



Pillar 3 Report

For the year ended 31 December 2018

AIB Group plc



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 62 to 68 in the 2018 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by Irish, UK and wider European and global economic and financial market considerations. Any forward looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors on pages 62 to 68 of the Annual Financial Report 2018 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.

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EBA Templates that are not applicable to AIB Group

EU LI3	– Outline the differences in the scopes of consolidation (entity by entity)
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
EU CCR 8	– Exposures to CCPs
EU MRB	– Qualitative disclosure requirements for institutions using the IMA
EU MR2–A	– Market risk under the IMA
EU MR2-B	– RWA flow statements of market risk exposures under the IMA
EU MR3	– IMA values for trading portfolios
EU MR4	– Comparison of VaR estimates with gains/losses

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 2018.

Key metrics

The following key metrics reflect the Group’s risk profile (as described on pages 26 to 29 of the Risk management section). These key metrics form part of the Group’s Risk Appetite Statement and have been calculated as prescribed in CRD IV, on a transitional and fully loaded basis. During 2018, the Group’s performance was in compliance with the Group Risk Appetite Framework which underpins the risk profile.

Regulatory capital and capital ratios

Common equity tier 1 capital <i>(transitional)</i>	Total capital <i>(transitional)</i>	Common equity tier 1 capital <i>(fully loaded)</i>	Total capital <i>(fully loaded)</i>
€ 10,909 million (2017: € 10,768 million)	€ 11,559 million (2017: € 11,672 million)	€ 8,993 million (2017: € 9,045 million)	€ 9,840 million (2017: € 9,856 million)
Common equity tier 1 ratio <i>(transitional)</i>	Total capital ratio <i>(transitional)</i>	Common equity tier 1 ratio <i>(fully loaded)</i>	Total capital ratio <i>(fully loaded)</i>
21.1% (2017: 20.8%)	22.4% (2017: 22.6%)	17.5% (2017: 17.5%)	19.1% (2017: 19.0%)

Risk weighted assets (“RWA”)

Total RWA <i>(transitional)</i>	Credit risk <i>(transitional)</i>	Total RWA <i>(fully loaded)</i>	Credit risk <i>(fully loaded)</i>
€ 51,596 million (2017: € 51,728 million)	€ 46,209 million (2017: € 46,319 million)	€ 51,439 million (2017: € 51,823 million)	€ 46,052 million (2017: € 46,414 million)
Market risk <i>(transitional)</i>	Operational risk <i>(transitional)</i>	Market risk <i>(fully loaded)</i>	Operational risk <i>(fully loaded)</i>
€ 371 million (2017: € 360 million)	€ 4,624 million (2017: € 4,248 million)	€ 371 million (2017: € 360 million)	€ 4,624 million (2017: € 4,248 million)

Liquidity ratios

Liquidity coverage ratio (“LCR”)	Net stable funding ratio (“NSFR”)
128% (2017: 132%)	125% (2017: 123%)

Leverage ratio

<i>(transitional)</i>	<i>(fully loaded)</i>
11.8% (2017: 11.9%)	10.1% (2017: 10.3%)

Key movements in capital and RWAs are detailed in Chapter 2 – Capital and capital management on pages 13 to 25.

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. 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.

Basis of disclosures

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

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").

AIB Group plc and its subsidiaries (collectively "AIB Group" or "Group") prepares 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 2018.

Frequency

This report is made on annual basis, with the disclosures based on the financial year end of 31 December. CRD IV and EBA guidelines require the Group to disclose information at a minimum on an annual basis. To ensure the effective communication of the Group's business and risk profile, the Group also pays particular attention to the possible need to provide information more frequently than annually. (A condensed Pillar 3 was published in March 2018). However, taking account of the comprehensive level of market disclosures (e.g. Interim Report), the Group has decided that it will not provide any further Pillar 3 disclosures more frequently than annually. Notwithstanding this decision, the assessment is subject to regular review.

Reporting conventions

In this report, comparative data is included, where relevant, and presented as reported under CRD IV.

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 2018. Pillar 3 reports from previous years are also available on this website.

Verification

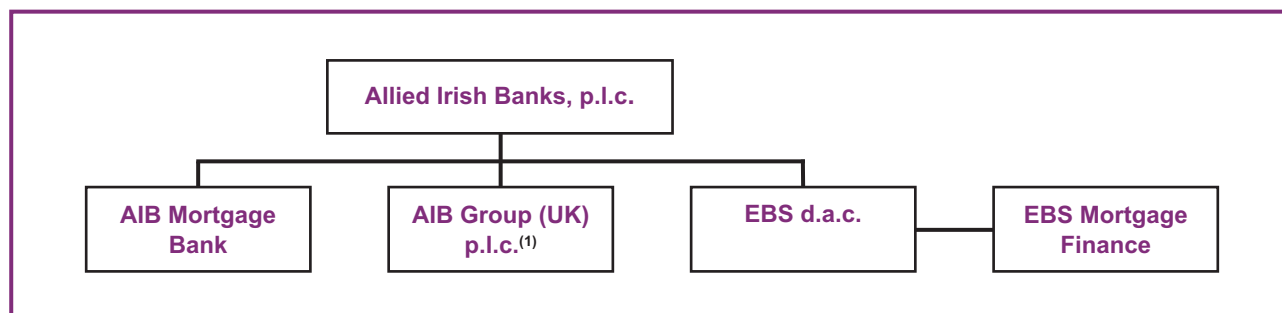
The Pillar 3 disclosures have been subject to internal review procedures broadly consistent with those undertaken for unaudited information published in the Annual Financial Report 2018 and have not been audited by the Group's external auditors. Any audited information that has been included in these disclosures is included in the Annual Financial Report 2018.

Background and context (continued)

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.

Licensed banks within AIB Group as at 31 December 2018



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

EBS Mortgage Finance

During 2018, EBS Mortgage Finance (a 100% owned subsidiary of EBS d.a.c. that reports separately to the Regulator) no longer met the requirements to be reported as a significant subsidiary and as a result is not reported separately within these Pillar 3 disclosures.

Significant subsidiaries

The significant subsidiaries in AIB Group at 31 December 2018 were:

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

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-authorized 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, holdings in associated undertakings in financial sector entities where the carrying value of the investment is less than 10% of Common Equity Tier 1 ("CET1") are risk weighted at 250%. Any investment in financial sector entities where the carrying value is in excess of 10% of CET1 is deducted from CET1 capital. Holdings in non-financial sector entities are risk weighted at 100%.

1. Introduction and AIB Group key information

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 2018						
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group							
Assets							
Cash and balances at central banks	6,516	6,516	6,516	–	–	–	–
Items in course of collection	73	73	73	–	–	–	–
Disposal groups and non-current assets held for sale	10	10	10	–	–	–	–
Derivative financial instruments	900	900	0	900	–	508	–
Loans and advances to banks	1,443	1,443	1,072	371	–	–	–
Loans and advances to customers	60,868	60,868	60,868	–	–	–	–
Investment securities	16,861	16,861	16,306	–	555	–	–
Interests in associated undertakings	90	90	90	–	–	–	–
Intangible assets	682	682	0	–	–	–	682
Property, plant and equipment	330	330	330	–	–	–	–
Other assets	356	356	356	–	–	–	–
Current taxation	10	10	10	–	–	–	–
Deferred tax assets	2,702	2,702	1,669	–	–	–	1,033
Prepayments and accrued income	454	454	454	–	–	–	–
Retirement benefit assets	241	241	–	–	–	–	241
Total assets	91,536	91,536	87,754	1,271	555	508	1,956
Liabilities							
Deposits by central banks and banks	844	844	–	120	–	–	844
Customer accounts	67,699	67,699	–	–	–	–	67,699
Derivative financial instruments	934	934	–	557	–	534	112
Debt securities in issue	5,745	5,745	–	–	–	–	5,745
Current taxation	74	74	–	–	–	–	74
Deferred tax liabilities	107	107	–	–	–	–	107
Retirement benefit liabilities	49	49	–	–	–	–	49
Other liabilities	887	887	–	–	–	–	887
Accruals and deferred income	325	325	–	–	–	–	325
Provisions for liabilities and commitments	219	219	–	–	–	–	219
Subordinated liabilities and other capital instruments	795	795	–	–	–	–	795
Total liabilities	77,678	77,678	–	677	–	534	76,856
Equity							
Share capital	1,696	1,696	–	–	–	–	1,696
Reserves	11,668	11,668	–	–	–	–	11,668
Other equity interests	494	494	–	–	–	–	494
Total equity	13,858	13,858	–	–	–	–	13,858
Total liabilities and equity	91,536	91,536	–	677	–	534	90,714

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

	31 December 2017						
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group							
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 advances to banks	1,313	1,313	1,310	3	–	–	–
Loans and advances 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
Accruals 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

There are fundamental technical differences in the basis of calculation between financial statement information based on International Financial Reporting Standards (IFRS) accounting standards and regulatory information based on CRD IV capital adequacy concepts and rules. This is most relevant for credit risk disclosures. Credit exposure at default (“EAD”) under the CRD IV, is defined as the expected amount of EAD and is estimated under specified regulatory rules.

