposes, impairment allowances are recognised only with respect to losses that have been incurred at the reporting date based on objective evidence of impairment, accordingly, these will differ from amounts calculated from expected loss models.

9. Counterparty credit risks

Assigning internal capital and credit limits for counterparty credit exposure

The Group is predominantly exposed to counterparty credit exposure through its portfolio of derivatives and repurchase agreements ('repos').

Derivatives

The credit risk on derivative contracts is the risk that the Group's counterparty in the contract defaults prior to maturity at a time when AIB has a claim on the counterparty under the contract. AIB would then have to replace the contract at the current market rate, which may result in a loss.

The credit exposure on derivatives is managed in the same way as other types of credit exposure. The Group applies the same credit control and risk management policies as relate to counterparty credit approval, limit setting and monitoring procedures.

Counterparty credit exposure ("CCE") consists partly of current replacement cost (or mark-to-market) of the contracts and partly of potential future exposure. The potential future exposure component is an estimation which reflects possible changes in market values during the remaining life of the individual contract. The CCE for an individual counterparty will take into account the existence of valid bilateral netting or collateral agreements, where these are in place.

The Group applies the mark-to-market method for calculating the Pillar 1 capital for derivatives.

Pre-settlement CCE limits must be approved in advance of any transactions being entered into by the appropriate credit approval authority. This forms part of the normal credit management and review process. Settlement and maturity limits must conform to general credit policy requirements. Limits on the maximum residual maturity of derivative activities are governed by individual counterparty maturity constraints.

Those sanctioning CCE limits must be satisfied that they sufficiently understand the risks involved in the proposed transactions and the models used to measure the exposures arising. It is Group practice, where possible and relevant, that all appropriate documentation, such as facility letters or International Swaps and Derivatives Association ("ISDA") agreements be put in place before any limits are made available for use. Further details of master netting agreements are set out in note 45 in the Annual Financial Report 2017.

The Group uses a volatility-based risk weighting for internal purposes to determine potential future exposure values. These weightings or add-on-factors are derived from historical price data, and computed to a 95% confidence level. The Group updates these add-on-factor tables, which are organised by product, currency and residual maturity, on a monthly basis (except for repo products, where the add-on-factor tables are reviewed annually). Pre-settlement CCE limits for derivative transactions are established by reference to the specific transaction's add-on-factors equivalent.

Although Credit Support Annexes ("CSAs") are taken into consideration when setting the internal credit risk utilisation for derivative counterparties, they are not currently recognised as credit risk mitigation for reducing the exposure at default on the derivative transactions in the Pillar 1 regulatory capital calculations.

The Group has established the capacity to clear derivatives in line with European Markets Infrastructure Regulation requirements for central counterparty clearing. AIB commenced central clearing of over the counter ("OTC") derivatives in April 2016.

Repurchase agreements

AIB Group is active in repurchase transactions in capital market instruments. This is achieved through repo/reverse repo products and Sell Buy Back ("SBB")/Buy Sell Back ("BSB") products (together called repurchase transactions). Repurchase transactions are undertaken on both a bilateral and tri-party basis.

Where appropriate netting documentation is in place, both sets of products also become legally equivalent from a credit mitigation perspective. The Group only engages in such transactions once the appropriate documentation has been executed. The transactions are executed by authorised personnel in the Treasury function.

An independent middle office function in the Finance department has responsibility for managing the margining of the Group's bilateral repo/reverse repo and SBB/BSB activities. Margining has been predominantly cash-based although the documentation in general allows for securities to be used as collateral. Tri-party margining is managed through Euroclear. The associated credit risk is managed in the same way as other types of credit exposure. Exposures are calculated to take account of historical price volatility reflecting the maturity of both the collateral and repurchase transaction. The exposures are aggregated with all other exposures to the counterparty.

9. Counterparty credit risks

In addition to the normal credit control and risk management policies relating to counterparty credit approval, limit setting and monitoring procedures, the following credit criteria receive additional focus for repurchase transactions:

- Acceptable collateral;
- Acceptable counterparties;
- Appropriate nominal exposure limits by counterparty;
- Appropriate risk weighted exposure limits by counterparty; and
- Haircut amounts (where appropriate).

AIB applies the Financial Collateral Comprehensive method for the purposes of calculating Pillar 1 capital for counterparty credit exposure for repurchase type transactions.

Policies for securing collateral and establishing credit reserves

It is Group practice, where possible and relevant, that ISDA Master Agreements are put in place to cover derivatives business on a counterparty specific basis. It is also Group practice in relation to wholesale market counterparts to supplement ISDA documentation with a CSA to accommodate the reduction of net exposure on an agreed basis, and in line with market practice, by way of transferring a margin amount, typically cash (as opposed to securities).

AIB employs robust procedures and processes to control the residual risk that may arise when taking financial collateral, including strategy, consideration of the underlying credit and collateral management/valuation process. In addition, the Group has established standards to ensure legal certainty exists and that there is a low correlation between the credit quality of the obligor and the collateral value.

Wrong-way exposures

AIB's measurement of counterparty credit risk exposure against limits for foreign exchange, interest rate, inflation and equity derivatives does not include a consideration for wrong way risk. Wrong way risk is unlikely to be a feature of such transactions. AIB's measurement of counterparty credit exposure against limits for reverse repurchase agreements and for collateral swaps requires that consideration be given to the correlation between collateral value and the counterparty default probability when determining the add on factor.

Collateral required in the event of a credit downgrade

A downgrade in the Group's credit rating could have the effect of reducing the market value threshold for margin calls on some of the CSAs. This would result in a potential increase in the amount of collateral the Group would have to provide against the derivatives within the CSAs. However, due to the very small number of CSAs with downgrade triggers, this is not deemed a significant risk for the Group. In addition, a downgrade in the Group's credit rating could lead to an increase in the haircuts that would be demanded by counterparties in repurchase transactions. This would lead to an increase in the quantum of securities being pledged by the Group as collateral.

There are no clauses in AIB's CSA agreements which would generate a change in Minimum Transfer Amount if ratings were to fall from current levels.

Derivatives clearing

Clearing of certain derivative transactions is now mandatory for AIB under Article 4 of EMIR (Clearing Obligation). The clearing obligation requires AIB to clear interest rate swaps (primarily) with an authorised Central Clearing Party (termed a 'CCP'; AIB uses LCH SwapClear) which is completed through a 'Clearing Broker'; AIB's clearing brokers are HSBC and Barclays. Cleared derivatives eliminate exposure to bilateral counterparties, replacing these counterparties with the CCP.

Collateral held

At 31 December 2017, AIB held the following amounts for cash margin/collateral in respect of bilaterally cleared derivatives, sale and repurchase agreements and centrally cleared derivatives. All values are in Euro equivalent and rounded to the nearest million; CSA -€250 million, GMRA +€ 1 million and derivatives clearing -€ 79 million. Negative numbers indicate that AIB had posted collateral, while positive numbers indicate that AIB had received collateral.

Credit derivative hedges

Index linked CDS contracts are used by the Group to hedge credit spread risk associated with funding valuation adjustments ("FVA") and credit valuation adjustments ("CVA") to the fair value of derivative positions. At 31 December 2017, € 130 million in nominal terms of index CDS positions were in place to offset the impact of widening credit spreads on FVA and CVA. In the calculation of regulatory CVA, any CDSs in place were not treated as eligible hedges, and accordingly, did not reduce the counterparty credit risk capital requirement.

Table 37: EU CCR1 – Analysis of CCR exposure by approach

The table below sets out the methods used to calculate CCR regulatory requirements and the resultant RWAs.

		31 December 2017						
		Notional € m	Replacement cost/current market value € m	Potential future credit exposure € m	EEPE[1] € m	Multiplier € m	EAD post CRM € m	RWAs € m
1	Mark to market	–	1,144	507	–	–	1,651	897
9	Financial collateral comprehensive method (for SFTs)	–	–	–	–	–	1,042	152
11	**Total**	–	1,144	507	–	–	2,693	1,049

[1] Effective expected positive exposure ("EEPE"): the weighted average of effective expected exposure over the first year of a netting set or, if all the contracts within the netting set mature within less than 1 year, over the time period of the longest maturity contract in the netting set, where the weights are the proportion of the entire time period that an individual expected exposure represents.

Table 38: EU CCR4 – IRB Approach – CCR exposures by portfolio and PD scale

The table below presents a detailed view of counterparty credit risk positions subject to the IRB Approach by exposure class and PD scale.

	31 December 2017							
Exposure class	PD scale %	EAD post CRM € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %
Central governments and central banks	0.00 to <0.15	2	–	1	45	1	–	–
	0.15 to <0.25	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
	Subtotal	2	–	1	45	1	–	–
Corporate other	0.00 to <0.15	35	0.06	31	45	2.5	15	44
	0.15 to <0.25	3	0.18	12	45	2.5	1	53
	0.25 to <0.50	3	0.32	15	45	2.5	2	72
	0.50 to <0.75	2	0.58	8	45	2.5	2	95
	0.75 to <2.50	2	1.15	12	45	2.5	3	122
	2.50 to <10.00	1	3.88	5	45	2.5	1	175
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
	Subtotal	46	0.21	83	45	2.5	24	54
Corporate specialised lending	0.00 to <0.15	–	–	–	–	–	–	–
	0.15 to <0.25	8	0.20	1	45	2.5	4	52
	0.25 to <0.50	16	0.36	7	45	2.5	12	70
	0.50 to <0.75	7	0.64	3	45	2.5	6	92
	0.75 to <2.50	3	0.85	1	45	2.5	3	103
	2.50 to <10.00	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
	Subtotal	34	0.42	12	45	2.5	25	74
Institutions	0.00 to <0.15	1,747	0.09	58	45	1.7	542	31
	0.15 to <0.25	171	0.25	12	45	1.8	102	60
	0.25 to <0.50	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
	Subtotal	1,918	0.10	70	45	1.7	644	34
Total (all portfolios)		2,000	0.11	166	45	1.8	693	35

9. Counterparty credit risks

Table 39: EU CCR3 – CCR exposures by regulatory portfolio and risk weight – Standardised Approach

The table below presents a breakdown of CCR by exposure class and risk weight.

	31 December 2017												
	Risk weight											Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Central governments and central banks	337	–	–	–	–	–	–	–	–	–	–	337	–
7 Corporates	–	–	–	–	–	–	–	–	356	–	–	356	356
11 Total	**337**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**356**	**–**	**–**	**693**	**356**

Table 40: EU CCR2 – CVA capital charge

The table below presents the CVA charge broken down by approach.

		31 December 2017	
		Exposure value	RWAs
		€ m	€ m
4	All portfolios subject to the standardised method	1,566	796
5	Total subject to the CVA capital charge	1,566	796

Table 41: EU CCR5–A – Impact of netting and collateral held on exposure values

The table below provides an overview of the impact of netting and collateral held on exposures.

		31 December 2017				
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
		€ m	€ m	€ m	€ m	€ m
1	**Derivatives**	1,144	–	–	–	1,144
2	**Securities financing transactions ("SFTs")**	5,127	–	–	–	5,127
3	Cross-product netting[1]	–	–	–	–	–
4	**Total**	**6,271**	**–**	**–**	**–**	**6,271**

[1]Cross-product netting refers to exposures, including both derivative and SFTs netted at counterparty level.

Derivatives, such as interest rate swaps, options and forward rate agreements, currency swaps and options, equity index options and credit derivatives are used for trading purposes (including for risk reduction purposes within the trading book) while interest rate swaps, currency swaps and cross currency interest rate swaps are used for hedging purposes.

The Group maintains trading positions in a number of financial instruments including derivatives. Trading transactions arise both as a result of activity generated by customers and from proprietary trading with a view to generating incremental income.

Non-trading derivative transactions comprise transactions held for hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions and cash flows.

Table 42: EU CCR5–B – Composition of collateral for exposures to CCR

The table below provides a breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivative transactions and to SFTs, including transactions cleared through a CCP.

						31 December 2017
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated[(1)]	Unsegregated[(2)]	Segregated[(1)]	Unsegregated[(2)]		
	€ m	€ m	€ m	€ m	€ m	€ m
Cash	6	187	85	437	7	5
Sovereign debt	–	–	–	–	22	1,360
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	1,689	4,820
Total	**6**	**187**	**85**	**437**	**1,718**	**6,185**

[(1)]Segregrated: Refers to collateral that is held in a bankruptcy-remote manner in the meaning of Article 300 in the CRR.

[(2)]Unsegrated: Refers to collateral that is not held in a bankruptcy-remote manner.

Table 43: EU CCR6 – Credit derivatives exposures

The table below sets out the Group's exposure to credit derivative transactions broken down between derivatives bought or sold.

			31 December 2017
	Credit derivative hedges		Other
	Protection bought € m	Protection sold € m	credit derivatives € m
Notionals			
Single-name credit default swaps	–	–	–
Index credit default swaps	130	–	–
Credit options	–	–	–
Other credit derivatives	–	–	–
Total notionals	**130**	**–**	**–**
Fair values	**–**	**–**	**–**
Positive fair value (asset)	**–**	**–**	**–**
Negative fair value (liability)	**9**	**–**	**–**

10. Securitisations

Objectives in relation to securitisation activity

The Group utilises securitisations primarily to support the following business objectives;

- as an investor, as part of the management of its market and liquidity risks through Treasury,
- as an investor, to invest in transactions that offer an appropriate risk-adjusted return opportunity; and
- as an originator, to support its funding activities.

Extent of the Group's involvement in securitisations

Investor

AIB has primarily been an investor in senior tranches of traditional securitisations issued by US Government related financial institutions, which are held as part of its investment portfolio. This investment portfolio is classified as 'Financial investments available for sale' in the financial statements.

In addition, a small portfolio of securitisations comprising predominantly investment grade rated residential mortgage backed securities ("RMBS") transactions is held for investment purposes and classified as 'loans and receivables' in the financial statements.

AIB does not have any trading securitisation exposures.

Originator

At present, the Group is an originator of securitisations in order to support its funding activities. The Group sold loans and receivables to customers, mainly mortgages, to special purpose entities ("SPEs"), which, in turn, issued notes or deposits to external investors. In addition, the Group has contractual relationships with two SPEs which had previously been set up by EBS prior to its acquisition by AIB. The notes or deposits issued by the SPEs are on terms which resulted in the Group retaining the majority of ownership risks and rewards and therefore, the loans continue to be recognised on the Group's statement of financial position. The Group remains exposed to credit risk and interest rate risk on the loans sold. Similarly, the transferred loans and receivables have not been derecognised for Pillar 1 purposes. The liability in respect of the cash received from the external investors is included within 'Debt securities in issue'.

In addition, in December 2013, the Group agreed with the Trustee of the AIB UK Defined Benefit Pension Scheme ("the UK scheme") a restructure of the funding of the deficit in the UK scheme. The Group established a pension funding partnership, AIB PFP Scottish Limited Partnership ("SLP") under which a portfolio of loans were transferred to the SLP from another Group entity, AIB UK Loan Management Limited ("UKLM") for the purpose of ring-fencing the repayments on these loans to fund future deficit payments of the UK scheme.

Sponsor

The Group is not currently a sponsor of securitisations.

Summary of securitisation activity

During 2017, the Group purchased € 231 million securitisation assets for investment purposes comprising US and Irish RMBS. During 2017, AIB sold € 62 million in non-senior exposures backed primarily by loans to corporates and SMEs, realising a gain on disposal of € 0.6 million. In addition, there were amortisations and foreign exchange movements during the year. At 31 December 2017, the Group's exposure to securitisation assets as an investor amounted to € 557 million (2016: € 546 million).

There were no new securitisations originated during 2017.

In December 2016, Emerald Mortgages No 4 plc, announced to the Irish Stock Exchange that it had received notice from its parent (EBS d.a.c.) of its intention to refinance loan notes which Emerald 4 held. In March 2017 all outstanding Emerald No 4 bonds and notes in issue were redeemed in full, all monies due to creditors were repaid. In November 2017 Emerald Mortgages No 4 plc filed notice to liquidate the company.

Further details on the Group's securitisation vehicles are contained in 'Off-balance sheet arrangements and transferred financial assets' Note 48 to the consolidated financial statements in the Annual Financial Report 2017.

Accounting policies

In accordance with the Group's accounting policy, the Group consolidates SPEs when the substance of the relationship indicates that AIB controls the SPE. In assessing control, all relevant factors are considered, both quantitative and qualitative. The primary form of SPE utilised by the Group are securitisations and employee compensation trusts. The accounting policy is set out on pages 248 to 250 under 'Basis of consolidation' in the Annual Financial Report 2017.

The Group derecognises financial assets when the contractual rights to receive cash flows from the assets have expired or the Group has transferred its contractual rights to receive cash flows from the assets and either all the risks and rewards of ownership of the assets have transferred to a third party external to the Group or a significant portion, but not all, of the risks and rewards have been transferred outside the Group. The risks include credit risk and interest rate risk.

If substantially all of the risks and rewards of ownership associated with the financial asset are transferred outside the Group, the financial asset is derecognised. The asset is derecognised in its entirety if the transferee has the ability to sell the financial asset; otherwise, the financial asset continues to be recognised to the extent of the Group's continuing involvement. Only in the event that derecognition is achieved are sales and any resultant gain or loss on sales recognised in the financial statements.

Securitisations which are fair valued are subject to the Group's Valuation of Financial Instruments policy which requires that positions should be valued through direct pricing, as opposed to marking to model, if a reliable and directly observable price for the financial instrument in question is available. In 2017, all AIB's fair valued securitisation positions were valued by marking to market.

Securitisation risks, monitoring and hedging policies

The risks inherent within securitisation activity include those applicable to other types of financial instruments such as credit risk, liquidity risk, market risk, non-trading interest rate risk, foreign exchange risk and operational risk. Such risks are identified, managed and monitored in line with the Group's Risk Management Framework as described on pages 82 to 91 of the Annual Financial Report 2017 and which are described in further detail in the "Risk management" section of the Annual Financial Report 2017.

In 2017, AIB's exposure to securitisation positions as an investor was exclusively to senior tranches which benefit from subordination and other structural features of standard securitisations (e.g. excess spread). Underlying assets predominantly comprised residential mortgage loans.

AIB has a specific credit policy in place which outlines the types of securitisations which are in scope for investment along with the approval process applicable. Securitisations are assessed based on their underlying credit and structural characteristics, and a rating-based matrix applies to hold levels.

The Funding and Liquidity Risk policy is a key policy within the Liquidity Risk Management Framework which details the roles and responsibilities within AIB with regard to the management, reporting, control and oversight of asset encumbrance risk.

AIB Group does not use credit hedging or unfunded credit protection to mitigate the risks of retained securitisation and re-securitisation exposures.

Calculating risk weighted exposure amounts

AIB Group uses the IRB Approach to calculate the risk-weighted exposure amount for its securitisation positions within which the Ratings Based Method is primarily used. Under this approach, where investments are rated, risk weights are assigned to securitisation tranches on the basis of the credit ratings applied to these by approved External Credit Assessment Institutions ("ECAIs"). The process used to assign credit assessments to risk weights follows the mapping guidelines issued by the European Banking Authority ("EBA") and adopted by the Central Bank.

AIB uses the following ECAIs for securitisation exposures:

- Standard & Poor's Ratings Services;
- Fitch Ratings;
- Moody's Investors Service; and
- Dominion Bond Rating Service.

Where there is no credit rating, but other criteria are met to apply a risk band other than unrated, the Supervisory Formula Method is applied to the exposures to establish the relevant risk weight.

Tables 44 and 45 analyse the Group's total securitisation positions (including re-securitisations) by exposure type and risk weight, while table 46 analyses the Group's re-securitisation positions by risk weight.

10. Securitisations

Table 44: Securitisation positions – by exposure type of underlying exposure

	31 December 2017				31 December 2016			
	Securitisation positions – outstanding amount				Securitisation positions – outstanding amount			
	Retained		Purchased	Total	Retained		Purchased	Total
Exposure type	Originator € m	Sponsor € m	Investor € m	€ m	Originator € m	Sponsor € m	Investor € m	€ m
Residential mortgages	–	–	544	544	–	–	532	532
Re-securitisations	–	–	13	13	–	–	14	14
Total	–	–	557	557	–	–	546	546

Table 45: Securitisation positions – risk weight bands

	31 December 2017				31 December 2016			
	Securitisation positions – outstanding amount				Securitisation positions – outstanding amount			
	Retained		Purchased	Total	Retained		Purchased	Total
Risk weight band	Originator € m	Sponsor € m	Investor € m	€ m	Originator € m	Sponsor € m	Investor € m	€ m
7% – 9%	–	–	544	544	–	–	532	532
10% – 19%	–	–	–	–	–	–	–	–
20% – 49%	–	–	–	–	–	–	–	–
50% – 74%	–	–	13	13	–	–	14	14
75% – 99%	–	–	–	–	–	–	–	–
100% – 249%	–	–	–	–	–	–	–	–
250% – 349%	–	–	–	–	–	–	–	–
350% – 424%	–	–	–	–	–	–	–	–
425% – 649%	–	–	–	–	–	–	–	–
650% – 1249%	–	–	–	–	–	–	–	–
1250% or deducted	–	–	–	–	–	–	–	–
Total	–	–	557	557	–	–	546	546

Table 46: Re-securitisation positions – risk weight bands

	31 December 2017				31 December 2016			
	Securitisation positions – outstanding amount				Securitisation positions – outstanding amount			
	Retained		Purchased	Total	Retained		Purchased	Total
Risk weight band	Originator € m	Sponsor € m	Investor € m	€ m	Originator € m	Sponsor € m	Investor € m	€ m
7% – 9%	–	–	–	–	–	–	–	–
10% – 19%	–	–	–	–	–	–	–	–
20% – 49%	–	–	–	–	–	–	–	–
50% – 74%	–	–	13	13	–	–	14	14
75% – 99%	–	–	–	–	–	–	–	–
100% – 249%	–	–	–	–	–	–	–	–
250% – 349%	–	–	–	–	–	–	–	–
350% – 424%	–	–	–	–	–	–	–	–
425% – 649%	–	–	–	–	–	–	–	–
650% – 1249%	–	–	–	–	–	–	–	–
1250% or deducted	–	–	–	–	–	–	–	–
Total	–	–	13	13	–	–	14	14

11. Equity exposures in the banking book

AIB calculates its capital requirements for equity exposures in the banking book using the Standardised Approach. The Group's equity activity can be divided into the following sub-categories:

(i) Non-discretionary equity positions resulting from debt equity swaps, holdings of NAMA subordinated bonds and Visa Inc. Preferred Stock, investments in associates and other strategic/miscellaneous investments.

(ii) Discretionary investments which are predominantly private equity funds. Investments are undertaken in order to generate income and to support SME initiatives and the Irish economy.

The principal accounting policies applied by the Group to equity investments are informed by International Accounting Standards (“IAS”) IAS 28 and IAS 39 which set out the rules for classification, balance sheet recognition, methods of valuation (i.e. fair value) and income and impairment recognition. Further information in relation to the Group accounting policies for financial assets, which include equities, can be found in the Group’s Annual Financial Report 2017 note 1, pages 254 and 255.

Investments in associated undertakings are initially recorded at cost. Following initial recognition, an associate is accounted for using the equity method of accounting. The carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. Other banking book equities are carried on the balance sheet at fair value.

The cumulative realised gains from sales and liquidations of equity investments in the banking book amounted to € 48 million for the year ended 31 December 2017 (2016: € 272 million). The net unrealised gains on equity investments in the banking book amounted to € 464 million, gross of tax, as at 31 December 2017 (2016: net unrealised gains € 446 million). Provisions for impairment on available for sale equity investments of Nil (2016: Nil) were included in the income statement in 2017.

An unrealised gain after tax, of € 322 million (2016: € 233 million) on equity investments in the banking book is included in CET1 capital on a transitional basis. On a fully loaded basis, for 2017, € 400 million (2016: € 389 million) is included in CET1 capital.

11. Equity exposures in the banking book

Table 47: Banking book equity values

		31 December 2017 Carrying value € m	31 December 2016 Carrying value € m
Exchange traded exposures			
Quoted	A limited number of straight equity positions that are quoted on recognised stock exchanges	**16**	–
Equity exposures			
Unquoted	Exposure to equities or the equity tranche in a structured transaction or SPE[1]	**597**	553
Funds	Exposure to the equity component of a managed investment fund	**66**	52
		679[2]	605[2]
Investments in associated undertakings		**80**	65
Less: goodwill		**–**	–
		80	65
		759[3]	670[3]
Of which:			
Risk weighted assets		**667**	493
Deducted from capital		**–**	–
		667	493

[1]Of which € 466 million (2016: € 466 million) relates to NAMA subordinated bonds and € 92 million relates to Visa Inc, (2016: € 70 million).

[2]Equity securities classified as financial investments available for sale are measured at fair value in the financial statements.

[3]2017 includes € 464 million of unrealised gains/losses (2016: € 446 million), 80% of which under CRD IV transitional rules is included in risk weighted assets. In 2016, 60% of these unrealised gains/losses were included in risk weighted assets.

Table 48: Risk weighted asset equivalents of equity exposures

	31 December 2017 Exposure € m	31 December 2017 Risk weighted assets € m	31 December 2016 Exposure € m	31 December 2016 Risk weighted assets € m
Equity investments subject to a 100% risk weight	**397**	**397**	299	299
Equity investments subject to a 150% risk weight	**160**	**240**	129	193
Equity investments subject to a 250% risk weight	**110**	**276**	65	163
	667	**913**	493	655

12. Non–trading interest rate risk

Non-trading interest rate risk (also referred to as Interest Rate Risk in the Banking Book “IRRBB”) is defined as the current or prospective risk to both the Group’s capital and earnings arising from movements in underlying interest rates.

IRRBB results from the structure of the Group’s balance sheet due to normal banking activity with customers and from Treasury’s discretionary positions in the banking book. This risk can arise where assets, liabilities and off-balance sheet items have different repricing dates, interest rate basis or behavioural characteristics. The Group requires that interest rate risk is positioned centrally for management purposes.

Non-trading interest rate risk is measured and controlled in AIB using an Economic Value stress test, an Earnings at Risk and a VaR approach.

For the Economic Value stress test, the interest rate sensitivity profiles of the various components of AIB’s balance sheet are measured and severe but plausible interest rate shocks are applied to these profiles. The magnitude of the interest rate shocks are consistent with a one year holding period and a 99% confidence level. The resulting change in economic value as a result of the application of these shocks is the IRRBB economic value exposure. Basis risk, specifically ECB Refi / Euribor and Bank of England Base Rate / LIBOR basis risk, is a component of the IRRBB risk measurement model.

An Earnings at Risk (EaR) measurement approach measures the quantity by which the Group’s net interest income might change in the event of an adverse change in interest rates. EaR is estimated by modelling how net interest income would perform under different interest rate environments and selecting the 99% worst scenario to apply to the balance sheet.

IRRBB is also quantified using a 95% one day VaR measure and sensitivity measures. VaR and interest rate sensitivity values are produced and reported daily, the 99% one year IRRBB measure is reported on a monthly basis and EaR is and reported on a quarterly basis.

Certain components of the balance sheet such as non-maturity deposits and the Group’s equity are modelled using behaviourally adjusted assumed lives. Assumptions are also made about how the relationship between market and retail interest rates would develop in different interest rate environments. The Group measures the IRRBB of its fixed rate mortgage portfolio net of assumed prepayments. These assumptions are determined using a combination of statistical analysis and management judgement

Table 49: Non-trading interest rate risk variation

The following table presents a summary of AIB's banking book non-traded market risk under a range of interest rate scenarios. For example, the table shows that the present value of AIB's open interest rate risk position at 31 December 2017 would increase by € 241 million if there was an instantaneous parallel upward shift in interest rates of 200 basis points.

In December 2016, the impact of stressed changes in certain behavioural assumptions is included in the values. The extent of these behavioural assumptions is not as apparent in the sensitivities reported at December 2017 due to changes made to the measurement methodology following an update to behavioural assumptions in 2017.

	Change in economic value	
	31 December	
Interest rate shock	**2017 € m**	2016 € m
99% 1 year shocks	**(216)**	(198)
+ 100 bps	**122**	(103)
+ 200 bps	**241**	(282)
- 100 bps	**(125)**	20
- 200 bps	**(254)**	(52)

The absolute level of interest rate risk sensitivity, as represented by the 99% IRRBB measure increased over the course of 2017. This is primarily due to a change in the measurement methodology following an update to behavioural assumptions in 2017. The interest rate sensitivity is primarily attributable to EUR, GBP and USD interest rates, with the vast majority (>97% of the PV01 sensitivity) being due to EUR interest rate sensitivity at the 31 December 2017.

13. Market risk

Market risk

Market risk is the risk relating to the uncertainty of returns attributable to fluctuations in market factors. Where the uncertainty is expressed as a potential loss in earnings or value, it represents a risk to the income and capital position of the Group. The Group is primarily exposed to market risk through interest rate and credit spread factors and, to a lesser extent, through foreign exchange, equity and inflation rate risk factors. AIB Group uses the Standardised Approach for assessing its capital requirements for trading book market risk. As set out on page 22 of this Report, of the total minimum capital requirement of € 4,138 million at 31 December 2017, the minimum capital requirement for market risk amounts to € 29 million. A description of AIB Group's (a) 'identification and assessment'; (b) 'management and mitigation'; and (c) 'monitoring and reporting' of market risk is set out on pages 165 and 166 of the Annual Financial Report 2017. A sensitivity analysis of the Group's banking book to movements in interest rates is set out on pages 168 to 171 of the Annual Financial Report 2017, together with a Value at Risk ("VaR") profile for both the banking and trading book.

Table 50: EU MR1 – Market risk under the Standardised Approach

The table below reflects the components of capital requirements for market risk under the Standardised Approach.

	31 December 2017		31 December 2016	
Outright products	**RWAs €m**	**Capital requirements €m**	RWAs €m	Capital requirements €m
1 Interest rate risk (general and specific)	**353**	**29**	263	21
2 Equity risk (general and specific)	**3**	**–**	8	1
Options				
6 Delta-plus method	**4**	**–**	17	1
9 Total	**360**	**29**	288	23

14. Remuneration

Introduction

These disclosures provide additional information in relation to the Group's remuneration policies and practices and, more specifically, the decision making process and governance of remuneration, the link between pay and performance, the remuneration of those staff whose professional activities are considered to have a material impact on the Group's risk profile and the key components of AIB's remuneration structure applicable to all employees.

This section should be read in conjunction with the Group's Annual Financial Report 2017, in particular, the Directors Remuneration Report, pages 207 to 209.

Remuneration Constraints

The Group's remuneration practices operate under a number of constraints arising from State ownership, principally under the terms of Placing and Subscription Agreements entered into between the Group and the State or through commitments provided by the Group to the Minister for Finance in respect of remuneration practices. These constraints cover the remuneration of directors, senior management, employees and service providers across the Group. Remuneration is managed by the Remuneration Committee in accordance with these constraints.

Decision Making Process and Governance of Remuneration

The Group Remuneration Policy provides the overall framework under which all remuneration policies and practices are applied across the Group. The policy sets out the key components of the Group's current remuneration together with the approach to remuneration for key groups of individuals, including non-executive directors, senior executives, material risk takers, employees in control functions and all other employees. The scope of the Remuneration Policy extends to all areas of the Group and includes all financial benefits available to employees. Further details in respect of AIB's remuneration policies and practices are outlined in the Annual Financial Report.

The Remuneration Policy is designed to reflect the provisions of EU and national regulations, notably the Capital Requirements Directive (CRD IV) and European Banking Authority guidelines on sound remuneration policies. The Group undertakes an annual review of the Remuneration Policy, including the process for the identification of material risk takers (Identified Staff), to ensure that remuneration policies and practices are operating as intended, are consistently applied and are compliant with regulatory obligations. The annual review is informed by appropriate input from the Group's risk, compliance and internal audit functions.

The Remuneration Policy is set and governed by the Group Remuneration Committee (the "Committee") on behalf of the Board. The Committee's responsibilities include making recommendations to the Board on the design and ongoing implementation of the Remuneration Policy. The Committee makes recommendations to the Board on the remuneration of the Chairman (in his absence) and determines the remuneration of the Chief Executive, Executive Directors and members of the Leadership Team. The Committee also directly oversees the remuneration of the heads of risk, compliance and audit functions and is required to review the remuneration components of material risk takers ("Identified Staff") as defined under the Capital Requirements Directive (CRD IV). The purpose, duties and membership of the Committee are determined by its Terms of Reference which may be viewed on the Group's website www.aibgroup.com.

The Committee takes additional account of input from AIB's support and control functions to ensure that its decision making process is aligned with the bank's financial performance, regulatory guidelines and stakeholder interests. The Committee further controls the appointment of any external remuneration consultants or similar specialist advisors who provide it with advice.

Attraction and retention of key staff and skills

The Group aims to reward employees fairly and competitively in order to attract, motivate and retain the right calibre of individuals to support the Group's future success and growth. While the Group is committed in seeking to better align the reward of the senior executive team with the objectives of creating long-term value for customers and shareholders, the application of remuneration constraints continue to pose a significant challenge for the Group in attracting and retaining high calibre and specialist staff.

During 2017, the Remuneration Committee spent a significant amount of time, in formal and informal meetings with Management and external remuneration consultants, seeking to address this risk. Arising from these discussions, the Committee is proposing to introduce an appropriate incentive plan with the key objective of creating long term sustainable value for customers and shareholders while also facilitating the retention of key executives and safeguarding the Group's capital, liquidity and risk positions. The plan will be designed to enable the State to recover the value of its investment in the Group. Further details of the proposed plan are outlined in the Annual Financial Report 2017.

14. Remuneration

Link between pay and performance

The Group is committed to a simple and transparent reward structure which drives performance and supports the Group's ongoing growth and sustainability. The Group's performance management framework plays a critical role in aligning individual objectives with the Group's overall customer strategy, financial and non-financial goals and brand values. The framework acts as a key underpin to the Group's continued focus on developing a strong customer centric culture which embodies the Group's brand values. The brand values provide the behavioural framework for how employees work, interact with each other and serve the customer.

The Group's strategic objectives are cascaded down to individual employee level as part of a rigorous objective alignment process using a balanced scorecard comprising customer, financial, non-financial and risk objectives. This process sets out to ensure that employees have a clear understanding of how their own individual objectives contribute to the delivery of the Group's overall strategy.

