Investor presentation – Tier 2

AIB Group plc

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Q3 2019 Trading update highlights

Solid operational performance and planning for the future

CET1 (FL) post-TRIM impact 16.5%; indicative 2020 SREP includes 15bps reduction in P2R to 3.00%

NIM 2.42% includes 7bps excess liquidity impact; stable customer loan yields & spread between deposit costs has widened

New lending YTD in line with prior period

NPE €4.5bn down from €6.1bn FY 18**;** further reduction from portfolio sale announced on 1 Nov. At completion of the sale, AIB will receive cash consideration of approximately €0.7 billion

Cost discipline is a key priority; expect FY 2019 costs c. €1.5bn

Successful AT1 transaction €500m in Oct 2019; c. 75% of our MREL issuance requirement complete

Fitch recently upgraded AIB Group plc one notch to BBB / Stable outlook primarily driven by significant improvement in asset quality

(1) <6% pro-forma NPE ratio is based on September 2019 NPEs and gross loans adjusted for recently announced €0.85bn NPE loan portfolio sale

Credit ratings

Investment grade status for AIB Group plc

	Moody's	Fitch Ratings	Standard & Poor's
AIB Group plc (HoldCo) Long term issuer rating	**Baa3**	**BBB**	**BBB-**
Outlook	Positive	Stable	Stable
Investment grade	✓	✓	✓
AIB p.l.c. (OpCo) Long term issuer rating	**A3**	**BBB+**	**BBB+**
Outlook	Positive	Stable	Stable
Investment grade	✓	✓	✓

SREP – minimum CET1 requirement

Minimum CET1 requirement 11.55% - FY 2019

SREP – CET1 requirements (%)	FY 2019	FY 2020	FY 2021
Pillar 1 – CET1	4.50	4.50	4.50
Pillar 2 requirement (P2R)[1]	3.15	3.00	3.00
Capital conservation buffer (CCB)	2.50	2.50	2.50
Other systemically important institution (OSII)	0.50	1.00	1.50
Counter cyclical buffer (CCyB) [2]	0.90	0.90	0.90
CET1	**11.55**	**11.90**	**12.40**

[1] *P2R 3.00% in FY 2020 & FY 2021 is indicative*

[2] *CCyB rate for Ireland is 1%, this equates to a Group requirement of 0.7%; the rate for the UK is 1%, this equates to a Group requirement of 0.2%*

Key Financials – H1 2019

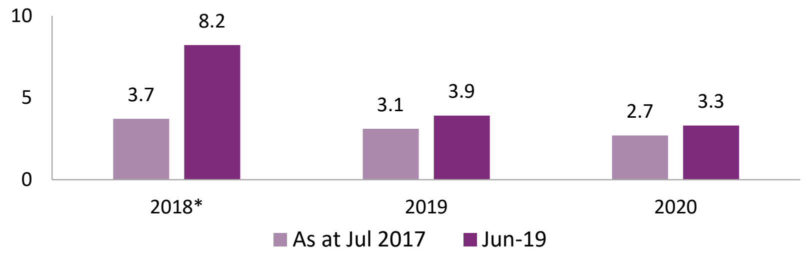
AIB Group plc

Growing Irish economy

Continuing positive market dynamic

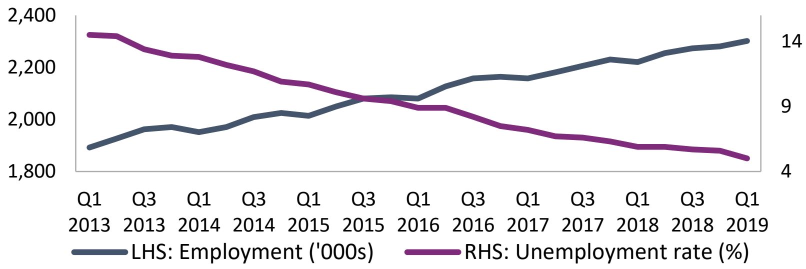
Irish economic growth* improving; Brexit risk remains

%



Source: CSO, Department of Finance

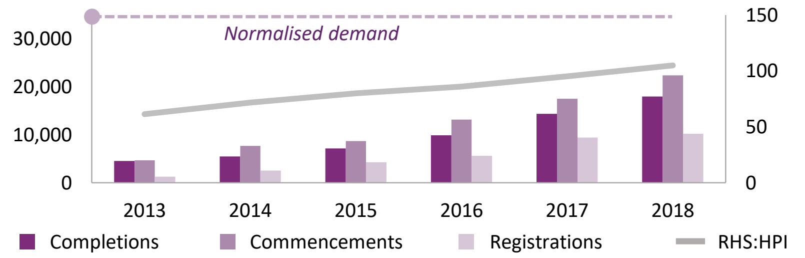
Total employment levels rising as unemployment falls



Source: CSO

Irish housing activity

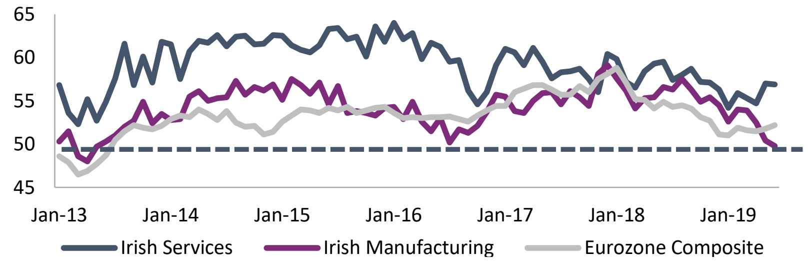
of completions, commencement & registrations (‘000s)



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

Service sector expanding; overall cautious business sentiment

PMI index



Source: Markit *via* Thomson Datastream

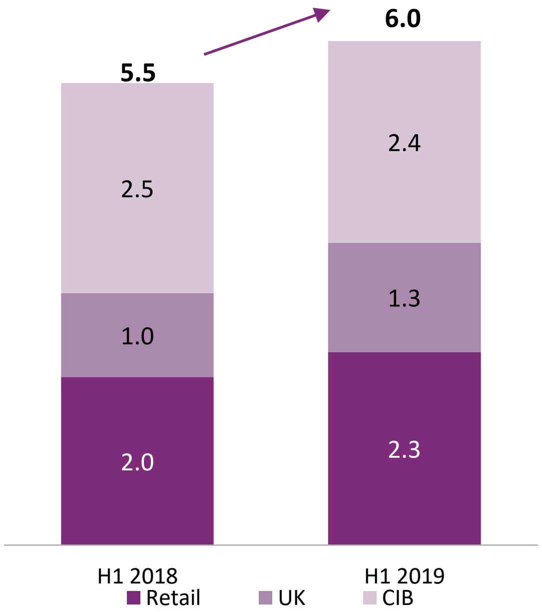
* *GDP forecasts used, however note that GDP can be distorted due to the impact of multi-national sector in Ireland. Modified final domestic demand in 2018 was 4.8%*

Delivering continued momentum

Increased new lending; leading market shares

Continuing increase in new lending

Drawdowns (€bn)

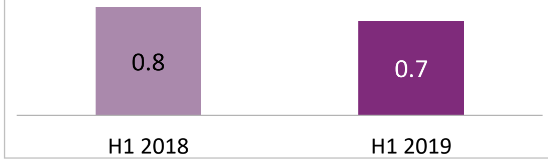


New lending across all asset classes(1)