There are two different types of tables included in this document, those compiled based on accounting standards (sourced from the Group’s Annual Financial Report 2018) and those compiled using CRD IV methodologies. The specific methodology used is indicated where applicable.

Many tables throughout the Group’s Pillar 3 disclosures are based on net value under the regulatory scope of consolidation. Net value is the gross carrying value of on and off balance sheet exposures, less allowances / impairments.

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 2018				31 December 2017			
	Total	Items subject to			Total	Items subject to		
		Credit risk framework	CCR framework	Securitisation framework		Credit risk framework	CCR framework	Securitisation framework
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
AIB Group								
1 Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	89,580	87,754	1,271	555	88,248	86,513	1,178	557
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(677)	–	(677)	–	(12)	–	(12)	–
3 Total net amount under the regulatory scope of consolidation	88,903	87,754	594	555	88,236	86,513	1,166	557
4 Off-balance-sheet amounts	3,287	3,287	–	–	2,988	2,988	–	–
6 Differences due to different netting rules other than those already in row 2	1,551	–	1,551	–	1,020	–	1,020	–
7 Differences due to the consideration of provisions	908	908	–	–	1,016	1,016	–	–
8 Net potential future exposures	314	–	314	–	507	–	507	–
9 Other regulatory adjustments	72	72	–	–	253	253	–	–
10 Exposure amounts considered for regulatory purposes	95,035	92,021	2,459	555	94,020	90,770	2,693	557

2. Capital and capital management

Objectives

The objectives of the Group's capital management policy are to comply at all times 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. Detail on the management of capital and capital adequacy risk can be found in 'Risk management 3.5' on page 154 of the Annual Financial Report 2018.

Table 3: Regulatory capital and capital ratios

The following table summarises AIB Group's capital position:

AIB Group	31 December 2018		31 December 2017	
	CRD IV Transitional € m	CRD IV Fully loaded € m	CRD IV Transitional € m	CRD IV Fully loaded € m
Equity	13,858	13,858	13,612	13,612
Less: Additional Tier 1 Securities	(494)	(494)	(494)	(494)
Proposed ordinary dividend	(461)	(461)	(326)	(326)
Regulatory adjustments:				
Intangible assets	(682)	(682)	(569)	(569)
Cash flow hedging reserves	(285)	(285)	(257)	(257)
IFRS 9 CET 1 transitional add-back	298	–	–	–
Investment securities reserves	–	–	(196)	–
Pension	(183)	(183)	(150)	(139)
Deferred tax	(1,079)	(2,697)	(829)	(2,764)
Expected loss deduction	(21)	(21)	–	–
Other	(42)	(42)	(23)	(18)
	(1,994)	(3,910)	(2,024)	(3,747)
Total common equity tier 1 capital	10,909	8,993	10,768	9,045
Additional tier 1 capital				
Instruments issued by subsidiaries that are given recognition in additional tier 1 capital	235	316	260	291
Total additional tier 1 capital	235	316	260	291
Total tier 1 capital	11,144	9,309	11,028	9,336
Tier 2 capital				
Instruments issued by subsidiaries that are given recognition in tier 2 capital	415	531	442	492
Expected loss deduction/Credit provisions	–	–	199	28
Other	–	–	3	–
Total tier 2 capital	415	531	644	520
Total capital	11,559	9,840	11,672	9,856
Risk weighted assets				
Credit risk	46,209	46,052	46,319	46,414
Market risk	371	371	360	360
Operational risk	4,624	4,624	4,248	4,248
Credit valuation adjustment	392	392	796	796
Other	–	–	5	5
Total risk weighted assets	51,596	51,439	51,728	51,823
	%	%	%	%
Common equity tier 1 ratio	21.1	17.5	20.8	17.5
Tier 1 ratio	21.6	18.1	21.3	18.0
Total capital ratio	22.4	19.1	22.6	19.0

2. Capital and capital management

Capital of significant subsidiaries

The following tables set out the capital base for the significant subsidiaries in AIB Group as at 31 December 2018 and 31 December 2017.

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 2018 used to translate sterling ("£") to Euro is € 1 = £ 0.8945 (2017: € 1 = £ 0.8872), consistent with the Annual Financial Report 2018.

The capital base of each of the subsidiaries has been prepared on a 'transitional' basis.

Table 4: Capital base of significant subsidiaries as reported to the local regulator

	31 December 2018				31 December 2017			
	Allied Irish Banks, p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m ⁽¹⁾	EBS d.a.c. € m	Allied Irish Banks, p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m ⁽¹³⁾	EBS d.a.c. € m
Total shareholders' equity (including profits for the year)⁽²⁾	13,140	2,486	1,915	1,023	13,368	2,394	1,868	1,082
Less: Additional Tier 1 Securities	(494)	–	–	–	(494)	–	–	–
Proposed dividend	(461)	–	–	–	(326)	–	–	–
Accrued coupon on Additional Tier 1 Securities	(3)	–	–	–	(3)	–	–	–
	12,182	2,486	1,915	1,023	12,545	2,394	1,868	1,082
<i>Regulatory adjustments</i>								
Intangible assets ⁽³⁾	(630)	–	(37)	(15)	(530)	–	(29)	(10)
Cash flow hedging reserves ⁽⁴⁾	(290)	–	–	12	(239)	–	(7)	6
Investment securities reserves ⁽⁵⁾	–	–	–	–	(176)	–	–	10
IFRS 9 ⁽¹⁴⁾	323	31	21	–	–	–	–	–
Pension:								
Revenue reserves relating to pension schemes in surplus ⁽³⁾	(2)	–	(335)	–	(2)	–	(354)	–
Regulatory adjustment relating to pension schemes ⁽⁶⁾	–	–	–	–	9	–	–	5
Pension filter ⁽⁶⁾	–	–	–	–	(7)	–	–	(1)
	(2)	–	(335)	–	–	–	(354)	4
Deferred tax ⁽³⁾⁽⁷⁾	(960)	–	(127)	(89)	(724)	(4)	(124)	(69)
IRB shortfall of credit risk adjustments to expected losses ⁽³⁾	(16)	(7)	–	–	(13)	–	–	–
Prudent valuation adjustment ⁽⁶⁾	(42)	–	(6)	–	(19)	–	–	–
Revaluation reserves ⁽⁶⁾⁽⁹⁾	–	–	–	–	(1)	–	–	–
Significant investment in financial sector entities ⁽³⁾⁽¹⁰⁾	(287)	–	–	–	(120)	–	–	–
IFRS 9 ECL provisions/IAS 39 provisions	–	–	(22)	–	–	–	(24)	–
Common equity tier 1 capital	10,278	2,510	1,409	931	10,723	2,390	1,330	1,023
Additional tier 1 capital								
Additional Tier 1 Securities issuance	494	–	–	–	494	–	–	–
IRB shortfall of credit risk adjustments to expected losses ⁽¹¹⁾	–	–	–	–	(1)	–	–	–
Significant investment in financial sector entities ⁽³⁾⁽¹⁰⁾	–	–	–	–	(15)	–	–	–
Total tier 1 capital	10,772	2,510	1,409	931	11,201	2,390	1,330	1,023

Table 4: Capital base of significant subsidiaries as reported to the local regulator (continued)