The performance management process and its link to reward was further enhanced during 2017. Each employee's behavioural rating informed a pay matrix which directly impacted the level of base pay increase awarded under the annual pay review. Consequently, performance outcomes, based on a combined assessment of "What" objectives and "How" behaviours, determined individual increases in base pay remuneration and provided a transparent link between performance and remuneration.

Remuneration of Identified Staff

The Group compiles the list of Identified Staff in accordance with the criteria set out in EU Commission Delegated Regulation (EU) No. 604/2014 and the agreed process for the identification of material risk takers across the Group. The purpose of this process is to define the criteria by which staff in the Group are assessed as Identified Staff and also to set out the key responsibilities and governance requirements in compliance with CRD IV and the EBA Guidelines on sound remuneration policies. The process forms an addendum to the Remuneration Policy and was reviewed by the Remuneration Committee in 2017.

In compiling the list, the Group aligns the qualitative and quantitative criteria set out in the regulation to the Group's business and control structure, key committees, reporting lines, individual and collective levels of authority and key areas of responsibility.

Identified Staff principally comprise of the following:-

- Executive and non-executive members of the Board of Directors;
- Members of the Leadership Team and direct reports, including members of Senior Management Teams;
- Heads of material business units and direct reports, including organisational or legal entities, regions, key business lines or geographical locations;
- Heads of Risk, Compliance, Internal Audit and their direct reports;
- Senior management in Credit Risk including the Chief Credit Officer, Heads of Credit, their direct reports and other staff with authority to initiate, approve or veto credit proposals or to structure credit products;
- Senior management responsible for legal, finance, human resources, remuneration policy, IT, economic analysis and other key risk functions; and,
- Other key risk takers or higher remunerated staff whose professional activities individually or collectively exert influence on the institution's risk profile, including the ability to enter into transactions, contracts and other risk positions or to approve or veto the introduction of new products.

During 2017, a total of 293 employees were considered as Identified Staff (2016: 249). As at 31 December 2017, Identified Staff comprised 269 (31 December 2016: 224).

Remuneration of Identified Staff in 2017 was principally comprised of fixed pay elements (directors' fees, employee base salary, fixed allowances and pension contributions). Variable pay constituted severance payments and compensation for loss of income from previous employment. Remuneration packages to compensate employees for loss of income from previous employments are made in exceptional cases only to attract and retain highly specialised key staff. Such awards are limited to the first year of employment. There were no bonuses, share options or other performance based remuneration paid to Identified Staff in 2017.

Table 51: Remuneration by business area

The following tables illustrate the total remuneration of Identified Staff in 2017 and 2016.

		RCB	WIB	AIB UK	Group	Total
2017						
Total remuneration in 2017	**€ m**	**10.6**	**6.6**	**11.5**	**28.8**	**57.5**
(all forms of payments or benefits)	**Identified staff**	**44**	**29**	**83**	**137**	**293**
Total variable remuneration in 2017						
(Severance payments and buy-outs of	**€ m**	**0.0**	**0.6**	**0.6**	**1.2**	**2.4**
contracts from previous employment)	**Identified staff**	**0**	**3**	**4**	**7**	**14**

		AIB Ireland[1]	AIB UK	Group & International	Total
2016					
Total remuneration in 2016	€ m	11.9	9.6	30.0	51.5
(all forms of payments or benefits)	Identified staff	50	63	136	249
Total variable remuneration in 2016					
(Severance payments and buy-outs of	€ m	0.2	0.2	2.0	2.4
contracts from previous employment)	Identified staff	1	1	11	13

[1]AIB Ireland includes Identified Staff engaged in the provision of retail, business and corporate banking activities in Ireland

Table 52: Remuneration by functional area

		Functions				
		NEDs and senior management[1]	Control functions	Corporate functions	Other material risk takers	Total
2017						
Total remuneration in 2017	**€ m**	**26.4**	**7.4**	**4.3**	**19.4**	**57.5**
(all forms of payments or benefits)	**Identified staff**	**104**	**50**	**24**	**115**	**293**
Total fixed remuneration in 2017						
(salaries and other fixed benefits	**€ m**	**25.0**	**7.2**	**4.1**	**18.8**	**55.1**
including pension contributions)	**Identified staff**	**104**	**50**	**24**	**115**	**293**
Total variable remuneration in 2017						
(Severance payments and buy-outs of	**€ m**	**1.4**	**0.2**	**0.2**	**0.6**	**2.4**
contracts from previous employment)	**Identified staff**	**8**	**1**	**3**	**2**	**14**
2016						
Total remuneration in 2016	€ m	27.1	6.4	3.2	14.8	51.5
(all forms of payments or benefits)	Identified staff	109	41	17	82	249
Total fixed remuneration in 2016						
(salaries and other fixed benefits	€ m	25.3	6.2	3.0	14.6	49.1
including pension contributions)	Identified staff	109	41	17	82	249
Total variable remuneration in 2016						
(Severance payments and buy-outs of	€ m	1.8	0.2	0.2	0.2	2.4
contracts from previous employment)	Identified staff	10	1	1	1	13

[1]Non-Executive Directors, Leadership Team and direct reports to the Leadership team.

14. Remuneration

Notes on remuneration 2017:

i. The increased number and remuneration of Identified Staff reflects additional individuals across each of the key business areas assessed as material risk takers together with additional members of credit, products and risk committees;
ii. Total variable remuneration amounted to € 2.4 million (2016: € 2.4 million). This comprised of severance payments to 12 individuals which amounted to € 2.2 million and payments in respect of compensation for loss of income from previous employment for 2 individuals which amounted to € 0.2 million;
iii. Under the severance programme, the highest severance payment to any one person in 2017 was US $ 397,440. Severance payments which represent redundancy remuneration for loss of office are calculated by reference to an approved generic formula are not taken into account for the purposes of the calculation of the variable to fixed pay ratio;
iv. There were no bonuses paid to Identified Staff during 2017 and no variable remuneration was paid in equity or other instruments;
v. Remuneration awarded in 2017 for loss of income from previous employment amounted to € 180,000 in respect of one individual;
vi. Deferred remuneration outstanding as at 31 December 2017 in respect of loss of income from previous employment amounted to € 120,000 for one individual;
vii. Further details of Directors' remuneration are set out on pages 220 to 222 in the Annual Financial Report 2017;
viii. Three individuals were identified as material risk takers during 2017 who were designated as Service Providers and whose remuneration was not directly paid by AIB. The individuals' total remuneration amounted to € 0.7 millions and is included within fixed remuneration; and,
ix. There were no employees whose total remuneration exceeded € 1 million during 2017.

Total remuneration

Total remuneration in the Group during 2017 continued to be principally comprised of fixed pay and pension elements. Remuneration was closely monitored in line with financial performance, budgetary parameters and the constraints arising from commitments provided to the State.

Increases in base salary arising from the 2017 Annual Pay Review were performance based, determined by performance against each individual's objectives which reflected the Group's strategy, goals and values. Additionally, performance continued to be recognised through limited increases in base pay in order to retain key staff and skills considered critical to the achievements of the bank's long term objectives.

Following the closure of all defined benefit pension schemes to future accrual on 31 December 2013, all employees were migrated to a new defined contribution scheme. There were no general bonus schemes, long-term incentive plans or share incentive schemes in operation in 2017.

Further details in respect of total employee numbers and total employee remuneration are contained in Notes 12 and 54 in the Annual Financial Report 2017.

Appendix 1: Own funds

Summary information on the main components of own funds, and their terms and conditions as applicable, is set out below. Further information relating to the terms and conditions is published separately at http://aib.ie/investorrelations.

Common equity tier 1

Common equity tier 1 ("CET1") comprises shareholders' equity adjusted as appropriate in accordance with the provisions of CRD IV.

Shareholders' equity

The principal components of shareholders' equity are set out below:

Share capital/share premium

Ordinary share capital comprising shares of the parent company represent funds raised by issuing shares in return for cash or other consideration. When shares are issued at a premium whether for cash or otherwise, the excess of the amount received over the par value of the shares is transferred to share premium.

Other capital reserves

Other capital reserves represent transfers from retained earnings in accordance with relevant legislation.

Capital contributions

Capital contributions represent the receipt of non-refundable consideration arising from transactions with the Irish Government. These contributions comprise both financial and non-financial net assets. The contributions are classified as equity and may be either distributable or non-distributable. Capital contributions are distributable if the assets received are in the form of cash or another asset that is readily convertible to cash, otherwise, they are treated as non-distributable. Capital contributions arose during 2011 from (a) EBS transaction; (b) Anglo transaction; (c) issue of contingent capital notes; and (d) non-refundable receipts from the Irish Government and the NPRFC[(1)].

The capital contribution from the EBS transaction is treated as non-distributable as the related net assets received were largely non-cash in nature.

In the case of the Anglo transaction, the excess of the assets over the liabilities comprised of NAMA senior bonds. On initial recognition, this excess was accounted for as a non-distributable capital contribution. However, according as NAMA repaid these bonds, the proceeds received were deemed to be distributable and the relevant amount was transferred from the capital contribution account to revenue reserves. All NAMA senior bonds were fully repaid at 31 December 2017.

AIB issued Contingent Convertible Capital Notes to the Irish Government where the proceeds amounting to € 1.6 billion exceeded the fair value of the instruments issued. This excess was accounted for as a capital contribution and was treated as distributable as the fair value adjustment on the notes amortised to the income statement. The Contingent Capital Notes were redeemed at maturity on 28 July 2016.

Non-refundable capital contributions amounting to € 6,054 million received from the Irish Government and the NPRFC[(1)] in 2011 are considered distributable. These are included in revenue reserves.

Revaluation reserves

Revaluation reserves represent the unrealised surplus, net of tax, which arose on revaluation of properties prior to the implementation of IFRS at 1 January 2004.

Available for sale securities reserves

Available for sale securities ("AFS") reserves represent the net unrealised gains and losses, net of tax, arising from the recognition in the statement of financial position of AFS financial investments at fair value. The CRR sets out transitional provisions in relation to AFS assets where the net unrealised gains and losses are transitioned into capital on a phased basis up to the end of 2017. At 31 December 2017, 80% of available for sale reserves are included in common equity tier 1 capital on a CRD IV transitional basis, whereas, on a fully loaded basis, all available for sale reserves are included.

[(1)]National Treasury Management Agency as controller and manager of the Ireland Strategic Investment Fund (NTMA / ISIF with effect 22 December 2014).

Appendix 1: Own funds

Shareholders' equity *(continued)*

Cash flow hedging reserves

Cash flow hedging reserves represent the gains and losses, net of tax, on effective cash flow hedging instruments that will be reclassified to the income statement when the hedged transaction affects profit or loss. These reserves are not allowable for capital adequacy purposes.

Dividends and distributions

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or in the case of the interim dividend when they become irrevocable having already been approved for payment by the Board of Directors. The interim dividend may be cancelled at any time prior to the actual payment. Proposed dividends and foreseeable changes are deducted from common equity tier 1 capital in accordance with Article 26(2) of the Capital Requirements Regulations.

Revenue reserves

Revenue reserves represent retained earnings of the parent company, subsidiaries and associated undertakings together with amounts transferred from issued share capital, share premium and capital redemption reserves following Irish High Court approval. They also include amounts arising from the capital reduction which followed the 'Scheme of Arrangement' undertaken by the Group in December 2017.

The cumulative surplus/deficit within the defined benefit pension schemes and other appropriate adjustments are included in/offset against revenue reserves.

Foreign currency translation reserves

Foreign currency translation reserves represent the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations, at the rate of exchange at the year-end reporting date net of the cumulative gain or loss on instruments designated as net investment hedges.

Merger reserve

Under the Scheme of Arrangement ("the Scheme") approved by the High Court on 6 December 2017 which became effective on 8 December 2017, a new company, AIB Group plc ('the Company'), was introduced as the holding company of AIB Group. AIB Group plc is a recently incorporated public limited company registered in Ireland. The share capital of Allied Irish Banks, p.l.c., other than a single share owned by AIB Group plc, was cancelled and an equal number of new shares were issued by the Company to the shareholders of Allied Irish Banks, p.l.c. The difference between the carrying value of the net assets of Allied Irish Banks, p.l.c. entity on acquisition by the Company and the nominal value of the shares issued on implementation of the Scheme was accounted for as a merger reserve (note 44 in the Annual Financial Report 2017). Impairment losses arising from AIB Group plc's investment in Allied Irish Banks, p.l.c. will be charged to the profit or loss account and transferred to the merger reserve in so far as a credit balance remains in the merger reserve.

In the consolidated financial statements of AIB Group plc, the transaction was accounted for under merger accounting. Accordingly, the carrying value of the investment in Allied Irish Banks, p.l.c. by AIB Group plc is eliminated against the share capital and share premium account in Allied Irish Banks, p.l.c. and the merger reserve in AIB Group plc resulting in a negative merger reserve.

Regulatory adjustments to shareholders' equity

The following deductions have been made in accordance with CRD IV in computing regulatory capital:

- Intangibles – deducted from capital;
- Cash flow hedging reserves – not included in capital;
- Available for sale securities reserves – AFS reserves of € 196 million are excluded on a transitional basis at 31 December 2017;
- Pension filter – phase out of Basel II adjustment, 20% deducted in 2017;
- Pension reserves in surplus – deduct from capital the total pension reserves of schemes in surplus;
- Pension deficit – 80% of the pension deficit is deducted from CET1 as per CRD IV phasing rules for 2017;
- Deferred tax assets that rely on future profitability – deducted from capital at 10% per annum, which commenced in 2015. Therefore, 30% is deducted from capital in 2017; and
- Excess of expected loss over IRB provisions – deducted from capital (see page 82 for further information).

Shareholders' equity *(continued)*

Instruments issued by subsidiaries that are given recognition in additional tier 1 capital

On 3 December 2015, as part of its capital reorganisation, Allied Irish Banks, p.l.c. issued € 500 million nominal value of Additional Tier 1 Perpetual Contingent Temporary Write-down Securities ('AT1s'). The securities, which are accounted for as equity in the statement of financial position, are included in the capital base of both the Group and its subsidiary, Allied Irish Banks, p.l.c.

Interest on the securities, at a fixed rate of 7.375% per annum, is payable semi-annually in arrears on 3 June and 3 December, commencing on 3 June 2016. On the first reset date on 3 December 2020, in the event that the securities are not redeemed, interest will be reset to the relevant 5 year rate plus a margin of 7.339%. Allied Irish Banks, p.l.c. has sole and absolute discretion at all times to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date. In addition, there are certain limitations on the payment of interest if such payments are prohibited under Irish banking regulations or regulatory capital requirements, if Allied Irish Banks, p.l.c. has insufficient reserves available for distribution or if Allied Irish Banks, p.l.c. fails to satisfy the solvency condition as defined in the securities terms. Any interest not paid on an interest payment date by reason of the provisions as to cancellation of interest or by reason of the solvency condition set out in the terms and conditions, will not accumulate or be payable thereafter.

The securities are perpetual securities with no fixed redemption date. Allied Irish Banks, p.l.c. may, in its sole and full discretion, redeem all (but not some only) of the securities on the first call date or on any interest payment date thereafter at the prevailing principal amount together with accrued but unpaid interest. However, redemption is subject to the permission of the Single Supervisory Mechanism/Central Bank of Ireland who have set out certain conditions in relation to redemption, purchase, cancellation and modification of these securities. In addition, the securities are redeemable at the option of Allied Irish Banks, p.l.c. for certain regulatory or tax reasons.

The securities, which do not carry voting rights, rank pari passu with holders of other tier 1 instruments (excluding the Company's ordinary shares) and with the holders of preference shares, if any, which have a preferential right to a return of assets in a winding-up of Allied Irish Banks, p.l.c. They rank ahead of the holders of ordinary share capital of the Company but junior to the claims of senior creditors.

If the CET1 ratio of Allied Irish Banks, p.l.c. or of the Group at any time falls below 7% (a Trigger Event) and is not in winding-up, subject to certain conditions, Allied Irish Banks, p.l.c. may write down the AT1s by the lower of the amount necessary to generate sufficient common equity tier 1 capital to restore the CET1 ratio to 7% or the amount that would reduce the prevailing principal amount to zero. To the extent permitted, in order to comply with regulatory capital and other requirements, Allied Irish Banks, p.l.c. may at its sole and full discretion reinstate any previously written down amount.

Under CRD IV, a portion of the capital reserves attributable to the Additional Tier 1 Securities issued by Allied Irish Banks, p.l.c., which exceed the minimum own funds requirement, is not recognised for AIB Group plc consolidated regulatory capital purposes. This restriction* reduced qualifying transitional tier 1 capital by € 234 million.

**The calculation may require adjustment pending the final communication of the EBA's position on the matter.*

Appendix 1: Own funds

Shareholders' equity *(continued)*

Tier 2

Tier 2 capital broadly includes qualifying subordinated loan capital and other tier 2 securities in issue, eligible collective impairment provisions and revaluation reserves. It is subject to deductions relating to the excess of expected loss on the Internal Ratings Based ("IRB") portfolios over the accounting impairment provisions on the IRB portfolios and material holdings in financial companies.

Instruments issued by subsidiaries that are given recognition in tier 2 capital

€ 750 million Subordinated Tier 2 Notes due 2025, Callable 2020

On 26 November 2015, Allied Irish Banks, p.l.c. issued € 750 million Subordinated Tier 2 Notes due 2025, Callable 2020. These notes mature on 26 November 2025 but can be redeemed in whole, but not in part, at the option of Allied Irish Banks, p.l.c. on the optional redemption date on 26 November 2020, subject to the approval of the Financial Regulator, with approval being conditional on meeting the requirements of the EU Capital Requirements Regulation.

The notes bear interest on the outstanding nominal amount at a fixed rate of 4.125%, payable annually in arrears on 26 November each year. The interest rate will be reset on 26 November 2020 to Eur 5 year Mid Swap rate plus the initial margin of 395 basis points.

Other subordinated term loan capital

Following the liability management exercises in 2011 and the Subordinated Liabilities Order ("SLO") in April 2011, residual balances remained on certain dated loan capital instruments. The SLO, which was effective from 22 April 2011, changed the terms of all of those outstanding dated loan agreements. The original liabilities were derecognised and new liabilities were recognised, with their initial measurement based on the fair value at the SLO effective date. The contractual maturity date changed to 2035 as a result of the SLO, with coupons to be payable at the option of Allied Irish Banks, p.l.c. These instruments will amortise to their nominal value in the period to their maturity in 2035.

Under CRD IV, a portion of the capital reserves attributable to the tier 2 capital instruments issued by Allied Irish Banks, p.l.c. as outlined above, which exceed the minimum own funds requirement, is not recognised for AIB Group plc consolidated regulatory capital purposes. This restriction* reduced qualifying transitional tier 2 capital by € 341 million.

**The calculation may require adjustment pending the final communication of the EBA's position on the matter.*

IRB excess of provisions over expected eligible losses

For non–defaulted IRB exposures, the total expected loss ("EL") is compared to the total 'incurred but not reported' ("IBNR") impairment provisions in the financial statement allocated to IRB loans. If EL is greater than these provisions, the excess is deducted from CET1. For defaulted IRB exposures, the total EL is compared to the total specific impairment provisions. If EL is greater than the specific provisions, the excess is deducted from CET1. Any excess of impairment provisions (IBNR and specific) over EL is added to tier 2 capital up to a limit of 0.6% of IRB risk weighted assets.

IBNR standardised add back

This represents the excess of IBNR provisions over expected loss for Standardised exposures up to a maximum of 1.25% of RWAs. This is a Basel II adjustment which will be phased out under CRD IV by 2021. At 31 December 2017, 50% of this can be included in tier 2 capital.

Other: Warrants

Warrants to acquire a fixed number of the company shares for a fixed amount of currency are classified as equity instruments and are recognised on initial recognition at the fair value of consideration received.

Appendix 2: Asset encumbrance

Asset encumbrance

The following tables show the amounts of on-balance sheet encumbered and unencumbered assets and off-balance sheet collateral held by the Group. The tables below are based on the requirement pertaining to asset encumbrance in Part Eight of CRD IV and the 2017 Regulatory Technical Standards (EBA/RTS/2017/03). The figures are median values based on quarter end point-in-time (PiT) figures covering the year to 31 December 2017. The exposure value used is in line with implementing Regulation (EU) No 680/2014.

An asset is defined as encumbered if it has been pledged as collateral, and, as a result, is no longer available to the Group to secure funding, to satisfy collateral needs or to be sold.

Table 53: Encumbered and unencumbered assets held by the Group – Table A

	2017							
	Encumbered assets				Unencumbered assets			
	Carrying amount €m	Of which: notionally eligible EHQLA[1] and HQLA[1] €m	Fair value €m	Of which: notionally eligible EHQLA[1] and HQLA[1] €m	Carrying amount €m	Of which: EHQLA[1] and HQLA[1] €m	Fair value €m	Of which: EHQLA[1] and HQLA[1] €m
Assets of the reporting institution	**14,277**	**2,689**	–	–	**76,233**	**13,553**	–	–
Equity instruments	–	–	–	–	**653**	–	–	–
Debt securities	**2,966**	**2,689**	**2,969**	**2,689**	**14,579**	**13,553**	**14,579**	**13,553**
Of which:								
Covered bonds	**211**	**233**	**211**	**233**	**2,618**	**2,618**	**2,618**	**2,618**
Asset-backed securities	**549**	**535**	**549**	**535**	**15**	**3**	**15**	**3**
Issued by general governments	**1,781**	**1,781**	**1,784**	**1,784**	**10,097**	**9,712**	**10,112**	**9,712**
Issued by financial corporations	**706**	**706**	**706**	**706**	**4,543**	**3,793**	**4,543**	**3,793**
Issued by non-financial corporations	–	–	–	–	**48**	**7**	**48**	**7**
Other assets	**11,311**	–	–	–	**60,267**	–	–	–
Of which loans and advances	**10,644**	–	–	–	**49,870**	–	–	–
Loans on demand	**535**	–	–	–	**5,019**	–	–	–
Other assets	**143**	–	–	–	**6,057**	–	–	–

	2016							
	Encumbered assets				Unencumbered assets			
	Carrying amount €m	Of which: notionally eligible EHQLA[1] and HQLA[1] €m	Fair value €m	Of which: notionally eligible EHQLA[1] and HQLA[1] €m	Carrying amount €m	Of which: EHQLA[1] and HQLA[1] €m	Fair value €m	Of which: EHQLA[1] and HQLA[1] €m
Assets of the reporting institution	21,442	6,514	–	–	75,423	13,636	–	–
Equity instruments	–	–	–	–	596	–	–	–
Debt securities	6,523	6,514	6,526	6,514	14,452[2]	13,636	14,519[2]	13,636
Of which:								
Covered bonds	1,444	1,444	1,444	1,444	1,755	1,748	1,755	1,748
Asset-backed securities	454	454	454	454	45	21	45	21
Issued by general governments	4,345	4,343	4,346	4,346	9,043	8,894	9,050	8,894
Issued by financial corporations	2,299	2,285	2,300	2,285	5,699	4,560	5,708	4,560
Issued by non-financial corporations	–	–	–	–	61	3	61	3
Other assets	14,478	–	–	–	53,003	–	–	–
Of which loans and advances	13,987	–	–	–	48,061	–	–	–
Loans on demand	483	–	–	–	5,149	–	–	–
Other assets	439	–	–	–	6,784	–	–	–

[1]EHQLA: Extremely High Quality Liquid Assets and HQLA: High Quality Liquid Assets - includes unencumbered cash at central banks, domestic currency (euro) denominated bonds issued or guaranteed by European Economic Area ("EEA") sovereigns, highly rated sovereign bonds, highly rated covered bonds and certain other highly rated securities.

[2]Includes NAMA senior bonds.

Appendix 2: Asset Encumbrance

The table below presents off-balance sheet encumbered and unencumbered collateral received.

Table 54: Collateral received – Table B

	31 December 2017			
	Fair value of encumbered collateral received or own debt securities issued € m	Of which: notionally eligible EHQLA and HQLA € m	Fair value of collateral received or own debt securities issued available for encumbrance € m	Of which: EHQLA and HQLA € m
Collateral received by the reporting institution	**47**	**47**	**1,309**	**962**
Loans on demand	**–**	**–**	**259**	**–**
Debt securities	**47**	**47**	**1,069**	**962**
Of which:				
Covered bonds	**–**	**–**	**743**	**743**
Asset-backed securities	**–**	**–**	**221**	**114**
Issued by general governments	**47**	**47**	**115**	**115**
Issued by financial corporations	**–**	**–**	**964**	**857**
Of which:				
Own covered bonds and ABSs[1] issued and not yet pledged	**–**	**–**	**3,667**	**–**
Total assets, collateral received and debt securities issued	**14,324**	**2,736**	**–**	**–**

	31 December 2016			
	Fair value of encumbered collateral received or own debt securities issued € m	Of which: notionally eligible EHQLA and HQLA € m	Fair value of collateral received or own debt securities issued available for encumbrance € m	Of which: EHQLA and HQLA € m
Collateral received by the reporting institution	–	–	1,287	437
Loans on demand	–	–	508	–
Debt securities	–	–	687	437
Of which:				
Covered bonds	–	–	437	214
Issued by financial corporations	–	–	687	437
Of which:				
Own covered bonds and ABSs[1] issued and not yet pledged	–	–	3,034	–
Total assets, collateral received and debt securities issued	21,442	6,514	–	–

[1]Asset backed securities (“ABSs”).

Table 55: Encumbered assets/collateral received and associated liabilities – Table C

	31 December 2017	
	Matching liabilities, contingent liabilities or securities lent € m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered € m
Carrying amount of selected financial liabilities	**8,810**	**12,795**

	31 December 2016	
	Matching liabilities, contingent liabilities or securities lent € m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered € m
Carrying amount of selected financial liabilities	14,088	19,394

Information on importance of encumbrance

The ability to encumber certain pools of assets is a key element of the Group's funding and liquidity strategy. As part of managing its funding requirements, the Group encumbers assets as collateral to support wholesale funding initiatives. In particular, encumbrance through the repo markets plays a role in funding the Group's financial investments available for sale portfolio. The funding of customer loans is also supported through the issuance of covered bonds and securitisations. Other lesser sources of encumbrance include cash placed, mainly with banks, in respect of derivative liabilities, sterling notes and coins issued and loan collateral pledged in support of pension liabilities in AIB Group (UK) p.l.c. In 2017, € 14,324 million (2016: € 21,442 million) of the Group's assets and collateral received were encumbered, primarily through these structures. The Group's Asset and Liability Committee ("ALCo") is the governance forum with accountability for reviewing and monitoring the Group's level of asset encumbrance as described in the "Risk management and mitigation" section on pages 159 to 161 of the Annual Financial Report 2017. ALCo convenes on a monthly basis and reviews risk information regarding encumbrance.

The Group has seen a downward trend in encumbrance as the Group's funding requirement has reduced, mainly, through a combination of financial investment portfolio redemptions, customer loan reductions and an increase in customer deposits. The Group includes two authorised mortgage banks, AIB Mortgage Bank and EBS Mortgage Finance, that issue residential mortgage backed asset covered securities ("ACS"). In addition, the Group uses a number of securitisation vehicles for funding purposes. As well as direct market issuance, the mortgage banks and the securitisation vehicles repo bonds centrally for liquidity management purposes. Bonds held centrally contribute to the Group's liquidity buffer and do not add to the Group's encumbrance level unless used in a repurchase agreement or pledged externally. Secured funding between Allied Irish Banks, p.l.c. and other Group entities (e.g. EBS d.a.c. and AIB Group (UK) p.l.c.) is an element of the Group's liquidity management processes. The Group recognises the restrictions on the transfer of liquidity between jurisdictions and separately monitors asset encumbrance by jurisdictions.

The Group had an encumbrance ratio of 14% as at 31 December 2017 (2016: 21%), i.e. PiT encumbrance. The encumbrance level is based on the amount of assets that are required in order to meet regulatory and contractual commitments. AIB Mortgage Bank and EBS Mortgage Finance are required to maintain minimum contractual overcollateralisation of 5% and minimum legislative overcollateralisation of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the Central Bank of Ireland. However, both mortgage banks hold higher levels of assets in their covered pools in order to meet rating agency requirements and beyond this for reasons of operational flexibility.

In 2017, the Group had € 6,057 million (2016: € 6,784 million) of unencumbered 'Other assets'. These are primarily made up of assets which would not be deemed available for encumbrance in the normal course of business and includes deferred tax assets, derivative assets, property, plant and equipment.

Appendix 3: Subsidiary disclosures

The significant subsidiaries in AIB Group at 31 December 2017 were:

– Allied Irish Banks, p.l.c.;
– AIB Mortgage Bank;
– AIB Group (UK) p.l.c.;
– EBS d.a.c.; and
– EBS Mortgage Finance.

Allied Irish Banks, p.l.c. became a significant subsidiary on 8 December 2017 when AIB Group plc became the holding company of the Group (see page 10 of this Report for further information).

Capital of significant subsidiaries

The following tables set out the capital base, the minimum capital requirements and the leverage ratio for the significant subsidiaries in AIB Group as at 31 December 2017 and 31 December 2016:

The CRD capital ratios are based on Pillar 1 ('minimum capital requirements') under the CRD.

Figures reported for Allied Irish Banks, p.l.c. and EBS d.a.c. reflect the solo consolidation basis. Figures reported for AIB Group (UK) p.l.c. represent the position as reported to its local regulator (the Prudential Regulation Authority ("PRA")). The closing exchange rate on 31 December 2017 used to translate sterling ("£") to Euro is € 1 = £ 0.8872 (2016: € 1 = £ 0.8562), consistent with the Annual Financial Report 2017.

The capital base of each of the subsidiaries below apart from AIB Group (UK) p.l.c. has been prepared on a 'transitional' basis. AIB Group (UK) p.l.c. has been prepared on a 'fully loaded' basis.

In addition, see pages 98 to 154 for further relevant information on the significant subsidiaries in AIB Group.

Table 56: Capital base of significant subsidiaries as reported to the local regulator

	Allied Irish Banks, p.l.c. €m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m[13]	EBS d.a.c. € m	EBS Mortgage Finance € m
	31 December 2017				
Total shareholders' equity (including 2017 profits)[12]	13,368	2,394	1,868	1,082	773
Less: Additional Tier 1 Securities	(494)	–	–	–	–
Proposed dividend	(326)	–	–	–	–
Accrued coupon on Additional Tier 1 Securities	(3)	–	–	–	–
	12,545	2,394	1,868	1,082	773
Regulatory adjustments					
Intangible assets[1]	(530)	–	(29)	(10)	–
Cash flow hedging reserves[2]	(239)	–	(7)	6	–
Available for sale securities reserves[4]	(176)	–	–	10	–
Pension:					
Revenue reserves relating to pension schemes in surplus[1]	(2)	–	(354)	–	–
Regulatory adjustment relating to pension schemes[3]	9	–	–	5	–
Pension filter[3]	(7)	–	–	(1)	–
	–	–	(354)	4	–
Deferred tax[1][5]	(724)	(4)	(124)	(69)	–
IRB shortfall of credit risk adjustments to expected losses[1]	(13)	–	–	–	–
Prudent valuation adjustment[6]	(19)	–	–	–	–
Revaluation reserves[3][7]	(1)	–	–	–	–
Significant investment in financial sector entities[1][9]	(120)	–	–	–	–
Provision charge	–	–	(24)	–	–
Common equity tier 1 capital	10,723	2,390	1,330	1,023	773
Additional tier 1 capital					
Additional Tier 1 Securities issuance	494	–	–	–	–
IRB shortfall of credit risk adjustments to expected losses[11]	(1)	–	–	–	–
Significant investment in financial sector entities[1][9]	(15)	–	–	–	–
Total tier 1 capital	11,201	2,390	1,330	1,023	773
Tier 2 capital					
Subordinated debt:					
Subordinated liabilities and other capital instruments	792	300	–	–	–
Instrument not allowable for capital purposes	(9)	–	–	–	–
	783	300	–	–	–
Regulatory adjustments:					
IRB excess of impairment provisions over expected losses[8]	24	19	–	–	–
IBNR relating to standardised portfolios[10]	100	2	–	19	12
IRB shortfall of credit risk adjustments to expected losses[11]	(2)	–	–	–	–
Revaluation reserves[3][7]	2	–	–	–	–
Significant investment in financial sector entities[1][9]	(15)	–	–	–	–
	109	21	–	19	12
Total tier 2 capital	892	321	–	19	12
Total capital	12,093	2,711	1,330	1,042	785

Appendix 3: Subsidiary disclosures

Table 56: Capital base of significant subsidiaries as reported to the local regulator *(continued)*

	31 December 2017				
	Allied Irish Banks, p.l.c. €m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m(13)	EBS d.a.c. € m	EBS Mortgage Finance € m
Risk weighted assets:					
Credit risk	35,805	6,540	7,632	3,079	1,959
Market risk	360	–	–	–	–
Operational risk	2,651	535	521	266	173
Credit valuation adjustment	796	–	–	–	–
Total risk weighted assets	39,612	7,075	8,153	3,345	2,132

Capital ratios	%	%	%	%	%
Common equity tier 1	27.1	33.8	16.3	30.6	36.3
Tier 1 ratio	28.3	33.8	16.3	30.6	36.3
Total capital	30.5	38.3	16.3	31.2	36.8

(1)Deductions applied as described under CRR Article 36.

(2)Prudential filter applied as described under CRR Article 33.

(3)Transitional arrangements as described under CRR Article 481.

(4)Transitional arrangements as described under CRR Articles 467 and 468.

(5)Transitional arrangements as described under CRR Article 478.

(6)Per Article 34 and 105 of the CRR.

(7)Revaluation reserves treated as tier 2 for regulatory capital purposes.

(8)Per Article 62 of the CRR.

(9)Transitional amounts as per CRR Article 472.

(10)Transitional arrangements as described under CRR Article 486.

(11)Per Articles 469, 472 and 478 of the CRR.

(12)Apart from AIB Group (UK) p.l.c. which exclude 2017 profits.

(13)Sterling amounts converted to euro equivalents at year end exchange rate.