Mortgages (€bn)

Personal lending (€bn)

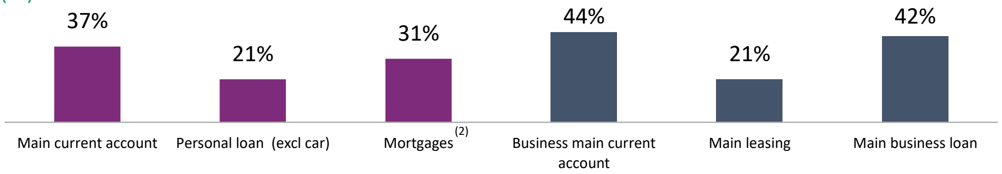
Property (€bn)



Corporate & SME *(ex-property)* (€bn)

Leading market shares in key segments

Stock (%)



Source: Ipsos MRBI Quarterly personal market pulse Q2 2019; Ipsos MRBI Annual SME Market Pulse March 2019

(1) *Excludes UK*
(2) *Mortgage new lending flow based on BPFI industry drawdown data to end June 2019*

Financial highlights H1 2019

Solid operational and financial performance

- Pre-exceptional PBT €567m
- NIM 2.46%; widening spread between customer loans and deposits
- Costs €744m, up 6% year on year; renewed focus on cost discipline
- New lending €6bn up 8%; mortgage lending up 8%
- NPE[1] €4.7bn (7.5% of gross loans), reduced by €1.4bn (22%) in H1 2019
- CET1 (FL) 17.3%; solid underlying profit generation supporting growth and capital return
  - Indicative TRIM impact for AIB mortgage model estimated c. 90bps
- MREL issuance €3.3bn to date; well-positioned to meet expected MREL requirement

[1] *NPE exclude c.€0.2bn of off-balance sheet commitments*

Income statement

Pre-exceptional PBT €567m; underlying business performing well

Summary income statement (€m)	H1 2019	H1 2018*
Net interest income	**1,050**	1,049
Other income	**319**	322
Total operating income	**1,369**	**1,371**
Total operating expenses (1)	**(744)**	(702)
Bank levies and regulatory fees	**(58)**	(40)
Operating profit before provisions	**567**	**629**
Net credit impairment (charge) / writeback	**(9)**	142
Associated undertakings & other	**9**	5
Profit before exceptionals	**567**	**776**
Exceptional items	**(131)**	(14)
Profit before tax from continuing operations	**436**	**762**
Metrics	**H1 2019**	**H1 2018***
Net interest margin (NIM)	**2.46%**	2.50%
Cost income ratio (CIR) (1)	**54%**	51%
Return on tangible equity (RoTE)	**7.9%**	15.2%
Return on assets (RoA)	**0.8%**	1.4%
Earnings per share (EPS)	**12.6c**	23.3c

- Net interest income stable
- Other income €319m – fees and commissions up 6%
- Operating expenses €744m; renewed focus on cost discipline
- Net credit impairment €9m charge – returning to a more normalised cost of credit

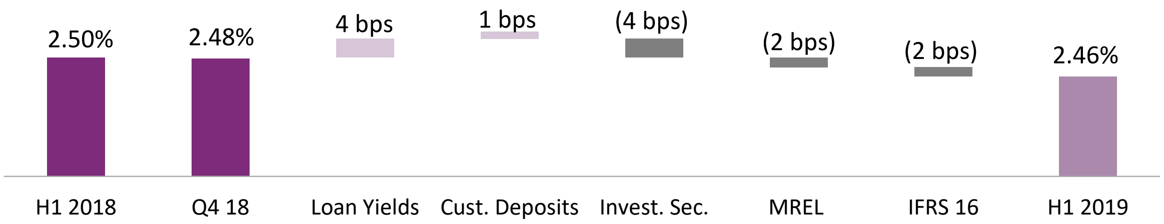
* *H1 2018 has been re-presented following the implementation of IFRS 9, income on cured loans without financial loss is now reported with credit impairments; previously reported in interest income (H1 2019: €18m, H1 2018: €12m)*

(1) *Excludes exceptional items, bank levies and regulatory fees*

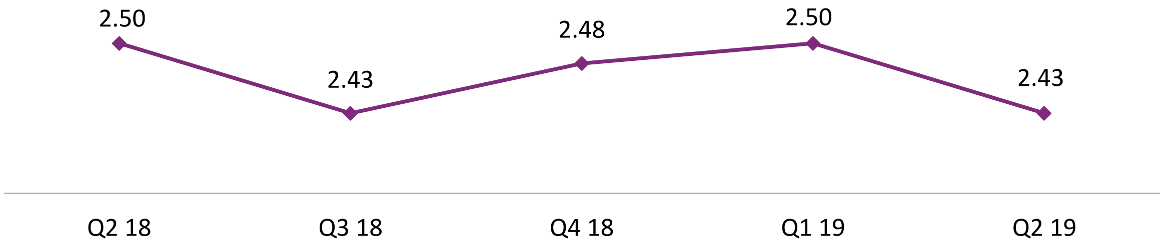
Net interest margin (NIM)

In excess of 2.40%+ medium-term target

NIM – material movements



NIM trajectory (%)

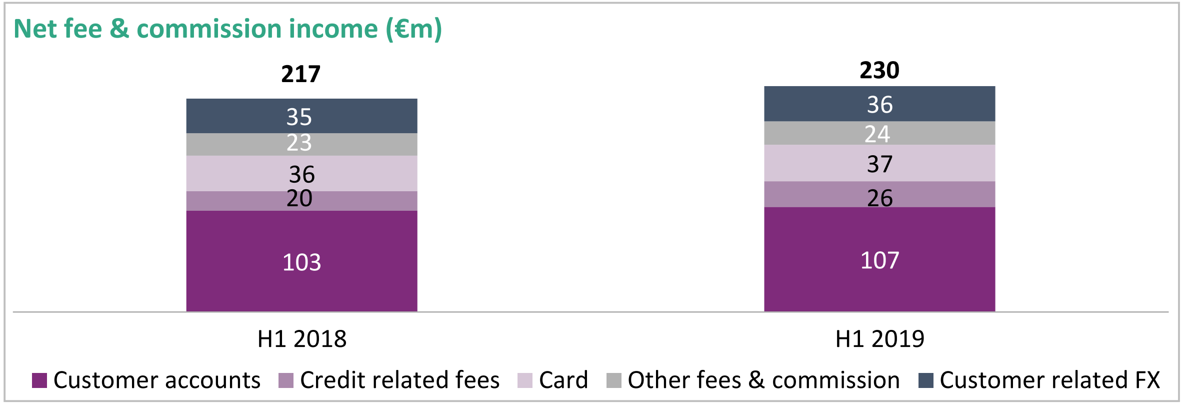


- NIM 2.46%
- Higher loan yields (3.47%) offset by
  - lower investment securities yields
  - cost of MREL issuance
  - IFRS 16 lease impact

- Q2 exit NIM 2.43% reflects cost of MREL and impact of excess liquidity
- Management actions continue to address excess liquidity