	31 December 2018				31 December 2017			
	Allied Irish Banks, p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m ⁽¹⁾	EBS d.a.c. € m	Allied Irish Banks, p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m ⁽¹³⁾	EBS d.a.c. € m
Tier 2 capital								
Subordinated debt:								
Subordinated liabilities and other capital instruments	785	300	–	–	792	300	–	–
Instruments not allowable for capital purposes	–	–	–	–	(9)	–	–	–
	785	300	–	–	783	300	–	–
Regulatory adjustments:								
IRB excess of impairment provisions over expected losses ⁽¹²⁾	–	1	–	–	24	19	–	–
IFRS 9 ⁽¹⁴⁾	–	(1)	–	–	–	–	–	–
IBNR relating to standardised portfolios ⁽¹³⁾	–	–	–	–	100	2	–	19
IRB shortfall of credit risk adjustments to expected losses ⁽¹¹⁾	–	–	–	–	(2)	–	–	–
Revaluation reserves ⁽⁶⁾⁽⁹⁾	–	–	–	–	2	–	–	–
Significant investment in financial sector entities ⁽³⁾⁽¹⁰⁾	–	–	–	–	(15)	–	–	–
	–	–	–	–	109	21	–	19
Total tier 2 capital	785	300	–	–	892	321	–	19
Total capital	11,557	2,810	1,409	931	12,093	2,711	1,330	1,042
Risk weighted assets:								
Credit risk	36,075	5,599	7,634	3,077	35,805	6,540	7,632	3,079
Market risk	371	–	–	–	360	–	–	–
Operational risk	3,032	559	545	303	2,651	535	521	266
Credit valuation adjustment	391	–	–	–	796	–	–	–
Total risk weighted assets	39,869	6,158	8,179	3,380	39,612	7,075	8,153	3,345
Capital ratios	%	%	%	%	%	%	%	%
Common equity tier 1	25.8	40.8	17.2	27.5	27.1	33.8	16.3	30.6
Tier 1 ratio	27.0	40.8	17.2	27.5	28.3	33.8	16.3	30.6
Total capital	29.0	45.6	17.2	27.5	30.5	38.3	16.3	31.2

⁽¹⁾ Sterling amounts converted to euro equivalents at year end exchange rate.

⁽²⁾ Apart from AIB Group (UK) p.l.c. and EBS d.a.c. which exclude 2018 profits (2017: AIB Group (UK) p.l.c.).

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

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

⁽⁵⁾ Transitional arrangements as described under CRR Articles 467 and 468.

⁽⁶⁾ Transitional arrangements as described under CRR Article 481.

⁽⁷⁾ Transitional arrangements as described under CRR Article 478.

⁽⁸⁾ Per Article 34 and 105 of the CRR.

⁽⁹⁾ Revaluation reserves treated as tier 2 for regulatory capital purposes.

⁽¹⁰⁾ Transitional amounts as per CRR Article 472.

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

⁽¹²⁾ Per Article 62 of the CRR.

⁽¹³⁾ Transitional arrangements as described under CRR Article 486.

⁽¹⁴⁾ Transitional provisions as described under Regulation EU 2017/2395.

2. Capital and capital management

Table 5: Movements in total capital

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

AIB Group	31 December	
	2018 € m	2017 € m
Common equity tier 1 capital at 1 January	10,768	10,307
Profit for the year	1,092	1,114
Other comprehensive income:		
Net actuarial gain in retirement benefit schemes	26	24
Net change in fair value of investments securities reserves	(289)	(132)
Net change in cash flow hedging reserves	28	(203)
Foreign currency translation reserves	10	(53)
	(225)	(364)
Total comprehensive income for the year	867	750
	11,635	11,057
Adoption of IFRS 9 1 January 2018	(267)	–
Adoption of IFRS 15 1 January 2018	10	–
Proposed ordinary dividend	(461)	(326)
Payment of Additional Tier 1 distribution	(37)	(37)
Movements in regulatory adjustments:		
Intangible assets	(113)	(177)
Cash flow hedging reserves	(28)	203
IFRS 9 transitional CET1 add-back	298	–
Investment securities at FVOCI/investment securities reserves	196	250
Pension	(33)	(10)
Deferred tax	(250)	(219)
Expected loss deduction	(21)	28
Other	(20)	(1)
Total movements in regulatory adjustments	29	74
Common equity tier 1 capital at 31 December	10,909	10,768
Additional tier 1 capital at 1 January	260	494
Additional Tier 1 issued by subsidiary	–	(494)
Instruments issued by subsidiaries that are given recognition in AT1 capital	(25)	260
Total tier 1 capital at 31 December	11,144	11,028
Total tier 2 capital at 1 January	644	980
Subordinated loan capital issued by subsidiary	–	(783)
Instruments issued by subsidiaries that are given recognition in Tier 2 capital	(27)	442
Eligible credit provisions	(199)	(1)
Expected loss deduction	–	9
Other	(3)	(3)
Total tier 2 capital at 31 December	415	644
Total capital at 31 December	11,559	11,672

Table 6: Reconciliation of shareholders' equity to regulatory capital

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

AIB Group	31 December	
	2018 € m	2017 € m
Total shareholders' equity ⁽¹⁾⁽²⁾	13,858	13,612
Less: Additional Tier 1 capital	(494)	(494)
Accrued coupon on Additional Tier 1 capital	(3)	(3)
Proposed dividend	(461)	(326)
	12,900	12,789
<i>Regulatory adjustments:</i>		
Intangible assets ⁽²⁾⁽³⁾	(682)	(569)
Cash flow hedging reserves ⁽⁴⁾⁽⁵⁾	(285)	(257)
IFRS 9 CET1 transitional add-back ⁽¹⁴⁾	298	–
Investment securities reserves ⁽⁵⁾⁽⁶⁾	–	(196)
Pension:		
Revenue reserves relating to pension schemes in surplus ⁽³⁾	(183)	(139)
Regulatory adjustment relating to pension schemes in deficit ⁽⁶⁾	–	14
Pension filter ⁽⁶⁾	–	(25)
	(183)	(150)
Deferred tax ⁽³⁾⁽⁷⁾	(1,079)	(829)
Prudent valuation adjustment ⁽⁹⁾	(39)	(15)
Revaluation reserves ⁽⁵⁾⁽⁶⁾⁽¹⁰⁾	–	(5)
Expected loss deduction	(21)	–
Common equity tier 1 capital	10,909	10,768
Additional Tier 1 securities ⁽²⁾	494	494
Minority interest deduction in respect of AT1 securities ⁽¹³⁾	(259)	(234)
Total tier 1 capital	11,144	11,028
Tier 2 capital		
Subordinated debt:		
Subordinated liabilities and other capital instruments ⁽²⁾	795	793
Instruments not allowable for capital purposes	(10)	(10)
	785	783
<i>Regulatory adjustments:</i>		
IRB excess of impairment provisions over expected losses ⁽¹¹⁾	–	28
IBNR relating to standardised portfolios ⁽¹²⁾	–	171
Revaluation reserves ⁽⁵⁾⁽⁶⁾⁽¹⁰⁾	–	3
Minority interest deduction in respect of Tier 2 securities ⁽¹³⁾	(370)	(341)
	(370)	(139)
Total tier 2 capital	415	644
Total capital	11,559	11,672

⁽¹⁾The capital figures reflect the audited 2018 year end profit for the Group. These have also been included in the quarterly SSM regulatory capital reporting for December 2018.

⁽²⁾Per statement of financial position in the Annual Financial Report 2018.

⁽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 2018.

⁽⁶⁾Transitional arrangements as described under CRR Article 481, no transitional rates applied for 2018 (2017: 20%).

⁽⁷⁾Transitional arrangements as described under CRR Article 478, the 40% transitional rate has been applied for 2018 (2017: 30%).

⁽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, no transitional rates applied for 2018 (2017: 50%).

⁽¹³⁾Minority interest deduction in respect of AT1 and tier 2 securities calculated in accordance with Articles 85, 87 and 480 of the CRR.

⁽¹⁴⁾Transitional arrangements as described under Regulation (EU) 2017/2395.

2. Capital and capital management

Table 7: Movements in risk weighted assets

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

							31 December 2018	
	Credit risk STD	Credit risk IRB	Market risk	Operational risk	Credit valuation adjustment	Other	Total	
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
At 1 January	27,443	18,876	360	4,248	796	5	51,728	
Asset size ⁽¹⁾⁽²⁾	(465)	1,159	11	–	(8)	–	697	
Asset quality ⁽³⁾	68	(612)	–	–	–	–	(544)	
Methodology and policy ⁽⁴⁾	–	(313)	–	–	(396)	–	(709)	
Foreign exchange movements	(53)	106	–	–	–	–	53	
Other	–	–	–	376	–	(5)	371	
At 31 December	26,993	19,216	371	4,624	392	–	51,596	

							31 December 2017	
	Credit risk STD	Credit risk IRB	Market risk	Operational risk	Credit valuation adjustment	Other	Total	
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ 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	

⁽¹⁾Asset size increases/decreases 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 the impact of PD and LGD migration changes within the loan book (also net movement into/out of default).

⁽⁴⁾Relates to the impact of the introduction of derivative netting for certain counterparties (2017: Methodology and policy is related to an agreement to remove a national discretion regarding measurement of asset maturity).