Table 56: Capital base of significant subsidiaries as reported to the local regulator *(continued)*

	31 December 2016				
	Allied Irish Banks, p.l.c. €m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m[13]	EBS d.a.c. € m	EBS Mortgage Finance € m
Total shareholders' equity (including 2016 profits)[12]	12,159	2,308	1,932	960	747
Less: Additional Tier 1 Securities	(494)	–	–	–	–
Accrued coupon on Additional Tier 1 Securities	(3)	–	–	–	–
	11,662	2,308	1,932	960	747
Regulatory adjustments					
Intangible assets[1]	(373)	–	(13)	(6)	–
Cash flow hedging reserves[2]	(411)	–	(24)	8	–
Available for sale securities reserves[4]	(428)	–	–	24	–
Pension:					
Revenue reserves relating to pension schemes in surplus[1]	(2)	–	(400)	–	–
Regulatory adjustment relating to pension schemes[3]	358	–	–	35	–
Pension filter[3]	(27)	–	–	(1)	–
	329	–	(400)	34	–
Deferred tax[1][5]	(532)	(5)	(118)	(48)	–
IRB shortfall of credit risk adjustments to expected losses[1]	(32)	–	–	–	–
Prudent valuation adjustment[6]	(14)	–	–	–	–
Revaluation reserves[3] [7]	(4)	–	–	–	–
Significant investment in financial sector entities[1][9]	(2)	–	–	–	–
Common equity tier 1 capital	10,195	2,303	1,377	972	747
Additional tier 1 capital					
Additional Tier 1 Securities issuance	494	–	–	–	–
IRB shortfall of credit risk adjustments to expected losses[11]	(11)	–	–	–	–
Significant investment in financial sector entities[1][9]	(1)	–	–	–	–
Total tier 1 capital	10,677	2,303	1,377	972	747
Tier 2 capital					
Subordinated debt:					
Subordinated liabilities and other capital instruments	791	300	–	–	–
Instrument not allowable for capital purposes	(8)	–	–	–	–
	783	300	–	–	–
Regulatory adjustments:					
IRB excess of impairment provisions over expected losses[8]	–	6	–	–	–
IBNR relating to standardised portfolios[10]	107	4	–	24	17
IRB shortfall of credit risk adjustments to expected losses[11]	(11)	–	–	–	–
Revaluation reserves[3] [7]	4	–	–	–	–
Significant investment in financial sector entities[1][9]	(1)	–	–	–	–
	99	10	–	24	17
Total tier 2 capital	882	310	–	24	17
Total capital	11,559	2,613	1,377	996	764

Appendix 3: Subsidiary disclosures

Table 56: Capital base of significant subsidiaries as reported to the local regulator *(continued)*

	31 December 2016				
	Allied Irish Banks, p.l.c. €m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m[13]	EBS d.a.c. € m	EBS Mortgage Finance € m
Risk weighted assets ("RWAs"):					
Credit risk	39,502	7,616	7,604	3,281	2,294
Market risk	288	–	–	–	–
Operational risk	2,457	419	521	268	125
Credit valuation adjustment	1,203	–	1	59	–
Total risk weighted assets	43,450	8,035	8,126	3,608	2,419

Capital ratios	%	%	%	%	%
Common equity tier 1	23.5	28.7	16.9	26.9	30.9
Tier 1 ratio	24.6	28.7	16.9	26.9	30.9
Total capital	26.6	32.5	16.9	27.6	31.6

(1)Deductions applied as described under CRR Article 36.

(2)Prudential filter applied as described under CRR Article 33.

(3)Transitional arrangements as described under CRR Article 481.

(4)Transitional arrangements as described under CRR Articles 467 and 468.

(5)Transitional arrangements as described under CRR Article 478.

(6)Per Article 34 and 105 of the CRR.

(7)Revaluation reserves treated as tier 2 for regulatory capital purposes.

(8)Per Article 62 of the CRR.

(9)Transitional amounts as per CRR Article 472.

(10)Transitional arrangements as described under CRR Article 486.

(11)Per Articles 469,472 and 478 of the CRR.

(12)Apart from Allied Irish Banks, p.l.c. and AIB Group (UK) p.l.c. which exclude 2016 profits.

(13)Sterling amounts converted to euro equivalents at year end exchange rate.

Table 57: EU OV1 – Overview of RWAs

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

		31 December 2017									
		Allied Irish Banks, p.l.c.		AIB Mortgage Bank		AIB Group (UK) p.l.c.		EBS d.a.c.		EBS Mortgage Finance	
		RWA €m	MCR € m	RWA € m	MCR € m	RWA € m	MCR € m	RWA € m	MCR € m	RWA € m	MCR € m
1	**Credit risk (excluding counterparty credit risk)**	31,823	2,546	6,540	523	7,398	592	3,050	244	1,959	157
2	Of which: Standardised Approach	19,917	1,593	378	30	7,398	592	3,050	244	1,959	157
3	Foundation IRB ("FIRB") Approach	11,521	922	15	1	–	–	–	–	–	–
4	Advanced IRB ("AIRB") Approach	384	31	6,147	492	–	–	–	–	–	–
6	**Counterparty credit risk ("CCR")**	1,930	155	–	–	132	10	–	–	–	–
7	Of which: Mark to market	949	76	–	–	132	10	–	–	–	–
	Financial collateral comprehensive method for (SFTs)	185	15	–	–	–	–	–	–	–	–
12	Credit valuation adjustment ("CVA")	796	64	–	–	–	–	–	–	–	–
14	**Securitisation exposures in the banking book (after the cap)**	49	4	–	–	–	–	–	–	–	–
15	Of which: IRB Approach	49	4	–	–	–	–	–	–	–	–
19	**Market risk**	360	29	–	–	–	–	–	–	–	–
20	Of which: Standardised Approach	360	29	–	–	–	–	–	–	–	–
23	**Operational risk**	2,651	212	535	43	521	42	266	21	173	14
25	Of which: Standardised Approach	2,651	212	535	43	521	42	266	21	173	14
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	2,799	224	–	–	102	8	29	2	–	–
29	**Total**	39,612	3,170	7,075	566	8,153	652	3,345	267	2,132	171

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

Table 57: EU OV1 – Overview of RWAs *(continued)*

		31 December 2016									
		Allied Irish Banks, p.l.c.		AIB Mortgage Bank		AIB Group (UK) p.l.c.		EBS d.a.c.		EBS Mortgage Finance	
		RWA €m	MCR € m	RWA € m	MCR € m	RWA € m	MCR € m	RWA € m	MCR € m	RWA € m	MCR € m
1	**Credit risk (excluding counterparty credit risk) (“CCR”)**	35,270	2,821	7,616	609	7,346	588	3,220	258	2,294	183
2	Of which: Standardised Approach	22,582	1,806	527	42	7,346	588	3,220	258	2,294	183
3	Foundation IRB (FIRB) Approach	12,257	981	9	1	–	–	–	–	–	–
4	Advanced IRB (AIRB) Approach	431	34	7,080	566	–	–	–	–	–	–
6	**Counterparty credit risk (CCR)**	2,826	226	–	–	167	13	65	5	–	–
7	Of which: Mark to market	1,501	120	–	–	166	13	6	–	–	–
	Financial collateral comprehensive method (for SFTs)	122	10	–	–	–	–	–	–	–	–
12	Credit valuation adjustment (CVA)	1,203	96	–	–	1	–	59	5	–	–
14	**Securitisation exposures in the banking book (after the cap)**	49	4	–	–	–	–	–	–	–	–
15	Of which: IRB Approach	49	4	–	–	–	–	–	–	–	–
19	**Market risk**	288	23	–	–	–	–	–	–	–	–
20	Of which: Standardised Approach	288	23	–	–	–	–	–	–	–	–
23	**Operational risk**	2,457	197	419	34	521	42	268	21	125	10
25	Of which: Standardised Approach	2,457	197	419	34	521	42	268	21	125	10
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	2,559	205	–	–	92	7	55	4	–	–
29	Total	43,449	3,476	8,035	643	8,126	650	3,608	288	2,419	193

Table 58: EU CR8 – RWA flow statements of credit risk exposures under the IRB Approach

The following table analyses the movements in risk weighted assets under the IRB Approach.

		31 December 2017			
		Allied Irish Banks, p.l.c.		AIB Mortgage Bank	
		RWA amounts €m	Capital requirements € m	RWA amounts € m	Capital requirements € m
1	**RWAs as at the end of the previous reporting period**	**12,686**	**1,015**	**7,090**	**567**
2	Asset size	**1,426**	**114**	**(130)**	**(10)**
3	Asset quality	**(76)**	**(6)**	**(803)**	**(64)**
5	Methodology and policy	**(1,752)**	**(140)**	**5**	**–**
7	Foreign exchange movements	**(379)**	**(30)**	**–**	**–**
9	**RWAs as at the end of the reporting period**	**11,905**	**953**	**6,162**	**493**

Table 59: Leverage ratio calculation for the significant subsidiaries

The following table sets out the components of the leverage ratio calculation (as per the Delegated Act implementation in January 2015) on a transitional basis:

	31 December 2017				
EULRSUM – Summary reconciliation of accounting assets and leverage ratio exposure	**Allied Irish Banks, p.l.c. € m**	**AIB Mortgage Bank € m**	**AIB Group (UK) p.l.c. € m**	**EBS d.a.c. € m**	**EBS Mortgage Finance € m**
Total assets as per published financial statements	72,341	18,461	13,339	11,920	4,541
Adjustments for:					
Derivative financial instruments	858	317	30	77	72
Securities financing transactions ("SFTs")	483	–	–	279	–
Off-balance sheet items	2,060	121	849	39	6
Other	(1,559)	88	(597)	(69)	–
Total leverage ratio exposure	74,183	18,987	13,621	12,246	4,619

EULRCOM – Leverage ratio common disclosure					
On-balance sheet exposures (excluding derivatives and SFTs)					
On-balance sheet items	68,652	18,483	13,171	11,897	4,520
Asset amounts deducted in determining tier 1 capital	(1,599)	(4)	(531)	(69)	–
	67,053	18,479	12,640	11,828	4,520
Derivative exposures					
Replacement cost associated with all derivative transactions	1,196	70	102	23	20
Add-on amounts for PFE[(1)] associated with all derivative transactions	858	317	30	77	72
	2,054	387	132	100	92
SFT exposures					
Gross SFT assets	7,816	–	–	2,510	–
Net amount of cash payable/receivable of gross SFT assets	(5,283)	–	–	(2,510)	–
Counterparty credit risk exposure for SFT assets	483	–	–	279	–
	3,016	–	–	279	–
Other off-balance sheet exposures					
Off-balance sheet exposures at gross notional amount	8,437	554	1,942	160	12
Adjustments for conversion to credit equivalent amounts	(6,377)	(433)	(1,093)	(121)	(5)
	2,060	121	849	39	7
Total leverage ratio exposure	74,183	18,987	13,621	12,246	4,619
Tier 1 capital at 31 December	11,201	2,390	1,330	1,023	773
	%	%	%	%	%
Leverage ratio	15.1	12.6	9.8	8.4	16.7

	€ m	€ m	€ m	€ m	€ m
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	68,652	18,483	13,171	11,897	4,520
Of which:					
Covered bonds	–	–	–	1,975	–
Exposures treated as sovereigns	12,644	–	4,553	86	–
Institutions	19,988	98	555	1,995	69
Secured by mortgages on immovable property	4,387	16,670	2,541	4,266	3,740
Retail exposures	4,155	121	366	307	318
Corporate	14,209	–	4,148	1,851	–
Exposures in default	1,792	1,571	162	539	393
Other exposures	11,477	23	846	878	–

(1)Potential future exposure ("PFE").

Appendix 3: Subsidiary disclosures

Table 59: Leverage ratio calculation for the significant subsidiaries *(continued)*

The following table sets out the components of the leverage ratio calculation (as per the Delegated Act implementation in January 2015) on a transitional basis:

	31 December 2016				
EULRSUM – Summary reconciliation of accounting assets and leverage ratio exposure	Allied Irish Banks, p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m	EBS d.a.c. € m	EBS Mortgage Finance € m
Total assets as per published financial statements	78,984	19,492	15,639	12,885	4,953
Adjustments for:					
Derivative financial instruments	1,030	341	28	98	79
Securities financing transactions ("SFTs")	241	–	–	261	–
Off-balance sheet items	1,964	124	906	74	5
Adjustment for intragroup exposures excluded from the leverage ratio	–	–	–	–	–
Other	(1,225)	94	(717)	(30)	–
Total leverage ratio exposure	80,994	20,051	15,856	13,288	5,037
EULRCOM – Leverage ratio common disclosure					
On-balance sheet exposures (excluding derivatives and SFTs)					
On-balance sheet items	74,940	19,399	15,315	12,849	4,934
Asset amounts deducted in determining tier 1 capital	(1,395)	(5)	(531)	(30)	–
	73,545	19,394	14,784	12,819	4,934
Derivative exposures					
Replacement cost associated with all derivative transactions	1,852	192	138	36	19
Add-on amounts for PFE[(1)] associated with all derivative transactions	1,030	341	28	98	79
	2,882	533	166	134	98
SFT exposures					
Gross SFT assets	10,520	–	–	2,362	–
Net amount of cash payable/receivable of gross SFT assets	(8,158)	–	–	(2,362)	–
Counterparty credit risk exposure for SFT assets	241	–	–	261	–
	2,603	–	–	261	–
Other off-balance sheet exposures					
Off-balance sheet exposures at gross notional amount	8,464	474	2,175	236	10
Adjustments for conversion to credit equivalent amounts	(6,500)	(350)	(1,269)	(162)	(5)
	1,964	124	906	74	5
Total leverage ratio exposure	80,994	20,051	15,856	13,288	5,037
Tier 1 capital at 31 December	10,677	2,303	1,377	972	747
	%	%	%	%	%
Leverage ratio	13.2	11.5	8.7	7.3	14.8
	€ m	€ m	€ m	€ m	€ m
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	74,940	19,399	15,315	12,849	4,934
Of which:					
Covered bonds	–	–	–	1,454	–
Exposures treated as sovereigns	16,430	–	4,570	82	3
Institutions	22,435	470	2,422	3,492	49
Secured by mortgages on immovable property	4,074	16,717	2,892	4,307	4,353
Retail exposures	3,923	1	355	–	–
Corporate	13,548	–	4,038	1,680	–
Exposures in default	2,898	2,176	278	677	529
Other exposures	11,632	35	760	1,157	–

[(1)]Potential future exposure ("PFE").

Leverage ratio calculation for the significant subsidiaries *(continued)*

Allied Irish Banks, p.l.c.: The leverage ratio has increased to 15.1% in December 2017 from 13.2% in December 2016. This is mainly driven by a reduction in loans to banks of € 3.7 billion, a decrease in financial instruments of € 1.0 billion and the redemption of the NAMA senior bond of € 1.8 billion. The increase in capital consisted of profit of € 0.8 billion combined with a reduction in the deduction of unrealised gains from AFS debt and securities of € 0.25 billion. This was partially offset by a proposed dividend on ordinary shares of € 0.3 billion, an increase in the deduction for the deferred tax assets relating to unutilised tax losses of € 0.2 billion due to the transitional phasing arrangements increasing from 20% to 30% in 2017 and an increase in intangible assets of € 0.1 billion.

AIB Mortgage Bank: The leverage ratio has increased to 12.6% in December 2017 from 11.5% in December 2016. This is mainly driven by a reduction in intercompany exposures of € 0.4 billion and a reduction in net customer loans of € 0.5 billion in the year and an increase capital due to profits for the period.

AIB Group (UK) p.l.c.: The leverage ratio has increased to 9.8% in December 2017 from 8.7% in December 2016. This is mainly driven by a reduction in intercompany exposures of € 1.9 billion.

EBS d.a.c.: The leverage ratio has increased to 8.4% in December 2017 from 7.3% in December 2016. This is mainly driven by a decrease in intercompany exposures of € 1.0 billion, and an increase capital due to profits for the period.

EBS Mortgage Finance: The leverage ratio has increased to 16.7% in December 2017 from 14.8% in December 2016. This is mainly driven by a reduction in net customer loans of € 0.4 billion in the year, and an increase capital due to profits for the period.

Appendix 3: Subsidiary disclosures

Additional disclosures of the significant subsidiaries of AIB Group

Article 13 of the CRR requires additional disclosures for each of the significant subsidiaries in AIB Group: Allied Irish Banks, p.l.c.; AIB Mortgage Bank; AIB Group (UK) p.l.c.; EBS d.a.c.; and EBS Mortgage Finance.

Allied Irish Banks, p.l.c. and AIB Mortgage Bank calculate credit exposures under the IRB Approach for the purposes of regulatory reporting.

The tables on the following pages, analyse the credit exposures of each of the above named subsidiaries for both the Standardised and IRB approaches, as applicable by:

- Credit risk exposure and CRM effects;
- Credit risk exposure class and risk weights;
- Concentration of exposures by industry or counterparty types;
- Total and average net amount of exposures;
- Geographical breakdown of exposures;
- Maturity of exposures;
- Credit risk exposures by exposure class and PD range;
- Probability of default by geography;
- Changes in the stock of defaulted and impaired loans and debt securities;
- Changes in the stock of general and specific credit risk adjustments;
- Effect on the RWAs of credit derivatives used as CRM techniques.

The subsidiaries include intercompany exposures that are eliminated at an AIB Group consolidated reporting level.

Capital

The common equity tier 1 (“CET 1”) and total capital ratios for each of the above subsidiaries are detailed on table 56 on pages 87 to 90, together with a description of the regulatory deductions and filters applied. The main components of capital, which are applicable at a Group and subsidiary level, are described in detail in Appendix 1 ‘Own funds’.

Chapter 2, ‘Capital and capital management’, outlines the ICAAP which AIB Group uses to ensure that it complies with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the current and future risk inherent in its business and to support its future development. AIB Group (UK) p.l.c. adopts the same approach for its own specific ICAAP with regard to regulatory capital requirements. The same principles apply as those described for AIB Group.

Risk management

As described in Section 3, ‘Risk management’, AIB Group has adopted an enterprise risk management approach to identifying, assessing and managing risks. To support this approach, a number of frameworks and policies approved by the Board (or Board delegation) are in place which set out the key principles, roles and responsibilities and governance arrangements through which the Group’s material risks are managed. Each of AIB Mortgage Bank, EBS d.a.c. and EBS Mortgage Finance relies on this Group framework and its supporting policies, processes and governance and has prepared a Risk Appetite Statement (“RAS”) based on the overall Group RAS. The principal risks and uncertainties and the risk framework are described in detail in the Annual Financial Report 2017 on pages 58 to 71.

The Board of AIB Group (UK) p.l.c. has approved a RAS which is aligned to the Group RAS and adopts the same risk governance and structure as described in the Annual Financial Report 2017.

Credit risk mitigation

The credit risk mitigation as described in Chapter 7 ‘Credit risk mitigation’ is equally applicable to each of the significant subsidiaries.

Past due and impaired exposures

The term ‘past due’ is defined on page 56. Details of the methodologies adopted by the Group in identifying, monitoring and managing impaired loans (including specific and collective impairment provisions) are set out on pages 82 to 91 of the Risk management section in the Annual Financial Report 2017 .

A geographic and industry analysis of the distribution of loans and receivables to customers which are past due and those which are impaired, together with their associated provisions, is detailed for each of the subsidiaries on pages 114, 128, 129, 136, 137, 144, 145, 152 and 153. The tables are based on financial statement information.

Remuneration

Each of the significant subsidiaries is subject to AIB’s Remuneration Policy as detailed on pages 210 and 211 of the Annual Financial Report 2017 and in Chapter 14 of this Report.

Remuneration disclosures in relation to ‘identified staff’ in each of the subsidiaries is incorporated within Chapter 14: ‘Remuneration’.

Appendix 3: Subsidiary disclosures

Allied Irish Banks, p.l.c.

Allied Irish Banks, p.l.c., a direct subsidiary of AIB Group plc, is a credit institution authorised by the Central Bank/SSM. Both Allied Irish Banks p.l.c. and its subsidiaries: AIB Mortgage Bank; AIB Group (UK) p.l.c.; EBS d.a.c.; and EBS Mortgage Finance are licensed entities and are required to file regulatory returns with the Central Bank for the purpose of assessing, inter alia, their capital adequacy and their balance sheets.

Table 60: EU CR4 – Credit risk exposures and CRM effects – Standardised Approach

The table below shows credit risk exposures under the Standardised Approach both before and after credit risk mitigation (CRM) and credit conversion factors (CCF) and the associated RWAs and RWA density, split by exposure class. These exposures are net of impairment provisions but exclude counterparty credit risk exposures.

					31 December 2017	
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	8,179	–	8,179	–	88	1
3 Public sector entities	–	38	–	38	38	100
6 Institutions	15,213	–	15,213	–	420	3
7 Corporates	4,932	1,053	4,932	188	4,669	91
8 Retail	4,156	3,963	4,156	43	3,149	75
9 Secured by mortgages on immovable property	3,342	123	3,342	50	3,392	100
10 Exposures in default	1,306	50	1,306	15	1,843	139
11 Exposures associated with particularly high risk	787	240	787	93	1,320	150
15 Equity	5,543	–	5,543	–	7,169	129
16 Other items	2,966	–	2,966	–	628	21
17 Total	46,424	5,467	46,424	427	22,716	48

					31 December 2016	
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	9,495	–	11,294	–	–	–
3 Public sector entities	–	43	–	43	43	100
6 Institutions	17,552	–	17,552	–	2,597	15
7 Corporates	6,892	1,145	5,093	275	4,973	93
8 Retail	3,923	4,435	3,923	44	2,975	75
9 Secured by mortgages on immovable property	2,990	138	2,990	55	3,008	99
10 Exposures in default	2,129	75	2,129	24	2,983	139
11 Exposures associated with particularly high risk	576	79	576	36	918	150
12 Covered bonds	–	–	–	–	–	–
15 Equity	5,466	–	5,466	–	7,002	128
16 Other items	3,359	–	3,359	–	642	19
17 Total	52,382	5,915	52,382	477	25,141	48

Allied Irish Banks, p.l.c.

Table 61: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach

The table below analyses exposures at default (EAD) under the Standardised Approach by risk weight, split by exposure class. All amounts presented are after CRM and CCF and net of impairment provisions but exclude counterparty credit risk.

31 December 2017

	Exposure class	Risk weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Subtotal	Deducted	Total	of which unrated
		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1	Central governments and central banks	8,144	–	–	–	–	–	–	–	–	–	–	35	–	–	–	8,179	129	8,308	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	38	–	–	–	–	–	38	–	38	–
6	Institutions	14,716	–	–	–	–	–	154	–	–	343	–	–	–	–	–	15,213	–	15,213	–
7	Corporates	451	–	–	–	–	–	–	–	–	4,669	–	–	–	–	–	5,120	71	5,191	5,191
8	Retail	–	–	–	–	–	–	–	–	4,199	–	–	–	–	–	–	4,199	–	4,199	4,199
9	Secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	3,392	–	–	–	–	–	3,392	–	3,392	3,392
10	Exposures in default	–	–	–	–	–	–	–	–	–	278	1,043	–	–	–	–	1,321	–	1,321	1,321
11	Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	880	–	–	–	–	880	4	884	884
15	Equity	–	–	–	–	–	–	–	–	–	4,459	–	1,084	–	–	–	5,543	151	5,694	5,694
16	Other items	2,290	–	–	–	60	–	–	–	–	616	–	–	–	–	–	2,966	1,256	4,222	4,222
17	**Total**	**25,601**	**–**	**–**	**–**	**60**	**–**	**154**	**–**	**4,199**	**13,795**	**1,923**	**1,119**	**–**	**–**	**–**	**46,851**	**1,611**	**48,462**	**24,903**

31 December 2016

	Exposure class	Risk weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Subtotal	Deducted	Total	of which unrated
		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1	Central governments and central banks	11,294	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,294	360	11,654	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	43	–	–	–	–	–	43	–	43	–
6	Institutions	14,926	–	–	–	–	–	58	–	–	2,568	–	–	–	–	–	17,552	–	17,552	–
7	Corporates	395	–	–	–	–	–	–	–	–	4,973	–	–	–	–	–	5,368	141	5,509	5,509
8	Retail	–	–	–	–	–	–	–	–	3,967	–	–	–	–	–	–	3,967	–	3,967	3,967
9	Secured by mortgages on immovable property	–	–	–	–	–	56	–	–	–	2,989	–	–	–	–	–	3,045	–	3,045	3,045
10	Exposures in default	–	–	–	–	–	–	–	–	–	492	1,661	–	–	–	–	2,153	–	2,153	2,153
11	Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	612	–	–	–	–	612	2	614	614
15	Equity	–	–	–	–	–	–	–	–	–	4,442	–	1,024	–	–	–	5,466	4	5,470	5,470
16	Other items	2,671	–	–	–	58	–	–	–	–	630	–	–	–	–	–	3,359	907	4,266	4,266
17	Total	29,286	–	–	–	58	56	58	–	3,967	16,137	2,273	1,024	–	–	–	52,859	1,414	54,273	25,024

Allied Irish Banks, p.l.c.

Table 62: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All amounts presented are before CRM and CCF but net of impairment provisions. This table excludes counterparty credit risk exposures.

														31 December 2017
		Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	8,179	–	8,179
9	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	38	–	38
12	Institutions	–	–	–	–	–	–	–	–	–	–	–	15,213	–	15,213
13	Corporates	653	25	360	12	3,696	–	109	298	678	42	104	8	–	5,985
14	Retail	1,017	69	460	11	17	5	133	5,185	935	170	117	–	–	8,119
15	Secured by mortgages on immovable property	3	3	5	–	–	27	–	10	–	3,416	1	–	–	3,465
16	Exposures in default	100	18	103	1	10	24	9	159	62	867	3	–	–	1,356
17	Items associated with particularly high risk	–	566	–	–	86	–	–	–	–	375	–	–	–	1,027
21	Equity	–	–	–	16	762	–	–	–	–	–	–	4,765	–	5,543
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	2,966	2,966
23	Total	1,773	681	928	40	4,571	56	251	5,652	1,675	4,870	225	28,203	2,966	51,891

														31 December 2016
		Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	9,495	–	9,495
9	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	43	–	43
12	Institutions	–	–	–	–	–	–	–	–	–	–	–	17,552	–	17,552
13	Corporates	609	14	398	39	3,845	–	51	434	690	62	71	1,819	–	8,032
14	Retail	953	133	440	10	17	16	113	5,413	969	189	105	–	–	8,358
15	Secured by mortgages on immovable property	3	34	8	–	3	86	1	31	6	2,955	1	–	–	3,128
16	Exposures in default	115	78	135	1	52	40	(14)	206	79	1,508	4	–	–	2,204
17	Items associated with particularly high risk	–	373	–	–	70	–	–	–	–	212	–	–	–	655
21	Equity	–	–	–	–	699	–	–	–	2	–	–	4,765	–	5,466
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	3,359	3,359
23	Total	1,680	632	981	50	4,686	142	151	6,084	1,746	4,926	181	33,674	3,359	58,292

Allied Irish Banks, p.l.c.

Table 63: EU CRB–B – Total and average net amount of exposures – Standardised Approach

The table below provides the total year-end and the average[(1)] net exposures[(2)] over the period by exposure class.

Exposure class		31 December 2017 Net value of exposures at the end of the period €m	31 December 2017 Average net exposures over the period €m	31 December 2016 Net value of exposures at the end of the period €m	31 December 2016 Average net exposures over the period €m
16	Central governments and central banks	8,179	8,723	9,495	8,370
18	Public sector entities	38	41	43	42
21	Institutions	15,213	16,492	17,552	16,829
22	Corporates	5,985	6,847	8,037	9,912
24	Retail	8,119	8,166	8,358	8,259
26	Secured by mortgages on immovable property	3,465	2,664	3,128	3,817
28	Exposures in default	1,356	1,689	2,204	2,072
29	Items associated with particularly high risk	1,027	882	655	715
33	Equity	5,543	5,488	5,466	5,198
34	Other items	2,966	2,996	3,359	3,611
35	Total	51,891	53,988	58,297	58,825

[(1)]Average net exposures are calculated based on quarterly averages.
[(1)]Pre CRM and CCF.

Table 64: EU CRB–C – Geographical[(1)] breakdown of exposures – Standardised Approach

The table below provides a breakdown of exposures[(2)] by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

		31 December 2017				
		Net value				
Exposure class		Republic of Ireland €m	United Kingdom €m	United States of America €m	Rest of the World[(3)] €m	Total €m
7	Central governments and central banks	8,162	4	13	–	8,179
9	Public sector entities	–	–	38	–	38
12	Institutions	14,736	477	–	–	15,213
13	Corporates	3,114	2,776	14	81	5,985
14	Retail	7,586	499	8	26	8,119
15	Secured by mortgages on immovable property	3,197	139	–	129	3,465
16	Exposures in default	1,329	7	9	11	1,356
17	Items associated with particularly high risk	940	–	86	1	1,027
21	Equity	4,505	669	–	369	5,543
22	Other items	2,965	–	1	–	2,966
23	Total	46,534	4,571	169	617	51,891

		31 December 2016				
		Net value				
Exposure class		Republic of Ireland €m	United Kingdom €m	United States of America €m	Rest of the World €m	Total €m
7	Central governments and central banks	9,495	–	–	–	9,495
9	Public sector entities	–	–	43	–	43
12	Institutions	14,941	2,611	–	–	17,552
13	Corporates	4,937	2,965	19	116	8,037
14	Retail	8,219	86	14	39	8,358
15	Secured by mortgages on immovable property	2,886	192	9	41	3,128
16	Exposures in default	1,886	14	51	253	2,204
17	Items associated with particularly high risk	587	–	68	–	655
18	Covered bonds	–	–	–	–	–
21	Equity	4,902	196	–	368	5,466
22	Other items	3,357	1	1	–	3,359
23	Total	51,210	6,065	205	817	58,297

[(1)]The geographic breakdown is based on country of risk reflecting the CRD IV requirement.
[(2)]Pre CRM and CCF.
[(3)]For 2017, Rest of the World comprises the Isle of Man, Channel Islands and other European countries.

Appendix 3: Subsidiary disclosures

Allied Irish Banks, p.l.c.

Table 65: EU CRB–E – Maturity of exposures – Standardised Approach

The table below provides a breakdown of net exposures[1] by contractual residual maturity and exposure classes.

		31 December 2017					
		Net exposure value					
		On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	1,126	1,074	3,397	2,547	35	8,179
9	Public sector entities	–	38	–	–	–	38
12	Institutions	2,381	8,740	1,702	2,390	–	15,213
13	Corporates	653	2,033	644	2,291	364	5,985
14	Retail	26	2,224	4,776	1,093	–	8,119
15	Secured by mortgages on immovable property	184	666	1,520	1,095	–	3,465
16	Exposures in default	790	124	222	220	–	1,356
17	Items associated with particularly high risk	307	133	373	127	87	1,027
21	Equity	–	–	–	–	5,543	5,543
22	Other items	633	62	1	–	2,270	2,966
23	**Total**	6,100	15,094	12,635	9,763	8,299	51,891

		31 December 2016					
		Net exposure value					
		On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	1,451	1,236	4,372	2,436	–	9,495
9	Public sector entities	–	–	43	–	–	43
12	Institutions	435	12,693	4,278	146	–	17,552
13	Corporates	30	5,095	205	2,421	286	8,037
14	Retail	337	2,242	4,794	985	–	8,358
15	Secured by mortgages on immovable property	206	552	1,603	767	–	3,128
16	Exposures in default	987	574	356	287	–	2,204
17	Items associated with particularly high risk	350	59	157	20	69	655
21	Equity	–	–	–	–	5,466	5,466
22	Other items	22	59	8	–	3,270	3,359
23	**Total**	3,818	22,510	15,816	7,062	9,091	58,297

[1]Pre CRM and CCF.

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Table 66: IRB – Probability of default by geography (excluding securitisations)

The following table sets out an analysis of exposure at default ("EAD") and probability of default ("PD") by exposure class and geography. The table includes both credit risk and counterparty credit risk but excludes securitisations. Exposures (EAD) are shown after CRM and CCF.

31 December 2017

	Central governments and central banks		Institutions		Corporates Other		Corporates SME		Corporates Specialised		Retail		Total IRB	
	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD
Country of risk	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Republic of Ireland	–	–	432	0.00	3,617	0.01	3,117	0.04	308	0.01	1,054	0.53	8,528	2.19
United Kingdom	306	–	2,465	0.00	364	0.01	3	0.05	34	0.00	2	0.70	3,174	0.19
United States of America	312	–	202	0.00	2,175	0.01	–	0.01	5	0.05	–	–	2,694	0.47
Rest of the World	3,848	0.00	3,594	0.00	1,365	0.01	–	–	11	0.01	–	0.24	8,818	0.13
Total performing	4,466	0.01	6,693	0.11	7,521	0.89	3,120	4.38	358	0.58	1,056	0.53	23,214	0.84
Defaulted	–	–	–	–	76	100.00	640	100.00	–	–	207	100.00	923	100.00
Total exposures	4,466	0.01	6,693	0.11	7,597	1.88	3,760	20.65	358	0.58	1,263	16.78	24,137	4.18

31 December 2016

	Central governments and central banks		Institutions		Corporates Other		Corporates SME		Corporates Specialised		Retail		Total IRB	
	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD
Country of risk	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Republic of Ireland	–	–	494	0.25	3,258	0.80	3,031	4.79	194	0.62	1,151	0.54	8,128	2.20
United Kingdom	182	–	2,192	0.09	327	0.66	4	5.29	45	0.59	2	1.71	2,752	0.13
United States of America	282	–	198	0.09	2,252	0.65	–	–	20	2.48	–	0.24	2,752	0.51
Rest of the World	4,750	0.01	4,344	0.10	699	0.63	–	13.75	39	1.04	–	–	9,832	0.10
Total performing	5,214	0.01	7,228	0.10	6,536	0.72	3,035	4.79	298	0.80	1,153	0.55	23,464	0.72
Defaulted	–	–	–	–	200	100.00	849	100.00	32	100.00	231	100.00	1,312	100.00
Total exposures	5,214	0.01	7.228	0.10	6,736	3.66	3,884	25.61	330	10.38	1,384	17.14	24,776	4.89

The geographical analysis presented is that of the country of risk of the counterparty.

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Table 67: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach

The table below presents the key parameters used for the calculation of capital requirements for credit risk exposures, under the IRB Approach, split by PD range.