Other income

Net fee and commission income, up 6%

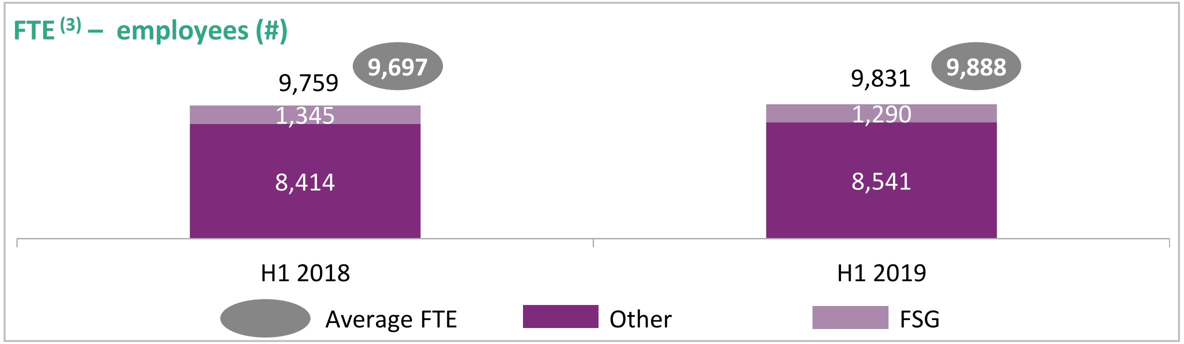


Other income (€m)	H1 2019	H1 2018
Net fee and commission income	**230**	217
Other business income	**14**	39
Business income	**244**	**256**
Gains on disposal of investment securities	**39**	16
Realisation of cash flows on restructured loans	**28**	40
Other gains / losses	**8**	10
Other items	**75**	**66**
Total other income	**319**	**322**

- Fees and commissions €230m, up 6% year on year
  - customer accounts and credit related fee income increase driven by higher volumes of transactions
- Other items €75m
  - higher income from gains on disposal of investment securities partially offset by lower realisation of cash flows on restructured loans

Costs

Renewed focus on cost discipline



- Costs €744m, up 6% year on year
- Factors impacting costs:
  - wage inflation 3% and higher average FTE
  - elevated cost of our work out unit
  - increased depreciation from investment programme
  - cost of heightened regulatory requirement and oversight
- Exceptional items €131m primarily include:
  - restitution costs €102m
  - provision for fines €43m (incl. tracker mortgage examination enforcement €35m)

1) *Excluding exceptional items, bank levies & regulatory fees*
2) *H1 2018 has been re-presented following the implementation of IFRS 9, income on cured loans without financial loss is now reported within credit impairments; previously reported in interest income*
3) *Period end*

Balance sheet

New lending growth supported by strong liquidity and capital ratios

Balance sheet (€bn)	Jun 2019	Dec 2018
Performing loans	**58.0**	56.8
Non-performing loans	**4.7**	6.1
Gross loans to customers	**62.7**	**62.9**
Expected credit loss allowance	**(1.6)**	(2.0)
Net loans to customers	**61.1**	**60.9**
Investment securities	**17.1**	16.9
Loans to banks	**10.6**	8.0
Other assets	**6.8**	5.7
Total assets	**95.6**	**91.5**
Customer accounts	**69.5**	67.7
Deposits by central banks / banks	**1.0**	0.8
Debt securities in issue	**6.9**	5.7
Other liabilities	**4.2**	3.4
Total liabilities	**81.6**	77.6
Equity	**14.0**	13.9
Total liabilities & equity	**95.6**	**91.5**

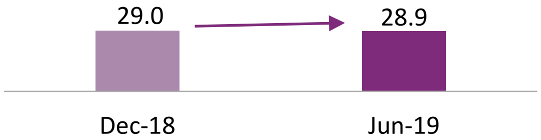
Key capital metrics	Jun 2019	Dec 2018
CET1 ratio (FL)	**17.3%**	17.5%
Leverage ratio (FL)	**9.8%**	10.1%

- Performing loans increased €1.2bn
- Sustainable new lending exceeding redemptions
- Loans to banks increased €2.6bn impacted by excess liquidity due to increase in customer accounts and MREL issuance
- Customer accounts up €1.8bn

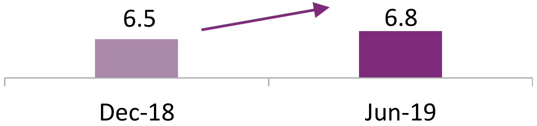
Gross performing loans

Growing at sustainable levels; €1.2bn increase

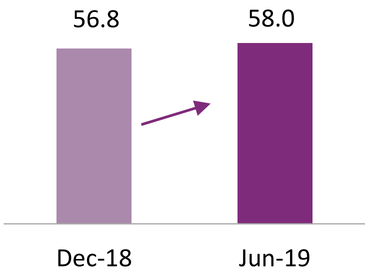
Mortgages (€bn)



Property (€bn)

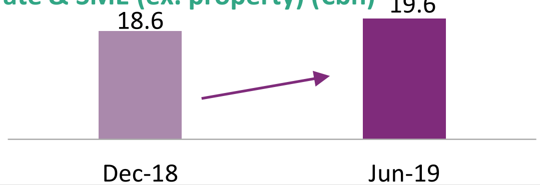


Growing the performing loan book €58.0bn



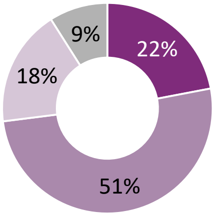
Personal (€bn)

Corporate & SME (ex. property) (€bn)