Capital requirements

At 31 December 2018, the Group's CET1 requirement of 9.725%, comprised of a Pillar 1 requirement of 4.5%, Pillar 2 requirement ("P2R") of 3.15%, a Capital Conservation Buffer ("CCB") of 1.875% and a 1% UK Countercyclical Capital Buffer ("CCyB") requirement that equated to a Group requirement of 0.2%.

The Group's CET1 requirement increases to 11.55% in 2019 due to the fully phased CCB requirement rising to 2.5% (effective 1 January 2019), the implementation of the Irish CCyB of 1.0% of Irish exposures (equates to a 0.7% Group requirement) effective from 5 July 2019 and as the Group is designated as an Other Systemically Important Institution ("O-SII") a 0.5% buffer applies from 1 July 2019, (rising to 1.0% on 1 July 2020 and 1.5% on 1 July 2021).

The minimum requirement for the total capital ratio was 13.225% at 31 December 2018 and rises to 15.05% in 2019. This requirement excludes Pillar 2 guidance ("P2G") which is not publicly disclosed.

The transitional CET1 and total capital ratios at 31 December 2018 are 21.1% and 22.4% respectively. Based on these ratios, the Group has a very significant buffer over maximum distributable amount ("MDA") trigger levels.

IFRS 9 – 1 January 2018

The impact of implementing IFRS 9, includes effects on revenue reserves, risk weighted assets ("RWAs") and regulatory deductions. The Group applies the 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 these arrangements, the transitional CET1 ratio remained at 20.8% on 1 January 2018, with the fully loaded CET1 ratio reducing by 0.5% from 17.5% to 17.0%.

Capital ratios at 31 December 2018

Fully Loaded

The fully loaded CET1 ratio remained at 17.5% at 31 December 2018 (17.5% on 31 December 2017).

Fully loaded CET1 capital decreased by € 52 million to € 8,993 million at 31 December 2018. This was primarily driven by profit for the year of € 1,092 million offset by the impact of implementing IFRS 9 of € 267 million, a reduction in investment debt securities reserves of € 289 million, a proposed ordinary dividend of € 461 million and an increase in intangibles and other capital adjustments of € 127 million.

The fully loaded total capital ratio⁽¹⁾ increased to 19.1% at 31 December 2018 from 19.0% at 31 December 2017.

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. As at 31 December 2018, the restriction reduced qualifying fully loaded tier 1 capital by € 178 million and qualifying fully loaded tier 2 capital by € 254 million.

Transitional

The transitional CET1 ratio increased to 21.1% at 31 December 2018 from 20.8% at 31 December 2017, and is significantly in excess of the minimum capital requirement.

This increase is driven by the expiration of the transitional arrangements with regard to the deduction for unrealised gains on investment securities in 2018.

The transitional total capital ratio decreased to 22.4% at 31 December 2018 from 22.6% at 31 December 2017. This is driven by the removal of the Tier 2 add-back for standardised IBNR due to the implementation of IFRS 9 and the expiration of the transitional arrangement for minority interest.

As at 31 December 2018, the minority interest restriction reduced qualifying transitional tier 1 capital by € 260 million and qualifying transitional tier 2 capital by € 370 million.

Risk weighted assets

Fully Loaded

RWAs reduced by € 0.4 billion during the year to 31 December 2018. Credit risk reduced by € 0.4 billion, while credit valuation adjustment risk RWAs also reduced by € 0.4 billion. These decreases were partially offset by an increase in operational risk RWAs of € 0.4 billion (reflecting the increased levels of income in the annual calculation).

The movement in credit risk RWA consisted of new lending of € 7.7 billion which was offset by asset sales, redemptions and other balance sheet movements of € 7.5 billion. Improvements in credit grades reduced credit RWAs by € 0.6 billion.

Transitional

Transitional RWAs reduced by € 0.1 billion. € 0.4 billion is in relation to the movements in fully loaded RWA described above. This was offset by a c. € 0.3 billion increase resulting from the Group's application of the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds. RWA is driven by the exposure net of ECL for certain portfolios, and the amount of ECL recognised is lower after the application of the transitional arrangements.

⁽¹⁾The restriction in respect of minority interests calculation may require adjustment pending the final communication of the EBA's position on the matter.

2. Capital and capital management

Targeted Review of Internal Models (TRIM)

The Group is engaging with the ECB as part of the ECB's Targeted Review of Internal Models (TRIM) on Irish Mortgages and other lending. The Group has yet to receive a final TRIM report on its IRB Irish Mortgages which would allow it to calculate the likely increase in RWAs for this portfolio.

Dividends

The Board proposes to pay an ordinary dividend of € 0.17 per share totalling € 461 million from full year 2018 profits. This is subject to shareholder approval at the Annual General Meeting in April 2019.

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

In 2018, the Group has completed € 1.65 billion of its estimated c. € 4 billion issuance requirement. The Group continues to work towards its MREL target to ensure that there is sufficient loss absorption and recapitalisation capability. The Single Resolution Board ("SRB") set the Group's 2021 MREL target at 16.50%⁽¹⁾ of Total Liabilities and Own Funds which is aligned to the previously indicated target of 28.04% of RWAs. The Group continues to monitor the developments in the SRB's MREL Policy.

Finalisation of Basel III

The final text of the Basel III reforms was 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 Group's 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 Group plc

AIB Group plc has achieved investment grade with all three rating agencies, Moody's, Fitch and Standard & Poor's (S&P).

Moody's initially assigned AIB Group plc a rating of Ba2 with a positive outlook in March 2018. In July 2018, they upgraded AIB Group plc by two notches to Baa3 (Investment Grade), remaining on positive outlook reflecting MREL execution ability and significant improvement in asset quality.

S&P initially assigned AIB Group plc a rating of BB+ with a positive outlook in March 2018 and reaffirmed in July 2018. In December 2018, post Banking Industry Country Risk Assessment (BIRCA) review, S&P upgraded AIB Group plc one notch to BBB- (Investment grade).

Fitch initially assigned AIB Group plc a rating of BBB- (Investment grade) with a positive outlook in March 2018. In November 2018, Fitch reaffirmed the rating.

	31 December 2018		
Long-term ratings	Moody's	S&P	Fitch
Long-term	Baa3	BBB-	BBB-
Outlook	Positive	Stable	Positive
Investment grade	✓	✓	✓

Allied Irish Banks, p.l.c.

Moody's upgraded its rating by two notches to A3 with positive outlook. This upgrade is driven by the significant improvement in asset quality in 2017 and 2018.

S&P upgraded its rating in July 2018 to BBB with positive outlook and in December 2018 S&P upgraded one notch to BBB+ (Investment grade) with a stable outlook.

	31 December 2018		
Long-term ratings	Moody's	S&P	Fitch
Long-term	A3	BBB+	BBB-
Outlook	Positive	Stable	Positive
Investment grade	✓	✓	✓

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

⁽¹⁾Subject to ongoing review by the SRB.

Table 8: EU OV1 – Overview of risk weighted assets

 The following table summarises risk weighted assets (“RWAs”) and minimum capital requirements⁽¹⁾ (“MCRs”) by risk type:

	31 December 2018									
	AIB Group		Significant subsidiaries							
	RWA	MCR	Allied Irish Banks, p.l.c.		AIB Mortgage Bank		AIB Group (UK) p.l.c.		EBS d.a.c.	
	€ m	€ m	RWA	MCR	RWA	MCR	RWA	MCR	RWA	MCR
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Credit risk										
(excluding counterparty credit risk)	44,815	3,585	32,776	2,622	5,599	448	7,431	594	3,027	242
2 Of which: Standardised Approach	26,268	2,101	19,613	1,569	299	24	7,431	594	3,027	242
3 Foundation IRB (“FIRB”) Approach	12,945	1,036	12,845	1,028	16	1	–	–	–	0
4 Advanced IRB (“AIRB”) Approach	5,602	448	318	25	5,284	423	–	–	–	0
5 Equity IRB under the simple risk-weighted approach or the Internal Model Approach (“IMA”)	–	–	–	–	–	0	–	–	–	0
6 Counterparty credit risk (“CCR”)	1,301	104	1,323	106	–	–	102	8	–	0
7 Of which: Mark to market	568	45	553	44	–	0	102	8	–	0
Financial collateral comprehensive method for (SFTs)	341	27	379	31	–	–	–	–	–	–
12 Credit valuation adjustment (“CVA”)	392	32	391	31	0	0	0	0	–	0
13 Settled risk	–	–	–	–	0	0	–	–	–	0
14 Securitisation exposures in the banking book (after the cap)	68	5	68	5	0	0	–	–	–	0
15 Of which: IRB Approach	68	5	68	5	0	0	–	–	–	0
19 Market risk	371	30	371	30	0	0	–	–	–	0
20 Of which: Standardised Approach	371	30	371	30	0	0	–	–	–	0
22 Large exposures	–	–	–	–	0	0	–	–	–	0
23 Operational risk	4,624	370	3,032	243	559	45	545	44	303	24
25 Of which: Standardised Approach	4,624	370	3,032	243	559	45	545	44	303	24
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	417	34	2,299	184	–	–	101	8	50	4
Other risk exposure amounts	–	–	–	–	–	–	–	–	–	–
29 Total	51,596	4,128	39,869	3,190	6,158	493	8,179	654	3,380	270