The table[(2)] includes exposures rated under Foundation IRB and Advanced IRB. All exposures are presented both before and after CRM and CCF (EAD). The table excludes counterparty credit risk and securitisations. Gross exposures are presented before impairment provisions.

31 December 2017													
	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity[(1)]	RWAs	RWA density	EL	Value adjustments and provisions
Foundation IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m
Central governments and central banks													
	0.00 to <0.15	4,098	–	–	4,464	0.01	22	45.00	2.50	269	6	–	–
	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		4,098	–	–	4,464	0.01	22	45.00	2.50	269	6	–	–

31 December 2016													
	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Foundation IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m
Central governments and central banks													
	0.00 to <0.15	4,898	–	–	5,135	0.01	26	45.00	3.40	337	7	–	–
	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		4,898	–	–	5,135	0.01	26	45.00	3.40	337	7	–	–

(1)At 31 December 2017, the average maturity has changed due to the methodology.

(2)Non-credit obligation assets are excluded from this analysis (€ 11 million).

Table 67: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Institutions													
	0.00 to <0.15	**4,066**	**26**	**–**	**4,066**	**0.08**	**125**	**25.26**	**2.50**	**867**	**21**	**1**	**–**
	0.15 to <0.25	**1,072**	**12**	**–**	**706**	**0.25**	**26**	**22.68**	**2.50**	**243**	**34**	**–**	**–**
	0.25 to <0.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	0.50 to <0.75	**3**	**4**	**–**	**3**	**0.62**	**13**	**45.00**	**2.50**	**3**	**104**	**–**	**–**
	0.75 to <2.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2.50 to <10.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	10.00 to <100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	100.00 (Default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total		**5,141**	**42**	**–**	**4,775**	**0.11**	**164**	**24.89**	**2.50**	**1,113**	**23**	**1**	**–**

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Institutions													
	0.00 to <0.15	4,214	24	–	4,214	0.08	144	24.72	3.16	915	22	1	–
	0.15 to <0.25	898	5	–	661	0.25	21	21.68	3.11	232	35	–	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	8	7	–	8	0.62	14	45.00	1.00	5	63	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		5,120	36	–	4,883	0.10	179	24.34	3.15	1,152	24	1	–

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Table 67: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate Specialised lending													
	0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	28	64	0.75	76	0.20	5	45.00	2.50	40	52	–	–
	0.25 to <0.50	55	17	0.93	71	0.31	8	45.97	2.50	48	67	–	–
	0.50 to <0.75	48	23	0.95	70	0.58	5	45.00	2.50	61	88	–	–
	0.75 to <2.50	88	19	0.77	102	0.87	2	45.00	2.50	107	104	1	1
	2.50 to <10.00	2	3	1.00	5	5.00	1	45.00	2.50	9	178	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		221	126	0.82	324	0.59	21	45.21	2.50	265	81	1	1

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate specialised lending													
	0.00 to <0.15	547	749	0.57	972	0.06	96	44.16	2.90	282	29	–	2
	0.15 to <0.25	737	275	0.64	914	0.18	61	45.00	3.59	626	69	1	3
	0.25 to <0.50	1,256	205	0.44	1,347	0.32	143	45.00	3.68	1,183	88	2	5
	0.50 to <0.75	1,470	115	0.63	1,542	0.58	144	45.82	4.08	1,860	121	5	6
	0.75 to <2.50	1,406	249	0.46	1,520	1.22	225	45.62	3.83	2,241	147	10	5
	2.50 to <10.00	143	23	0.17	147	5.01	99	45.00	2.36	258	176	4	2
	10.00 to <100.00	23	9	0.69	30	19.26	39	45.00	3.00	85	285	3	–
	100.00 (Default)	195	8	0.62	200	100.00	243	45.33	1.01	–	–	91	74
Total		5,777	1,633	0.54	6,672	3.70	1,050	45.22	3.57	6,535	98	116	97

Table 67: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate SME													
	0.00 to <0.15	4	1	0.44	4	0.10	3	45.00	2.50	1	38	–	–
	0.15 to <0.25	–	2	0.13	–	0.18	2	45.00	2.50	–	53	–	–
	0.25 to <0.50	111	66	0.42	138	0.32	50	45.00	2.50	99	72	–	–
	0.50 to <0.75	89	13	0.17	92	0.58	45	45.00	2.50	87	95	–	–
	0.75 to <2.50	1,215	320	0.27	1,302	1.47	1,282	45.00	2.50	1,244	96	9	12
	2.50 to <10.00	1,290	251	0.40	1,390	5.13	1,664	45.00	2.50	1,768	127	33	39
	10.00 to <100.00	189	17	0.30	194	23.28	324	45.00	2.50	388	200	21	11
	100.00 (Default)	625	39	0.39	640	100.00	1,328	45.00	2.50	–	–	288	275
Total		3,523	709	0.34	3,760	20.65	4,698	45.00	2.50	3,587	96	351	337

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate SME													
	0.00 to <0.15	1	2	0.43	2	0.10	6	45.00	3.34	1	46	–	–
	0.15 to <0.25	–	3	–	–	0.18	2	45.00	1.00	–	–	–	–
	0.25 to <0.50	59	42	0.30	72	0.32	45	45.00	2.49	52	72	–	–
	0.50 to <0.75	116	104	0.68	186	0.58	32	45.00	2.88	187	101	1	1
	0.75 to <2.50	1,044	333	0.32	1,150	1.54	1,279	45.00	3.59	1,243	108	8	5
	2.50 to <10.00	1,301	218	0.29	1,364	5.20	1,712	45.00	3.68	1,898	139	32	28
	10.00 to <100.00	253	22	0.35	260	21.28	417	45.00	3.54	531	204	26	11
	100.00 (Default)	835	41	0.35	850	100.00	1,515	45.00	1.05	–	–	382	342
Total		3,609	765	0.33	3,884	25.63	5,008	45.00	3.01	3,912	101	449	387

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Table 67: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate other													
	0.00 to <0.15	637	862	0.57	1,133	0.07	81	45.00	2.50	332	29	–	2
	0.15 to <0.25	967	277	0.70	1,160	0.18	80	45.00	2.50	638	55	1	2
	0.25 to <0.50	1,152	392	0.58	1,381	0.32	161	45.01	2.50	993	72	3	3
	0.50 to <0.75	1,757	241	0.65	1,915	0.58	148	46.65	2.50	1,839	96	6	4
	0.75 to <2.50	1,567	285	0.53	1,717	1.20	269	45.50	2.50	2,140	125	11	4
	2.50 to <10.00	114	20	0.16	117	4.72	55	45.00	2.50	209	178	3	3
	10.00 to <100.00	48	8	0.42	52	43.16	40	45.00	2.50	125	240	12	2
	100.00 (Default)	75	1	0.62	76	100.00	194	45.00	2.50	–	–	34	71
Total		6,317	2,086	0.59	7,551	1.89	1,028	45.28	2.50	6,276	83	70	91
Total Foundation IRB		19,300	2,963	0.53	20,874	4.44	5,933	40.51	2.50	11,510	55.17	423	429

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Corporate other													
	0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	20	27	0.84	43	0.20	5	45.00	3.97	29	68	–	–
	0.25 to <0.50	60	40	0.90	96	0.34	10	45.67	4.63	93	97	–	–
	0.50 to <0.75	23	2	0.86	25	0.60	2	59.09	5.00	41	165	–	–
	0.75 to <2.50	47	31	0.85	73	1.10	3	45.00	4.85	107	148	1	1
	2.50 to <10.00	18	7	0.76	23	3.75	4	45.00	3.44	41	176	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	31	1	–	32	100.00	3	59.37	2.02	–	–	19	22
Total		199	108	0.77	292	11.72	27	48.00	4.24	311	107	20	23
Total Foundation IRB		19,603	2,542	0.50	20,866	6.14	6,269	40.28	3.33	12,247	58.69	59.69	507

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Table 67: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Advanced IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Retail													
	0.00 to <0.15	**618**	**3**	**1.00**	**621**	**0.05**	**6,652**	**29.14**	**–**	**38**	**6**	**–**	**2**
	0.15 to <0.25	**246**	**1**	**1.00**	**247**	**0.24**	**2,392**	**30.42**	**–**	**53**	**21**	**–**	**1**
	0.25 to <0.50	**–**	**–**	**–**	**–**	**0.39**	**1**	**28.78**	**–**		**27**	**–**	**–**
	0.50 to <0.75	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	0.75 to <2.50	**142**	**1**	**1.00**	**143**	**0.91**	**1,260**	**31.35**	**–**	**84**	**58**	**1**	**2**
	2.50 to <10.00	**36**	**–**	**1.00**	**36**	**3.95**	**335**	**30.29**	**–**	**51**	**142**	**1**	**1**
	10.00 to <100.00	**9**	**–**	**1.00**	**9**	**21.91**	**82**	**31.57**	**–**	**26**	**294**	**1**	**–**
	100.00 (Default)	**205**	**2**	**1.00**	**207**	**100.00**	**1,624**	**40.67**	**–**	**132**	**64**	**73**	**73**
Total Advanced IRB		**1,256**	**7**	**1.00**	**1,263**	**16.78**	**12,346**	**31.58**	**–**	**384**	**30.26**	**76**	**79**

31 December 2016

	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Retail													
	0.00 to <0.15	634	3	1.00	637	0.05	6,629	28.88	–	39	6	–	1
	0.15 to <0.25	307	1	1.00	308	0.24	2,755	30.12	–	66	21	–	2
	0.25 to <0.50	–	–	–	–	0.39	1	26.76	–	–	25	–	–
	0.50 to <0.75	154	–	1.00	154	0.94	1,361	30.53	–	90	58	1	2
	0.75 to <2.50	44	–	1.00	44	3.51	379	30.34	–	56	126	1	1
	2.50 to <10.00	10	–	1.00	10	21.91	91	31.05	–	31	305	1	1
	10.00 to <100.00	228	3	1.00	231	100.00	1,740	40.42	–	149	64	81	80
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total Advanced IRB		1,377	7	1.00	1,384	17.14	12,956	31.33	–	431	31	84	87

Appendix 3: Subsidiary disclosures

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Table 68: EU CRB–B – Total and average net amount of exposures – IRB Approach

The table below provides the total year-end and the average[1] net exposures over the period by exposure class. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

	31 December 2017		31 December 2016	
Exposure class	Net value of exposures at the end of the period € m	Average net exposures over the period € m	Net value of exposures at the end of the period € m	Average net exposures over the period € m
1 Central governments and central banks	4,098	4,398	4,898	5,117
2 Institutions	5,183	5,047	5,156	5,354
3 Corporates	12,553	11,849	11,584	11,082
4 Of which: Specialised lending	346	283	283	306
5 SMEs	3,895	3,916	3,988	4,023
7 Retail	1,184	1,245	1,296	1,361
Non-Credit obligation assets	11	19	10	17
15 Total	23,029	22,558	22,944	22,931

[1]Average net exposures are calculated based on quarterly averages.

Table 69: EU CRB–C – Geographical[1] breakdown of exposures – IRB Approach

The table below provides a breakdown of exposures by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

	31 December 2017				
	Net value				
Exposure class	Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World[2] € m	Total € m
1 Central governments and central banks	–	307	312	3,479	4,098
2 Institutions	427	805	192	3,759	5,183
3 Corporates	8,552	385	2,174	1,442	12,553
Of which: Specialised lending	313	16	5	12	346
SME	3,890	4	–	1	3,895
4 Retail	1,182	2	–	–	1,184
Non-credit obligations assets	11	–	–	–	11
6 Total	10,172	1,499	2,678	8,680	23,029

	31 December 2016				
	Net value				
Exposure class	Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World[2] € m	Total € m
1 Central governments and central banks	–	182	282	4,434	4,898
2 Institutions	488	669	147	3,852	5,156
3 Corporates	8,152	357	2,263	812	11,584
Of which: Specialised lending	189	33	20	41	283
SME	3,981	6	–	1	3,988
4 Retail	1,294	2	–	–	1,296
Non-credit obligation assets	10	–	–	–	10
6 Total	9,944	1,210	2,692	9,098	22,944

[1]The geographic breakdown is based on country of risk reflecting the CRD IV requirement.
[2]Rest of the World comprises other European countries predominantly France, Spain, Italy and the Netherlands.

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Table 70: EU CRB–D – Concentration of exposures by industry or counterparty types – IRB Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

														31 December 2017
	Exposure class	Agriculture € m	Construc-tion € m	Distribu-tion € m	Energy € m	Financial € m	Home loans € m	Manufact-uring € m	Other loans - personal € m	Other services € m	Property € m	Transport and communi-cation € m	Bank, sovereign and public sector € m	Other € m	Total exposures € m
1	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	4,098	–	4,098
2	Institutions	–	–	–	–	–	–	–	–	–	–	–	5,183	–	5,183
3	Corporates	456	386	3,989	742	248	5	2,318	39	3,134	227	1,009	–	–	12,553
	Of which: Specialised lending	–	62	–	252	–	–	–	–	13	–	19	–	–	346
	SME	215	242	1,739	89	25	4	351	34	817	158	221	–	–	3,895
4	Retail	–	–	–	–	–	1,184	–	–	–	–	–	–	–	1,184
	Non-credit obligation assets	–	–	2	–	–	–	1	–	–	–	8	–	–	11
6	**Total**	456	386	3,991	742	248	1,189	2,319	39	3,134	227	1,017	9,281	–	23,029

														31 December 2016
	Exposure class	Agriculture € m	Construc-tion € m	Distribu-tion € m	Energy € m	Financial € m	Home loans € m	Manufact-uring € m	Other loans - personal € m	Other services € m	Property € m	Transport and communi-cation € m	Bank, sovereign and public sector € m	Other € m	Total exposures € m
1	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	4,898	–	4,898
2	Institutions	–	–	–	–	–	–	–	–	–	–	–	5,156	–	5,156
3	Corporates	446	409	3,778	597	219	15	2,028	52	2,721	266	1,042	11	–	11,584
	Of which: Specialised lending	–	63	–	149	–	–	–	–	22	–	49	–	–	283
	SME	237	241	1,800	99	23	14	364	40	784	183	203	–	–	3,988
4	Retail	–	–	–	–	–	1,296	–	–	–	–	–	–	–	1,296
	Non-credit obligation assets	–	–	1	–	–	–	1	–	2	–	6	–	–	10
6	Total	446	409	3,779	597	219	1,311	2,029	52	2,723	266	1,048	10,065	–	22,944

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Table 71: EU CRB–E – Maturity of exposures – IRB Approach

The table below provides a breakdown of net exposures by contractual residual maturity and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

						31 December 2017
	Net exposure value					
Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
1 Central governments and central banks	**556**	**334**	**2,101**	**1,107**	**–**	**4,098**
2 Institutions	**660**	**163**	**3,898**	**462**	**–**	**5,183**
3 Corporates	**673**	**1,836**	**6,010**	**4,034**	**–**	**12,553**
Of which: Specialised lending	**17**	**13**	**94**	**222**	**–**	**346**
SME	**460**	**641**	**1,506**	**1,288**	**–**	**3,895**
4 Retail	**14**	**6**	**33**	**1,131**	**–**	**1,184**
Non-credit obligation assets	**2**	**6**	**3**	**–**	**–**	**11**
6 Total	**1,905**	**2,345**	**12,045**	**6,734**	**–**	**23,029**

						31 December 2016
	Net exposure value					
Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
1 Central governments and central banks	389	452	2,157	1,900	–	4,898
2 Institutions	530	212	3,474	940	–	5,156
3 Corporates	584	2,231	5,330	3,439	–	11,584
Of which: Specialised lending	1	18	57	207	–	283
SME	406	910	1,376	1,296	–	3,988
4 Retail	14	9	28	1,245	–	1,296
Non-credit obligation assets	2	5	3	–	–	10
6 Total	1,519	2,909	10,992	7,524	–	22,944

Table 72: EU CR7 – Effect on the RWAs of credit derivatives used as CRM techniques – IRB Approach

The table below illustrates the effect of credit derivatives on the IRB Approach capital requirements calculations:

		31 December 2017
Exposure class	Pre-credit derivatives RWAs € m	Actual RWAs € m
1 Exposures under FIRB		
2 Central governments and central banks	**269**	**269**
3 Institutions	**1,113**	**1,113**
4 Corporates – Specialised lending	**265**	**265**
5 Corporates – SMEs	**3,588**	**3,588**
6 Corporates – Other	**6,276**	**6,276**
7 Exposures under AIRB		
14 Retail – Secured by real estate non-SMEs	**384**	**384**
19 Non-credit obligation assets	**11**	**11**
20 Total	**11,906**	**11,906**

Credit derivatives have not been used as a credit risk mitigant for exposures rated under the IRB Approach.

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Table 73: EU CR1–A – Credit quality of exposures by exposure class and instrument

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by exposure class. The gross carrying value of exposures presented in this table is before the application of: a) credit risk mitigation; b) credit conversion factors; and c) impairment provisions.

							31 December 2017
	Gross carrying values of[1]						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) of the period	Net values[2]
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Central governments and central banks	–	4,098	–	–	–	–	4,098
2 Institutions	–	5,183	–	–	–	–	5,183
3 Corporates	194	12,359	429	–	–	–	12,124
4 Of which: Specialised lending	–	346	1	–	–	–	345
5 SMEs	–	3,895	337	–	–	–	3,558
6 Retail	239	945	79	–	37	(12)	1,105
7 Of which: Secured by real estate property	239	945	79	–	37	(12)	1,105
14 Equity	–	11	–	–	–	–	11
15 Total IRB Approach	433	22,596	508	–	37	(12)	22,521
16 Central governments and central banks	–	8,179	–	–	–	–	8,179
18 Public sector entities	–	38	–	–	–	–	38
21 Institutions	–	15,213	–	–	–	–	15,213
22 Corporates	544	5,441	133	–	937	6	5,852
24 Retail	252	7,867	65	–	385	(1)	8,054
26 Secured by mortgages on immovable property	1,055	2,410	193	–	2,390	(41)	3,272
28 Exposures in default	1,356	–	804	–	–	–	552
29 Items associated with particularly high risk	–	1,027	–	–	–	–	1,027
33 Equity exposures	–	5,543	–	–	–	–	5,543
34 Other exposures	–	2,966	–	–	–	–	2,966
35 Total Standardised Approach	3,207	48,684	1,195	–	3,712	(36)	50,696
36 Total	3,640	71,280	1,703	–	3,749	(48)	73,217
Of which:							
37 Loans	3,494	43,502	1,703	–	3,749	(48)	45,293
38 Debt securities	–	19,487	–	–	–	–	19,487
39 Off-balance sheet exposures	146	8,291	–	–	–	–	8,437

[1]Excludes securitisations and counterparty credit risk.
[2]Gross carrying value minus specific credit risk adjustment.

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Table 74: EU CR1–B – Credit quality of exposures by industry or counterparty types

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by industry.

	Gross carrying values of						31 December 2017
	Defaulted exposures € m	Non-defaulted exposures € m	Specific credit risk adjustment € m	General credit risk adjustment € m	Accumulated write-offs € m	Credit risk adjustment (credit)/ charges € m	Net values € m
Agriculture	146	2,083	49	–	112	(1)	2,180
Energy	23	759	8	–	23	(2)	774
Manufacturing	58	2,512	48	–	87	4	2,522
Property and construction	1,900	4,263	844	–	2,390	(38)	5,319
Distribution	442	4,477	254	–	497	(18)	4,665
Transport	12	1,230	10	–	21	(4)	1,232
Financial	14	4,805	11	–	4	(2)	4,808
Other services	383	4,426	156	–	193	27	4,653
Personal: Residential mortgages	239	1,006	92	–	37	(13)	1,153
Other	423	5,268	231	–	385	(1)	5,460
Bank, sovereign and public sector	–	37,484	–	–	–	–	37,484
Other	–	2,967	–	–	–	–	2,967
Total	3,640	71,280	1,703	–	3,749	(48)	73,217

Table 75: EU CR1–C – Credit quality of exposures by geography[1]

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by geography.

		Gross carrying values of						31 December 2017
		Defaulted exposures € m	Non-defaulted exposures € m	Specific credit risk adjustment € m	General credit risk adjustment € m	Accumulated write-offs € m	Credit risk adjustment (credit)/ charges € m	Net values € m
1	Republic of Ireland	3,561	53,145	1,652	–	3,716	(57)	55,054
2	United Kingdom	39	6,031	19	–	33	(2)	6,051
3	United States of America	5	2,842	3	–	–	(1)	2,844
4	Rest of the World	35	9,262	29	–	–	12	9,268
6	**Total**	3,640	71,280	1,703	–	3,749	(48)	73,217

[1] Exposures by geography are by country of risk.

Table 76: EU CR1–D – Ageing of past-due exposures

The table below presents an ageing analysis of accounting on-balance sheet past-due exposures regardless of their impairment status.

		Gross carrying values						31 December 2017
		≤ 30 days € m	> 30 days ≤ 60 days € m	> 60 days ≤ 90 days € m	> 90 days ≤ 180 days € m	> 180 days ≤ 1 year € m	> 1 year € m	Total € m
1	Loans	293	93	67	125	224	2,099	2,901
3	**Total exposures**	293	93	67	125	224	2,099	2,901

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Table 77: EU CR1–E – Non-performing and forborne exposures

The table below presents an overview of non-performing and forborne exposures.

	31 December 2017												
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne		Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne	On non-performing exposures	Of which forborne exposures
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Debt securities	19,487	–	–	–	–	–	–	–	–	–	–	–	–
Loans and receivables	20,956(1)	40	790	5,040	3,494	2,858	2,584	131	19	1,572	581	2,689	1,798
Off-balance sheet exposures	8,437	–	28	251	146	14	59	–	–	–	–	–	–

(1)Loans and receivables are presented gross, i.e. before impairment provisions.

Table 78: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

The table below presents the changes in the stock of defaulted loans and debt securities.

		31 December 2017 Gross carrying value defaulted exposures € m
1	**Opening balance**	**5,018**
2	Loans that have defaulted or impaired since the last reporting period	550
3	Returned to non-defaulted status	(239)
4	Amounts written off	(316)
5`	Other changes(1)	(1,519)
6	**Closing balance**	**3,494**

(1)Includes € 1.0 billion relating to loans closed or fully repaid, € 0.4 billion of partial repayments and € 0.1 billion relating in to the disposal of portfolios of distressed loans.

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Table 79: EU CR2–A – Changes in the stock of general and specific credit risk adjustments

The table below presents the changes in the stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

		31 December 2017		31 December 2016	
		Accumulated specific credit risk adjustment €m	**Accumulated general credit risk adjustment €m**	Accumulated specific credit risk adjustment €m	Accumulated general credit risk adjustment €m
1	**Opening balance**	**2,119**	**–**	3,562	–
2	Increases due to amounts set aside for estimated loan losses during the period	**238**	**–**	171	–
3	Decreases due to amounts reversed for estimated loan losses during the period	**(286)**	**–**	(346)	–
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(316)**	**–**	(1,271)	–
6	Impact of exchange rate differences	**(11)**	**–**	(3)	–
	Disposals	**(53)**	**–**	–	–
8	Other adjustments	**12**	**–**	6	–
9	**Closing balance**	**1,703**	**–**	2,119	–

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AIB Mortgage Bank issues mortgage covered securities for the purpose of financing mortgage loans secured on residential property in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007.

Table 80: EU CR4 – Credit risk exposures and CRM effects – Standardised Approach

The table below shows credit risk exposures under the Standardised Approach both before and after credit risk mitigation (CRM) and credit conversion factors (CCF) and the associated RWAs and RWA density, split by exposure class. These exposures are net of impairment provisions but exclude counterparty credit risk exposures.

	31 December 2017					
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
6 Institutions	63	–	63	–	–	–
8 Retail	121	–	121	–	91	75
9 Secured by mortgages on immovable property	113	1	113	–	40	35
10 Exposures in default	162	2	162	1	232	142
16 Other items	25	–	25	–	15	61
17 Total	**484**	**3**	**484**	**1**	**378**	**78**

	31 December 2016					
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
6 Institutions	435	–	435	–	–	–
8 Retail	1	–	1	–	1	75
9 Secured by mortgages on immovable property	255	1	255	–	148	58
10 Exposures in default	260	3	260	2	369	141
16 Other items	29	–	29	–	9	31
17 Total	980	4	980	2	527	54

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Table 81: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach

The table below analyses exposures at default (EAD) under the Standardised Approach by risk weight, split by exposure class. All amounts presented are after CRM and CCF and net of impairment provisions but exclude counterparty credit risk.

	31 December 2017																		
	Risk weight																		of which
Exposure class	0% € m	2% € m	4% € m	10% € m	20% € m	35% € m	50% € m	70% € m	75% € m	100% € m	150% € m	250% € m	370% € m	1250% € m	Others € m	Subtotal € m	Deducted € m	Total € m	unrated € m
6 Institutions	63	–	–	–	–	–	–	–	–	–	–	–	–	–	–	63	–	63	–
8 Retail	–	–	–	–	–	–	–	–	121	–	–	–	–	–	–	121	–	121	121
9 Secured by mortgages on immovable property	–	–	–	–	–	113	–	–	–	–	–	–	–	–	–	113	–	113	113
10 Exposures in default	–	–	–	–	–	–	–	–	–	25	138	–	–	–	–	163	–	163	163
16 Other items	10	–	–	–	–	–	–	–	–	15	–	–	–	–	–	25	4	29	29
17 Total	**73**	**–**	**–**	**–**	**–**	**113**	**–**	**–**	**121**	**40**	**138**	**–**	**–**	**–**	**–**	**485**	**4**	**489**	**426**

	31 December 2016																		
	Risk weight																		of which
Exposure class	0% € m	2% € m	4% € m	10% € m	20% € m	35% € m	50% € m	70% € m	75% € m	100% € m	150% € m	250% € m	370% € m	1250% € m	Others € m	Subtotal € m	Deducted € m	Total € m	unrated € m
6 Institutions	435	–	–	–	–	–	–	–	–	–	–	–	–	–	–	435	–	435	–
8 Retail	–	–	–	–	–	–	–	–	1	–	–	–	–	–	–	1	–	1	1
9 Secured by mortgages on immovable property	–	–	–	–	–	108	–	–	147	–	–	–	–	–	–	255	–	255	255
10 Exposures in default	–	–	–	–	–	–	–	–	–	47	215	–	–	–	–	262	–	262	262
16 Other items	20	–	–	–	–	–	–	–	–	9	–	–	–	–	–	29	5	34	34
17 Total	455	–	–	–	–	108	–	–	148	56	215	–	–	–	–	982	5	987	552

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Table 82: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All amounts presented are before CRM and CCF but net of impairment provisions. This table excludes counterparty credit risk exposures.

													31 December 2017
Exposure class	Agriculture € m	Construction € m	Distribution € m	Energy € m	Financial € m	Home loans € m	Manufacturing € m	Other loans - personal € m	Other services € m	Property € m	Transport and communication € m	Bank, sovereign and public sector € m	Other € m	Total exposures € m
12 Institutions	–	–	–	–	–	–	–	–	–	–	–	63	–	63
14 Retail	–	–	–	–	–	121	–	–	–	–	–	–	–	121
15 Secured by mortgages on immovable property	–	–	–	–	–	114	–	–	–	–	–	–	–	114
16 Exposures in default	–	–	–	–	–	164	–	–	–	–	–	–	–	164
22 Other items	–	–	–	–	–	–	–	–	–	–	–	–	25	25
23 Total	–	–	–	–	–	399	–	–	–	–	–	63	25	487

													31 December 2016
Exposure class	Agriculture € m	Construction € m	Distribution € m	Energy € m	Financial € m	Home loans € m	Manufacturing € m	Other loans - personal € m	Other services € m	Property € m	Transport and communication € m	Bank, sovereign and public sector € m	Other € m	Total exposures € m
12 Institutions	–	–	–	–	–	–	–	–	–	–	–	435	–	435
14 Retail	–	–	–	–	–	1	–	–	–	–	–	–	–	1
15 Secured by mortgages on immovable property	–	–	–	–	–	256	–	–	–	–	–	–	–	256
16 Exposures in default	–	–	–	–	–	263	–	–	–	–	–	–	–	263
22 Other items	–	–	–	–	–	–	–	–	–	–	–	–	29	29
23 Total	–	–	–	–	–	520	–	–	–	–	–	435	29	984

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Table 83: EU CRB–B – Total and average net amount of exposures – Standardised Approach

The table below provides the total year-end and the average[1] net exposures[2] over the period by exposure class.

Exposure class		31 December 2017 Net value of exposures at the end of the period € m	31 December 2017 Average net exposures over the period € m	31 December 2016 Net value of exposures at the end of the period € m	31 December 2016 Average net exposures over the period € m
21	Institutions	63	222	435	466
24	Retail	121	111	1	1
26	Secured by mortgages on immovable property	114	144	256	320
28	Exposures in default	164	208	263	221
34	Other items	25	167	29	58
35	Total	487	852	984	1,066

[2]Average net exposures are calculated based on quarterly averages.
[1]Pre CRM and CCF.

Table 84: EU CRB–C – Geographical[1] breakdown of exposures – Standardised Approach

The table below provides a breakdown of exposures[2] by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

		31 December 2017				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
12	Institutions	63	–	–	–	63
14	Retail	121	–	–	–	121
15	Secured by mortgages on immovable property	114	–	–	–	114
16	Exposures in default	164	–	–	–	164
22	Other items	25	–	–	–	25
23	Total	487	–	–	–	487

		31 December 2016				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
12	Institutions	435	–	–	–	435
14	Retail	1	–	–	–	1
15	Secured by mortgages on immovable property	256	–	–	–	256
16	Exposures in default	263	–	–	–	263
22	Other items	29	–	–	–	29
23	Total	984	–	–	–	984

[1]The geographic breakdown is based on country of risk reflecting the CRD IV requirement.
[2]Pre CRM and CCF.

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Table 85: EU CRB–E – Maturity of exposures – Standardised Approach

The table below provides a breakdown of net exposures[1] by contractual residual maturity and exposure classes.

	31 December 2017					
	Net exposure value					
Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
12 Institutions	63	–	–	–	–	63
14 Retail	–	–	5	116	–	121
15 Secured by mortgages on immovable property	–	–	–	114	–	114
16 Exposures in default	27	7	10	120	–	164
22 Other items	–	–	–	–	25	25
23 Total	90	7	15	350	25	487

	31 December 2016					
	Net exposure value					
Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
12 Institutions	435	–	–	–	–	435
14 Retail	–	–	1	–	–	1
15 Secured by mortgages on immovable property	–	–	8	248	–	256
16 Exposures in default	27	26	22	188	–	263
22 Other items	–	–	–	–	29	29
23 Total	462	26	31	436	29	984

[1]Pre CRM and CCF.

Appendix 3: Subsidiary disclosures

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Table 86: IRB – Probability of default by geography

The following table sets out an analysis of exposure at default (“EAD”) and probability of default (“PD”) by exposure class and geography. The table includes both credit risk and counterparty credit risk but excludes securitisations. Exposures (EAD) are shown after CRM and CCF.

						31 December 2017
	Institutions		Retail		Total IRB	
	EAD	Average PD	EAD	Average PD	EAD	Average PD
Country of risk	€ m	%	€ m	%	€ m	%
Republic of Ireland	–	–	16,927	0.75	16,927	0.75
United Kingdom	35	0.10	27	2.91	62	1.32
United States of America	–	–	9	1.27	9	1.27
Rest of the World	–	–	22	1.49	22	1.49
Total performing	35	0.10	16,985	0.75	17,020	0.75
Defaulted	–	–	1,861	100.00	1,861	100.00
Total exposures	35	0.10	18,846	10.55	18,881	10.53

						31 December 2016
	Institutions		Retail		Total IRB	
	EAD	Average PD	EAD	Average PD	EAD	Average PD
Country of risk	€ m	%	€ m	%	€ m	%
Republic of Ireland	–	–	16,769	0.85	16,769	0.85
United Kingdom	35	0.10	28	5.00	63	2.27
United States of America	–	–	8	0.88	8	0.88
Rest of the World	–	–	23	2.15	23	2.15
Total performing	35	0.10	16,828	0.86	16,863	0.86
Defaulted	–	–	2,720	100.00	2,720	100.00
Total exposures	35	0.10	19,548	14.66	19,583	14.63

The geographical analysis presented is that of the country of risk of the counterparty.

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As described in Chapter 4 Credit risk – Overview, the IRB Approach, which is subject to regulatory approval, allows banks to use their own estimates of certain risk components to derive regulatory capital requirements for credit risk across different asset classes.

Table 87: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach

The table below presents the key parameters used for the calculation of capital requirements for credit risk exposures, under the IRB Approach, split by PD range.

The table includes exposures rated under Foundation IRB and Advanced IRB. All exposures are presented both before and after CRM and CCF (EAD). The table excludes counterparty credit risk and securitisations. Gross exposures are presented before impairment provisions.

31 December 2017

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity[1] Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Institutions													
	0.00 to <0.15	35	–	–	35	0.10	1	45	2.5	15	42	–	–
	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		35	–	–	35	0.10	1	45	2.5	15	42	–	–

31 December 2016

Foundation IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Institutions													
	0.00 to <0.15	35	–	–	35	0.10	1	45	–	9	26.64	–	–
	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Total		35	–	–	35	0.10	1	45	–	9	26.64	–	–

[1] At 31 December 2017, the average maturity has changed due to the methodology.