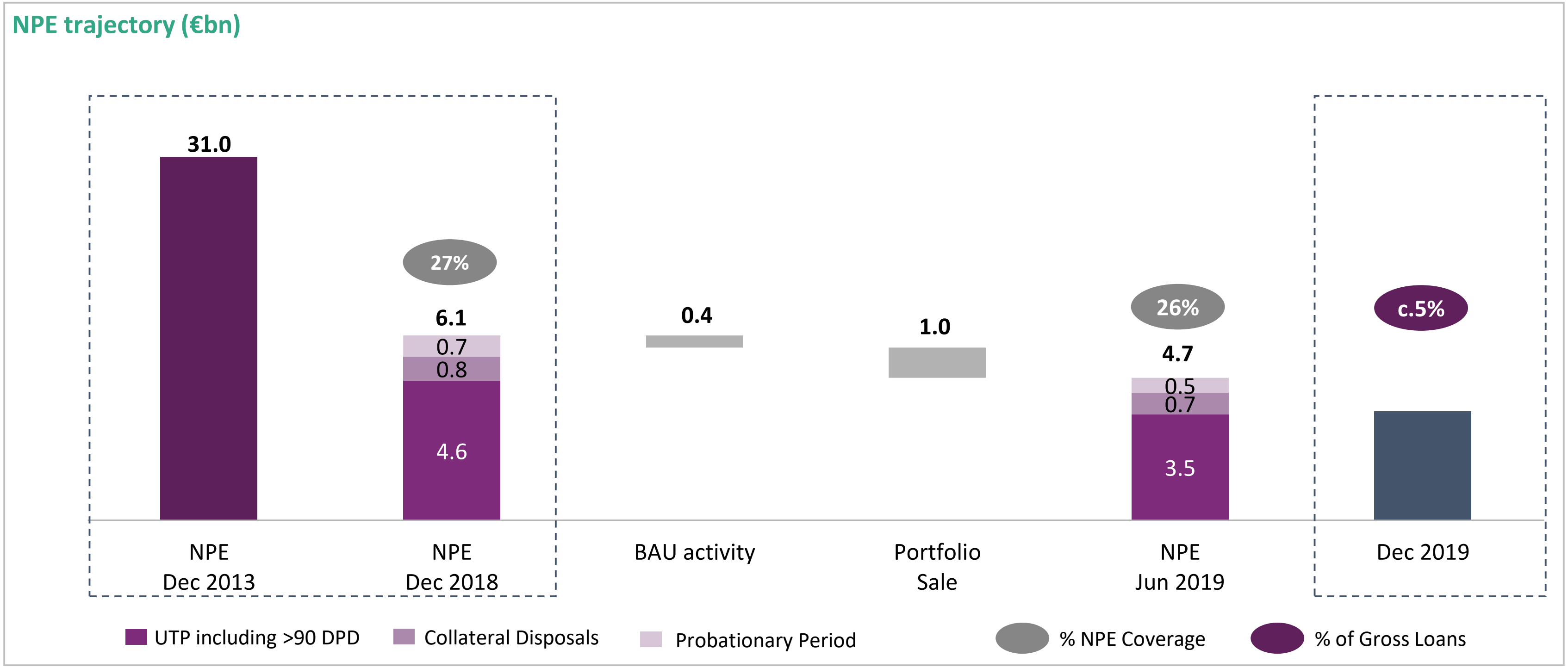
Jun-19: Performing loans €58bn

Jun-19: New lending €6bn



Momentum in NPE reduction continues

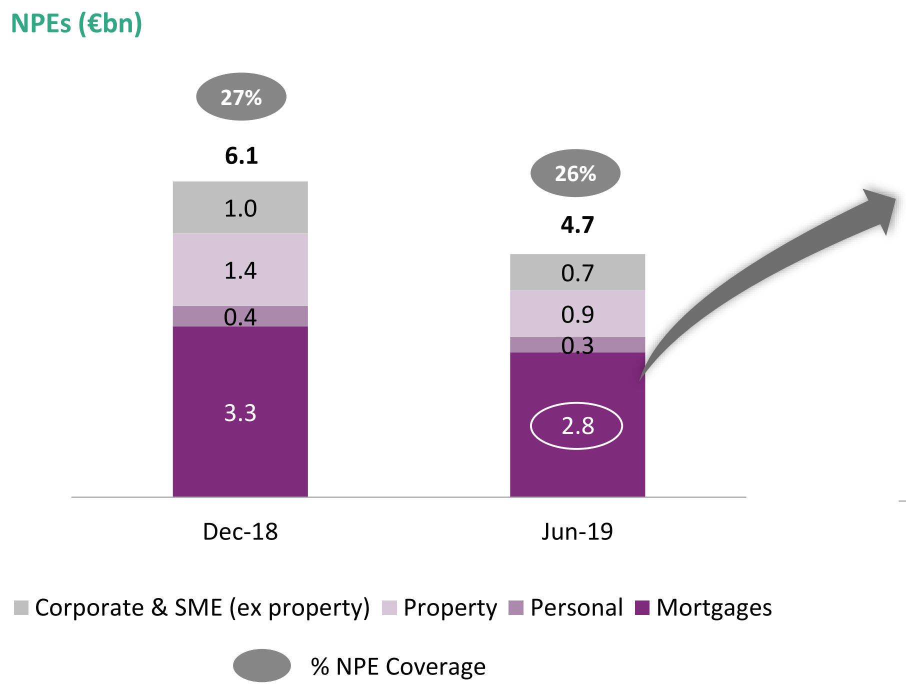
NPE ratio 7.5%; on track to reach 2019 target of c.5%

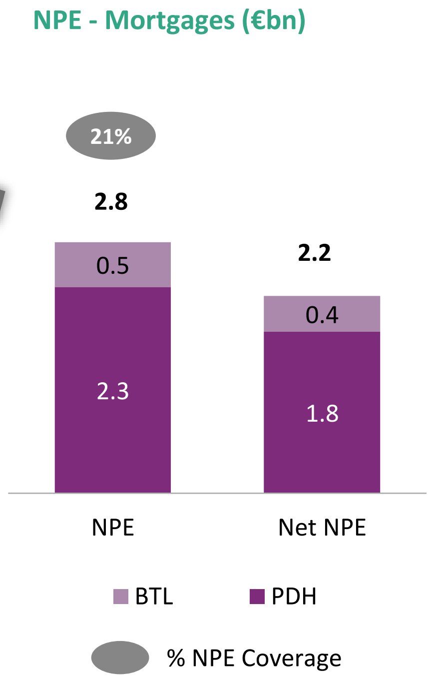


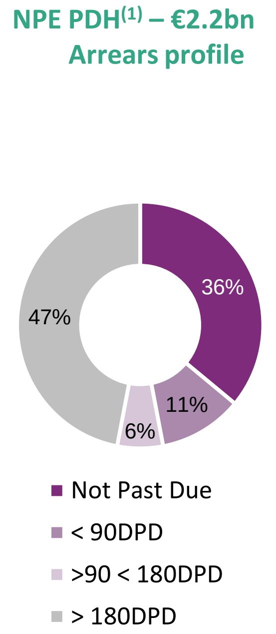
Note: BAU = business as usual; UTP = unlikely to pay; DPD = days past due

Momentum in NPE reduction continues

Progress in mortgages – 47% not past due / <90 DPD







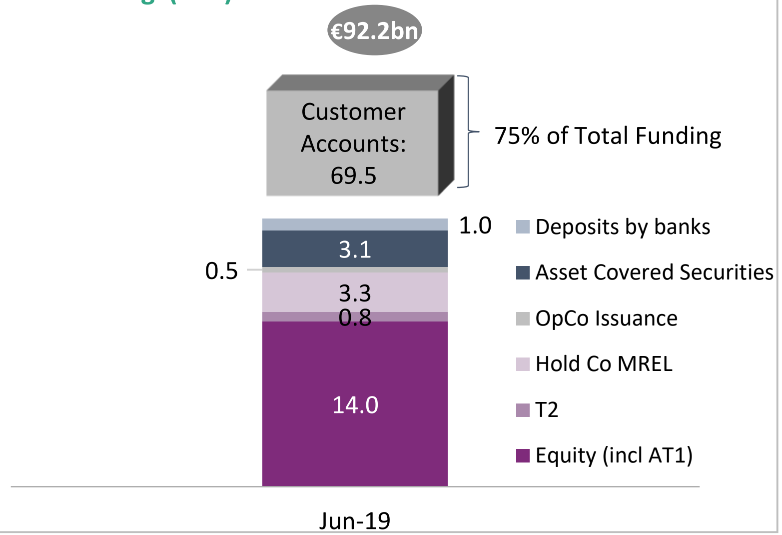
(1) Excludes UK

Note: PDH = primary dwelling home; BTL = Buy-to-let; DPD = days past due

Funding structure

€3.3bn MREL issuance complete; investment grade maintained

Total Funding (€bn)



Liquidity Metrics (%)	Jun 2019	Dec 2018
Loan to deposit ratio (LDR)	**88**	90
Liquidity coverage ratio (LCR)	**141**	128
Net stable funding ratio (NSFR)	**127**	125