	31 December 2017									
	AIB Group		Significant subsidiaries							
	RWA	MCR	Allied Irish Banks, p.l.c.		AIB Mortgage Bank		AIB Group (UK) p.l.c.		EBS d.a.c.	
	€ m	€ m	RWA	MCR	RWA	MCR	RWA	MCR	RWA	MCR
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Credit risk										
(excluding counterparty credit risk)	44,839	3,587	31,823	2,546	6,540	523	7,398	592	3,050	244
2 Of which: Standardised Approach	26,705	2,136	19,917	1,593	378	30	7,398	592	3,050	244
3 Foundation IRB (“FIRB”) Approach	11,602	928	11,522	922	15	1	–	–	–	–
4 Advanced IRB (“AIRB”) Approach	6,532	523	384	31	6,147	492	–	–	–	–
6 Counterparty credit risk (“CCR”)	1,845	147	1,930	155	–	–	132	10	–	–
7 Of which: Mark to market	897	72	949	76	–	–	132	10	–	–
Financial collateral comprehensive method for (SFTs)	152	11	185	15	–	–	–	–	–	–
12 Credit valuation adjustment (“CVA”)	796	64	796	64	–	–	–	–	–	–
14 Securitisation exposures in the banking book (after the cap)	49	4	49	4	–	–	–	–	–	–
15 Of which: IRB Approach	49	4	49	4	–	–	–	–	–	–
19 Market risk	360	29	360	29	–	–	–	–	–	–
20 Of which: Standardised Approach	360	29	360	29	–	–	–	–	–	–
23 Operational risk	4,248	340	2,651	212	535	43	521	42	266	21
25 Of which: Standardised Approach	4,248	340	2,651	212	535	43	521	42	266	21
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	382	31	2,799	224	–	–	102	8	29	2
Other risk exposure amounts	5	–	–	–	–	–	–	–	–	–
29 Total	51,728	4,138	39,612	3,170	7,075	566	8,153	652	3,345	267

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

2. Capital and capital management

Bridge detailing how credit risk RWAs in table OV1 reconciles to capital and other tables

The following table provides a bridge detailing how credit risk RWAs in table OV1 reconciles to the Capital and other tables.

	31 December 2018						
	Per OV1	Securitisations	Total credit risk	Amounts below the threshold for deduction	Total credit risk	Counterparty credit risk ⁽¹⁾	As reported in tables 3/11
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Total credit risk	44,815	68	44,883	417	45,300	909	46,209
Of which:							
Credit exposure subject to IRB Approach	18,547	68	18,615	–	18,615	601	19,216
Credit exposure subject to Standardised Approach	26,268	–	26,268	417	26,685	308	26,993

	31 December 2017						
	Per OV1	Securitisations	Total credit risk	Amounts below the threshold for deduction	Total credit risk	Counterparty credit risk ⁽¹⁾	As reported in tables 3/11
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ 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 € 392 million (2017: € 796 million) which is shown separately in capital.

Leverage ratio

The transitional leverage ratio decreased to 11.8% at 31 December 2018 from 11.9% at 31 December 2017. The decrease was driven by an increase in exposures of € 1.8 billion, mainly due to increases in net customers loans of € 0.9 billion and investment securities of € 0.4 billion.

Table 9: Leverage ratio

The following table analyses the calculation of the leverage ratio on a transitional and fully loaded basis. The calculation for the significant subsidiaries has been prepared on a transitional basis.

EULRSUM – Summary reconciliation of accounting assets and leverage exposure	31 December 2018						31 December 2017					
	AIB Group		Significant subsidiaries				AIB Group		Significant subsidiaries			
	Transitional € m	Fully loaded € m	Allied Irish Banks p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m	EBS d.a.c. € m	Transitional € m	Fully loaded € m	Allied Irish Banks p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m	EBS d.a.c. € m
Total assets as per published financial statements	91,536	91,536	73,719	18,098	13,262	11,473	90,062	90,062	72,341	18,461	13,339	11,920
Adjustments for:												
Derivative financial instruments	158	158	504	299	29	76	507	507	858	317	30	77
Securities financing transactions ("SFTs")	1,121	1,121	1,141	–	–	238	459	459	483	–	–	279
Off-balance sheet items	3,145	3,145	2,529	122	808	41	2,878	2,878	2,060	121	849	39
Other	(1,874)	(3,493)	(1,885)	91	(586)	(104)	(1,578)	(3,313)	(1,559)	88	(597)	(69)
Total leverage ratio exposure	94,086	92,467	76,008	18,610	13,513	11,724	92,328	90,593	74,183	18,987	13,621	12,246
EULRCOM – Leverage ratio common disclosure												
On-balance sheet exposures (excluding derivatives and SFTs)												
On-balance sheet items	90,787	90,787	70,442	18,132	13,231	11,449	89,055	89,055	68,652	18,483	13,171	11,897
Asset amounts deducted in determining tier 1 capital	(2,023)	(3,642)	(1,896)	(7)	(635)	(104)	(1,750)	(3,485)	(1,599)	(4)	(531)	(69)
	88,764	87,145	68,546	18,125	12,596	11,345	87,305	85,570	67,053	18,479	12,640	11,828
Derivative exposures												
Replacement cost associated with all derivative transactions	714	714	761	64	80	24	1,156	1,156	1,196	70	102	23
Add-on amounts for PFE ⁽¹⁾ associated with all derivative transactions	342	342	688	299	29	76	507	507	858	317	30	77
	1,056	1,056	1,449	363	109	100	1,663	1,663	2,054	387	132	100
SFT exposures												
Gross SFT assets	5,145	5,145	7,721	–	–	2,343	5,150	5,150	7,816	–	–	2,510
Net amount of cash payable/receivable of gross SFT assets	(5,145)	(5,145)	(5,378)	–	–	(2,343)	(5,127)	(5,127)	(5,283)	–	–	(2,510)
Counterparty credit risk exposure for SFT assets	1,121	1,121	1,141	–	–	238	459	459	483	–	–	279
	1,121	1,121	3,484	–	–	238	482	482	3,016	–	–	279
Other off-balance sheet exposures												
Off-balance sheet exposures at gross notional amount	11,887	11,887	9,145	534	2,704	190	11,111	11,111	8,437	554	1,942	160
Adjustments for conversion to credit equivalent amounts	(8,742)	(8,742)	(6,616)	(412)	(1,896)	(149)	(8,233)	(8,233)	(6,377)	(433)	(1,093)	(121)
	3,145	3,145	2,529	122	808	41	2,878	2,878	2,060	121	849	39
Total leverage ratio exposure	94,086	92,467	76,008	18,610	13,513	11,724	92,328	90,593	74,183	18,987	13,621	12,246
Tier 1 capital at 31 December	11,144	9,309	10,772	2,510	1,409	931	11,028	9,336	11,201	2,390	1,330	1,023
Leverage ratio	11.8%	10.1%	14.2%	13.5%	10.4%	7.9%	11.9%	10.3%	15.1%	12.6%	9.8%	8.4%

⁽¹⁾Potential future exposure ("PFE").

2. Capital and capital management

Table 9: Leverage ratio (continued)

	31 December 2018						31 December 2017						
	AIB Group		Significant subsidiaries				AIB Group		Significant subsidiaries				
	Trans- itional € m	Fully loaded € m	Allied Irish Banks, p.l.c. € m	Mortgage Bank € m	AIB Group (UK) p.l.c. € m	AIB Group p.l.c. € m	EBS d.a.c. € m	Trans- itional € m	Fully loaded € m	Allied Irish Banks, p.l.c. € m	Mortgage Bank € m	AIB Group (UK) p.l.c. € m	AIB Group p.l.c. € m
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	90,787	90,787	70,442	18,132	13,231	11,449	89,055	89,055	68,652	18,483	13,171	11,897	
Of which:													
Covered bonds	-	-	-	-	-	2,442	-	-	-	-	-	-	1,975
Exposures treated as sovereigns	16,551	16,551	11,980	-	4,511	63	17,276	17,276	12,644	-	4,553		86
Exposures to regional governments, MDB ⁽¹⁾ , international organisations and PSE ⁽²⁾ not treated as sovereigns	7	7	7	-	-	-	-	-	-	-	-	-	-
Institutions	6,504	6,504	21,284	96	415	756	4,943	4,943	19,988	98	555		1,995
Secured by mortgages on immovable property	34,327	34,327	4,649	16,874	2,488	4,524	33,773	33,773	4,387	16,670	2,541		4,266
Retail exposures	4,934	4,934	4,162	25	303	195	5,392	5,392	4,155	121	366		307
Corporate	18,162	18,162	15,944	0	4,411	2,068	16,121	16,121	14,209	-	4,148		1,851
Exposures in default	3,731	3,731	1,547	1,127	114	474	4,622	4,622	1,792	1,571	162		539
Other exposures	6,571	6,571	10,869	10	989	927	6,928	6,928	11,477	23	846		878

⁽¹⁾Multilateral Development Bank.