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Table 87: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach *(continued)*

31 December 2017

Advanced IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Retail													
	0.00 to <0.15	8,549	314	66.52	8,758	0.05	70,983	27.11	–	496	5.66	2	14
	0.15 to <0.25	3,701	90	67.42	3,761	0.24	27,835	28.12	–	742	19.73	4	13
	0.25 to <0.50	58	122	66.73	140	0.39	356	29.70	–	39	28.30	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	3,227	9	72.87	3,234	1.12	23,029	27.99	–	1,851	57.26	15	16
	2.50 to <10.00	873	3	92.72	875	3.41	6,187	28.85	–	1,031	117.83	13	16
	10.00 to <100.00	217	–	100.00	217	21.91	1,636	28.33	–	566	260.48	20	9
	100.00 (Default)	1,849	12	100.00	1,861	100.00	12,466	29.47	–	1,422	79.60	435	440
Total		**18,474**	**550**	**67.71**	**18,846**	**10.55**	**142,492**	**27.81**	**–**	**6,147**	**33**	**489**	**508**

31 December 2016

Advanced IRB	PD scale %	Original on-balance sheet gross exposures € m	Off-balance sheet exposures pre CCF € m	Average CCF %	EAD post CRM and post CCF € m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs € m	RWA density %	EL € m	Value adjustments and provisions € m
Retail													
	0.00 to <0.15	7,873	265	62.11	8,038	0.05	66,063	26.56	–	453	5.64	1	11
	0.15 to <0.25	3,851	69	63.65	3,895	0.24	28,687	27.75	–	763	19.59	4	13
	0.25 to <0.50	65	108	59.78	129	0.39	408	28.76	–	35	27.41	–	–
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	3,321	8	79.30	3,327	1.11	23,408	27.70	–	1,873	56.31	15	18
	2.50 to <10.00	1,183	3	88.63	1,186	3.30	7,667	29.13	–	1,388	117.03	17	17
	10.00 to <100.00	252	1	100.00	253	21.91	1,791	28.25	–	652	258.04	24	8
	100.00 (Default)	2,705	15	100.00	2,720	100.0	16,585	35.02	–	1,916	70.42	799	789
Total		19,250	469	63.55	19,548	15.20	144,609	28.36	–	7,080	36	860	856

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Table 88: EU CRB–B – Total and average net amount of exposures – IRB Approach

The table below provides the total year-end and the average[1] net exposures over the period by exposure class. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

		31 December 2017		31 December 2016	
Exposure class		Net value of exposures at the end of the period €m	Average net exposures over the period €m	Net value of exposures at the end of the period €m	Average net exposures over the period €m
2	Institutions	35	35	35	35
3	Corporates	–	–	–	8
5	Of which: SMEs	–	–	–	5
6	Retail	18,516	18,684	18,863	19,038
7	Of which: Secured by real estate property	18,516	18,684	18,863	19,038
15	Total	18,551	18,719	18,898	19,081

[1] Average net exposures are calculated based on quarterly averages.

Table 89: EU CRB–C – Geographical[1] breakdown of exposures – IRB Approach

The table below provides a breakdown of exposures by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

		31 December 2017				
		Net value				
Exposure class		Republic of Ireland €m	United Kingdom €m	United States of America €m	Rest of the World €m	Total €m
2	Institutions	–	35	–	–	35
4	Retail	18,446	33	10	27	18,516
6	Total	18,446	68	10	27	18,551

		31 December 2016				
		Net value				
Exposure class		Republic of Ireland €m	United Kingdom €m	United States of America €m	Rest of the World €m	Total €m
2	Institutions	–	35	–	–	35
4	Retail	18,789	35	9	30	18,863
6	Total	18,789	70	9	30	18,898

[1] The geographic breakdown is based on country of risk reflecting the CRD IV requirement.

Table 90: EU CRB–D – Concentration of exposures by industry or counterparty types – IRB Approach

The tables below provide a breakdown of exposures by industry or counterparty types and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

													31 December 2017
	Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
Exposure class	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
2 Institutions	–	–	–	–	–	–	–	–	–	–	–	35	–	35
4 Retail	–	–	–	–	–	18,516	–	–	–	–	–	–	–	18,516
6 Total	**–**	**–**	**–**	**–**	**–**	**18,516**	**–**	**–**	**–**	**–**	**–**	**35**	**–**	**18,551**

													31 December 2016
	Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
2 Institutions	–	–	–	–	–	–	–	–	–	–	–	35	–	35
4 Retail	–	–	–	–	–	18,863	–	–	–	–	–	–	–	18,863
6 Total	–	–	–	–	–	18,863	–	–	–	–	–	35	–	18,898

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Table 91: EU CRB–E – Maturity of exposures – IRB Approach

The table below provides a breakdown of net exposures by contractual residual maturity and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

						31 December 2017
	Net exposure value					
	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m
2 Institutions	35	–	–	–	–	35
4 Retail	81	569	520	17,346	–	18,516
6 Total	116	569	520	17,346	–	18,551

						31 December 2016
	Net exposure value					
	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m
2 Institutions	35	–	–	–	–	35
4 Retail	102	506	508	17,747	–	18,863
6 Total	137	506	508	17,747	–	18,898

The longer maturities continue to be driven by the ‘Retail’ exposure class, which comprises certain residential mortgage exposures, given that the average life of a mortgage is longer than other exposures.

Table 92: EU CR7 – Effect on the RWAs of credit derivatives used as CRM techniques – IRB Approach

		31 December 2017
	Pre-credit derivatives RWAs	Actual RWAs
Exposure class	€ m	€ m
1 Exposures under FIRB		
3 Institutions	15	15
7 Exposures under AIRB		
14 Retail – Secured by real estate non-SMEs	6,147	6,147
20 Total	6,162	6,162

Credit derivatives have not been used as a credit risk mitigant for exposures rated under the IRB Approach.

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Table 93: EU CR1–A – Credit quality of exposures by exposure class and instrument

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by exposure class. The gross carrying value of exposures presented in this table is before the application of: a) credit risk mitigation; b) credit conversion factors; and c) impairment provisions.

	31 December 2017						
	Gross carrying values of[1]						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/ (credit) of the period	Net values[2]
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m
2 Institutions	–	35	–	–	–	–	35
6 Retail	1,882	16,634	508	–	396	(114)	18,008
7 Of which: Secured by real estate property	1,882	16,634	508	–	396	(114)	18,008
15 Total IRB Approach	1,882	16,669	508	–	396	(114)	18,043
21 Institutions	–	63	–	–	–	–	63
24 Retail	–	121	3	–	–	–	118
26 Secured by mortgages on immovable property	–	114	–	–	–	–	114
28 Exposures in default	164	–	36	–	–	–	128
34 Other exposures	–	25	–	–	–	–	25
35 Total Standardised Approach	164	323	39	–	–	–	448
36 Total	2,046	16,992	547	–	396	(114)	18,491
Of which:							
37 Loans	2,031	16,453	547	–	396	(114)	17,937
39 Off-balance sheet exposures	15	539	–	–	–	–	554

[1]Excludes securitisations and counterparty credit risk.
[2]Gross carrying value minus specific credit risk adjustment.

Table 94: EU CR1–B – Credit quality of exposures by industry or counterparty types

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by industry.

	31 December 2017						
	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment (credit)/ charges	Net values
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Personal: Residential mortgages	2,046	16,869	547	–	396	(114)	18,368
Bank, sovereign and public sector	–	98	–	–	–	–	98
Other	–	25	–	–	–	–	25
Total	2,046	16,992	547	–	396	(114)	18,491

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Table 95: EU CR1–C – Credit quality of exposures by geography[1]

The table below presents an overview of the credit quality on-balance sheet and off-balance sheet exposures by geography.

		Gross carrying values of						31 December 2017
		Defaulted exposures € m	Non-defaulted exposures € m	Specific credit risk adjustment € m	General credit risk adjustment € m	Accumulated write-offs € m	Credit risk adjustment (credit)/ charges € m	Net values € m
1	Republic of Ireland	2,046	16,887	547	–	396	(114)	18,386
2	United Kingdom	–	68	–	–	–	–	68
3	United States of America	–	10	–	–	–	–	10
4	Rest of the World	–	27	–	–	–	–	27
6	**Total**	**2,046**	**16,992**	**547**	**–**	**396**	**(114)**	**18,491**

[1]Exposures by geography are by country of risk.

Table 96: EU CR1–D – Ageing of past-due exposures

The table below presents an ageing analysis of accounting on-balance sheet past-due exposures regardless of their impairment status.

		Gross carrying values						31 December 2017
		≤ 30 days € m	> 30 days ≤ 60 days € m	> 60 days ≤ 90 days € m	> 90 days ≤ 180 days € m	> 180 days ≤ 1 year € m	> 1 year € m	Total € m
1	Loans	212	87	48	90	128	1,044	1,609
3	**Total exposures**	**212**	**87**	**48**	**90**	**128**	**1,044**	**1,609**

Table 97: EU CR1–E – Non-performing and forborne exposures

The table below presents an overview of non-performing and forborne exposures.

31 December 2017

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
	€ m	Of which performing but past due > 30 days and ≤ 90 days € m	Of which performing forborne € m	€ m	Of which defaulted € m	Of which impaired € m	Of which forborne € m	€ m	Of which forborne € m	€ m	Of which forborne € m	On non-performing exposures € m	Of which forborne exposures € m
Loans and receivables	18,778[1]	33	947	2,460	2,031	1,425	1,756	50	13	497	350	–	–
Off-balance sheet exposures	553	–	1	15	15	7	1	–	–	–	–	–	–

[1]Loans and receivables are presented gross, i.e. before impairment provisions.

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Table 98: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

The table below presents the changes in the stock of defaulted loans and debt securities.

		31 December 2017
		Gross carrying value defaulted exposures € m
1	**Opening balance**	**3,006**
2	Loans that have defaulted or impaired since the last reporting period	**115**
3	Returned to non-defaulted status	**(354)**
4	Amounts written off	**(163)**
5	Other changes[1]	**(573)**
6	**Closing balance**	**2,031**

[1]Included in 'Other changes' are € 0.2 billion relating to the disposal of a portfolio of distressed loans, € 0.1 billion of accounts that were closed or cleared during the year and € 0.3 billion of balance decreases.

Table 99: EU CR2–A – Changes in the stock of general and specific credit risk adjustments

The table below presents the changes in the stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

		31 December 2017		31 December 2016	
		Accumulated specific credit risk adjustment € m	Accumulated general credit risk adjustment € m	Accumulated specific credit risk adjustment € m	Accumulated general credit risk adjustment € m
1	**Opening balance**	**936**	**–**	1,109	–
2	Increases due to amounts set aside for estimated loan losses during the period	**13**	**–**	47	–
3	Decreases due to amounts reversed for estimated loan losses during the period	**(127)**	**–**	(106)	–
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(162)**	**–**	(114)	–
	Disposals	**(113)**	**–**	–	–
9	**Closing balance**	**547**	**–**	936	–

AIB Group (UK) p.l.c.

AIB Group (UK) p.l.c. comprises of two trading entities operating in two distinct markets with different economies and operating environments: Allied Irish Bank (GB) ("AIB GB") which offers full banking services to predominantly business customers across Great Britain; and First Trust Bank ("FTB") which offers full banking services to business and personal customers across Northern Ireland.

Allied Irish Bank (GB)

AIB GB is a niche commercial and corporate bank with locations in key cities across Great Britain, striving for recognised expertise in their chosen sectors, targeting mid-tier corporates who value a high-touch relationship model. Banking services include lending, treasury, trade facilities, asset finance, invoice discounting and day-to-day transactional banking.

First Trust Bank in Northern Ireland

FTB is a long established Northern Irish bank. Personal products include mortgages, personal loans, credit cards, current accounts and savings. Customers can engage via mobile, online, post office or traditional channels. Business banking services include finance and loans, business current accounts, credit cards, payment solutions and savings.

Table 100: EU CR4 – Credit risk exposures and CRM effects – Standardised Approach

The table below shows credit risk exposures under the Standardised Approach both before and after credit risk mitigation (CRM) and credit conversion factors (CCF) and the associated RWAs and RWA density, split by exposure class. These exposures are net of impaiment provisions but exclude counterparty credit risk exposures.

						31 December 2017
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	4,553	–	4,553	–	8	–
6 Institutions	453	–	39	–	10	28
7 Corporates	4,148	1,549	4,148	720	4,868	100
8 Retail	366	235	366	4	277	75
9 Secured by mortgages on immovable property	2,541	56	2,541	25	1,620	63
10 Exposures in default	162	35	162	9	203	119
11 Exposures associated with particularly high risk	207	67	207	30	356	150
15 Equity	38	–	38	–	94	250
16 Other items	122	–	122	–	64	52
17 Total	12,590	1,942	12,176	788	7,500	58

						31 December 2016
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	4,570	–	4,570	–	–	–
3 Public sector entities	–	–	–	–	–	–
6 Institutions	58	–	–	58	13	22
7 Corporates	4,038	1,653	4,038	761	4,799	100
8 Retail	355	360	355	5	270	75
9 Secured by mortgages on immovable property	2,902	146	2,902	59	1,848	62
10 Exposures in default	278	16	278	1	334	120
11 Exposures associated with particularly high risk	–	–	–	–	–	–
12 Covered bonds	–	–	–	–	–	–
15 Equity	44	–	44	–	100	227
16 Other items	170	–	170	–	74	44
17 Total	12,415	2,175	12,357	884	7,438	56

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Table 101: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach

The table below analyses exposures at default (EAD) under the Standardised Approach by risk weight, split by exposure class. All amounts presented are after CRM and CCF and net of impairment provisions but exclude counterparty credit risk.

																		31 December 2017
	Risk weight																	of which
Exposure class	0% € m	2% € m	4% € m	10% € m	20% € m	35% € m	50% € m	70% € m	75% € m	100% € m	150% € m	250% € m	370% € m	1250% € m	Others € m	Subtotal € m	Deducted € m	Total € m	unrated € m
1 Central governments and central banks	4,550	–	–	–	–	–	–	–	–	–	–	3	–	–	–	4,553	–	4,553	–
3 Institutions	–	–	–	–	33	–	6	–	–	–	–	–	–	–	–	39	–	39	–
7 Corporates	–	–	–	–	–	–	–	–	–	4,868	–	–	–	–	–	4,868	–	4,868	4,868
8 Retail	–	–	–	–	–	–	–	–	370	–	–	–	–	–	–	370	–	370	370
9 Secured by mortgages on immovable property	–	–	–	–	–	1,454	–	–	–	1,112	–	–	–	–	–	2,566	–	2,566	2,566
10 Exposures in default	–	–	–	–	–	–	–	–	–	106	65	–	–	–	–	171	–	171	171
11 Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	237	–	–	–	–	237	–	237	237
15 Equity	–	–	–	–	–	–	–	–	–	–	–	38	–	–	–	38	–	38	38
16 Other items	25	–	–	–	42	–	–	–	–	55	–	–	–	–	–	122	507	629	629
17 Total	**4,575**	**–**	**–**	**–**	**75**	**1,454**	**6**	**–**	**370**	**6,141**	**302**	**41**	**–**	**–**	**–**	**12,964**	**507**	**13,471**	**8,879**

																		31 December 2016
	Risk weight																	of which
Exposure class	0% € m	2% € m	4% € m	10% € m	20% € m	35% € m	50% € m	70% € m	75% € m	100% € m	150% € m	250% € m	370% € m	1250% € m	Others € m	Subtotal € m	Deducted € m	Total € m	unrated € m
1 Central governments and central banks	4,570	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4,570	–	4,570	–
6 Institutions	–	–	–	–	57	–	–	–	–	1	–	–	–	–	–	58	–	58	–
7 Corporates	–	–	–	–	–	–	–	–	–	4,799	–	–	–	–	–	4,799	–	4,799	4,799
8 Retail	–	–	–	–	–	–	–	–	360	–	–	–	–	–	–	360	–	360	360
9 Secured by mortgages on immovable property	–	–	–	–	–	1,665	–	–	122	1,174	–	–	–	–	–	2,961	–	2,961	2,961
10 Exposures in default	–	–	–	–	–	–	–	–	–	169	110	–	–	–	–	279	–	279	279
11 Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15 Equity	–	–	–	–	–	–	–	–	–	7	–	37	–	–	–	44	–	44	44
16 Other items	35	–	–	–	76	–	–	–	–	59	–	–	–	–	–	170	531	701	701
17 Total	4,605	–	–	–	133	1,665	–	–	482	6,209	110	37	–	–	–	13,241	531	13,772	9,144

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Table 102: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All amounts presented are before CRM and CCF but net of impairment provisions. This table excludes counterparty credit risk exposures.

														31 December 2017
		Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	4,553	–	4,553
12	Institutions	–	–	–	–	–	–	–	–	–	–	–	453	–	453
13	Corporates	69	244	1,287	326	143	5	580	19	2,035	391	384	214	–	5,697
14	Retail	34	16	40	1	8	104	7	293	48	47	3	–	–	601
15	Secured by mortgages on immovable property	–	29	10	–	165	1,461	–	18	76	836	2	–	–	2,597
16	Exposures in default	–	10	42	2	–	96	11	2	18	16	–	–	–	197
17	Items associated with particularly high risk	–	272	–	–	–	–	–	–	–	2	–	–	–	274
21	Equity	–	–	–	–	38	–	–	–	–	–	–	–	–	38
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	122	122
23	Total	103	571	1,379	329	354	1,666	598	332	2,177	1,292	389	5,220	122	14,532

														31 December 2016
		Agriculture	Construc-tion	Distribu-tion	Energy	Financial	Home loans	Manufact-uring	Other loans - personal	Other services	Property	Transport and communi-cation	Bank, sovereign and public sector	Other	Total exposures
Exposure class		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments or central banks	–	–	–	–	–	–	–	–	–	–	–	4,570	–	4,570
12	Institutions	–	–	–	–	–	–	–	–	–	–	–	58	–	58
13	Corporates	69	283	1,243	199	386	10	568	17	1,793	643	480	–	–	5,691
14	Retail	39	16	51	2	8	16	9	426	63	82	3	–	–	715
15	Secured by mortgages on immovable property	5	12	18	–	29	1,833	7	4	152	986	2	–	–	3,048
16	Exposures in default	1	12	62	–	6	113	22	8	21	49	–	–	–	294
17	Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–
21	Equity	–	–	–	–	44	–	–	–	–	–	–	–	–	44
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	170	170
23	Total	114	323	1,374	201	473	1,972	606	455	2,029	1,760	485	4,628	170	14,590

Appendix 3: Subsidiary disclosures

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Table 103: EU CRB–B – Total and average net amount of exposures – Standardised Approach

The table below provides the total year-end and the average[(1)] net exposures[(2)] over the period by exposure class.

Exposure class		31 December 2017 Net value of exposures at the end of the period € m	31 December 2017 Average net exposures over the period € m	31 December 2016 Net value of exposures at the end of the period € m	31 December 2016 Average net exposures over the period € m
16	Central governments and central banks	4,553	4,578	4,570	4,160
21	Institutions	453	395	58	63
22	Corporates	5,697	5,750	5,691	5,013
24	Retail	601	769	715	746
26	Secured by mortgages on immovable property	2,597	2,721	3,048	2,977
28	Exposures in default	197	279	294	334
29	Items associated with particularly high risk	274	56	–	6
33	Equity	38	39	44	47
34	Other items	122	166	170	191
35	Total	14,532	14,753	14,590	13,537

[(1)]Average net exposures are calculated based on quarterly averages.
[(2)]Pre CRM and CCF.

Table 104: EU CRB–C – Geographical[(1)] breakdown of exposures – Standardised Approach

The table below provides a breakdown of exposures[(2)] by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

		31 December 2017				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World[(3)] € m	Total € m
7	Central governments and central banks	–	4,553	–	–	4,553
12	Institutions	339	111	–	3	453
13	Corporates	58	5,493	9	137	5,697
14	Retail	11	582	1	7	601
15	Secured by mortgages on immovable property	18	2,557	–	22	2,597
16	Exposures in default	5	191	–	1	197
17	Items associated with particularly high risk	1	273	–	–	274
21	Equity	–	38	–	–	38
22	Other items	–	122	–	–	122
23	Total	432	13,920	10	170	14,532

		31 December 2016				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
7	Central governments and central banks	–	4,570	–	–	4,570
12	Institutions	3	53	–	2	58
13	Corporates	61	5,433	12	185	5,691
14	Retail	18	686	–	11	715
15	Secured by mortgages on immovable property	17	3,008	–	23	3,048
16	Exposures in default	10	280	–	4	294
17	Items associated with particularly high risk	–	–	–	–	–
21	Equity	–	44	–	–	44
22	Other items	–	170	–	–	170
23	Total	109	14,244	12	225	14,590

[(1)]The geographic breakdown is based on country of risk reflecting the CRD IV requirement.
[(2)]Pre CRM and CCF.
[(3)]For 2017, Rest of the World comprises Channel Islands and other European countries.

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Table 105: EU CRB–E: Maturity of exposures – Standardised Approach

The table below provides a breakdown of net exposures[(1)] by contractual residual maturity and exposure classes.

						31 December 2017
	Net exposure value					
	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m
7 Central governments and central banks	4,550	–	–	–	3	4,553
12 Institutions	452	1	–	–	–	453
13 Corporates	376	661	3,272	1,388	–	5,697
14 Retail	10	185	230	176	–	601
15 Secured by mortgages on immovable property	73	176	927	1,421	–	2,597
16 Exposures in default	68	26	34	69	–	197
17 Exposures associated with particularly high risk	21	74	168	11	–	274
21 Equity	–	–	–	–	38	38
22 Other items	28	42	–	–	52	122
23 Total	**5,578**	**1,165**	**4,631**	**3,065**	**93**	**14,532**

						31 December 2016
	Net exposure value					
	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m
7 Central governments and central banks	4,570	–	–	–	–	4,570
12 Institutions	55	3	–	–	–	58
13 Corporates	364	841	3,167	1,319	–	5,691
14 Retail	106	199	294	116	–	715
15 Secured by mortgages on immovable property	107	294	844	1,803	–	3,048
16 Exposures in default	112	40	46	96	–	294
17 Exposures associated with particularly high risk	–	–	–	–	–	–
21 Equity	–	–	–	–	44	44
22 Other items	38	76	–	–	56	170
23 Total	5,352	1,453	4,351	3,334	100	14,590

[(1)]Pre CRM and CCF.

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Table 106: EU CR1–A – Credit quality of exposures by exposure class and instrument

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by exposure class. The gross carrying value of exposures presented in this table is before the application of: a) credit risk mitigation; b) credit conversion factors; and c) impairment provisions.

							31 December 2017
	Gross carrying values of[1]						
Exposure class	Defaulted exposures €m	Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-offs €m	Credit risk adjustment charges/(credit) of the period €m	Net values[2] €m
16 Central governments and central banks	–	4,553	–	–	–	–	4,553
21 Institutions	–	453	–	–	–	–	453
22 Corporates	52	5,645	42	–	–	38	5,655
24 Retail	1	600	11	–	–	(1)	590
26 Secured by mortgages on immovable property	23	2,574	19	–	–	(13)	2,578
28 Exposures in default	197	–	70	–	–	–	127
29 Items associated with particularly high risk	–	274	–	–	–	–	274
33 Equity exposures	–	38	–	–	–	–	38
34 Other exposures	–	122	–	–	–	–	122
35 Total Standardised Approach	**273**	**14,259**	**142**	**–**	**–**	**24**	**14,390**
36 Total	**273**	**14,259**	**142**	**–**	**–**	**24**	**14,390**
Of which:							
37 Loans	228	12,362	142	–	–	24	12,448
39 Off-balance sheet exposures	45	1,897	–	–	–	–	1,942

[1]Excludes securitisations and counterparty credit risk.
[2]Gross carrying value minus specific credit risk adjustment.

Table 107: EU CR1–B – Credit quality of exposures by industry or counterparty types

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by industry.

							31 December 2017
	Gross carrying values of						
	Defaulted exposures €m	Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-offs €m	Credit risk adjustment (credit)/charges €m	Net values €m
Agriculture	1	102	1	–	–	(1)	102
Energy	2	327	2	–	–	2	327
Manufacturing	6	592	6	–	–	3	592
Property and construction	62	1,801	52	–	–	(5)	1,811
Distribution	22	1,357	16	–	–	12	1,363
Transport	2	389	2	–	–	–	389
Financial	1	354	1	–	–	23	354
Other services	60	2,114	13	–	–	–	2,161
Personal: Residential mortgages	107	1,559	38	–	–	(9)	1,628
Other	10	322	11	–	–	(1)	321
Bank, sovereign and public sector	–	5,220	–	–	–	–	5,220
Other	–	122	–	–	–	–	122
Total	**273**	**14,259**	**142**	**–**	**–**	**24**	**14,390**

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Table 108: EU CR1–C – Credit quality of exposures by geography[(1)]

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by geography.

		31 December 2017						
		Gross carrying values of						
		Defaulted exposures € m	Non-defaulted exposures € m	Specific credit risk adjustment € m	General credit risk adjustment € m	Accumulated write-offs € m	Credit risk adjustment (credit)/ charges € m	Net values € m
1	Republic of Ireland	10	490	5	–	–	(1)	495
2	United Kingdom	263	13,589	136	–	–	25	13,716
3	United States of America	–	10	–	–	–	–	10
4	Rest of the World	–	170	1	–	–	–	169
6	Total	273	14,259	142	–	–	24	14,390

(1)Exposures by geography are by country of risk.

Table 109: EU CR1–D – Ageing of past-due exposures

The table below presents an ageing analysis of accounting on-balance sheet past-due exposures regardless of their impairment status.

		31 December 2017						
		Gross carrying values						
		≤ 30 days € m	> 30 days ≤ 60 days € m	> 60 days ≤ 90 days € m	> 90 days ≤ 180 days € m	> 180 days ≤ 1 year € m	> 1 year € m	Total € m
1	Loans	68	25	16	27	22	135	293
3	Total exposures	68	25	16	27	22	135	293

Table 110: EU CR1–E – Non-performing and forborne exposures

The table below presents an overview of non-performing and forborne exposures.

	31 December 2017												
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
	€ m	Of which performing but past due > 30 days and ≤ 90 days € m	Of which performing forborne € m	€ m	Of which defaulted € m	Of which impaired € m	Of which forborne € m	€ m	Of which forborne € m	€ m	Of which forborne € m	On non-performing exposures € m	Of which forborne exposures € m
Loans and receivables	7,481[(1)]	25	31	328	258	228	70	39	2	103	11	–	–
Off-balance sheet exposures	1,942	–	1	1	–	–	1	–	–	–	–	–	–

(1)Loans and receivables are presented gross, i.e. before impairment provisions.

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Table 111: EU CR2–B – Changes in the stock of defaulted and impaired loans and debt securities

The table below presents the changes in the stock of defaulted loans and debt securities.

		31 December 2017 Gross carrying value defaulted exposures € m
1	**Opening balance**	**437**
2	Loans that have defaulted or impaired since the last reporting period	**58**
3	Returned to non-defaulted status	**(4)**
4	Amounts written off	**(137)**
5	Other changes	**(126)**
6	**Closing balance**	**228**

Table 112: EU CR2–A – Changes in the stock of general and specific credit risk adjustments

The table below presents the changes in the stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

		31 December 2017		31 December 2016	
		Accumulated specific credit risk adjustment € m	Accumulated general credit risk adjustment € m	Accumulated specific credit risk adjustment € m	Accumulated general credit risk adjustment € m
1	**Opening balance**	**265**	**–**	382	–
2	Increases due to amounts set aside for estimated loan losses during the period	**72**	**–**	62	–
3	Decreases due to amounts reversed for estimated loan losses during the period	**(49)**	**–**	(69)	–
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(138)**	**–**	(61)	–
6	Impact of exchange rate differences	**(8)**	**–**	(50)	–
8	Other adjustments	**–**	**–**	1	–
9	**Closing balance**	**142**	**–**	265	–
10	Recoveries on credit risk adjustments recorded directly to the income statement	**(1)**	**–**	(1)	–
11	Specific credit risk adjustments recorded directly to the income statement	**1**	**–**	6	0

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EBS d.a.c. operates in the Republic of Ireland and has a countrywide network of offices and a direct telephone based distribution division (EBS Direct). It also distributes mortgages to independent mortgage intermediaries through Haven Mortgages Limited, a subsidiary of EBS d.a.c.

Table 113: EU CR4 – Credit risk exposures and CRM effects – Standardised Approach

The table below shows credit risk exposures under the Standardised Approach both before and after credit risk mitigation (CRM) and credit conversion factors (CCF) and the associated RWAs and RWA density, split by exposure class. These exposures are net of impaiment provisions but exclude counterparty credit risk exposures.

						31 December 2017
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	86	–	86	–	29	34
6 Institutions	1,995	–	1,995	–	1	0
7 Corporates	1,852	–	1,852	–	18	1
8 Retail	307	95	307	20	245	75
9 Secured by mortgages on immovable property	4,266	59	4,266	16	1,594	37
10 Exposures in default	539	6	539	3	571	105
11 Exposures associated with particularly high risk	0	–	0	–	0	150
12 Covered bonds	1,975	–	1,975	–	–	–
15 Equity	594	–	594	–	594	100
16 Other items	194	–	194	–	27	14
17 Total	11,808	160	11,808	39	3,079	26

						31 December 2016
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	82	–	82	–	–	–
6 Institutions	3,493	–	3,493	–	2	–
7 Corporates	1,680	–	1,680	–	48	3
9 Secured by mortgages on immovable property	4,307	230	4,307	71	1,818	42
10 Exposures in default	677	6	677	3	709	104
11 Exposures associated with particularly high risk	2	–	2	–	3	150
12 Covered bonds	1,454	–	1,454	–	–	–
15 Equity	612	–	612	–	612	100
16 Other items	247	–	247	–	83	34
17 Total	12,554	236	12,554	74	3,275	26

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Table 114: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach

The table below analyses exposures at default (EAD) under the Standardised Approach by risk weight, split by exposure class. All amounts presented are after CRM and CCF and net of impairment provisions but exclude counterparty credit risk.

31 December 2017

Exposure class	Risk weight 0% € m	2% € m	4% € m	10% € m	20% € m	35% € m	50% € m	70% € m	75% € m	100% € m	150% € m	250% € m	370% € m	1250% € m	Others € m	Subtotal € m	Deducted € m	Total € m	of which unrated € m
1 Central governments and central banks	74	–	–	–	–	–	–	–	–	–	–	12	–	–	–	86	–	86	–
6 Institutions	1,988	–	–	–	7	–	–	–	–	–	–	–	–	–	–	1,995	–	1,995	–
7 Corporates	1,834	–	–	–	–	–	–	–	–	18	–	–	–	–	–	1,852	3	1,855	1,855
8 Retail	–	–	–	–	–	–	–	–	327	–	–	–	–	–	–	327	–	327	327
9 Secured by mortgages on immovable property	–	–	–	–	–	4,136	–	–	–	146	–	–	–	–	–	4,282	–	4,282	4,282
10 Exposures in default	–	–	–	–	–	–	–	–	–	484	58	–	–	–	–	542	–	542	542
11 Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	0	–	–	–	–	0	–	0	0
12 Covered bonds	1,975	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,975	(14)	1,961	–
15 Equity	–	–	–	–	–	–	–	–	–	594	–	–	–	–	–	594	–	594	594
16 Other items	167	–	–	–	–	–	–	–	–	27	–	–	–	–	–	194	79	273	273
17 Total	6,038	–	–	–	7	4,136	–	–	327	1,269	58	12	–	–	–	11,847	68	11,915	7,873

31 December 2016

Exposure class	Risk weight 0% € m	2% € m	4% € m	10% € m	20% € m	35% € m	50% € m	70% € m	75% € m	100% € m	150% € m	250% € m	370% € m	1250% € m	Others € m	Subtotal € m	Deducted € m	Total € m	of which unrated € m
1 Central governments and central banks	82	–	–	–	–	–	–	–	–	–	–	–	–	–	–	82	–	82	–
6 Institutions	3,485	–	–	–	8	–	–	–	–	–	–	–	–	–	–	3,493	–	3,493	–
7 Corporates	1,632	–	–	–	–	–	–	–	–	48	–	–	–	–	–	1,680	6	1,686	1,686
9 Secured by mortgages on immovable property	–	–	–	–	–	3,762	–	–	457	159	–	–	–	–	–	4,378	–	4,378	4,378
10 Exposures in default	–	–	–	–	–	–	–	–	–	621	59	–	–	–	–	680	–	680	680
11 Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	2	–	–	–	–	2	–	2	2
12 Covered bonds	1,454	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,454	(30)	1,424	–
15 Equity	–	–	–	–	–	–	–	–	–	612	–	–	–	–	–	612	–	612	612
16 Other items	197	–	–	–	–	–	–	–	–	28	–	22	–	–	–	247	54	301	301
17 Total	6,850	–	–	–	8	3,762	–	–	457	1,468	61	22	–	–	–	12,628	30	12,658	7,659

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Table 115: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All amounts presented are before CRM and CCF but net of impairment provisions. This table excludes counterparty credit risk exposures.

														31 December 2017
	Exposure class	Agriculture € m	Construction € m	Distribution € m	Energy € m	Financial € m	Home loans € m	Manufacturing € m	Other loans - personal € m	Other services € m	Property € m	Transport and communication € m	Bank, sovereign and public sector € m	Other € m	Total exposures € m
7	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	86	–	86
12	Institutions	–	–	–	–	–	–	–	–	–	–	–	1,995	–	1,995
13	Corporates	–	–	–	–	1,852	–	–	–	–	–	–	–	–	1,852
14	Retail	–	–	–	–	–	402	–	–	–	–	–	–	–	402
15	Secured by mortgages on immovable property	–	–	–	–	–	4,254	–	–	–	71	–	–	–	4,325
16	Exposures in default	–	–	–	–	–	500	–	–	–	45	–	–	–	545
18	Covered bonds	–	–	–	–	–	–	–	–	–	–	–	1,975	–	1,975
21	Equity	–	–	–	–	–	–	–	–	–	–	–	594		594
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	194	194
23	**Total**	–	–	–	–	**1,852**	**5,156**	–	–	–	**116**	–	**4,650**	**194**	**11,968**

														31 December 2016
	Exposure class	Agriculture € m	Construction € m	Distribution € m	Energy € m	Financial € m	Home loans € m	Manufacturing € m	Other loans - personal € m	Other services € m	Property € m	Transport and communication € m	Bank, sovereign and public sector € m	Other € m	Total exposures € m
7	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	82	–	82
12	Institutions	–	–	–	–	–	–	–	–	–	–	–	3,493	–	3,493
13	Corporates	–	–	–	–	1,680	–	–	–	–	–	–	–	–	1,680
14	Retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Secured by mortgages on immovable property	–	–	–	–	–	4,463	–	–	–	74	–	–	–	4,537
16	Exposures in default	–	–	–	–	–	636	–	–	–	47	–	–	–	683
17	Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	2	–	–	–	2
18	Covered bonds	–	–	–	–	–	–	–	–	–	–	–	1,454	–	1,454
21	Equity	–	–	–	–	–	–	–	–	–	–	–	612	–	612
22	Other items	–	–	–	–	–	–	–	–	–	–	–	–	247	247
23	Total	–	–	–	–	1,680	5,099	–	–	–	123	–	5,641	247	12,790

Appendix 3: Subsidiary disclosures

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Table 116: EU CRB–B – Total and average net amount of exposures – Standardised Approach

The table below provides the total year-end and the average[(1)] net exposures[(2)] over the period by exposure class.