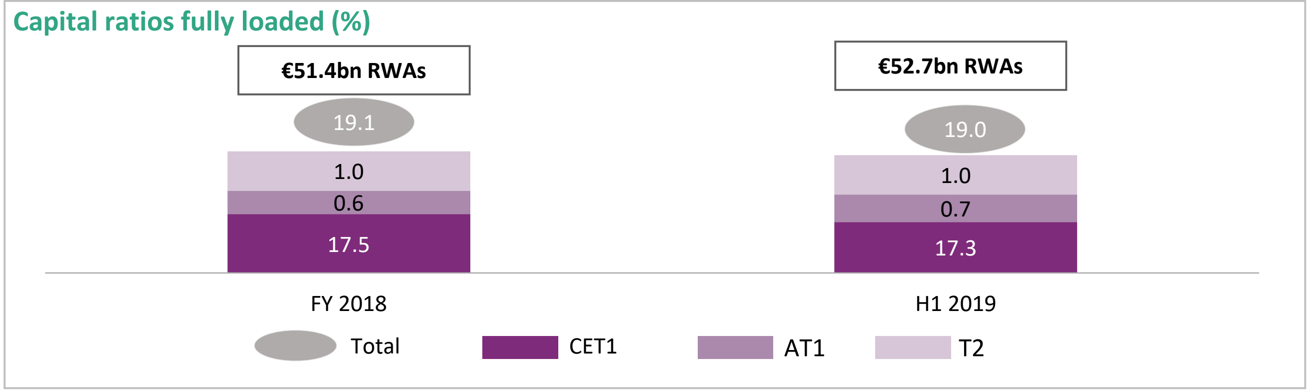
MREL requirement

- MREL requirement 28.22% (based on FY 2017 RWAs) by 2021
- Likely increase in MREL requirement due to regulatory effects such as increase in RWAs (TRIM c. €2bn)

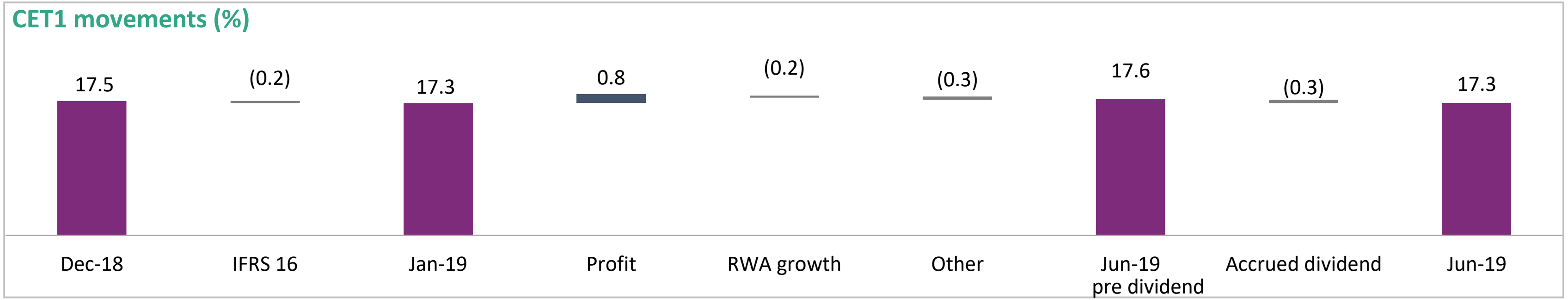
MREL Issuance (€bn)

Capital ratios

Solid capital position



- CET1 17.3% reflects solid profit generation +80bps
- TRIM impact
  - AIB Mortgage model – impact estimated c.90bps CET1
  - Corporate model – no update
- Calendar provisioning – assessing impact



Note: The capital ratios reflect the 30 June 2019 interim profit for the Group. An application for the inclusion of 2019 interim profit in regulatory capital is being made under Article 26(2) of the Capital Requirements Regulation to the competent authority, namely, the European Central Bank

2017-2019 medium-term financial targets

Focused on delivering sustainable performance

Metric	Medium-term targets	Targets	H1 2019	Commentary
Net interest margin	**2.40%+**	Maintain strong and stable NIM, 2.40%+	**2.46%**	*Strong NIM, impact of excess liquidity and MREL*
Cost income ratio	**<50%**	Below 50% by end 2019 reflecting robust and efficient operating model	**54%**	*Renewed cost discipline; working towards <50% CIR*
Fully loaded CET1 ratio	**13.0%**	Strong capital base with normalised CET1 target of 13%	**17.3%**	*Solid capital base with capacity for shareholder returns, subject to Board & Regulatory approval*
ROTE	**10%+**	10%+ return using (PAT – AT1 coupon + DTA utilisation) / (CET1 @13% plus DTA)	**7.9%**	*Sustainable underlying profitability generating capital*
Dividends	2016: €250m 19%	2017: €326m 30%	2018: €461m 44%	*Dividend reaching normalisation*

Solid operational performance and normalising NPEs; moving our focus to returning excess capital

Appendix

AIB Group plc

Capital detail

Transitional and fully loaded capital detail and ratios

Transitional capital ratios

Risk weighted assets (€m)	Jun 19	Dec 18
Total risk weighted assets	**52,803**	51,596
Capital (€m)		
Shareholders equity excl AT1 and dividend	**13,328**	12,903
Regulatory adjustments	**(2,606)**	(1,994)
Common equity tier 1 capital	**10,722**	10,909
Qualifying tier 1 capital	**263**	235
Qualifying tier 2 capital	**459**	415
Total capital	**11,444**	11,559
Transitional capital ratios (%)		
CET1	**20.3**	21.1
AT1	**0.5**	0.5
T2	**0.9**	0.8
Total capital	**21.7**	22.4

Fully loaded capital ratios

Risk weighted assets (€m)	Jun 19	Dec 18
Total risk weighted assets	**52,669**	51,439
Capital (€m)		
Shareholders equity excl AT1 and dividend	**13,328**	12,903
Regulatory adjustments	**(4,195)**	(3,910)
Common equity tier 1 capital	**9,133**	8,993
Qualifying tier 1 capital	**324**	316
Qualifying tier 2 capital	**546**	531
Total capital	**10,003**	9,840
Fully loaded capital ratios (%)		
CET1	**17.3**	17.5
AT1	**0.7**	0.6
T2	**1.0**	1.0
Total capital	**19.0**	19.1

RWA (Transitional)

Risk weighted assets (€m)	Jun 19	Dec 18	Movement
Credit risk	**47,005**	46,209	796
Market risk	**437**	371	66
Operational risk	**4,700**	4,624	76
CVA / other	**661**	392	269
Total risk weighted assets	**52,803**	51,596	1,270

Shareholders' Equity (€m)

Equity – Dec 2018	13,858
Profit HY 2019	361
Investment securities & cash flow hedging reserves	246
Dividend	(461)
Other	(29)
Equity – Jun 2019	**13,975**
less: AT1	**(494)**
less: Accrued ordinary dividend	**(153)**
Shareholders' equity excl AT1 and dividend	**13,328**