⁽²⁾Public sector entities.

Table 10: IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

On 1 January 2018, IFRS 9 transitional capital arrangements were implemented by Regulation (EU) 2017/2395. AIB elected to apply the transitional arrangements at both consolidated and individual entity levels and will disclose both transitional and fully loaded CET1 ratios until the end of the transitional period. The transitional benefit is phased out over a 5 year period with 95% applicable for 2018; 85% for 2019; 70% for 2020; 50% for 2021; 25% for 2022 with no transitional benefit from 2023 onwards.

The transitional arrangements, implemented under a modified static approach, allow for transitional relief on the 'day 1' impact on adoption of IFRS 9 (static element) and for the increase between 'day 1' and the reporting date (modified element), subject to eligibility. For the static element, all credit provisions are eligible for transition, whereas for the modified element, credit impaired are excluded.

Separate calculations are performed for standardised and IRB (both Foundation and Advanced) portfolios, reflecting the different ways these frameworks take account of credit provisions. Under the Standardised Approach, increases in credit provisions for both the static and the modified elements are eligible for transition. Under the IRB Approach, for both the static and modified elements, credit provisions are only eligible for transitional relief to the extent that they exceed regulatory expected losses.

The table below shows key metrics as required by the EBA relating to IFRS 9.

	31 December 2018 € m	30 September 2018 € m	30 June 2018 € m	31 March 2018 € m
Available capital (amounts)				
1 Common equity tier 1 (CET1) capital	10,909	10,904	11,036	10,638
2 Common equity tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,611	10,589	10,743	10,381
3 Tier 1 capital	11,144	11,138	11,263	10,860
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,846	10,823	10,970	10,603
5 Total capital	11,559	11,554	11,667	11,274
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11,261	11,277	11,432	11,072
Risk-weighted assets (amounts)				
	€ m	€ m	€ m	€ m
7 Total risk-weighted assets	51,596	51,368	52,015	52,285
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	51,439	51,203	51,871	52,155
Capital ratios				
	%	%	%	%
9 Common equity tier 1 (as a percentage of risk exposure amount)	21.1	21.2	21.2	20.3
10 Common equity tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.6	20.7	20.7	19.9
11 Tier 1 (as a percentage of risk exposure amount)	21.6	21.7	21.7	20.8
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.1	21.1	21.1	20.3
13 Total capital (as a percentage of risk exposure amount)	22.4	22.5	22.4	21.6
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.9	22.0	22.0	21.2
Leverage ratio				
	€ m	€ m	€ m	€ m
15 Leverage ratio total exposure measure	94,086	93,418	95,371	93,698
	%	%	%	%
16 Leverage ratio	11.8	11.9	11.8	11.6
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.5	11.6	11.5	11.3

3. Risk management

Introduction

The Group takes 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 its business reputation or viability, and/or breach its 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. While 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 2018 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 62 to 68 of the Annual Financial Report 2018 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. During 2018 the CRO Report was presented to the Group Executive Risk Committee ("ERC") and the Board Risk Committee ("BRC").

The core aspects of the Group's risk management framework approach are set out on pages 69 to 72 of the Annual Financial Report 2018. In addition, the Directors' Statement on the effectiveness of the system of Risk Management and Internal Controls is on pages 212 to 213 of the Annual Financial Report 2018, which the Executive Committee attest to.

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 2018. The Group's risk profile is measured against its risk appetite and during 2018 adherence to the Group RAS was reported to each meeting of the Group ERC and BRC.

In January 2019, the Group transitioned to a new operating model and internal governance structure. From a risk governance perspective, a key change was the replacement of the Group ERC with the Group Risk Committee ("GRC"). The GRC is a sub-committee of the Executive Committee ("ExCo") which replaced the Leadership Team in November 2018 and is chaired by the Chief Risk Officer.

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 166 of the Annual Financial Report 2018, 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 their contractual obligations.

Credit risk can be categorised into the following four sub-risks;

- i. Counterparty risk: The risk of losses arising as a result of the counterparty not meeting its contractual obligations in full and on time;
- ii. Credit default risk: The current or prospective risk to capital arising from the obligors' failure to meet the terms of any contract with the Group;
- iii. Concentration risk: The risk of excessive credit concentration including to an individual, counterparty, group of connected counterparties, industry sector, a geographic region, country, a type of collateral or a type of credit facility; and
- iv. Country risk: The risk of having exposure to a country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets related to the country.

Credit risk exposure derives from standard on-balance sheet products such as mortgages, loans, overdrafts and credit cards. However, credit risk also arises from other products and activities including, but not limited to: "off-balance sheet" guarantees and commitments; the trading portfolio (e.g. bonds and derivatives), investment securities, asset backed securities and partial failure of a trade in a settlement or payment system.

A description of the Group's approach to credit risk including (a) 'credit risk management and key principles'; (b) 'internal credit ratings'; (c) 'credit risk monitoring'; and (d) 'credit risk mitigants' are set out on pages 74 to 84 of the Annual Financial Report 2018. Details on 'Expected credit loss impairment model' are on pages 85 to 92 of the Annual Financial Report 2018.

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"). The Group calculates CVA using the Standardised Approach. At 31 December 2018, the minimum capital requirement for CVA was € 32 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 21 of this Report, of the total minimum capital requirement of € 4,128 million at 31 December 2018, the minimum capital requirement for market risk amounts to € 30 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 155 and 156 of the Annual Financial Report 2018. A sensitivity analysis of the Group's banking book to movements in interest rates is set out on pages 157 to 160 of the Annual Financial Report 2018, 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 of loss resulting 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 includes information technology, cyber, change, continuity management, outsourcing and cloud, products, people and property protection and legal risks. AIB Group uses the Standardised Approach for assessing its capital requirements for operational risk. As set out on page 21 of this Report, of the total minimum capital requirement of € 4,128 million at 31 December 2018, the minimum capital requirement for operational risk amounts to € 370 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 162 and 163 of the Annual Financial Report 2018.

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 adequacy risk' is set out on page 154 in the Annual Financial Report 2018.

Governance overview

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 and operations and the mitigation of related material risks.

The Framework takes account of the many statutory and regulatory obligations that apply to the Group, including various corporate governance codes, regulations and best practice standards and guidelines, Irish company law, the Listing Rules of the Main Securities Market of the Euronext Dublin Stock Exchange and the London Stock Exchange, and, in relation to the UK businesses, UK company law.

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 2018, the Board was composed of a Chairman who was independent on appointment, eight Independent Non-Executive Directors and two Executive Directors. Full details of the responsibilities of the Board and its sub-committees are set out on pages 174 to 204 of the Annual Financial Report 2018.

Directorships held by Members of the Management Body

The Directors of the Board hold a number of external directorships as set out on pages 34 and 35 of the Annual Financial Report 2018, which comply with Regulation 79 of S.I.158/2014 (European Union (Capital Requirements) Regulations 2014). This regulation prescribes 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 is in place and outlines the board appointments process. The Policy was updated during 2018 in accordance with the joint European Banking Authority ("EBA") and European Securities and Markets Authority ("ESMA") Guidelines on the Assessment of the Suitability of members of management bodies and key function holders.

The Relationship Framework specified by the Minister for Finance (the "Minister"), which governs the relationship between each of AIB Group plc and Allied Irish Banks, p.l.c. and the Minister, on behalf of the Irish State as shareholder, requires the Board to consult with the Minister before appointing, reappointing or removing the Chairman or Chief Executive Officer and in respect of any other proposed Board appointments.

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.

Whilst the Board recognises that diversity is wider than gender, in order to achieve its objective to build a diverse Board, it has set measurable targets and objectives on the under-represented gender in its Board Diversity Policy.