		31 December 2017		31 December 2016	
Exposure class		Net value of exposures at the end of the period € m	Average net exposures over the period € m	Net value of exposures at the end of the period € m	Average net exposures over the period € m
16	Central governments and central banks	86	59	82	35
21	Institutions	1,995	2,830	3,493	3,052
22	Corporates	1,852	1,744	1,680	1,494
24	Retail	402	327	–	3
26	Secured by mortgages on immovable property	4,325	4,315	4,537	4,329
28	Exposures in default	545	607	683	789
29	Items associated with particularly high risk	–	1	2	2
30	Covered bonds	1,975	1,562	1,454	2,131
33	Equity	594	597	612	612
34	Other items	194	210	247	320
35	Total	11,968	12,252	12,790	12,767

[(1)]Average net exposures are calculated based on quarterly averages.
[(2)]Pre CRM and CCF.

Table 117: EU CRB–C – Geographical[(1)] breakdown of exposures – Standardised Approach

The table below provides a breakdown of exposures[(2)] by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

		31 December 2017				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
7	Central governments and central banks	86	–	–	–	86
12	Institutions	1,988	–	5	2	1,995
13	Corporates	1,852	–	–	–	1,852
14	Retail	399	2	–	1	402
15	Secured by mortgages on immovable property	4,302	10	3	10	4,325
16	Exposures in default	533	6	2	4	545
18	Covered bonds	1,975	–	–	–	1,975
21	Equity	594	–	–	–	594
22	Other items	194	–	–	–	194
23	Total	11,923	18	10	17	11,968

		31 December 2016				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
7	Central governments and central banks	82	–	–	–	82
12	Institutions	3,493	–	–	–	3,493
13	Corporates	1,680	–	–	–	1,680
15	Secured by mortgages on immovable property	4,509	11	4	13	4,537
16	Exposures in default	669	8	2	4	683
17	Items associated with particularly high risk	2	–	–	–	2
18	Covered bonds	1,454	–	–	–	1,454
21	Equity	612	–	–	–	612
22	Other items	247	–	–	–	247
23	Total	12,748	19	6	17	12,790

[(1)]The geographic breakdown is based on country of risk reflecting the CRD IV requirement.
[(2)]Pre CRM and CCF.

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Table 118: EU CRB–E: Maturity of exposures – Standardised Approach

The table below provides a breakdown of net exposures[1] by contractual residual maturity and exposure classes.

		31 December 2017					
		Net exposure value					
		On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
	Exposure class	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	74	–	–	–	12	86
12	Institutions	1,968	27	–	–	–	1,995
13	Corporates	–	15	–	1,819	18	1,852
14	Retail	–	116	2	284	–	402
15	Secured by mortgages on immovable property	1	55	83	4,186	–	4,325
16	Exposures in default	3	18	34	490	–	545
18	Covered bonds	–	–	–	1,975	–	1,975
21	Equity	–	–	–	–	594	594
22	Other items	–	–	–	–	194	194
23	Total	2,046	231	119	8,754	818	11,968

		31 December 2016					
		Net exposure value					
		On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
	Exposure class	€ m	€ m	€ m	€ m	€ m	€ m
7	Central governments and central banks	78	4	–	–	–	82
12	Institutions	3,452	41	–	–	–	3,493
13	Corporates	–	55	5	1,607	13	1,680
15	Secured by mortgages on immovable property	1	158	81	4,297	–	4,537
16	Exposures in default	2	17	32	632	–	683
17	Items associated with particularly high risk	2	–	–	–	–	2
18	Covered bonds	–	–	–	1,454	–	1,454
21	Equity	–	–	–	–	612	612
22	Other items	–	–	–	–	247	247
23	Total	3,535	275	118	7,990	872	12,790

[1]Pre CRM and CCF.

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Table 119: EU CR1–A – Credit quality of exposures by exposure class and instrument

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by exposure class. The gross carrying value of exposures presented in this table is before the application of: a) credit risk mitigation; b) credit conversion factors; and c) impairment provisions.

	Gross carrying values of[1]						31 December 2017
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/ (credit) of the period	Net values[2]
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m
16 Central governments and central banks	–	86	–	–	–	–	86
21 Institutions	–	1,995	–	–	–	–	1,995
22 Corporates	–	1,852	–	–	–	–	1,852
24 Retail	–	402	–	–	–	–	402
26 Secured by mortgages on immovable property	381	3,944	52	–	–	16	4,273
28 Exposures in default	545	–	385	–	–	–	160
30 Items associated with particularly	–	1,975	–	–	–	–	1,975
33 Equity exposures	–	594	–	–	–	–	594
34 Other exposures	–	194	–	–	–	–	194
35 Total Standardised Approach	**926**	**11,042**	**437**	**–**	**–**	**16**	**11,531**
36 Total	**926**	**11,042**	**437**	**–**	**–**	**16**	**11,531**
Of which:							
37 Loans	922	7,972	437	–	–	16	8,457
38 Debt securities	–	2,914	–	–	–	–	2,914
39 Off-balance sheet exposures	4	156	–	–	–	–	160

[1]Excludes securitisations and counterparty credit risk.
[2]Gross carrying value minus specific credit risk adjustment.

Table 120: EU CR1–B – Credit quality of exposures by industry or counterparty types

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by industry.

	Gross carrying values of						31 December 2017
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment (credit)/ charges	Net values
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Property and construction	81	35	44	–	–	(1)	72
Financial	–	1,852	–	–	–	–	1,852
Personal: Residential mortgages	845	4,311	393	–	–	17	4,763
Bank, sovereign and public sector	–	4,811	–	–	–	–	4,811
Other	–	33	–	–	–	–	33
Total	**926**	**11,042**	**437**	**–**	**–**	**16**	**11,531**

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Table 121: EU CR1–C – Credit quality of exposures by geography[1]

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by geography.

								31 December 2017
		Gross carrying values of						
		Defaulted exposures €m	Non-defaulted exposures €m	Specific credit risk adjustment €m	General credit risk adjustment €m	Accumulated write-offs €m	Credit risk adjustment (credit)/ charges €m	Net values €m
1	Republic of Ireland	906	11,017	427	–	–	15	11,496
2	United Kingdom	10	8	5	–	–	–	13
3	United States of America	3	7	1	–	–	–	9
4	Rest of the World	7	10	4	–	–	1	13
6	**Total**	**926**	**11,042**	**437**	**–**	**–**	**16**	**11,531**

[1]Exposures by geography are by country of risk.

Table 122: EU CR1–D – Ageing of past-due exposures

The table below presents an ageing analysis of accounting on-balance-sheet past-due exposures regardless of their impairment status.

								31 December 2017
		Gross carrying values						
		≤ 30 days €m	> 30 days ≤ 60 days €m	> 60 days ≤ 90 days €m	> 90 days ≤ 180 days €m	> 180 days ≤ 1 year €m	> 1 year €m	Total €m
1	Loans	153	42	26	37	53	617	928
3	**Total exposures**	**153**	**42**	**26**	**37**	**53**	**617**	**928**

Table 123: EU CR1–E – Non-performing and forborne exposures

The table below presents an overview of non-performing and forborne exposures.

													31 December 2017
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
	€m	Of which performing but past due > 30 days and ≤ 90 days €m	Of which performing forborne €m	€m	Of which defaulted €m	Of which impaired €m	Of which forborne €m	€m	Of which forborne €m	€m	Of which forborne €m	On non-performing exposures €m	Of which forborne exposures €m
Debt securities	2,914	–	–	–	–	–	–	–	–	–	–	–	–
Loans and receivables	5,567[1]	13	297	1,100	922	874	585	40	10	397	148	–	–
Off-balance sheet exposures	160	–	4	4	1	1	2	–	–	–	–	–	–

[1]Loans and receivables are presented gross, i.e. before impairment provisions.

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Table 124: EU CR2–B – Changes in the stock of defaulted and impaired loans and debt securities

The table below presents the changes in the stock of defaulted loans and debt securities.

		31 December 2017 Gross carrying value defaulted exposures € m
1	**Opening balance**	**1,183**
2	Loans that have defaulted	**50**
3	Returned to non-defaulted status since last reporting period	**(106)**
5	Other changes[1]	**(205)**
6	**Closing balance**	**922**

[1]Includes € 0.1 billion relating to the disposal of a portfolio of distressed loans and € 0.1 billion relating to loans that were closed or fully repaid or written off.

Table 125: EU CR2–A – Changes in the stock of general and specific credit risk adjustments

The table below presents the changes in the stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

		31 December 2017		31 December 2016	
		Accumulated specific credit risk adjustment € m	Accumulated general credit risk adjustment € m	Accumulated specific credit risk adjustment € m	Accumulated general credit risk adjustment € m
1	**Opening balance**	**546**	**–**	622	–
2	Increases due to amounts set aside for estimated loan losses during the period	**30**	**–**	5	–
3	Decreases due to amounts reversed for estimated loan losses during the period	**(9)**	**–**	(33)	–
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(92)**	**–**	(48)	–
	Disposals	**(39)**	**–**	–	–
9	**Closing balance**	**436**	**–**	546	–

EBS Mortgage Finance

EBS Mortgage Finance issues mortgage covered securities for the purpose of financing mortgage loans secured on residential property in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007.
EBS Mortgage Finance does not sell mortgage loans directly to the public. It has an origination agreement with EBS d.a.c. whereby EBS continues to sell mortgage loans directly to the public and may subsequently transfer loan portfolios to EBS Mortgage Finance for an appropriate consideration.

Table 126: EU CR4 – Credit risk exposures and CRM effects – Standardised Approach

The table below shows credit risk exposures under the Standardised Approach both before and after credit risk mitigation (CRM) and credit conversion factors (CCF) and the associated RWAs and RWA density, split by exposure class. These exposures are net of impaiment provisions but exclude counterparty credit risk exposures.

						31 December 2017
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
6 Institutions	69	–	69	–	3	4
7 Retail	318	1	318	1	239	75
9 Secured by mortgages on immovable property	3,740	7	3,740	4	1,311	35
10 Exposures in default	401	3	401	2	406	101
17 Total	**4,528**	**11**	**4,528**	**7**	**1,959**	**43**

						31 December 2016
	Exposures before CRM and CCF		Exposures post CRM and CCF			
Exposure class	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m	RWAs € m	RWA density %
1 Central governments and central banks	4	–	4	–	–	–
6 Institutions	49	–	49	–	4	8
9 Secured by mortgages on immovable property	4,352	10	4,352	5	1,742	40
10 Exposures in default	538	–	538	–	547	102
16 Other items	–	–	–	–	–	100
17 Total	4,943	10	4,943	5	2,293	46

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Table 127: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach

The table below analyses exposures at default (EAD) under the Standardised Approach by risk weight, split by exposure class. All amounts presented are after CRM and CCF and net of impairment provisions but exclude counterparty credit risk.

31 December 2017

	Risk weight																		of which
Exposure class	**0% € m**	**2% € m**	**4% € m**	**10% € m**	**20% € m**	**35% € m**	**50% € m**	**70% € m**	**75% € m**	**100% € m**	**150% € m**	**250% € m**	**370% € m**	**1250% € m**	**Others € m**	**Subtotal € m**	**Deducted € m**	**Total € m**	**unrated € m**
6 Institutions	56	–	–	–	13	–	–	–	–	–	–	–	–	–	–	69	–	69	–
8 Retail	–	–	–	–	–	–	–	–	319	–	–	–	–	–	–	319	–	319	319
9 Secured by mortgages on immovable property	–	–	–	–	–	3,743	–	–	–	1	–	–	–	–	–	3,744	–	3,744	3,744
10 Exposures in default	–	–	–	–	–	–	–	–	–	395	8	–	–	–	–	403	–	403	403
17 Total	**56**	**–**	**–**	**–**	**13**	**3,743**	**–**	**–**	**319**	**396**	**8**	**–**	**–**	**–**	**–**	**4,535**	**–**	**4,535**	**4,466**

31 December 2016

	Risk weight																		of which
Exposure class	0% € m	2% € m	4% € m	10% € m	20% € m	35% € m	50% € m	70% € m	75% € m	100% € m	150% € m	250% € m	370% € m	1250% € m	Others € m	Subtotal € m	Deducted € m	Total € m	unrated € m
1 Central governments and central banks	4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4	–	4	–
6 Institutions	30	–	–	–	19	–	–	–	–	–	–	–	–	–	–	49	–	49	–
9 Secured by mortgages on immovable property	–	–	–	–	–	3,815	–	–	541	1	–	–	–	–	–	4,357	–	4,357	4,357
10 Exposures in default	–	–	–	–	–	–	–	–	–	519	19	–	–	–	–	538	–	538	538
17 Total	34	–	–	–	19	3,815	–	–	541	520	19	–	–	–	–	4,948	–	4,948	4,895

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Table 128: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach

The table below provides a breakdown of exposures by industry or counterparty types and exposure classes. All amounts presented are before CRM and CCF but net of impairment provisions. This table excludes counterparty credit risk exposures.

31 December 2017	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other	Total exposures
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
12 Institutions	–	–	–	–	–	–	–	–	–	–	–	69	–	69
14 Retail	–	–	–	–	–	319	–	–	–	–	–	–	–	319
15 Secured by mortgages on immovable property	–	–	–	–	–	3,747	–	–	–	–	–	–	–	3,747
16 Exposures in default	–	–	–	–	–	404	–	–	–	–	–	–	–	404
23 Total	–	–	–	–	–	4,470	–	–	–	–	–	69	–	4,539

31 December 2016	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other	Total exposures
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7 Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	4	–	4
12 Institutions	–	–	–	–	–	–	–	–	–	–	–	49	–	49
15 Secured by mortgages on immovable property	–	–	–	–	–	4,362	–	–	–	–	–	–	–	4,362
16 Exposures in default	–	–	–	–	–	538	–	–	–	–	–	–	–	538
23 Total	–	–	–	–	–	4,900	–	–	–	–	–	53	–	4,953

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Table 129: EU CRB–B – Total and average net amount of exposures – Standardised Approach

The table below provides the total year-end and the average[(1)] net exposures[(2)] over the period by exposure class.

		31 December 2017		31 December 2016	
Exposure class		Net value of exposures at the end of the period € m	Average net exposures over the period € m	Net value of exposures at the end of the period € m	Average net exposures over the period € m
16	Central governments and central banks	–	1	4	1
21	Institutions	69	61	49	56
24	Retail	319	338	–	1
26	Secured by mortgages on immovable property	3,747	3,894	4,362	4,488
28	Exposures in default	404	463	538	609
34	Other items	–	–	–	1
35	**Total**	**4,539**	**4,757**	4,953	5,156

[(1)]Average net exposures are calculated based on quarterly averages.
[(2)]Pre CRM and CCF.

Table 130: EU CRB–C – Geographical[(1)] breakdown of exposures – Standardised Approach

The table below provides a breakdown of exposures[(2)] by geographical areas and exposure classes. All exposures presented are before CRM and CCF but net of impairment provisions.

		31 December 2017				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
12	Institutions	56	–	–	13	69
14	Retail	317	1	–	1	319
15	Secured by mortgages on immovable property	3,724	11	2	10	3,747
16	Exposures in default	395	4	1	4	404
23	**Total**	**4,492**	**16**	**3**	**28**	**4,539**

		31 December 2016				
		Net value				
Exposure class		Republic of Ireland € m	United Kingdom € m	United States of America € m	Rest of the World € m	Total € m
7	Central governments and central banks	4	–	–	–	4
12	Institutions	49	–	–	–	49
15	Secured by mortgages on immovable property	4,335	12	2	13	4,362
16	Exposures in default	525	6	1	6	538
23	Total	4,913	18	3	19	4,953

[(1)]The geographic breakdown is based on country of risk reflecting the CRD IV requirement.
[(2)]Pre CRM and CCF.

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Table 131: EU CRB–E: Maturity of exposures – Standardised Approach

The table below provides a breakdown of net exposures[1] by contractual residual maturity and exposure classes.

						31 December 2017
	Net exposure value					
Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
12 Institutions	69	–	–	–	–	69
14 Retail	–	–	–	319	–	319
15 Secured by mortgages on immovable property	–	3	86	3,658	–	3,747
16 Exposures in default	–	9	17	378	–	404
23 Total	69	12	103	4,355	–	4,539

						31 December 2016
	Net exposure value					
Exposure class	On demand € m	< = 1 year € m	> 1 year < = 5 years € m	> 5 years € m	No stated maturity € m	Total € m
7 Central governments and central banks	–	4	–	–	–	4
12 Institutions	49	–	–	–	–	49
15 Secured by mortgages on immovable property	–	3	89	4,270	–	4,362
16 Exposures in default	–	4	18	516	–	538
23 Total	49	11	107	4,786	–	4,953

[1]Pre CRM and CCF.

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Table 132: EU CR1–A – Credit quality of exposures by exposure class and instrument

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by exposure class. The gross carrying value of exposures presented in this table is before the application of: a) credit risk mitigation; b) credit conversion factors; and c) impairment provisions.

							31 December 2017
	Gross carrying values of[1]						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/ (credit) of the period	Net values[2]
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m	€ m
21 Institutions	–	69	–	–	–	–	69
24 Retail	–	319	–	–	–	–	319
26 Secured by mortgages on immovable property	242	3,505	46	–	–	40	3,701
28 Exposures in default	404	–	244	–	–	–	160
35 Total Standardised Approach	**646**	**3,893**	**290**	**–**	**–**	**40**	**4,249**
36 Total	**646**	**3,893**	**290**	**–**	**–**	**40**	**4,249**
Of which:							
37 Loans	644	3,883	290	–	–	40	4,237
39 Off-balance sheet exposures	2	10	–	–	–	–	12

[1]Excludes securitisations and counterparty credit risk.
[2]Gross carrying value minus specific credit risk adjustment.

Table 133: EU CR1–B – Credit quality of exposures by industry or counterparty types

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by industry.

							31 December 2017
	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment (credit)/ charges	Net values
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Personal: Residential mortgages	646	3,824	290	–	–	40	4,180
Bank, sovereign and public sector	–	69	–	–	–	–	69
Total	**646**	**3,893**	**290**	**–**	**–**	**40**	**4,249**

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Table 134: EU CR1–C – Credit quality of exposures by geography[1]

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by geography.

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment (credit)/ charges	Net values
	31 December 2017	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1	Republic of Ireland	629	3,863	282	–	–	40	4,210
2	United Kingdom	8	8	4	–	–	–	12
3	United States of America	2	1	1	–	–	–	2
4	Rest of the World	7	21	3	–	–	–	25
6	**Total**	**646**	**3,893**	**290**	**–**	**–**	**40**	**4,249**

[1]Exposures by geography are by country of risk.

Table 135: EU CR1–D – Ageing of past-due exposures

The table below presents an ageing analysis of accounting on-balance sheet past-due exposures regardless of their impairment status.

		Gross carrying values						
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year	Total
	31 December 2017	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1	Loans	165	34	21	36	40	377	673
3	**Total exposures**	**165**	**34**	**21**	**36**	**40**	**377**	**673**

Table 136: EU CR1–E – Non-performing and forborne exposures

The table below presents an overview of non-performing and forborne exposures.

31 December 2017	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne		Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne	On non-performing exposures	Of which forborne exposures
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Loans and receivables	4,740[1]	15	302	806	644	608	494	37	11	253	111	–	–
Off-balance sheet exposures	12	–	1	2	2	2	1	–	–	–	–	–	–

[1]Loans and receivables are presented gross, i.e. before impairment provisions.

EBS Mortgage Finance

Table 137: EU CR2–B – Changes in the stock of defaulted and impaired loans and debt securities

The table below presents the changes in the stock of defaulted loans and debt securities.

		31 December 2017
		Gross carrying value defaulted exposures €m
1	**Opening balance**	**792**
2	Loans that have defaulted since the last reporting period	**48**
3	Returned to non-defaulted stataus	**(120)**
5	Other changes[1]	**(76)**
6	**Closing balance**	**644**

[1]Includes closed and fully repaid accounts, write offs and partial repayments.

Table 138: EU CR2–A – Changes in the stock of general and specific credit risk adjustments

The table below presents the changes in the stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

		31 December 2017		31 December 2016	
		Accumulated specific credit risk adjustment €m	Accumulated general credit risk adjustment €m	Accumulated specific credit risk adjustment €m	Accumulated general credit risk adjustment €m
1	**Opening balance**	**287**	**–**	281	–
2	Increases due to amounts set aside for estimated loan losses during the period	**32**	**–**	29	–
3	Decreases due to amounts reversed for estimated loan losses during the period	**9**	**–**	(9)	–
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(38)**	**–**	(14)	–
9	**Closing balance**	**290**	**–**	287	–

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Appendix 4: Transitional and fully loaded own funds

AIB Group and its principal subsidiaries

The tables below set out the own funds of AIB Group and its principal subsidiaries (Allied Irish Banks, p.l.c., AIB Mortgage Bank, AIB Group (UK) p.l.c., EBS d.a.c. and EBS Mortgage Finance) in accordance with Article 5 of the Commission Implementing Regulation (EU) No.1423/2013:

Table 139: Own funds of AIB Group and its principal subsidiaries

		AIB Group			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
Common equity tier 1 capital: Instruments and reserves					
1	Capital instruments and the related share premium accounts				
	– Ordinary stock	**1,697**	1,696	**1,697**	1,696
	– Share premium	**–**	1,386	**–**	1,386
2	Retained earnings	**12,845**	7,073	**12,845**	7,073
3	Accumulated other comprehensive income (and other reserves)	**(1,753)**	2,246	**(1,753)**	2,246
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**12,789**	12,401	**12,789**	12,401
Common equity tier 1 capital: regulatory adjustments					
7	Additional value adjustments/other	**(15)**	(13)	**(15)**	(13)
8	Intangible assets (net of related tax liability)	**(569)**	(392)	**(569)**	(392)
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(829)**	(610)	**(2,764)**	(3,050)
11	Fair value reserves related to gains or losses on cash flow hedges	**(257)**	(460)	**(257)**	(460)
12	Negative amounts resulting from the calculation of expected loss amounts	**–**	(28)	**–**	(46)
15	Defined benefit pension fund assets	**(139)**	(126)	**(139)**	(126)
26a	Regulatory adjustments relating to unrealised gains and losses	**(115)**	(288)	**–**	–
	of which – Unrealised gains on non-sovereign bonds	**(4)**	(4)	**–**	–
	– Unrealised gains on sovereign bonds	**(111)**	(284)	**–**	–
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filers and deductions required pre CRR	**(97)**	(177)	**–**	–
	of which: – Defined benefit pension scheme	**14**	52	**–**	–
	– Property revaluation reserve	**(5)**	(6)	**–**	–
	– Minimum funding standard pension contributions	**(25)**	(66)	**–**	–
	– Unrealised gains on equity	**(81)**	(157)	**–**	–
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(2,021)**	(2,094)	**(3,744)**	(4,087)
29	**Common equity tier 1 (CET 1) capital**	**10,768**	10,307	**9,045**	8,314
Additional tier 1 (AT1) capital: Instruments					
30	Capital instruments and the related share premium accounts				
31	– Classified as equity under applicable accounting standards	**–**	494	**–**	494
34	Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	**260**	–	**291**	–
Additional tier 1 (AT1) capital: before regulatory adjustments		**260**	494	**291**	494
Additional tier 1 (AT1) capital: regulatory adjustments					
41a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to Article 472 of regulation (EU) no.575/2013				
	– Shortfall of provision to expected losses	**–**	(9)	**–**	–
43	**Total regulatory adjustments to Additional tier 1 (AT1)**	**–**	(9)	**–**	–
44	**Additional tier 1 (AT1) capital**	**260**	485	**291**	494
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**11,028**	10,792	**9,336**	8,808

AIB Group and its principal subsidiaries

Table 139: Own funds of AIB Group and its principal subsidiaries *(continued)*

		AIB Group			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
	Tier 2 (T2) capital: Instruments and provisions				
46	Capital instruments and the related share premium accounts	**–**	783	**–**	783
48	Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties	**442**	–	**492**	–
50	Credit risk adjustments	**28**	–	**28**	–
	Tier 2 (T2) capital before regulatory adjustments	**470**	783	**520**	783
	Tier 2 (T2) capital: Regulatory adjustments				
56a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to Article 472 of regulation (EU) no.575/2013				
	– Shortfall of provision to expected losses	**–**	(9)	**–**	–
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR	**174**	206	**–**	–
	of which: – IBNR provisions	**171**	200	**–**	–
	– Property revaluation reserve	**3**	6	**–**	–
57	**Total regulatory adjustments to tier 2 (T2) capital**	**174**	197	**–**	–
58	**Tier 2 (T2) capital**	**644**	980	**520**	783
59	**Total capital (TC = T1 + T2)**	**11,672**	11,772	**9,856**	9,591
60	**Total risk weighted assets**	**51,728**	54,235	**51,823**	54,419
	Capital ratios and buffers				
61	Common equity tier 1	**20.8%**	19.0%	**17.5%**	15.3%
62	Tier 1	**21.3%**	19.9%	**18.0%**	16.2%
63	Total capital	**22.6%**	21.7%	**19.0%**	17.6%
64	Institution specific buffer requirement (CET 1 requirement in accordance with Article 92 (1) plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk exposure amount)	**5.7523%**	5.126%	**8.5023%**	8.501%
65	of which: capital conservation buffer requirement	**1.25%**	0.625%	**2.5%**	2.5%
66	countercyclical buffer requirement	**0.0023%**	0.001%	**0.0023%**	0.001%
67	systemic risk requirement	**–**	–	**1.5%**	1.5%
67a	*Other Systemically Important Institution (O-SII) buffer*	**–**	–	**1.5%**	1.5%
68	Common equity tier 1 available to meet buffers[(1)] (as a % of risk exposure amount)	**16.3%**	14.5%	**13.0%**	10.8%
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**92**	77	**92**	77
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**110**	65	**110**	65
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	**40**	–	**40**	–
	Applicable caps on the inclusion of provision in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised Approach (prior to application of the cap)	**171**	200	**–**	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	**343**	346	**343**	346
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to application of the cap)	**28**	–	**28**	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings - based approach	**113**	127	**113**	127

(1) CET 1 in excess of 4.5%.

Appendix 4: Transitional and fully loaded own funds

AIB Group and its principal subsidiaries

Table 139: Own funds of AIB Group and its principal subsidiaries *(continued)*

		Allied Irish Banks, p.l.c.			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
Common equity tier 1 capital: Instruments and reserves					
1	Capital instruments and the related share premium accounts				
	– Ordinary stock	**1,697**	1,697	**1,697**	1,697
	– Share premium	**1,386**	1,386	**1,386**	1,386
2	Retained earnings	**8,198**	7,731	**8,198**	7,731
3	Accumulated other comprehensive income (and other reserves)	**1,264**	849	**1,264**	849
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**12,545**	11,663	**12,545**	11,663
Common equity tier 1 capital: regulatory adjustments					
7	Additional value adjustments/other	**(19)**	(14)	**(19)**	(14)
8	Intangible assets (net of related tax liability)	**(530)**	(373)	**(530)**	(373)
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(724)**	(532)	**(2,412)**	(2,662)
11	Fair value reserves related to gains or losses on cash flow hedges	**(239)**	(411)	**(239)**	(411)
12	Negative amounts resulting from the calculation of expected loss amounts	**(13)**	(32)	**(16)**	(54)
15	Defined benefit pension fund assets	**(2)**	(2)	**(2)**	(2)
19	Direct, indirect and synthetic holdings by the institutions of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% and net of eligible short positions	**(120)**	(2)	**(302)**	(209)
26a	Regulatory adjustments relating to unrealised gains and losses	**(102)**	(286)	**–**	–
	of which – Unrealised gains on non-sovereign bonds	**17**	22	**–**	–
	– Unrealised gains on sovereign bonds	**(119)**	(308)	**–**	–
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filers and deductions required pre CRR	**(73)**	184	**–**	–
	of which: – Defined benefit pension scheme	**9**	358	**–**	–
	– Property revaluation reserve	**(1)**	(4)	**–**	–
	– Minimum funding standard pension contributions	**(7)**	(28)	**–**	–
	– Unrealised gains on equity	**(74)**	(142)	**–**	–
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(1,822)**	(1,468)	**(3,520)**	(3,725)
29	**Common equity tier 1 (CET 1) capital**	**10,723**	10,195	**9,025**	7,938
Additional tier 1 (AT1) capital: Instruments					
30	Capital instruments and the related share premium accounts				
31	– Classified as equity under applicable accounting standards	**494**	494	**494**	494
Additional tier 1 (AT1) capital: before regulatory adjustments		**494**	494	**494**	494
Additional tier 1 (AT1) capital: regulatory adjustments					
41a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to Article 472 of regulation (EU) no.575/2013				
	– *Shortfall of provision to expected losses*	**(1)**	(11)	**–**	–
	– *Significant financial sector holdings*	**(15)**	(1)	**–**	–
43	**Total regulatory adjustments to Additional tier 1 (AT1)**	**(16)**	(12)	**–**	–
44	**Additional tier 1 (AT1) capital**	**478**	482	**494**	494
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**11,201**	10,677	**9,519**	8,432

AIB Group and its principal subsidiaries

Table 139: Own funds of AIB Group and its principal subsidiaries *(continued)*

		Allied Irish Banks, p.l.c.			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
	Tier 2 (T2) capital: Instruments and provisions				
46	Capital instruments and the related share premium accounts	**783**	783	**783**	783
50	Credit risk adjustments	**24**	–	**24**	–
	Tier 2 (T2) capital before regulatory adjustments	**807**	783	**807**	783
	Tier 2 (T2) capital: Regulatory adjustments				
56a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to Article 472 of regulation (EU) no.575/2013				
	– *Shortfall of provision to expected losses*	**(2)**	(11)	**–**	–
	– *Significant financial sector holdings*	**(15)**	(1)	**–**	–
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR	**102**	111	**–**	–
	of which: – IBNR provisions	**100**	107	**–**	–
	– Property revaluation reserve	**2**	4	**–**	–
57	**Total regulatory adjustments to tier 2 (T2) capital**	**85**	99	**–**	–
58	**Tier 2 (T2) capital**	**892**	882	**807**	783
59	**Total capital (TC = T1 + T2)**	**12,093**	11,559	**10,326**	9,215
60	**Total risk weighted assets**	**39,612**	43,450	**39,322**	43,101
	Capital ratios and buffers				
61	Common equity tier 1	**27.1%**	23.5%	**23.0%**	18.4%
62	Tier 1	**28.3%**	24.6%	**24.2%**	19.6%
63	Total capital	**30.5%**	26.6%	**26.3%**	21.4%
64	Institution specific buffer requirement (CET 1 requirement in accordance with Article 92 (1) plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk exposure amount)	**5.753%**	5.126%	**7.003%**	7.001%
65	of which: capital conservation buffer requirement	**1.25%**	0.625%	**2.5%**	2.5%
66	countercyclical buffer requirement	**0.003%**	0.001%	**0.003%**	0.001%
68	Common equity tier 1 available to meet buffers(1) (as a % of risk exposure amount)	**22.6%**	19.0%	**18.5%**	13.9%
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**92**	70	**92**	70
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**1,084**	1,020	**933**	815
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	**35**	–	**35**	–
	Applicable caps on the inclusion of provision in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised Approach (prior to application of the cap)	**100**	107	**–**	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	**289**	321	**289**	321
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to application of the cap)	**24**	–	**24**	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings - based approach	**76**	83	**76**	83

(1) CET 1 in excess of 4.5%.

Appendix 4: Transitional and fully loaded own funds

AIB Group and its principal subsidiaries

Table 139: Own funds of AIB Group and its principal subsidiaries *(continued)*

		AIB Mortgage Bank			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
Common equity tier 1 capital: Instruments and reserves					
1	Capital instruments and the related share premium accounts				
	– Ordinary stock	**1,745**	1,745	**1,745**	1,745
2	Retained earnings	**69**	(17)	**69**	(17)
3	Accumulated other comprehensive income (and other reserves)	**580**	580	**580**	580
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**2,394**	2,308	**2,394**	2,308
Common equity tier 1 capital: regulatory adjustments					
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(4)**	(5)	**(14)**	(26)
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(4)**	(5)	**(14)**	(26)
29	**Common equity tier 1 (CET 1) capital**	**2,390**	2,303	**2,380**	2,282
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**2,390**	2,303	**2,380**	2,282
Tier 2 (T2) capital: Instruments and provisions					
46	Capital instruments and the related share premium accounts	**300**	300	**300**	300
50	Credit risk adjustments	**19**	6	**19**	6
	Tier 2 (T2) capital before regulatory adjustments	**319**	306	**319**	306
	Tier 2 (T2) capital: Regulatory adjustments				
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR	**2**	4	**–**	–
	of which: – IBNR provisions	**2**	4	**–**	–
	– Property revaluation reserve	**–**	–	**–**	–
57	**Total regulatory adjustments to tier 2 (T2) capital**	**2**	4	**–**	–
58	**Tier 2 (T2) capital**	**321**	310	**319**	306
59	**Total capital (TC = T1 + T2)**	**2,711**	2,613	**2,699**	2,588
60	**Total risk weighted assets**	**7,075**	8,035	**7,075**	8,035
	Capital ratios and buffers				
61	Common equity tier 1	**33.8%**	28.7%	**33.6%**	28.4%
62	Tier 1	**33.8%**	28.7%	**33.6%**	28.4%
63	Total capital	**38.3%**	32.5%	**38.1%**	32.2%
64	Institution specific buffer requirement (CET 1 requirement in accordance with Article 92 (1) plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk exposure amount)	**5.75%**	5.125%	**7.0%**	7.0%
65	of which: capital conservation buffer requirement	**1.25%**	0.625%	**2.5%**	2.5%
66	countercyclical buffer requirement	**0.00%**	0.00%	**0.00%**	0.00%
68	Common equity tier 1 available to meet buffers[1] (as a % of risk exposure amount)	**29.3%**	24.2%	**29.1%**	23.9%
Applicable caps on the inclusion of provision in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised Approach (prior to application of the cap)	**2**	4	**–**	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	**5**	7	**5**	7
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to application of the cap)	**19**	6	**19**	6
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings - based approach	**37**	43	**37**	43

[1] CET 1 in excess of 4.5%.