Loans to customers

Summary of movement

€bn	Performing Loans	Non-Performing Loans	Loans to Customers
Gross loans (opening balance 1 Jan 2019)	**56.8**	6.1	62.9
New lending	6.0	-	6.0
Redemptions of existing loans	(4.8)	(0.5)	(5.3)
Disposals	-	(1.0)	(1.0)
Net movement to non-performing	(0.2)	0.2	-
Other movements	0.2	(0.1)	0.1
Gross loans (closing balance H1 2019)	**58.0**	**4.7**	**62.7**
Loss allowance	(0.4)	(1.2)	(1.6)
Net loans (closing balance H1 2019)	**57.6**	**3.5**	**61.1**

Asset quality by portfolio

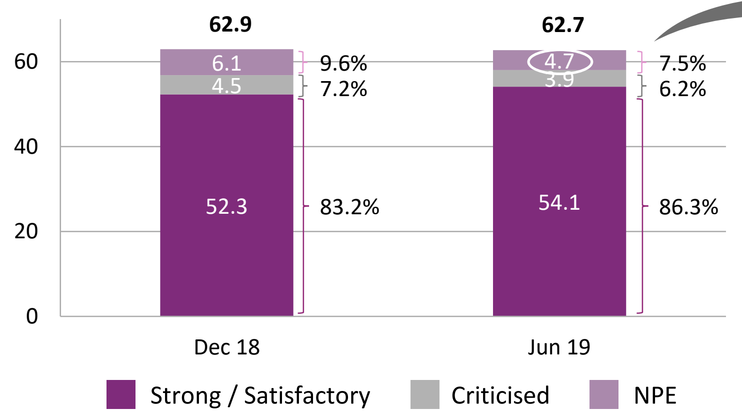
Continued progress in NPE reduction across all asset classes

€bn	Mortgages	PDH	BTL	Personal	Property	Corporate & SME (ex Property)	Total
H1 2019							
Customer loans	**31.7**	**28.9**	**2.8**	**3.0**	**7.8**	**20.2**	**62.7**
of which NPEs	**2.8**	**2.3**	**0.5**	**0.3**	**0.9**	**0.7**	**4.7**
ECL on NPE	**0.6**	**0.5**	**0.1**	**0.1**	**0.3**	**0.2**	**1.2**
ECL / NPE coverage %	**21**	**21**	**22**	**52**	**31**	**31**	**26**
FY 2018							
Customer loans	32.3	29.0	3.3	3.1	7.9	19.6	62.9
of which NPEs	3.3	2.5	0.8	0.4	1.4	1.0	6.1
ECL on NPE	0.6	0.5	0.1	0.2	0.4	0.4	1.6
ECL / NPE coverage %	20	20	20	50	29	36	27

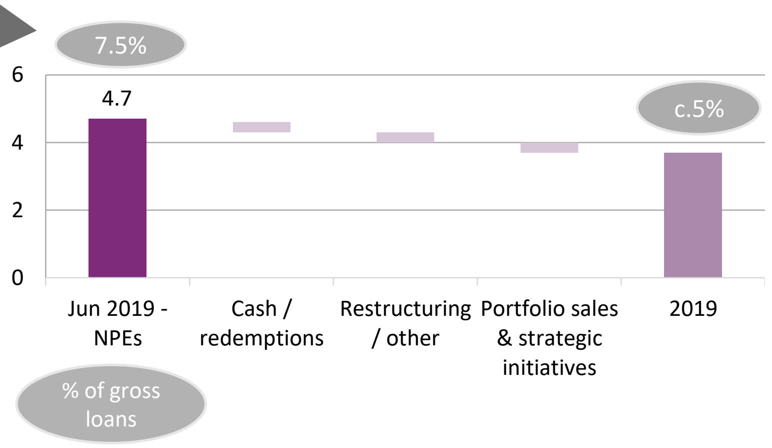
Asset quality

Improving asset quality in the loan book

Credit quality (€bn)



NPE deleveraging strategy (€bn)

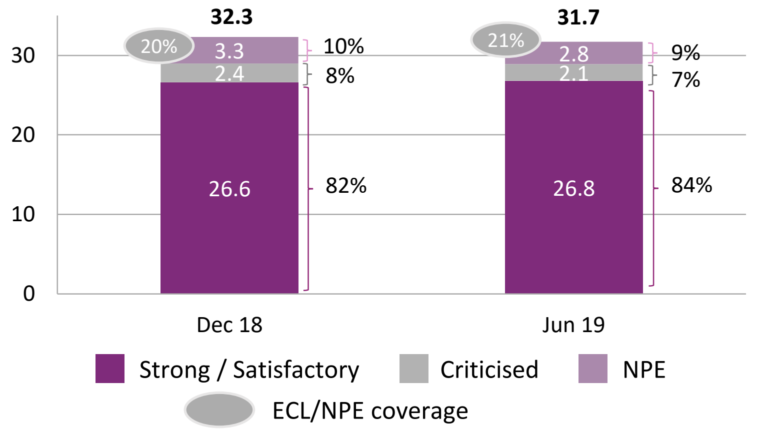


- 86% of the loan book is strong / satisfactory asset quality, up €1.8bn (+3.1%) from Dec 18
- 98% of new lending flow is strong / satisfactory asset quality
- Criticised loans €3.9bn include €1.3bn loans that are classified as 'criticised recovery'
- NPE deleveraging strategy delivering progress and on track to reach c. 5% by end 2019

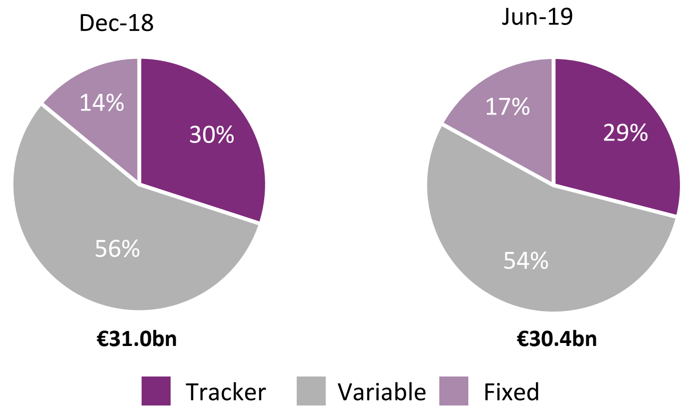
Mortgages

Improving asset quality; lower NPE

Mortgages (€bn)



RoI mortgages

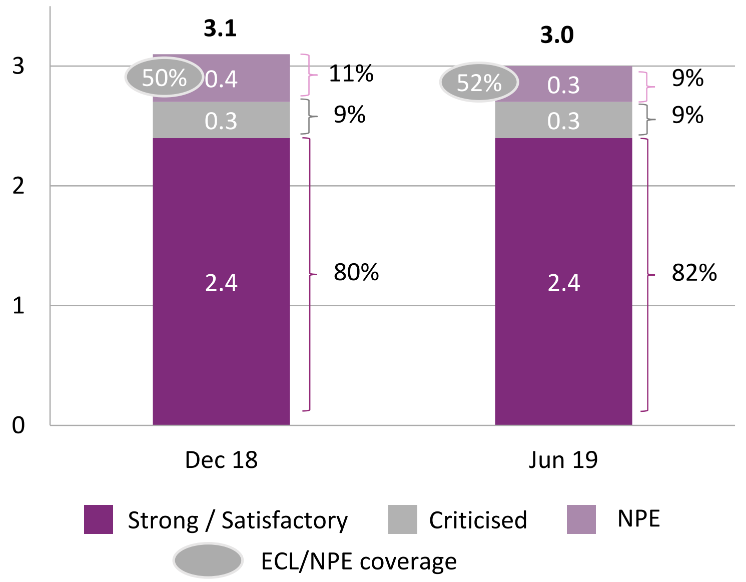


- Continued improvement in asset quality
- 84% of portfolio is strong / satisfactory, up 2% from Dec 18
- NPE 9% of portfolio, down from 10% at Dec 18, with coverage of 21%
- Weighted average LTV for new ROI mortgages 68%