The inaugural Board Diversity Policy for AIB Group was introduced in 2015 with an initial target to ensure the percentage of females on the Board reached or exceeded 25 per cent by the end of 2016. That target was met by October 2016, subsequent to which the Board's aim was to ensure that the percentage of females on the Board remained at or exceeded 25 per cent.

On review of the Board Diversity Policy in July 2018, the Board set a new target to achieve 30 per cent female representation by the end of 2020 and thereafter, and to take opportunities to increase the number of female directors over time, where that is consistent with other skills and diversity requirements. At 31 December 2018, the percentage of females on the Board stood at 27 per cent and the Board is confident it will reach its target by 2020.

The Nomination and Corporate Governance Committee (the "Committee") reviews and assesses AIB Group Board composition and has responsibility for leading the process for identifying and nominating, for approval by the AIB Group Board, candidates for appointment as directors. In reviewing AIB Group Board composition, balance and appointments, the Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity, in order to maintain an appropriate range and balance of skills, experience and background on the Board. Where external search firms are engaged to assist in a candidate search, they will be requested to aim for a fair representation of both genders to be included in the initial list of potential candidates so the Committee have a fair list from which to select candidates for interview.

The Terms of Reference of the Nomination and Corporate Governance Committee are available on the Corporate Governance section of the Group's website at aib.ie/investorrelations. Performance relative to the diversity target set out in the Policy is published on the Group's website.

Risk Management

The Board Risk Committee (the "Committee"), which comprises of 5 Non-Executive Directors, whom the Board has determined have the collective skills and relevant experience to enable the Committee to discharge its responsibilities, met on 10 occasions during 2018. Further details relating to the Board Risk Committee are available on pages 192 to 195 of the Annual Financial Report 2018.

A description of the flow of information to the management body relating to risk is available on pages 69 to 72 of the Annual Financial Report 2018.

4. Credit risk – Overview

One of the Group's main sources of income from ongoing 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 investment securities. 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 73 to 144 of the Annual Financial Report 2018.

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 2018, 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 51 to 53 of this Report.

Table 11: 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 (€ 108,189 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 (€ 7,752 million) and securitisations exposures (€ 555 million).

	31 December 2018			31 December 2017		
	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
AIB Group						
IRB Approach						
1 Central governments and central banks	8,462	59	5	8,664	269	21
2 Institutions	13,814	2,045	164	10,472	1,828	146
3 Corporates	14,712	11,425	914	12,683	10,187	815
4 Of which: Specialised lending	563	430	34	380	290	23
5 SMEs	4,426	3,936	315	3,910	3,594	288
6 Retail	19,308	5,602	448	19,700	6,532	523
7 Of which: Secured by real estate property	19,308	5,602	448	19,700	6,532	523
Securitisation position	555	68	5	557	49	4
Other non-credit obligations	17	17	1	11	11	1
Total IRB Approach	56,868⁽¹⁾	19,216	1,537	52,087⁽¹⁾	18,876	1,510
Standardised Approach						
16 Central governments and central banks	7,819	136	11	10,173	106	9
17 Regional government or local authorities	260	1	0	–	–	–
18 Public sector entities	–	–	–	38	38	3
22 Corporates	9,461	7,911	634	9,578	7,818	626
24 Retail	9,080	3,746	300	9,747	4,103	328
26 Secured by mortgages on immovable property	17,665	9,601	767	16,450	8,999	719
28 Exposures in default	2,271	2,749	220	2,825	3,443	275
29 Items associated with particularly high risk	1,539	1,802	144	1,498	1,907	153
33 Equity exposures	136	306	25	126	292	23
34 Other exposures	3,090	741	59	3,386	737	59
Total Standardised Approach	51,321⁽²⁾	26,993	2,160	53,821⁽²⁾	27,443	2,195
Total	108,189	46,209	3,697	105,908	46,319	3,705

⁽¹⁾Includes counterparty credit risk of € 7,443 million (2017: € 5,226 million) and securitisation exposures of € 555 million (2017: € 557 million).

⁽²⁾Includes counterparty credit risk of € 309 million (2017: € 2,258 million) and securitisation exposures of Nil (2017: Nil).

IRB Approach

The increase of € 4.8 billion in the exposures in the IRB portfolio can be predominantly attributed to a € 3.3 billion increase in exposures with institutions and a € 2 billion increase in corporate exposures.

Standardised Approach

In the Standardised portfolio, total exposures decreased by € 2.5 billion during 2018.

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 € 51,012 million (2017: € 51,563 million), with a capital requirement of € 2,135 million as at 31 December 2018 (2017: € 2,167 million). The exposure value is presented before credit risk mitigation (“CRM”) and credit conversion factors (“CCF”) and after credit impairment provisions but excluding counterparty credit risk exposures.

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 12, 13 and 14 in this section give an analysis of the exposures rated under the Standardised Approach. Table 18 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 19 further analyses the exposures which have been given a credit quality assessment step as outlined above.

Of the total standardised exposures of € 51,012 million (2017: € 51,563 million), € 7,816 million (2017: € 8,271 million) have been assigned a credit quality assessment step based on CBI guidelines.

Exposures amounting to € 7,816 million which have been assigned a credit quality assessment step mainly relate to Irish sovereign bonds (c. € 6.3 billion).

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

Table 12: 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 2018						31 December 2017						
	Exposures before CRM and CCF		Exposures post CRM and CCF		RWAs	RWA density	Exposures before CRM and CCF		Exposures post CRM and CCF		RWAs	RWA density	
	On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m			On-balance sheet amount € m	Off-balance sheet amount € m	On-balance sheet amount € m	Off-balance sheet amount € m			€ m
AIB Group													
1													
1	Central governments and central banks	7,816	–	7,816	–	134	2	8,271	–	8,271	–	106	1
2	Regional government or local authorities	7	253	7	–	1	20	–	–	–	–	–	–
3	Public sector entities	–	–	–	–	–	–	–	38	–	38	38	100
7	Corporates	7,146	2,009	7,146	459	7,605	100	6,832	2,390	6,832	630	7,462	100
8	Retail	4,934	4,146	4,934	61	3,746	75	5,392	4,355	5,392	79	4,103	75
9	Secured by mortgages on immovable property ⁽¹⁾	16,714	951	16,714	357	9,601	56	16,171	279	16,171	103	8,999	55
10	Exposures in default	2,213	58	2,213	16	2,749	123	2,727	98	2,727	30	3,443	125
11	Exposures associated with particularly high risk	958	581	958	243	1,802	150	1,106	392	1,106	166	1,907	150
15	Equity	136	–	136	–	306	225	126	–	126	–	292	231
16	Other items	3,090	–	3,090	–	741	24	3,386	–	3,386	–	737	22
17	Total	43,014	7,998	43,014	1,136	26,685	60	44,011	7,552	44,011	1,046	27,087	60
Allied Irish Banks, p.l.c.													
1	Central governments and central banks	7,754	–	7,754	–	95	1	8,179	–	8,179	–	88	1
2	Regional government or local authorities	7	253	7	–	1	20	–	–	–	–	–	–
3	Public sector entities	–	–	–	–	–	–	–	38	–	38	38	100
6	Institutions	14,967	280	14,967	280	280	2	15,213	–	15,213	–	420	3
7	Corporates	4,951	726	4,951	136	4,602	90	4,932	1,053	4,932	188	4,669	91
8	Retail	4,162	3,897	4,162	51	3,161	75	4,156	3,963	4,156	43	3,149	75
9	Secured by mortgages on immovable property	3,714	195	3,714	74	3,788	100	3,342	123	3,342	50	3,392	100
10	Exposures in default	1,056	51	1,056	14	1,472	138	1,306	50	1,306	15	1,843	139
11	Exposures associated with particularly high risk	653	436	653	179	1,247	150	787	240	787	93	1,320	150
15	Equity	5,347	–	5,347	–	6,670	125	5,543	–	5,543	–	7,169	129
16	Other items	2,659	–	2,659	–	596	22	2,966	–	2,966	–	628	21
17	Total	45,270	5,838	45,270	734	21,912	48	46,424	5,467	46,424	427	22,716	48
AIB Mortgage Bank													
1	Central governments and central banks	0	0	0	0	1	250	–	–	–	–	–	–
6	Institutions	61	–	61	–	–	0	63	–	63	–	–	–
8	Retail	25	–	25	–	18	75	121	–	121	–	91	75
9	Secured by mortgages on immovable property	196	1	196	–	121	62	113	1	113	–	40	35
10	Exposures in default	100	–	100	–	145	145	162	2	162	1	232	142
16	Other items	14	–	14	–	14	100	25	–	25	–	15	61
17	Total	396	1	396	–	299	75	484	3	484	1	378	78

⁽¹⁾Included in 'Secured by mortgages on immovable property' are exposures in EBS Mortgage Finance which is no longer considered a significant subsidiary.