AIB Group and its principal subsidiaries

Table 139: Own funds of AIB Group and its principal subsidiaries *(continued)*

		AIB Group (UK) p.l.c.			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
	Common equity tier 1 capital: Instruments and reserves				
1	Capital instruments and the related share premium accounts				
	– Ordinary stock	**2,687**	2,784	**2,687**	2,784
2	Retained earnings	**(2,673)**	(2,828)	**(2,673)**	(2,828)
3	Accumulated other comprehensive income (and other reserves)	**1,854**	1,976	**1,854**	1,976
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**1,868**	1,932	**1,868**	1,932
	Common equity tier 1 capital: regulatory adjustments				
8	Intangible assets (net of related tax liability)	**(29)**	(13)	**(29)**	(13)
9	Provision charge	**(24)**	–	**(24)**	–
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(124)**	(118)	**(124)**	(118)
11	Fair value reserves related to gains or losses on cash flow hedges	**(7)**	(24)	**(7)**	(24)
15	Defined benefit pension fund assets	**(354)**	(400)	**(354)**	(400)
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(538)**	(555)	**(538)**	(555)
29	**Common equity tier 1 (CET 1) capital**	**1,330**	1,377	**1,330**	1,377
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**1,330**	1,377	**1,330**	1,377
	Tier 2 (T2) capital: Instruments and provisions				
59	**Total capital (TC = T1 + T2)**	**1,330**	1,377	**1,330**	1,377
60	**Total risk weighted assets**	**8,153**	8,126	**8,153**	8,126
	Capital ratios and buffers				
61	Common equity tier 1	**16.3%**	16.9%	**16.3%**	16.9%
62	Tier 1	**16.3%**	16.9%	**16.3%**	16.9%
63	Total capital	**16.3%**	16.9%	**16.3%**	16.9%
64	Institution specific buffer requirement (CET 1 requirement in accordance with Article 92 (1) plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk exposure amount)	**5.75007%**	5.125%	**7.00007%**	7.0%
65	of which: capital conservation buffer requirement	**1.250%**	0.625%	**2.5%**	2.5%
66	countercyclical buffer requirement	**0.00007%**	0.000%	**0.00007%**	0.000%
68	Common equity tier 1 available to meet buffers[1] (as a % of risk exposure amount)	**11.8%**	12.4%	**11.8%**	12.4%
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**–**	7	**–**	7
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**38**	37	**38**	37
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	**3**	–	**3**	–
	Applicable caps on the inclusion of provision in Tier 2				
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	**95**	95	**95**	95

[1] CET 1 in excess of 4.5%.

Appendix 4: Transitional and fully loaded own funds

AIB Group and its principal subsidiaries

Table 139: Own funds of AIB Group and its principal subsidiaries *(continued)*

		EBS d.a.c.			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
Common equity tier 1 capital: Instruments and reserves					
1	Capital instruments and the related share premium accounts				
	– Ordinary stock	**1,654**	1,654	**1,654**	1,654
2	Retained earnings	**(739)**	(787)	**(739)**	(787)
3	Accumulated other comprehensive income (and other reserves)	**167**	93	**167**	93
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**1,082**	960	**1,082**	960
Common equity tier 1 capital: regulatory adjustments					
8	Intangible assets (net of related tax liability)	**(10)**	(6)	**(10)**	(6)
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(69)**	(48)	**(230)**	(239)
11	Fair value reserves related to gains or losses on cash flow hedges	**6**	8	**6**	8
26a	Regulatory adjustments relating to unrealised gains and losses	**13**	30	**–**	–
	of which – Unrealised gains on non-sovereign bonds	**13**	30	**–**	–
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filers and deductions required pre CRR	**1**	28	**–**	–
	of which: – Defined benefit pension scheme	**5**	35	**–**	–
	– Minimum funding standard pension contributions	**(1)**	(1)	**–**	–
	– Unrealised gains on equity	**(3)**	(6)	**–**	–
28	**Total regulatory adjustments to Common equity tier (CET 1)**	**(59)**	12	**(234)**	(237)
29	**Common equity tier (CET 1) capital**	**1,023**	972	**848**	723
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**1,023**	972	**848**	723
Tier 2 (T2) capital: Instruments and provisions					
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR	**19**	24	**–**	–
	of which: – IBNR provisions	**19**	24	**–**	–
57	**Total regulatory adjustments to tier 2 (T2) capital**	**19**	24	**–**	–
58	**Tier 2 (T2) capital**	**19**	24	**–**	–
59	**Total capital (TC = T1 + T2)**	**1,042**	996	**848**	723
60	**Total risk weighted assets**	**3,345**	3,608	**3,345**	3,608
	Capital ratios and buffers				
61	Common equity tier 1	**30.6%**	26.9%	**25.4%**	20.0%
62	Tier 1	**30.6%**	26.9%	**25.4%**	20.0%
63	Total capital	**31.2%**	27.6%	**25.4%**	20.0%
64	Institution specific buffer requirement (CET 1 requirement in accordance with Article 92 (1) plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk exposure amount)	**5.75%**	5.125%	**7.0%**	7.0%
65	of which: capital conservation buffer requirement	**1.25%**	0.625%	**2.5%**	2.5%
68	Common equity tier 1 available to meet buffers[(1)] (as a % of risk exposure amount)	**26.1%**	22.4%	**20.9%**	15.5%
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	**12**	22	**12**	22
Applicable caps on the inclusion of provision in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised Approach (prior to application of the cap)	**19**	24	**–**	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	**38**	41	**38**	41

(1) CET 1 in excess of 4.5%.

AIB Group and its principal subsidiaries

Table 139: Own funds of AIB Group and its principal subsidiaries *(continued)*

		EBS Mortgage Finance			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2017 € m	31 December 2016 € m	**31 December 2017 € m**	31 December 2016 € m
Common equity tier 1 capital: Instruments and reserves					
1	Capital instruments and the related share premium accounts				
	– Ordinary stock	**552**	552	**552**	552
2	Retained earnings	**221**	195	**221**	195
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**773**	747	**773**	747
29	**Common equity tier 1 (CET 1) capital**	**773**	747	**773**	747
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**773**	747	**773**	747
Tier 2 (T2) capital: Instruments and provisions					
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR	**12**	17	**–**	–
	of which: – IBNR provisions	**12**	17	**–**	–
57	**Total regulatory adjustments to tier 2 (T2) capital**	**12**	17	**–**	–
58	**Tier 2 (T2) capital**	**12**	17	**–**	–
59	**Total capital (TC = T1 + T2)**	**785**	764	**773**	747
60	**Total risk weighted assets**	**2,132**	2,419	**2,132**	2,419
	Capital ratios and buffers				
61	Common equity tier 1	**36.3%**	30.9%	**36.3%**	30.9%
62	Tier 1	**36.3%**	30.9%	**36.3%**	30.9%
63	Total capital	**36.8%**	31.6%	**36.3%**	30.9%
64	Institution specific buffer requirement (CET 1 requirement in accordance with Article 92 (1) plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk exposure amount)	**5.75%**	5.125%	**7.0%**	7.0%
65	of which: capital conservation buffer requirement	**1.25%**	0.625%	**2.5%**	2.5%
68	Common equity tier 1 available to meet buffers[(1)] (as a % of risk exposure amount)	**31.8%**	26.4%	**31.8%**	26.4%
Applicable caps on the inclusion of provision in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised Approach (prior to application of the cap)	**12**	17	**–**	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	**24**	29	**24**	29

[(1)] CET 1 in excess of 4.5%.

Appendix 5: Quantitative information on Liquidity Cover Ratio

Table 140: Funding and liquidity risk

Liquidity risk

The Liquidity Cover Ratio ("LCR") table below has been produced in line with the 2017 EBA Guidelines on LCR disclosure (EBA/GL/2017/01). All figures included in the table represent a 12 month rolling average for each quarter of 2017.

								2017
	Total unweighted value (average) € m				Total unweighted value (average) € m			
	31 March	30 Jun	30 Sep	31 Dec	31 March	30 Jun	30 Sep	31 Dec
High Quality Liquid Assets ("HQLA")								
Total HQLA					16,350	16,306	16,585	16,923
Cash outflows								
Retail deposits and deposits from small business customers, of which:								
Stable deposits	20,711	20,745	20,745	21,099	1,036	1,037	1,037	1,065
Less stable deposits	11,929	12,155	12,625	13,257	1,710	1,737	1,807	1,892
Unsecured wholesale funding of which:								
Operational deposits (all counterparties) and deposits in networks of co-operative banks	–	–	–	–	–	–	–	–
Non-operational deposits (all counterparties)	17,647	18,656	19,708	20,115	8,267	8,535	8,828	8,938
Unsecured debt	46	202	213	224	46	202	213	224
Secured wholesale funding	–	–	–	–	128	119	111	66
Additional requirements, of which:								
Outflows related to derivative exposures and other collateral requirements	394	385	373	362	394	385	373	362
Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
Credit and liquidity facilities	10,134	10,083	10,013	9,927	899	882	856	827
Other contractual funding obligations	769	537	515	445	652	419	397	328
Other contingent funding obligations	1,371	1,347	1,322	1,329	749	415	88	89
Total cash outflows					13,881	13,731	13,710	13,791
Cash inflows								
Secured lending (reverse repos)	135	137	141	98	34	34	34	13
Inflows from fully performing exposures	816	738	748	758	506	427	429	443
Other cash inflows	961	955	945	940	219	214	210	206
Total cash inflows	1,912	1,830	1,834	1,796	759	675	673	662
					€ m	€ m	€ m	€ m
Total HQLA					16,350	16,306	16,585	16,923
Total net cash outflows					13,122	13,056	13,037	13,129
					%	%	%	%
Liquidity coverage ratio (average)					124.62[1]	124.95[1]	127.30[1]	128.98[1]

The quarterly 12 month rolling average LCR ranged from 125-129% in 2017. The quarterly average HQLA ranged from € 16,306 million to € 16,923 million of which government securities constituted 59% to 69%. The quarterly average of outflows ranged from € 13,710 million to € 13,881 million of which non-operational deposits constituted 60% to 65% and undrawn commitments constituted 6%. The quarterly average inflows from assets ranged from € 662 million to € 759 million with fully performing exposures constituting 63% to 67% of total cash inflows.

[1]LCR = Total HQLA/total net cash outflows

Appendix 6: Countercyclical capital buffer

Table 141: Countercyclical capital buffer – geographical distribution of credit exposures

The countercyclical buffer ("CCyB") was introduced under CRD IV. The CCyB could require institutions to hold up to 2.5% additional CET 1 capital and is effective from 1 January 2016.

National designated authorities will deploy CCyB rates when excessive credit growth is determined to be connected with a build-up of system-wide risk. In the table below, the CCyB rates as set by Sweden, Norway, Hong Kong, Iceland, Czech Republic and Slovakia as at 31 December 2017 are shown. It is worth noting that the Central Bank of Ireland and the Financial Policy Committee ("FPC") in the UK set their CCyB rate at 0% as at 31 December 2017. AIB had an overall CCyB additional capital requirement of € 1 million as at 31 December 2017 (2016: € 1 million).

While the UK countercyclical capital buffer is 0.00% at 31 December 2017, the FPC in June 2017 increased the rate to 0.5% effective June 2018. Subsequently, in November 2017, the FPC announced a further increase to 1%, effective November 2018.

The following table sets out the Group's countercyclical capital buffer by geographical location at 31 December 2017:

Breakdown by country		ROI € m	UK € m	Sweden € m	Norway € m	Hong Kong € m	Iceland € m	Czech Republic € m	Slovakia € m	Other € m	Total € m
General credit exposures	**Exposure value for STD**	**26,956**	**9,582**	**–**	**1**	**1**	**–**	**–**	**–**	**564**	**37,104**
	Exposure value for IRB	**27,804**	**443**	**27**	**19**	**2**	**–**	**–**	**–**	**3,551**	**31,846**
Trading book exposures	**Sum of long and short positions of trading book exposures for SA**	**132**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**132**
	Value of trading book exposures for internal models	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Securitisation exposures	**Exposure value for SA**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	Exposure value for IRB	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**557**	**557**
Own funds requirements[1]	**General credit exposure**	**2,497**	**728**	**3**	**1**	**–**	**–**	**–**	**–**	**293**	**3,522**
	Trading book exposure	**11**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**
	Securitisation exposures	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**4**
	Total	**2,509**	**728**	**3**	**1**	**–**	**–**	**–**	**–**	**296**	**3,537**
Own funds requirement weight %		**70.932**	**20.594**	**0.083**	**0.032**	**0.002**	**0.000**	**0.000**	**0.000**	**8.357**	**100.000**
Countercyclical capital buffer rate %		**0**	**0**	**2**	**2**	**1.25**	**1.25**	**0.5**	**0.5**	**0**	
Total risk exposure (sum of general credit, trading and securitisation)											
Allied Irish Banks, p.l.c.		**28,313**	**4,284**	**27**	**19**	**–**	**–**	**–**	**–**	**4,730**	**37,373**
AIB Group (UK) p.l.c.		**47**	**8,261**	**–**	**–**	**1**	**–**	**–**	**–**	**176**	**8,485**
Total own funds requirements											
Allied Irish Banks, p.l.c.		**1,880**	**423**	**3**	**1**	**–**	**–**	**–**	**–**	**349**	**2,656**
AIB Group (UK) p.l.c.		**3**	**591**	**–**	**–**	**–**	**–**	**–**	**–**	**14**	**608**

Table 142: Countercyclical capital buffer

The additional countercyclical capital buffer requirement is shown below for the Group and its significant subsidiaries.

	AIB Group	Allied Irish Banks, p.l.c.	AIB Group (UK) p.l.c.
Total risk exposure amount	**51,728**	**39,612**	**8,154**
Institution–specific countercyclical capital buffer rate (%)[1]	**0.0023%**	**0.003%**	**0.0001%**
Institution–specific countercyclical capital buffer requirement (€ m)	**1**	**1**	**0**

[1]Countercyclical capital buffer rate multiplied by Own funds requirement weights by country breakdown.

Appendix 7: Further analysis of the loan profile

The tables below show total loans and advances to customers and banks, past due balances and impaired loan balances, split by exposure type for AIB Group and significiant subsidaries.

A discussion on the factors which impacted the specific impairment charge / credit for the year to 31 December 2017, the past due but not impaired loans, impaired loans and specific provisions is included in the Risk Management Section of the Annual Financial Report 2017 pages 72 to 136.

AIB Group

Table 143: Loans and receivables, loans past due but not impaired, impaired loans and provisions – industry and geographic[(1)] distribution[(2)]

The following table profiles the customer loan portfolio, loans past due but not impaired, impaired loans and specific impairment provisions (excluding IBNR) by industry sector and geography:

					31 December 2017
	Loans and receivables to customers – gross of provisions	Of which: loans past due but not impaired	Of which: impaired	Balance sheet specific impairment provisions	Specific impairment provision (credit)/ charge for the year
Industry	€ m	€ m	€ m	€ m	€ m
Agriculture	**1,818**	**78**	**101**	**32**	**(6)**
Energy	**717**	**7**	**36**	**12**	**–**
Manufacturing	**2,390**	**19**	**60**	**49**	**7**
Property and construction	**8,820**	**275**	**1,803**	**914**	**(100)**
Distribution	**5,547**	**94**	**417**	**211**	**(20)**
Transport	**1,352**	**5**	**14**	**8**	**(6)**
Financial	**478**	**1**	**14**	**11**	**22**
Other services	**5,374**	**79**	**230**	**147**	**24**
Personal: Residential mortgages	**33,720**	**869**	**3,293**	**1,135**	**(111)**
Other	**3,122**	**156**	**362**	**203**	**(9)**
	63,338	**1,583**	**6,330**	**2,722**	**(199)**
Geography					
Republic of Ireland	**50,737**	**1,455**	**5,799**	**2,437**	**(229)**
United Kingdom	**9,006**	**123**	**464**	**246**	**16**
United States of America	**3,595**	**5**	**67**	**39**	**14**
	63,338	**1,583**	**6,330**	**2,722**	**(199)**
Specific provision credit in relation to loans and receivables to banks				**–**	**–**
Total specific provisions for impairment on loans and receivables				**2,722**	**(199)**

					31 December 2016
Industry	€ m	€ m	€ m	€ m	€ m
Agriculture	1,773	95	121	40	12
Energy	459	7	32	11	5
Manufacturing	2,029	13	76	53	(8)
Property and construction	9,394	362	2,724	1,350	(74)
Distribution	5,439	128	681	305	(21)
Transport	1,405	9	38	34	(8)
Financial	684	2	144	94	37
Other services	5,706	108	312	180	7
Personal: Residential mortgages	35,239	933	4,576	1,728	(110)
Other	3,100	170	432	252	(11)
	65,228	1,827	9,136	4,047	(171)
Geography					
Republic of Ireland	52,097	1,668	7,847	3,384	(185)
United Kingdom	9,735	159	977	524	(29)
Rest of the World	3,396	–	312	139	43
	65,228	1,827	9,136	4,047	(171)
Specific provision credit in relation to loans and receivables to banks				–	–
Total specific provisions for impairment on loans and receivables				4,047	(171)

(1) The geographic breakdown in this table is based on the country of risk.

(2) The tables above represents the on-balance sheet total gross loans and receivables to customers.

Allied Irish Banks, p.l.c.

Table 144: Loans and receivables, loans past due but not impaired, impaired loans and provisions – industry and geographic[(1)] distribution[(2)]

The following table profiles the customer loan portfolio, loans past due but not impaired, impaired loans and specific impairment provisions (excluding IBNR) by industry sector and geography:

					31 December 2017
Industry	Loans and receivables to customers – gross of provisions € m	Of which: past due but not impaired € m	Of which: impaired € m	Specific balance sheet provisions € m	Specific impairment provision credit for the year € m
Agriculture	1,684	75	98	31	(6)
Energy	367	6	23	7	(2)
Manufacturing	1,198	10	50	41	4
Property and construction	6,279	214	1,442	717	(84)
Distribution	3,795	80	379	196	(31)
Transport	700	4	9	5	(5)
Financial	196	1	4	10	(2)
Other services	2,488	62	208	133	24
Personal: Residential mortgages	1,314	35	208	76	(12)
Other	2,935	149	347	190	(8)
	20,956	636	2,768	1,406	(122)
Geography					
Republic of Ireland	18,906	629	2,698	1,359	(132)
United Kingdom	644	5	35	15	(1)
Rest of the World	1,406	2	35	32	11
	20,956	636	2,768	1,406	(122)

					31 December 2016
Industry	Loans and receivables to customers – gross of provisions € m	Of which: past due but not impaired € m	Of which: impaired € m	Specific balance sheet provisions € m	Specific impairment provision credit for the year € m
Agriculture	1,621	93	115	36	(12)
Energy	270	6	29	9	(1)
Manufacturing	927	10	55	40	5
Property and construction	6,641	277	2,071	959	61
Distribution	3,839	119	599	273	10
Transport	683	8	33	31	6
Financial	379	–	135	91	(37)
Other services	2,428	91	231	147	(6)
Personal: Residential mortgages	1,467	35	243	92	24
Other	2,865	162	386	218	9
	21,120	801	3,897	1,896	59
Geography					
Republic of Ireland	19,315	788	3,596	1,752	100
United Kingdom	680	11	43	18	1
Rest of the World	1,125	2	258	126	(42)
	21,120	801	3,897	1,896	59

[(1)]The geographic breakdown in this table is based on the country of risk.

[(2)]The tables above represents the on-balance sheet total gross loans and receivables to customers.

Appendix 7: Further analysis of the loan profile

AIB Mortgage Bank

Table 145: Loans and receivables, loans past due but not impaired, impaired loans and provisions – industry and geographic[1] distribution[2]

The following table profiles the customer loan portfolio, loans past due but not impaired, impaired loans and specific impairment provisions (excluding IBNR) by industry sector and geography:

					31 December 2017
Industry	**Loans and receivables to customers – gross of provisions € m**	**Of which: past due but not impaired € m**	**Of which: impaired € m**	**Specific balance sheet provisions € m**	**Specific impairment provision credit for the year € m**
Personal – Residential mortgages	**18,778**	**455**	**1,425**	**396**	**(100)**
Geography					
Republic of Ireland	**18,778**	**455**	**1,425**	**396**	**(100)**

					31 December 2016
Industry	Loans and receivables to customers – gross of provisions € m	Of which: past due but not impaired € m	Of which: impaired € m	Specific balance sheet provisions € m	Specific impairment provision credit for the year € m
Personal – Residential mortgages	19,690	511	2,191	770	(73)
Geography					
Republic of Ireland	19,690	511	2,191	770	(73)

[1]The geographic breakdown in this table is based on the country of risk.
[2]The tables above represents the on-balance sheet total gross loans and receivables to customers.

AIB Group (UK) p.l.c.

Table 146: Loans and receivables, loans past due but not impaired, impaired loans and provisions – industry and geographic[1] distribution[2]

The following table profiles the customer loan portfolio, loans past due but not impaired, impaired loans and specific impairment provisions (excluding IBNR) by industry sector and geography:

	31 December 2017				
Industry	**Loans and receivables to customers – gross of provisions € m**	**Of which: past due but not impaired € m**	**Of which: impaired € m**	**Balance sheet specific impairment provisions € m**	**Specific impairment provision (credit)/ charge for the year € m**
Agriculture	**82**	**2**	**1**	**1**	**–**
Energy	**321**	**–**	**1**	**1**	**1**
Manufacturing	**477**	**8**	**4**	**1**	**–**
Property and construction	**1,746**	**38**	**54**	**43**	**(3)**
Distribution	**1,258**	**12**	**24**	**8**	**10**
Transport	**301**	**–**	**–**	**–**	**–**
Financial	**126**	**1**	**–**	**–**	**24**
Other services	**1,450**	**16**	**4**	**2**	**(2)**
Personal: Residential mortgages	**1,521**	**31**	**128**	**33**	**(5)**
Other	**199**	**5**	**12**	**9**	**–**
	7,481	**113**	**228**	**98**	**25**
Geography					
Republic of Ireland	**34**	**2**	**10**	**5**	**(1)**
United Kingdom	**7,318**	**111**	**218**	**93**	**26**
Rest of the World	**129**	**–**	**–**	**–**	**–**
	7,481	**113**	**228**	**98**	**25**

	31 December 2016				
Industry	Loans and receivables to customers – gross of provisions € m	Of which: past due but not impaired € m	Of which: impaired € m	Balance sheet specific impairment provisions € m	Specific impairment provision (credit)/ charge for the year € m
Agriculture	91	2	1	1	–
Energy	173	–	–	–	–
Manufacturing	440	3	3	3	(2)
Property and construction	1,877	54	130	82	13
Distribution	1,111	8	42	13	(6)
Transport	305	–	0	–	–
Financial	191	2	6	2	–
Other services	1,632	18	29	12	(2)
Personal: Residential mortgages	1,795	33	195	81	1
Other	253	5	31	24	(2)
	7,868	125	437	218	2
Geography					
Republic of Ireland	35	–	4	9	1
United Kingdom	7,665	121	417	207	1
Rest of the World	168	4	16	2	–
	7,868	125	437	218	2

[1]The geographic breakdown in this table is based on the country of risk.
[2]The table above represents the on-balance sheet total gross loans and receivables to customers.

Appendix 7: Further analysis of the loan profile

EBS d.a.c.

Table 147: Loans and receivables, loans past due but not impaired, impaired loans and provisions – industry and geographic[1] distribution[2]

The following table profiles the customer loan portfolio, loans past due but not impaired, impaired loans and specific impairment provisions (excluding IBNR) by industry sector and geography:

					31 December 2017
Industry	**Loans and receivables to customers – gross of provisions € m**	**Of which: past due but not impaired € m**	**Of which: impaired € m**	**Balance sheet specific impairment provisions € m**	**Specific impairment provision (credit) for the year € m**
Property and construction	**150**	**19**	**70**	**43**	**1**
Personal – Residential mortgages	**5,417**	**152**	**804**	**340**	**8**
	5,567	**171**	**874**	**383**	**9**
Geography					
Republic of Ireland	**5,520**	**170**	**866**	**380**	**9**
United Kingdom	**21**	**–**	**4**	**1**	**–**
Rest of the World	**26**	**1**	**4**	**2**	**–**
	5,567	**171**	**874**	**383**	**9**

					31 December 2016
Industry	Loans and receivables to customers – gross of provisions € m	Of which: past due but not impaired € m	Of which: impaired € m	Balance sheet specific impairment provisions € m	Specific impairment provision (credit)/charge for the year € m
Property and construction	189	10	99	60	(3)
Personal – Residential mortgages	5,376	168	1,038	446	(9)
	5,565	178	1,137	506	(12)
Geography					
Republic of Ireland	5,511	176	1,126	501	(12)
United Kingdom	26	1	6	2	–
Rest of the World	28	1	5	3	–
	5,565	178	1,137	506	(12)

[1]The geographic breakdown in this table is based primarily on the country of risk.
[2]The tables above represents the on-balance sheet total gross loans and receivables to customers.

EBS Mortgage Finance

Table 148: Loans and receivables, loans past due but not impaired, impaired loans and provisions – industry and geographic[(1)] distribution[(2)]

The following table profiles the customer loan portfolio, loans past due but not impaired, impaired loans and specific impairment provisions (excluding IBNR) by industry sector and geography:

					31 December 2017
Industry	**Loans and receivables to customers – gross of provisions € m**	**Of which: past due but not impaired € m**	**Of which: impaired € m**	**Balance sheet specific impairment provisions € m**	**Specific impairment provision charge for the year € m**
Personal – Residential mortgages	**4,740**	**162**	**608**	**243**	**22**
Geography					
Republic of Ireland	**4,696**	**160**	**602**	**241**	**22**
United Kingdom	**21**	**1**	**3**	**1**	**–**
Rest of the World	**23**	**1**	**3**	**1**	**–**
	4,740	**162**	**608**	**243**	**22**

					31 December 2016
Industry	Loans and receivables to customers – gross of provisions € m	Of which: past due but not impaired € m	Of which: impaired € m	Balance sheet specific impairment provisions € m	Specific impairment provision charge for the year € m
Personal – Residential mortgages	5,167	160	753	258	19
Geography					
Republic of Ireland	5,117	158	746	256	19
United Kingdom	23	1	3	1	–
Rest of the World	27	1	4	1	–
	5,167	160	753	258	19

(1)The geographic breakdown in this table is based primarily on the country of risk.
(2)The tables above represents the on-balance sheet total gross loans and receivables to customers.

Glossary of definitions and explanations

A

Additional Tier 1 capital – Additional Tier 1 Capital (“AT1”) are securities issued by AIB and included in its capital base as fully CRD IV compliant additional tier 1 capital on a fully loaded basis.

Arrears – arrears relate to any interest or principal on a loan which was due for payment, but where payment has not been received. Customers are said to be in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue.

B

Bank Recovery and Resolution Directive – The Bank Recovery and Resolution Directive (“BRRD”) is a European legislative package issued by the European Commission and adopted by EU Member States. The BRRD introduces a common EU framework for how authorities should intervene to address failure and in the event of bank failure for authorities to ensure an orderly resolution.

Banking book (also non-trading book) – A regulatory classification to support the regulatory capital treatment that applies to all exposures which are not in the trading book. Banking book positions tend to be structural in nature and, typically, arise as a consequence of the size and composition of a bank's balance sheet. Examples include the need to manage the interest rate risk on fixed rate mortgages or rate insensitive current account balances. The banking book portfolio will also include all transactions/positions which are accounted for on an interest accruals basis or, in the case of financial instruments, on an available for sale or hold to maturity basis (e.g. AFS or HTM securities portfolios).

Basel II – a set of banking regulations issued in 2004 by the Basel Committee on Bank Supervision, which regulated finance and banking internationally. It was implemented into EU law by Directive 2006/48/EC and Directive 2006/49/EC. Basel II attempted to integrate Basel capital standards with national regulations, by setting the minimum capital requirements of financial institutions with the goal of ensuring institution liquidity.

Basel III – a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:
- improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source;
- improve risk management and governance; and
- strengthen banks' transparency and disclosures. Basel III is part of the Committee's continuous effort to enhance the banking regulatory framework.

Basel III builds on the International Convergence of Capital Measurement and Capital Standards document (Basel II).
CRD IV implements the Basel III agreement in the EU framework.

Basis points (“bps”) – One hundredth of a per cent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.

C

Carrying value – an accounting measure of value, where the value of an asset or a company is based on the figures in the company's statement of financial position (balance sheet). This is the amount at which an asset is recognised in the balance sheet after deducting accumulated depreciation and accumulated impairment. This is different from market value, as it can be higher or lower depending on the circumstances, the asset in question and the accounting practices that affect those assets.

Capital Requirements Directive (“CRD”) – Capital Requirements Directive (“CRD”): Capital adequacy legislation implemented by the European Union and adopted by Member States designed to ensure the financial soundness of credit institutions and certain investment firms and give effect in the EU to the Basel II proposals which came into force on 20 July 2006.

Capital Requirements Directive IV (“CRD IV”) – Capital Requirements Directive IV (“CRD IV”), which came into force on 1 January 2014, comprises a Capital Requirements Directive and a Capital Requirements Regulation which implements the Basel III capital proposals together with transitional arrangements for some of its requirements. The Regulation contains the detailed prudential requirements for credit institutions and investment firms. Requirements Regulation (No. 575/2013) (“CRR”) and the Capital Requirements Directive (2013/36/EU).

C

Central Bank of Ireland – Central Bank of Ireland – the Central Bank of Ireland ("Central Bank" or "CBI") is responsible for both central banking and financial regulation and was created under the Central Bank Reform Act 2010. The Central Bank has a legal mandate, in both domestic legislation and under the Maastricht treaty, to contribute to financial stability both in Ireland and across the eurozone. Historically, the Central Bank of Ireland has had overall responsibility for the authorisation and supervision of credit institutions operating in Ireland. From 4 November 2014, a number of supervisory responsibilities and decision making powers moved to the ECB (see Single Supervisory Mechanism below).

Collateralised loan obligations – A collateralised loan obligation ("CLO") is a security backed by a pool of debt, often low-rated corporate loans. CLOs are similar to collateralised mortgage obligations, except for the different type of underlying loan.

Collateralised mortgage obligations – A collateralised mortgage obligation ("CMO"), is a type of bond that is structured using mortgage-backed securities. The performance of these bonds depends on the quality of the home mortgages on which they are based.

Common equity tier 1 capital ("CET1") – the highest quality form of regulatory capital under Basel III that comprises common shares issued and related share premium, retained earnings and other reserves excluding cash flow hedging reserves, and deducting specified regulatory adjustments.

Common equity tier 1 ratio – A measurement of a bank's common equity tier 1 capital expressed as a percentage of its total risk-weighted assets.

Counterparty credit exposure ("CCE") – is a measure of the amount that would be lost in the event that a counterparty to a financial contract defaults prior to its maturity. If, at that time the Group were to incur a loss to replace the contract, this would give rise to a claim on the counterparty. CCE consists partly of the contract's current replacement cost (or mark-to-market) and partly of potential future exposure. The potential future exposure component is an estimation which reflects possible changes in market values during the remaining life of the individual contract. The CCE for an individual counterparty will take into account the existence of valid bilateral netting or collateral agreements, where these are in place.

Credit conversion factor ("CCF") – converts off-balance sheet items and items which are committed but undrawn into on-balance sheet credit exposure equivalents. An estimate is made of the proportion of undrawn commitments expected to have been drawn at the point of default. Conversion factor is the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment. The extent of the commitment is determined by the advised limit, unless the unadvised limit is higher.

Credit default swap ("CDS") – an agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event, such as a default, occurs, at which time a payment is made and the swap terminates. Credit default swaps are typically used by the purchaser to provide credit protection in the event of default by a counterparty.

Credit derivatives – financial instruments where credit risk connected with loans, bonds or other risk weighted assets or market risk positions is transferred to counterparties providing credit protection. The credit risk might be inherent in a financial asset such as a loan or might be a generic credit risk such as the bankruptcy risk of an entity.

Credit risk mitigation ("CRM") – techniques used by lenders to reduce the credit risk associated with an exposure by the application of credit risk mitigants. Examples include: collateral; guarantees; and credit protection.

Credit support annex ("CSA") – provides credit protection by setting out the rules governing the mutual posting of collateral. CSAs are used in documenting collateral arrangements between two parties that trade over-the-counter derivative securities. The trade is documented under a standard contract called a master agreement, developed by the International Swaps and Derivatives Association ("ISDA"). The two parties must sign the ISDA master agreement and execute a credit support annex before they trade derivatives with each other.

Glossary of definitions and explanations

D

Default – when a customer breaches a term and/or condition of a loan agreement, a loan is deemed to be in default for case management purposes. Depending on the materiality of the default, if left unmanaged it can lead to loan impairment. Default is also used in a CRD IV context when a loan is greater than 90 days past due and/or the borrower is unlikely to pay his credit obligations. This may require additional capital to be set aside.

E

EBA – The European Banking Authority ("EBA") is an independent EU Banking Authority which works to ensure effective and consistent prudential regulation and supervision across the European Banking sector.

Eligible financial collateral – is any of the following:

(a) cash on deposit with, or cash assimilated instruments held by, the lending credit institution;

(b) debt securities issued by central governments and central banks, which securities have a credit assessment by an External Credit Assessment Institution ("ECAI") or export credit agency recognised as eligible for the purposes of Articles 111 to 113 and 135 to 136 of CRD IV which has been determined by the competent authority to be associated with credit quality step 4 or above under the rules for the risk weighting of exposures to central governments and central banks under Articles 111 to 113 and 135 to 136 of CRD IV;

(c) debt securities issued by institutions, where the securities have a credit assessment by an eligible ECAI which has been determined by the competent authority to be associated with credit quality step 3 or above under the rules for the risk weighting of exposures to credit institutions under Articles 111 to 113 and 135 to 136 of CRD IV;

(d) debt securities issued by other entities, where the securities have a credit assessment by an eligible ECAI which has been determined by the competent authority to be associated with credit quality step 3 or above under the rules for the risk weighting of exposures to corporates under Articles 111 to 113 and 135 to 136 of CRD IV;

(e) debt securities with a short-term credit assessment by an eligible ECAI which has been determined by the competent authority to be associated with credit quality step 3 or above under the rules for the risk weighting of short term exposures under Articles 111 to 113 and 135 to 136 of CRD IV;

(f) equities or convertible bonds that are included in a main index; and

(g) gold

Expected loss ("EL") – the amount expected to be lost on an exposure from a potential default of a counterparty or dilution over a one year period. EL is calculated by multiplying the EAD (an amount) by the PD (a percentage) and by LGD (a percentage).