Personal

Lower NPE

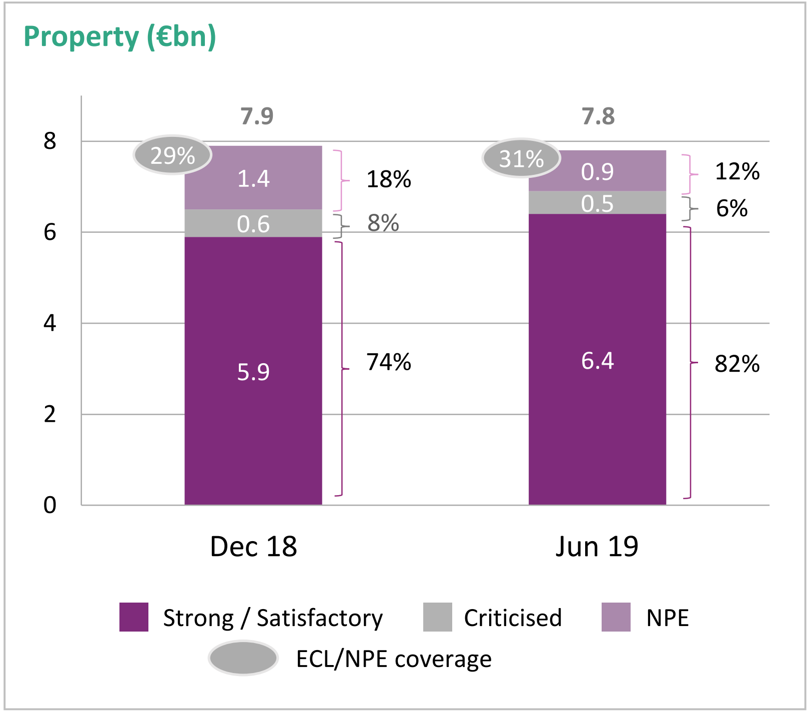
Personal (€bn)



- Portfolio €3.0bn comprises €2.3bn loans and €0.7bn credit card facilities
- Demand remains strong, increased online approval through internet and mobile credit application activity
- NPE 9% of portfolio down from 11% at Dec 18 with coverage of 52%

Property

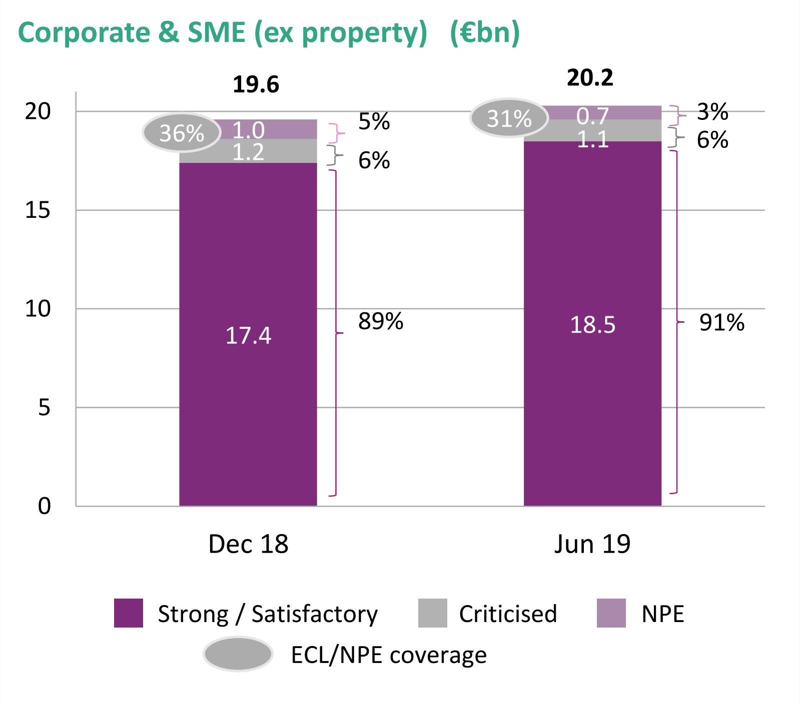
Improving asset quality; lower NPE



- Portfolio €7.8bn down €0.1bn (2%) due to continued restructuring, write-offs, repayments and the sale of a portfolio of loans
- 82% of the portfolio is strong / satisfactory, up 8% from Dec 18
- NPE 12% of portfolio down from 18% at Dec 18 with coverage of 31%
- Investment property €5.8bn (76% of the total portfolio) of which €4.6bn is commercial investment

Corporate & SME *(ex property)*

Improvement in asset quality of new lending and reduction in NPE



- Portfolio €20.2bn, up €0.7bn
- Overall improvement in asset quality from upward grade migration in the portfolio and new lending exceeding repayments
  - 91% of the portfolio is strong / satisfactory
  - 3% of the portfolio is NPE, down 2% from Dec 18 with coverage of 31%

Asset quality – internal credit grade by ECL staging

Continued improvement in asset quality across all asset classes*

€m	H1 2019 Stage 1	H1 2019 Stage 2	H1 2019 Stage 3	H1 2019 POCI	H1 2019 Total	Dec 2018 Stage 1	Dec 2018 Stage 2	Dec 2018 Stage 3	Dec 2018 POCI	Dec 2018 Total
Strong	**40,563**	**950**	-	**12**	**41,525**	39,148	923	-	3	40,074
Satisfactory	**11,173**	**1,332**	-	**2**	**12,507**	10,923	1,262	-	-	12,185
Total strong / satisfactory	**51,736**	**2,282**	-	**14**	**54,032**	50,071	2,185	-	3	52,259
Criticised watch	**1,059**	**1,491**	-	-	**2,550**	1,226	1,596	-	1	2,823
Criticised recovery	**105**	**1,236**	-	**6**	**1,347**	184	1,509	-	5	1,698
Total criticised	**1,164**	**2,727**	-	**6**	**3,897**	1,410	3,105	-	6	4,521
NPE	**122**	-	**4,317**	**207**	**4,646**	212	-	5,541	227	5,980
Total customer loans	**53,022**	**5,009**	**4,317**	**227**	**62,575**	51,693	5,290	5,541	236	62,760

* *Excludes €127m loans FVTPL (Dec 18 €147m)*

- Stage 1 loans €53bn increased €1.3bn from Dec 18, 98% are strong / satisfactory
- Stage 2 loans €5bn decreased €0.3bn from Dec 18, 46% are strong / satisfactory
- Stage 3 loans €4.3bn decreased €1.2bn due to continued restructuring, repayments and portfolio sales