Exposure at default ("EAD") – the expected or actual amount of exposure to the borrower at the time of default.

Exposure value – for on-balance sheet exposures, it is the amount outstanding less provisions and collateral held taking into account relevant netting agreements. For off-balance sheet exposures, including commitments and guarantees, it is the amount outstanding less provisions and collateral held taking into account relevant netting agreements and credit conversion factors.

External Credit Assessment Institution ("ECAI") – a credit rating agency that is registered or certified in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies or a central bank issuing credit ratings which are exempt from the application of Regulation (EC) No 1060/2009;

F

Fair value – the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

Forbearance – Forbearance is the term used when repayment terms of a loan contract have been renegotiated in order to make these terms more manageable for borrowers. Standard forbearance techniques have the common characteristic of rescheduling principal or interest repayments, rather than reducing them. Standard forbearance techniques employed by the Group include: - interest only; a reduction in the payment amount; a temporary deferral of payment (a moratorium); extending the term of the mortgage; and capitalising arrears amounts and related interest.

G

Global Master Repurchase Agreement – A model legal agreement designed for parties transacting repos and is published by the International Capital Market Association ("ICMA"), which is the body representing the bond and repo markets in Europe.

G

Gross exposure – the exposure at default before Credit Risk Mitigation (“CRM”), Credit Conversion Factors (“CCF”) and other offsets. See Credit Risk Mitigation and Credit Conversion Factor defined above.

I

Impaired loans – loans are typically reported as impaired when interest thereon is more than 90 days past due or where a provision exists in anticipation of loss, except (i) where there is sufficient evidence that repayment in full, including all interest up to the time of repayment (including costs) will be made within a reasonable and identifiable time period, either from realisation of security, refinancing commitment or other sources; or (ii) where there is independent evidence that the balance due, including interest, is adequately secured. Upon impairment, the accrual of interest income based on the original terms of the claim is discontinued but the increase of present value of impaired loans due to the passage of time is reported as interest income

I

Internal Capital Adequacy Assessment Process (“ICAAP”) – Internal Capital Adequacy Assessment Process (“ICAAP”): The Group’s own assessment, through an examination of its risk profile from regulatory and economic capital perspectives, of the levels of capital that it needs to hold.

Internal Ratings Based Approach (“IRBA”) – The Internal Ratings Based Approach (“IRBA”) allows banks, subject to regulatory approval, to use their own estimates of certain risk components to derive regulatory capital requirements for credit risk across different asset classes. The relevant risk components are: Probability of Default (“PD”); Loss Given Default (“LGD”); and Exposure at Default (“EAD”).

International Swaps and Derivatives Association (“ISDA”) – represents participants in the privately negotiated derivatives industry. It is the largest global financial trade association, by number of member firms.

Ireland Strategic Investment Fund (“ISIF”) – established on 22 December 2014 by the National Treasury Management (Amendment) Act 2014. The ISIF is controlled and managed by the NTMA. Pursuant to this Act, all property held by the National Pensions Reserve Fund Commission (the “NPRFC”), including its holding of ordinary shares and the 2009 Preference Shares in AIB transferred to the NTMA on 22 December 2014.

Items associated with particular high risk – a CRD IV exposure class whereby institutions shall assign a 150 % risk weight to exposures, including exposures in the form of shares or units in a CIU that are associated with particularly high risks, where appropriate. Exposures with particularly high risks shall include any of the following exposures:
- investments in venture capital firms;
- investments in Alternative Investment Funds as defined in Article 4(1)(a) of Directive 2011/61/EU except where the mandate of the fund does not allow a leverage higher than that required under Article 51(3) of Directive 2009/65/EC;
- investments in private equity; and
- speculative immovable property financing.

L

Leverage ratio – To prevent an excessive build-up of leverage on institutions’ balance sheets, Basel III introduces a non-risk-based leverage ratio to supplement the risk-based capital framework of Basel II. It is defined as the ratio of tier 1 capital to total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and should generally follow the accounting measure of exposure.

Liquidity Coverage Ratio (“LCR”) – Liquidity Coverage Ratio (“LCR”): The ratio of the stock of high quality liquid assets to expected net cash outflows over the next 30 days under a stress scenario. CRD IV requires that this ratio exceeds 100% on 1 January 2018.

Loss Given Default (“LGD”) – the expected or actual loss in the event of default, expressed as a percentage of ‘exposure at default’.

Loan to value (“LTV”) – LTV is an arithmetic calculation that expresses the amount of a loan as a percentage of the value of security/collateral. A high LTV indicates that there is less cushion to protect the lender against collateral price decreases or increases in the loan carrying amount if repayments are not made and interest is capitalised onto the outstanding loan balance.

M

Mark-to-Market – The mark-to-market of a derivative security represents its replacement cost at a point in time.

Minimum Transfer Amount – Minimum transfer amount is a cash threshold that needs to be passed in order for the requirement for collateral to be triggered as a result of a change in mark-to-market.

Glossary of definitions and explanations

N

The National Pensions Reserve Fund Commission ("NPRFC") – was established in April 2001 to meet as much as possible of the costs of Ireland's social welfare and public service pensions from 2025 onwards, when these costs are projected to increase dramatically due to the ageing of the population. Following the establishment of the ISIF (controlled by the National Treasury Management Agency ("NTMA")) on 22 December 2014, by the NTMA (Amendment Act 2014) all property held by the NPRFC, including its holding of ordinary shares and the 2009 Preference Shares in AIB transferred to the NTMA.

The National Treasury Management Agency ("NTMA") – is a State body which operates with a commercial remit outside public service structures to provide asset and liability management services to the Irish Government.

Net Stable Funding Ratio ("NSFR") – The ratio of available stable funding to required stable funding over a 1 year time horizon.

Non Performing Exposures – Non performing exposures are defined by the European Banking Authority to included material exposures which are more than 90 days past due (regardless of whether they are impaired) and / or exposures in respect of which the debtor is assessed as unlikely to pay his/her credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days the exposure is past due.

O

Operational risk – Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but excludes strategic and business risk. In essence, operational risk is a broad canvas of individual risk types which include product and change risk, outsourcing, information security, cyber, business continuity, health and safety risks, people risk and legal risk.

Originator – is either of the following:

(a) an entity which, either itself or through related entities, directly or indirectly, is involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised;

(b) an entity which purchases a third party's exposures onto its balance sheet and then securitises them.

Other items – a CRD IV definition which refers to other assets including land and buildings, plant and machinery, other fixtures and fittings, tools and equipment, payments on account and tangible assets in the course of construction.

P

Pillar 1 – minimum capital requirements – the part of the Basel Accord setting out the calculation of regulatory capital for credit, market and operational risk.

Pillar 2 – the supervisory review process – the part of the Basel Accord which sets out the process by which a bank should review its overall capital adequacy and the processes under which the supervisors evaluate how well the financial institutions are assessing their risks and take appropriate actions in response to the assessments.

Pillar 3 – market discipline – the part of the Basel Accord which sets out the disclosure requirements for banks to publish certain details of their risks, capital and risk management, with the aim of strengthening market discipline.

Position risk requirement ("PRR") – capital requirement applied to a position treated under BIPRU* 7 (Market risk) as part of the calculation of the market risk capital requirement.
*BIPRU is the prudential sourcebook for banks, building societies and investments firms (Prudential Regulatory Authority ("PRA") in the UK).

Potential future exposure ("PFE") – is a measure of counterparty risk/credit risk and is defined as the maximum expected credit exposure over a specified period of time calculated at some level of confidence.

Principal Components Analysis ("PCA") – is a tool used to analyse the behaviour of correlated random variables. It is especially useful in explaining the behaviour of yield curves. Principal components are linear combinations of the original random variables, chosen so that they explain the behaviour of the original random variables, and so that they are independent of each other. Principal components can, therefore, be thought of as just unobservable random variables. For yield curve analysis, it is usual to perform PCA on arithmetic or logarithmic changes in interest rates. Often the data is "demeaned"; adjusted by subtracting the mean to produce a series of zero mean random variables. When PCA is applied to yield curves, it is usually the case that the majority (>95%) of yield curve movements can be explained using just three principal components (i.e. a parallel shift, twist and bow). PCA is a very useful tool in reducing the dimensionality of a yield curve analysis problem and, in particular, in projecting stressed rate scenarios.

P

Probability of default ("PD") – is the likelihood that a borrower will default on an obligation to repay.

PV01 – PV01 is a measure of interest rate sensitivity. It quantifies the change in the present value of a position that results from a one basis point increase in interest rates.

R

Regulatory capital – Regulatory capital which AIB holds, determined in accordance with rules established by the SSM/ECB for the consolidated Group and by local regulators for individual Group companies.

Repurchase agreement ("repo") – short-term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement, the borrower commits to repurchase the financial asset at a date in the future, repaying the proceeds of the loan. For the counterparty to the transaction it is termed a reverse repurchase agreement or a reverse repo.

Re-securitisation – This is a securitisation exposure in which the underlying asset or pool of assets comprises at least one securitisation exposure.

Residential mortgage backed securities ("RMBS") – Residential mortgage-backed securities ("RMBS") are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

Risk weighted assets ("RWAs") – Risk weighted assets ("RWAs") are a measure of assets (including off-balance sheet items converted into asset equivalents e.g. credit lines) which are weighted in accordance with prescribed rules and formulas as defined in the Basel Accord to reflect the risks inherent in those assets.

S

Securitisation – securitisation is the process of aggregation and repackaging of non-tradable financial instruments such as loans and receivables, or company cash flow into securities that can be issued and traded in the capital markets.

Securitisation position – an exposure to a securitisation.

The Single Resolution Mechanism ("SRM"), which implements the EU-wide BRRD in the Euro area, became fully operational on 1 January 2016. The full resolution powers of the Single Resolution Board ("SRB") apply as of 1 January 2016.

Single Supervisory Mechanism ("SSM") – The Single Supervisory Mechanism ("SSM") is a system of financial supervision comprising the European Central Bank ("ECB") and the national competent authorities of participating EU countries. The main aims of the SSM are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe.

Special Purpose Entity ("SPE") – is a legal entity which can be a limited company or a limited partnership created to fulfil narrow or specific objectives. A company will transfer assets to the SPE for management or use by the SPE to finance a large project thereby achieving a narrow set of goals without putting the entire firm at risk. This term is used interchangeably with SPV (special purpose vehicle).

Sovereign exposures – exposures to governments, ministries, departments of governments, embassies, consulates and exposures on account of cash balances and deposits with central banks.

Sponsor – credit institution other than an originator credit institution that establishes and manages an asset backed commercial paper programme or other securitisation scheme that purchases exposures from third party entities.

Supervisory Formula Method – The Supervisory Formula Method ("SFM") is a formula based on the underlying asset portfolio's capital requirement calculated under the IRB Approach. It is used to calculate risk-weighted exposure amounts for unrated securitisation positions.

Glossary of definitions and explanations

T

Through-the-Cycle – A 'through-the-cycle' probability of default is an estimate of the average default rate that is observed over an economic cycle rather than at any particular point in time.

Tier 1 capital – A measure of a bank's financial strength defined by the Basel Accord. It captures common equity tier 1 capital and other instruments in issue that meet the criteria for inclusion as additional tier 1 capital. These are subject to certain regulatory deductions.

Tier 2 capital – broadly includes qualifying subordinated debt and other tier 2 securities in issue, eligible collective impairment provisions, unrealised available for sale equity gains and revaluation reserves. It is subject to deductions relating to the excess of expected loss on the IRBA portfolios over the accounting impairment provisions on the IRBA portfolios, securitisation positions and material holdings in financial companies.

Total exposure – see exposure value.

Trading book – interest rate trading book includes all securities and interest rate derivatives that are held for trading purposes in the Treasury function. These are revalued daily at market prices (marked to market) and any changes in value are immediately recognised in the income statement.

V

Value at Risk – the Group's core risk measurement methodology is based on an historical simulation application of the industry standard Value at Risk ("VaR") technique. The methodology incorporates the portfolio diversification effect within each standard risk factor (interest rate, credit spread, foreign exchange, equity, as applicable). The resulting VaR figures, calculated at the close of business each day, are an estimate of the probable maximum loss in fair value over a one day holding period that would arise from an adverse movement in market rates. This VaR metric is derived from an observation of historical prices over a period of one year and assessed at a 95% statistical confidence level (i.e. the VaR metric may be exceeded at least 5% of the time).

W

Wrong Way Risk – For the purposes of measuring counterparty credit exposure, wrong way risk may be defined as either a) the probability of default of the counterparty being positively correlated with the quantum of credit exposure or b) the value of collateral held being negatively correlated with the probability of default of the counterparty.

CRR Roadmap

CRR Ref	High Level Summary	AIB Group compliance reference
	Scope of disclosure requirements	
431(1)	Institutions to publish Pillar 3 disclosures.	AIB Group Pillar 3 Disclosures at 31 December 2017 ("P3").
431(2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	P3: Chapter 3 – page 26, AIB Group Annual Financial Report 2017 ("AFR 2017"): pages 174 – 175.
431(3)	Institutions must have a policy to comply with disclosure requirements and have policies for assessing the appropriateness including their verification and frequency of their disclosures. Institutions must also have policies for assessing whether their disclosures convey their risk profile comprehensively to market participants.	AIB Group has a Pillar 3 Disclosure Policy – P3 page 11.
431(4)	Explanation of ratings decision upon request.	Not applicable.
CRR 432:	**Non-material, proprietary or confidential information**	
432(1)	Institutions may omit certain disclosures provided that they are not regarded as materia if certain conditions are respected.	AIB complies with all relevant disclosure requirements with regards to materiality.
432(2)	Institutions may omit certain disclosures that are proprietary or confidential if certain conditions are met.	AIB does not omit any information on the grounds that it may be proprietary or confidential.
432(3)	Where 432 (2) applies this must be stated in the disclosures, and more general information must be disclosed.	Not applicable.
432(4)	Use of paragraphs 1, 2 and 3 is without prejudice to the scope of liability for failure to disclose material information.	Not applicable.
CRR 433:	**Frequency of disclosure**	
433	Disclosures must be published once a year at a minimum and more frequently if necessary.	P3: Chapter 1 – page 11.
CRR 434:	**Means of disclosures**	
434(1)	Disclosures should be provided in one appropriate medium or location with clear cross references.	P3: Chapter 1 – page 11.
434(2)	Disclosure made for accounting requirements can be used for Pillar 3 Disclosure purposes if appropriate.	Certain cross references are made to AFR 2017, where appropriate. Sign posting to relevant page references are provided.
CRR 435:	**Risk management objectives and policies**	
435(1)	Disclose information as follows:	
435(1)(a)	The strategies and processes to manage risks.	P3: Chapter 3 – page 24, AFR 2017: page 69.
435(1)(b)	Structure and organisation of risk management function.	P3: Chapter 3 – pages 26 and 27, AFR 2017: pages 69 and 70.
435(1)(c)	Risk reporting and measurement systems.	AFR 2017: pages 73 – 78 and pages 151 – 178.
435(1)(d)	Hedging and mitigating risk – policies and processes.	P3: Chapter 7 – page 55, AFR 2017: pages 78 – 81.
435(1)(e)	Adequacy of risk management arrangements approved by the Board.	AFR 2017: pages 223 and 224.
435(1)(f)	Concise risk statement approved by the Board.	AFR 2017: pages 223 and 224.

CRR Roadmap

CRR Ref	High Level Summary	AIB Group compliance reference
CRR 435:	**Risk management objectives and policies**	
435(2)	Information on governance arrangements, including information on Board composition and recruitment and risk committees.	P3: Chapter 3 – pages 26 and 27, AFR 2017: pages 18 and 19; 26 – 29; 32 – 34; and 195 – 206.
435(2)(a)	Number of directorships held by Board members.	P3: Chapter 3 – pages 26 and 27, AFR 2017: pages 28 and 29.
435(2)(b)	Recruitment policy of Board members, their actual knowledge, skills and expertise.	P3: Chapter 3 – pages 26 and 27, AFR 2017: pages 204 to 206.
435(2)(c)	Policy on diversity of Board membership and results against targets.	P3: Chapter 3 – page 27, AFR 2017: page 204.
435(2)(d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	P3: Chapter 3 – pages 24 – 27, AFR 2017: pages 200 – 203.
435(2)(e)	Description of information flow on risk to the Board.	P3: Chapter 3 – pages 24 and 27, AFR 2017: pages 69 – 71 and 200 – 203.
CRR 436:	**Scope of application**	
436	Disclose information as follows:	
436(a)	Name of institution.	AIB Group plc.
436(b)	Difference in basis of consolidation for accounting and prudential purposes, describing entities that are:	P3: Chapter 1 – page 12 and Table 1 on page 13.
436(b)(i)	Fully consolidated.	P3: Chapter 1 – pages 11 and 12.
436(b)(ii)	Proportionally consolidated.	Not applicable.
436(b)(iii)	Deducted from own funds.	Not applicable.
436(b)(iv)	Neither consolidated nor deducted.	Not applicable.
436(c)	Impediments to transfer of own funds between parent and subsidiaries.	P3: Chapter 1 – page 12.
436(d)	Capital shortfalls in any subsidiaries outside the scope of consolidation.	Not applicable.
436(e)	Making use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries/entities.	P3: Chapter 1 – pages 10 and 11.
CRR 437:	**Own funds**	
437(1)(a)	A full reconciliation of Common equity tier 1 items, Additional tier 1 items, Tier 2 items and filters and deductions to own funds of the institution and to the statutory balance sheet in the audited financial statements of the institution.	P3: Chapter 2 – Tables 4 and 5 – pages 17 and 18; and Appendix 4: Transitional and fully loaded own funds.
437(1)(b)	A description of the main features of capital instruments issued by the institution.	P3: Appendix 1: Own funds. Also see separate document on website along with Pillar 3 document.
437(1)(c)	The full terms and conditions of all capital instruments issued by the institution.	P3: Appendix 1: Own funds. Also see separate document on website along with Pillar 3 document.
437(1)(d)	Disclosure of the nature and amounts of the following:	
437(1)(d)(i)	Each prudential filter applied.	P3: Chapter 2 – Table 5 – page 18 footnotes and Appendix 4: Transitional and fully loaded own funds.
437(1)(d)(ii)	Each capital deduction applied.	P3: Chapter 2 – Tables 3 to 5 and Appendix 1: Own funds – pages 79 – 82.
437(1)(d)(iii)	Items not deducted from capital.	P3: Chapter 2 – pages 15 – 20.
437(1)(e)	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply.	P3: Chapter 2 – pages 15 – 20 and Appendix 1: Own funds – pages 79 – 82.

CRR Ref	High Level Summary	AIB Group compliance reference
CRR 437:	**Own funds**	
437(1)(f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a different basis.	Not applicable.
437(2)	EBA shall develop draft implementing technical standards to specify uniform templates for disclosure.	EBA published technical standards introducing Common Disclosure templates for Own funds - (EU) No - 1423/23.
CRR 438:	**Capital requirements**	
438(a)	Summary of institution's approach to assessing adequacy of capital levels.	P3: Chapter 2 – page 15.
438(b)	Result of ICAAP on demand from authorities.	Not applicable.
438(c)	Capital requirement amounts for credit risk for each Standardised Approach exposure class.	P3: Chapter 2 – Table 9 – page 29.
438(d)	Capital requirement amounts for credit risk for each Internal Ratings Based Approach exposure class.	P3: Chapter 2 – Table 9 – page 29.
438(d)(i)-(iv)	Capital requirement amounts for credit risk for each Internal Ratings Based Approach exposure class.	P3: Chapter 2 – Table 9 – page 29.
438(e)	Capital requirement amounts for market risk or settlement risk.	P3: Chapter 2 – Table 7 – page 22 and Chapter 13 – page 74.
438(f)	Capital requirement amounts for operational risk, separately for the Basic Indicator Approach, the Standardised Approach, and the Advanced Measurement Approaches as applicable.	P3: Table 7 – page 22.
438(g)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	Not applicable.
CRR 439:	**Exposure to counterparty credit risk**	
439(a)	Description of process to assign internal capital and credit limits to CCR exposures.	P3: Chapter 9 – pages 63 and 64.
439(b)	Discussion of policies to secure collateral and establishing credit reserves.	P3: Chapter 9 – page 64.
439(c)	Discussion of management of wrong-way risk exposures.	P3: Chapter 9 – page 64.
439(d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	P3: Chapter 9 – page 64.
439(e)	Derivation of net derivative credit exposure.	P3: Chapter 9 – page 64 and Table 41 – page 66.
439(f)	Exposure values for mark-to-market, original exposure, Standardised and Internal model methods.	P3: Chapter 9 – Table 37 – page 65.
439(g)	Notional amounts of credit derivative hedges for own credit, intermediation, bought and sold and current credit exposure by type of exposure.	P3: Chapter 9 – Table 43 page 67.
439(h)	Notional amounts of credit derivative transactions.	P3: Chapter 9 – Table 43 page 67.
439(i)	Estimate of alpha, if applicable.	Not applicable.
CRR 440:	**Capital buffers**	
440(1)(a)	Geographical distribution of relevant credit exposures for calculation of countercyclical capital buffer.	P3: Appendix 6: Table 141 – page 165.
440(1)(b)	Amount of the institution specific countercyclical capital buffer.	P3: Appendix 6: Table 142 – page 165.
440(2)	EBA will issue technical implementation standards related to 440 (1).	AIB Group follows the current standards.

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CRR Ref	High Level Summary	AIB Group compliance reference
CRR 441:	**Indicators of global systemic importance**	
441(1)	Disclosure of the indicators of global systemic importance.	Not applicable.
441(2)	EBA will issue technical implementation standards related to 441 (1).	Not applicable.
CRR 442:	**Credit risk adjustments**	
442(a)	Disclosure of bank's definitions of past due and impaired.	P3: Chapter 8: – page 56, AFR 2017: page 74.
442(b)	Approaches for calculating specific and general credit risk adjustments.	P3: Chapter 8: – page 56, AFR 2017: pages 85 – 90.
442(c)	Disclosure of pre-CRM EAD by exposure class.	P3: Chapter 5: – Table 13 – page 34 and Chapter 6 – Table 21 – page 49.
442(d)	Disclosure of pre-CRM EAD by geography and exposure class.	P3: Chapter 5: – Table 14 – page 34; Chapter 6 – Table 22 – page 49; and Chapter 8: – Table 30 – page 58.
442(e)	Disclosure of pre-CRM EAD by industry and exposure class.	P3: Chapter 5: – Table 12 – page 33; Chapter 6 – Table 23 – page 50 and Chapter 8: – Table 29 – page 58.
442(f)	Disclosure of pre-CRM EAD by residual maturity and exposure class.	P3: Chapter 5: – Table 15 – page 35; Chapter 6: – Table 24 – page 51.
442(g)	Breakdown of impaired, past due, specific and general credit risk adjustments, and impairment charges for the period, by industry.	P3: Table 28 – page 57; Table 29 – page 58; Table 30 – page 58, Table 34 – page 60 and Appendix 7 – page 166.
442(h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	P3: Table 30 – page 58 and Appendix 7 – page 166.
442(i)	Reconciliation of changes in specific and general credit risk adjustments.	P3: Chapter 8 – Table 34 – page 60.
442	Specific credit risk adjustments recorded in income statement to be disclosed separately.	P3: Chapter 8 – Table 29 – page 58.
CRR 443:	**Unencumbered assets**	
443	Disclosures on unencumbered assets.	P3: Appendix 2 - Asset encumbrance – pages 83 – 85.
CRR 444:	**Use of ECAIs**	
444(a)	Names of the ECAIs used in the calculation of Standardised Approach risk-weighted assets and reasons for any changes.	P3: Chapter 5: – page 30.
444(b)	Exposure classes associated with each ECAI.	P3: Chapter 5: – Table 16 – page 36 and Chapter 10 – page 69.
444(c)	Process used to transfer credit assessments to non-trading book items.	P3: Chapter 5 – page 30.
444(d)	Mapping of external rating to Credit Quality Step.	P3: Chapter 5: – page 30 and Tables 16 and 17 – pages 36 and 37.
444(e)	Exposure value pre and post-credit risk mitigation, by Credit Quality Step.	P3: Chapter 5: – pages 30 to 37 and Chapter 7 – page 55.
CRR 445:	**Exposure to market risk**	
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	P3: Chapter 13: – page 74.
CRR 446:	**Operational risk**	
446	Scope of approaches used to calculate operational risk.	P3: Chapter 3: – page 26, AFR 2017: pages 174 and 175.

CRR Ref	High Level Summary	AIB Group compliance reference
CRR 447:	**Exposures in equity not included in the trading book**	
447(a)	Differentiation of exposures based on objectives and an overview of accounting techniques and valuation methodologies.	P3: Chapter 11: – page 71, AFR 2017: pages 256 – 259.
447(b)	Comparison between balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value.	P3: Chapter 11: – pages 71 and 72. For exchange traded instruments market price did not differ for fair value.
447(c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures.	P3: Chapter 11: – pages 71 and 72.
447(d)	Realised gains or losses arising from sales and liquidations in the period.	P3: Chapter 11: – pages 71 and 72.
447(e)	Total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds.	P3: Chapter 11: – pages 71 and 72. There were no latent revaluation gains or losses.
CRR 448:	**Exposure to interest in rate risk on positions not included in the trading book**	
448(a)	Nature of the interest rate risk and the key assumptions, and frequency of measurement of the interest rate risk.	P3: Chapter 12: – page 73, AFR 2017: page 171.
448(b)	Variation in earnings, economic value or other relevant measure used by the bank for upward and downward rate shocks according to the banks method for measuring the interest rate risk, broken down by currency.	P3: Chapter 12: – page 73, AFR 2017: page 171.
CRR 449:	**Exposure to securitisation positions**	
449(a)	Objectives in relation to securitisation activity.	P3: Chapter 10: – pages 68 and 69, AFR 2017: pages 336 and 337. P3: Chapter 10: – pages 68 and 69.
449(b)	Nature of other risks in securitised assets, including liquidity.	P3: Chapter 10: – pages 68 and 69. Minimal re-securitisation activity.
449(c)	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets.	P3: Chapter 10: – pages 68 and 69.
449(d)	The roles played by the institution in the securitisation process.	P3: Chapter 10: – pages 68 and 69.
449(e)	Indication of the extent of involvement in roles.	P3: Chapter 10: – pages 68 and 69.
449(f)	Processes in place to monitor changes in credit and market risks of securitisation exposures, and how the processes differ for re-securitisation exposures.	P3: Chapter 10: – pages 68 and 69.
449(g)	Description of the institution's policies with respect to hedging and unfunded protection, and identification of material hedge counterparties.	P3: Chapter 10: – page 69.
449(h)	Approaches to the calculation of risk-weighted assets for securitisations mapped to types of exposures.	Not applicable.
449(i)	Types of SSPEs used to securitise third-party exposures as a sponsor.	P3: Chapter 10: – page 69.
449(j)	Summary of accounting policies for securitisations.	P3: Chapter 10: – page 69.
449(k)	Names of ECAIs used for securitisations and type.	P3: Chapter 10: – page 69.
449(l)	Full description of Internal Assessment Approach.	P3: Chapter 10: – pages 68 – 70.
449(m)	Explanation of significant changes in quantitative disclosures.	

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CRR Ref	High Level Summary	AIB Group compliance reference
CRR 449:	**Exposure to securitisation positions**	
449(n)	Banking and trading book securitisation exposures separately as appropriate:	
449(n)(i)	Amount of outstanding exposures securitised.	P3: Chapter 10: – pages 68 – 70.
449(n)(ii)	On-balance sheet securitisation retained or purchased, and off-balance sheet exposures.	P3: Chapter 10: – pages 68 – 70.
449(n)(iii)	Amount of assets awaiting securitisation.	None.
449(n)(iv)	Early amortisation treatment; aggregate drawn exposures, capital requirements.	None.
449(n)(v)	Deducted or 1,250%-weighted securitisation positions.	None.
449(n)(vi)	Amount of exposures securitised and recognised gains or losses on sales.	P3: Chapter 10: – pages 68 and 69.
449(o)	Banking and trading book securitisations by risk band.	P3: Table 8 - page 23 and Table 44 – page 70.
449(o)(i)	Retained and purchased positions and associated capital requirements, broken down by risk-weight bands.	P3: Tables 44 and 45 – page 70.
449(o)(ii)	Retained and purchased re-securitisation positions before and after hedging and insurance; exposure to financial guarantors broken down by guarantor credit worthiness.	P3: Table 46 – page 70.
449(p)	Impaired assets and recognised losses related to banking book securitisations, by exposure type.	Not applicable.
449(q)	Exposure and capital requirements for trading book securitisations, separated into traditional and synthetic.	Not applicable.
449(r)	Whether the institution has provided non-contractual financial support to securitisation vehicles.	None.
CRR 450:	**Remuneration policy**	
450	Remuneration.	P3: Chapter 14: – pages 75 – 78, AFR 2017: pages 207 – 219.
CRR 451:	**Leverage**	
451 (1)	Institutions shall disclose:	
451(1)(a)	The leverage ratio;	P3: Chapter 2: – page 23, AFR 2017: page 55.
451(1)(b)	A breakdown of the total exposure measure as well as a reconciliation of the total exposure measure to that disclosed in the published financial statements;	P3: Chapter 2: – page 23.
451(1)(c)	Where applicable, the amount of derecognised fiduciary items;	Not applicable.
451(1)(d)	A description of the processes used to manage the risk of excessive leverage;	P3: Chapter 2: – page 15.
451(1)(e)	Factors that had an impact on the leverage ratio during the period.	P3: Chapter 2: – Table 8 – page 23.
451(2)	EBA shall develop draft implementing technical standards.	AIB follows the current standards.

CRR Ref	High Level Summary	AIB Group compliance reference
CRR 452:	**Use of the IRB Approach to credit risk**	
452(a)	Permission for use of the IRB approach from the competent authority.	P3: Chapter 6: – pages 38 – 40.
452(b)(i)	Internal rating scales, mapped to external ratings.	P3: Chapter 6 – page 40.
452(b)(ii)	Use of internal ratings for purposes other than capital requirement calculations.	AFR 2017: pages 73 –74.
452(b)(iii)	Management and recognition of credit risk mitigation.	P3: Chapter 6 – page 38.
452(b)(iv)	Controls around ratings systems.	P3: Chapter 6 – pages 38 – 40.
452(c)	Description of ratings processes for each IRB asset class.	P3: Chapter 6 – pages 39 – 40.
452(d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	P3: Chapter 6 – Table 20 – pages 43 – 48.
452(e)(i)	Total exposure, separating drawn and undrawn exposure.	P3: Chapter 6 – Table 20 pages 43 – 48.
452(e)(ii)	Exposure-weighted average risk weight.	P3: Chapter 6 – Table 20 pages 43 – 48.
452(e)(iii)	Undrawn commitments and the exposure-weighted average Credit Conversion Factor (CCF).	P3: Chapter 6 – Table 20 pages 43 – 48.
452(f)	The requirements laid out in 452(e) for the Retail exposure class.	P3: Chapter 6 – Table 20 pages 43 – 48.
452(g)	Actual specific risk adjustments for the period and explanation of changes.	P3: Table 28 – page 57; Table 34 – page 60; and AFR 2017: page 91/various other in Section 3.1 of AFR 2017.
452(h)	Commentary on drivers of losses in preceding period.	P3: Table 35 – page 61 and AFR 2017: page 91.
452(i)	Estimates against actual losses for sufficient period, and historical analysis to help assess the performance of the rating system over a sufficient period.	P3: Table 35 – page 61.
452(j)	For all IRB exposures: Where applicable, PD and LGD by each country where the bank operates.	P3: Table 20 – pages 43 – 48. Other than Central governments and central banks, the value of exposures booked on the balance sheet of locations outside Republic of Ireland is not material (less than 5%). In terms of Central governments and central banks on page 43, c. 50% is booked in the UK.

CRR 453:	**Use of credit risk mitigation techniques**	
453(a)	Use of on and off-balance sheet netting.	AFR 2017: page 78.
453(b)	How collateral valuation is managed.	AFR 2017: pages 78 – 80.
453(c)	Description of types of collateral used by the institution.	P3: Chapter 7 – page 55 and AFR 2017: page 79.
453(d)	Main types of guarantor and credit derivative counterparty, creditworthiness.	AFR 2017: page 79.
453(e)	Market or credit risk concentrations within risk mitigation exposures.	P3: Chapter 7 – page 55 and AFR 2017: page 75.
453(f)	Standardised or Foundation IRB Approach, exposure value covered by eligible collateral.	P3: Chapter 7 – page 55.
453(g)	Exposures covered by guarantees or credit derivatives.	P3: Chapter 6 – Table 25 – page 51 and Chapter 7 – page 55.

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CRR Ref	High Level Summary	AIB Group compliance reference
CRR 454:	**Use of the Advanced Measurement Approaches to operational risk**	
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	Not applicable.
CRR 455:	**Use of Internal Market Risk Models**	
455(a)(i)	Disclosure of the characteristics of the market risk models.	Not applicable.
455(a)(ii)	Disclosure of the methodologies used to measure incremental default and migration risk.	Not applicable.
455(a)(iii)	Descriptions of stress tests applied to the portfolios.	Not applicable.
455(a)(iv)	Methodology for back-testing and validating the models.455(b) Scope of permission for use of the models.455(c) Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	Not applicable.
455(d)	High / Low / Mean values over the year of VaR, SVaR and incremental risk charge.	Not applicable.
455(e)	The elements of the own fund calculation.	Not applicable.
455(f)	Weighted average liquidity horizons of portfolios covered by models.	Not applicable.
455(g)	Comparison of end-of-day VaR measures compared with one day changes in the portfolio's value.	Not applicable.