Loan book analysis

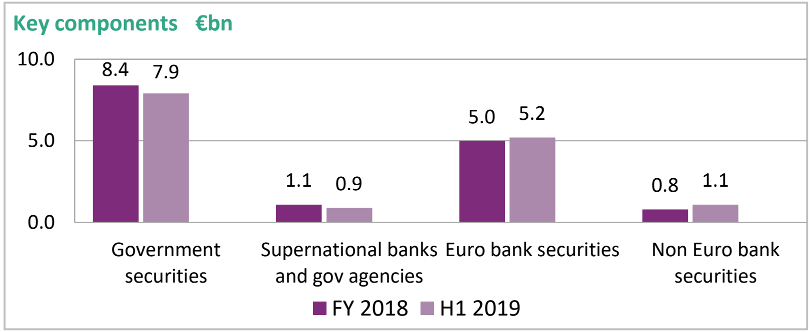
Breakdown by sector and location

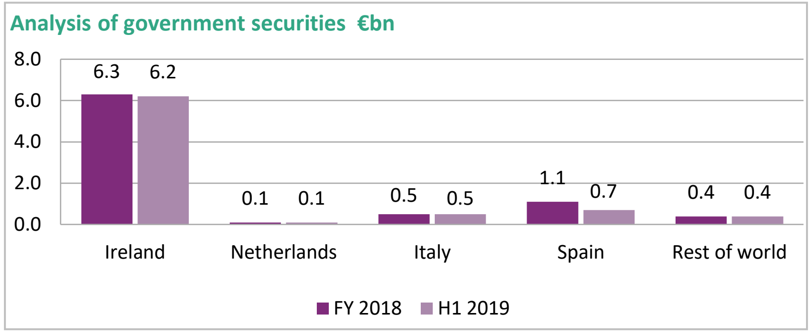
Concentration by sector (%)	Jun 2019
Agriculture	3
Energy	2
Manufacturing	5
Property & construction	12
Distribution	8
Transport	3
Financial	1
Other services	10
Resi mortgages	51
Personal	5
Total	**100**

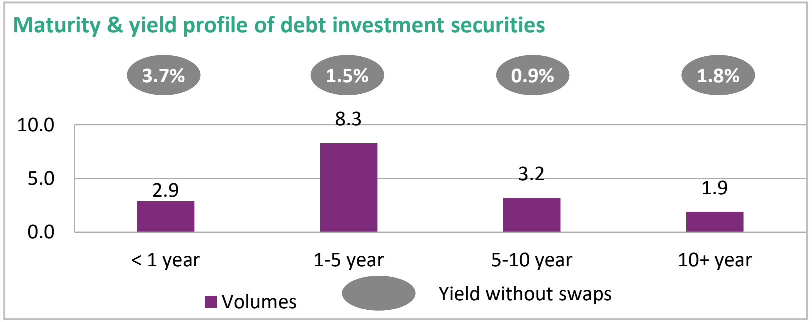
Concentration by location (%)	Jun 2019
Republic of Ireland	77
United Kingdom	14
North America	5
Rest of World	4
Total	**100**

Investment securities

€16.3bn portfolio of debt securities







- €16.3bn up from €16.1bn
- €39m net gains from disposal of investment debt securities in H1 2019
- Average yield of 1.28%, down from 1.50% from HY 18
  - yield reducing as higher yielding assets mature
  - c. 70% of book maturing <5year

Average balance sheet

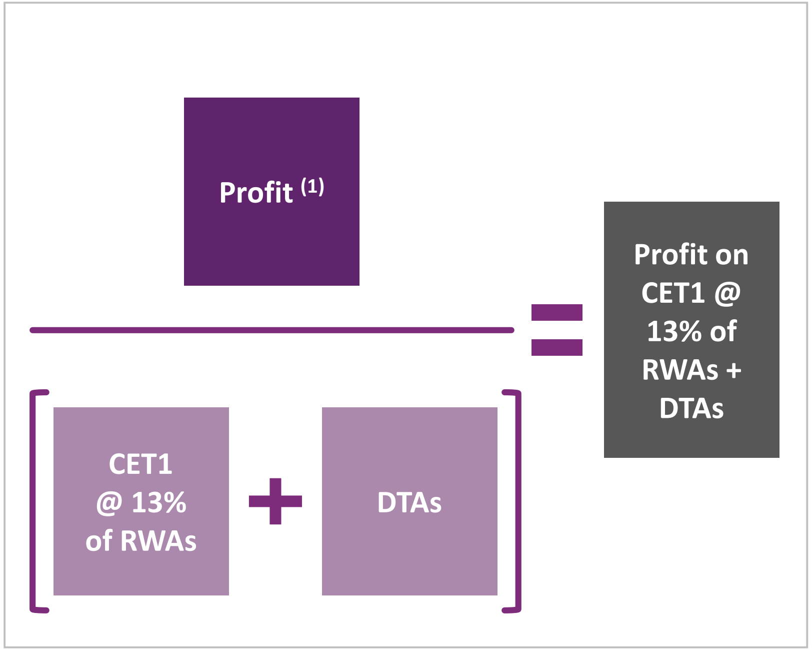
NIM 2.46% H1 2019

	H1 2019			H1 2018 (1)		
	Average Volume €m	Interest €m	Yield %	Average Volume €m	Interest €m	Yield %
Assets						
Customer loans	**61,577**	**1,058**	**3.47**	**60,728**	1,038	3.45
Investment securities	**16,666**	**106**	**1.28**	**15,238**	113	1.50
Loans to banks	**7,643**	**16**	**0.41**	**8,644**	9	0.19
Interest earning assets	**85,886**	**1,180**	**2.77**	**84,610**	1,160	2.76
Non interest earning assets	**7,932**			**7,181**		
Total Assets	**93,818**	**1,180**		**91,791**	1,160	
Liabilities & equity						
Customer accounts	**38,670**	**60**	**0.31**	**35,966**	81	0.45
Deposits by banks	**885**	**6**	**1.43**	**3,987**	(4)	(0.20)
Other debt issued / other	**6,090**	**41**	**1.37**	**4,868**	18	0.75
Subordinated liabilities	**796**	**16**	**4.00**	**794**	16	3.99
Lease liability	**448**	**7**	**3.10**	**–**	–	–
Interest earning liabilities	**46,889**	**130**	**0.56**	**45,615**	111	0.49
Non interest earning liabilities	**32,933**			**32,739**		
Equity	**13,996**			**13,437**		
Total liabilities & equity	**93,818**	**130**		**91,791**	111	
Net interest income / margin		**1,050**	**2.46**		1,049	2.50

1) *H1 2018 has been re-presented following the implementation of IFRS 9, income on cured loans without financial loss is now reported with credit impairments; previously reported in interest income*

Return on tangible equity

(PAT – AT1 coupon + DTA utilisation) / (FL CET1 @ 13% + DTA)



H1 2019	€m
PAT	361
(-) AT1 coupon	18
(+) DTA utilisation	28
Profit (numerator)	371
RWA	52,669
CET1 at 13% RWA	6,847
(+) DTA	2,676
Adjusted CET1 (denominator)	9,523
Average adjusted CET1 (denominator)	9,454
Profit on CET1 @ 13% of RWA+DTA	7.9% (2)

1) PAT – AT1 coupon + DTA utilisation = Profit
2) ROTE reflects a solid underlying performance depleted somewhat by one-off exceptional costs

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