5. Credit risk – Standardised Approach

Table 12: EU CR4 – Credit risk exposure and CRM effects – Standardised Approach (continued)

	31 December 2018						31 December 2017					
	Exposures before CRM and CCF		Exposures post CRM and CCF		RWAs	RWA density	Exposures before CRM and CCF		Exposures post CRM and CCF		RWAs	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount			On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
	€ m	€ m	€ m	€ m	€ m	%	€ m	€ m	€ m	€ m	€ m	%
AIB Group (UK) p.l.c.												
1 Central governments and central banks	4,511	–	4,511	–	7	0	4,553	–	4,553	–	8	–
2 Regional government or local authorities	0	0	0	0	0	20	–	–	–	–	–	–
6 Institutions	301	0	82	31	39	34	453	–	39	–	10	28
7 Corporates	4,434	1,274	4,411	455	4,866	100	4,148	1,549	4,148	720	4,868	100
8 Retail	303	226	303	3	230	75	366	235	366	4	277	75
9 Secured by mortgages on immovable property	2,488	496	2,488	226	1,766	65	2,541	56	2,541	25	1,620	63
10 Exposures in default	114	5	114	1	133	116	162	35	162	9	203	119
11 Exposures associated with particularly high risk	200	65	200	25	337	150	207	67	207	30	356	150
15 Equity	38	–	38	–	94	250	38	–	38	–	94	250
16 Other items	160	–	160	–	60	38	122	–	122	–	64	52
17 Total	12,549	2,066	12,307	741	7,532	58	12,590	1,942	12,176	788	7,500	58
EBS d.a.c.												
1 Central governments and central banks	63	–	63	–	50	80	86	–	86	–	29	34
6 Institutions	756	–	756	–	0	0	1,995	–	1,995	–	1	0
7 Corporates	2,068	–	2,068	–	22	1	1,852	–	1,852	–	18	1
8 Retail	195	16	195	3	149	75	307	95	307	20	245	75
9 Secured by mortgages on immovable property	4,524	173	4,524	37	1,682	37	4,266	59	4,266	16	1,594	37
10 Exposures in default	474	1	474	1	515	108	539	6	539	3	571	105
11 Exposures associated with particularly high risk	0	–	0	–	0	150	0	–	0	–	0	150
12 Covered bonds	2,442	–	2,442	–	0	0	1,975	–	1,975	–	–	–
15 Equity	594	–	594	–	594	100	594	–	594	–	594	100
16 Other items	205	–	205	–	65	32	194	–	194	–	27	14
17 Total	11,321	190	11,321	41	3,077	27	11,808	160	11,808	39	3,079	26

Table 13: 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 post CRM and CCF and net of impairment provisions but exclude counterparty credit risk.

		Risk weight														31 December 2018					
AIB Group		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Subtotal	Deducted	Total	of which	
		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	unrated
		€ m	€ 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	7,762	-	-	-	-	-	-	-	-	-	-	54	-	-	-	7,816	-	7,816	-	-
2	Regional government or local authorities	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	7	-	7	7	7
7	Corporates	-	-	-	-	-	-	-	-	7,605	-	-	-	-	-	-	7,605	-	7,605	7,605	7,605
8	Retail	-	-	-	-	-	-	-	-	4,995	-	-	-	-	-	-	4,995	-	4,995	4,995	4,995
9	Secured by mortgages on immovable property	-	-	-	-	-	11,493	-	-	-	5,578	-	-	-	-	-	17,071	-	17,071	17,071	17,071
10	Exposures in default	-	-	-	-	-	-	-	-	1,189	1,040	-	-	-	-	-	2,229	-	2,229	2,229	2,229
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	1,201	-	-	-	-	-	1,201	-	1,201	1,201	1,201
15	Equity	-	-	-	-	-	-	-	-	23	-	113	-	-	-	-	136	-	136	136	136
16	Other items	2,223	-	-	-	157	-	-	-	-	710	-	-	-	-	-	3,090	1,944	5,034	5,034	5,034
17	Total	9,985	-	-	164	11,493	-	-	-	4,995	15,105	2,241	167	-	-	-	44,150	1,944	46,094	46,094	38,278

		Risk weight														31 December 2017					
AIB Group		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Subtotal	Deducted	Total	of which	
		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	unrated
		€ m	€ 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	38
7	Corporates	-	-	-	-	-	-	-	-	7,462	-	-	-	-	-	-	7,462	74	7,536	7,536	7,536
8	Retail	-	-	-	-	-	-	-	-	5,471	-	-	-	-	-	-	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	16,274
10	Exposures in default	-	-	-	-	-	-	-	-	1,386	1,371	-	-	-	-	-	2,757	-	2,757	2,757	2,757
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	1,272	-	-	-	-	-	1,272	6	1,278	1,278	1,278
15	Equity	-	-	-	-	-	-	-	-	16	-	110	-	-	-	-	126	-	126	126	126
16	Other items	2,567	-	-	-	103	-	-	-	-	716	-	-	-	-	-	3,386	1,537	4,923	4,923	4,923
17	Total	10,796	-	-	103	11,192	-	-	-	5,471	14,700	2,643	152	-	-	-	45,057	1,746	46,803	46,803	38,403

5. Credit risk – Standardised Approach

Table 13: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach (continued)

	31 December 2018													Total € m	of which unrated € m			
	Risk weight																	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%			1250%	Others	
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
Allied Irish Banks, p.l.c.	7,716	-	-	-	-	-	-	-	-	-	-	38	-	-	-	7,754	-	
1 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,754	-	
2 Regional government or local authorities	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	7	7	
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6 Institutions	14,569	-	-	-	198	480	-	-	-	-	-	-	-	-	15,247	15,247	-	
7 Corporates	485	-	-	-	-	-	-	-	4,602	-	-	-	-	-	5,087	5,087	5,087	
8 Retail	-	-	-	-	-	-	-	4,213	-	-	-	-	-	-	4,213	4,213	4,213	
9 Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	3,788	-	-	-	-	-	3,788	3,788	3,788	
10 Exposures in default	-	-	-	-	-	-	-	-	266	804	-	-	-	-	1,070	1,070	1,070	
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	832	-	-	-	-	832	832	832	
15 Equity	-	-	-	-	-	-	-	-	4,466	-	881	-	-	-	5,347	5,347	5,634	
16 Other items	2,015	-	-	-	60	-	-	-	584	-	-	-	-	-	2,659	4,251	4,251	
17 Total	24,785	-	-	-	265	480	-	4,213	13,706	1,636	919	-	-	-	46,004	47,883	24,882	
	31 December 2017																	
Allied Irish Banks, p.l.c.	8,144	-	-	-	-	-	-	-	-	-	-	35	-	-	-	8,179	129	8,308
1 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	-	38
3 Public sector entities	14,716	-	-	-	154	-	-	-	343	-	-	-	-	-	15,213	15,213	-	15,213
6 Institutions	451	-	-	-	-	-	-	4,669	-	-	-	-	-	-	5,120	71	5,191	5,191
7 Corporates	-	-	-	-	-	-	-	4,199	-	-	-	-	-	-	4,199	-	4,199	4,199
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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

Table 13: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach (continued)

		31 December 2018																			
		Risk weight																			
AIB Mortgage Bank		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	€ m
6	Institutions	61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61	-	61	-	-
8	Retail	-	-	-	-	-	-	-	25	-	-	-	-	-	-	-	25	-	25	25	-
9	Secured by mortgages on immovable property	-	-	-	-	-	115	-	-	-	81	-	-	-	-	-	196	-	196	196	-
10	Exposures in default	-	-	-	-	-	-	-	-	12	88	-	-	-	-	-	100	-	100	100	-
16	Other items	-	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14	-	14	14	-
17	Total	61	-	-	-	-	115	-	-	25	107	88	-	-	-	-	396	-	396	335	-

		31 December 2017																			
		Risk weight																			
AIB Mortgage Bank		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	€ m
6	Institutions	63	-	-	-	-	-	-	-	-	-	-	-	-	-	-	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	-

5. Credit risk – Standardised Approach

Table 13: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach (continued)

AIB Group (UK) p.l.c.	Risk weight														31 December 2018					
	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	€ m
1 Central governments and central banks	4,508	-	-	-	-	-	-	-	-	-	-	3	-	-	-	4,511	-	4,511	-	-
2 Regional government or local authorities	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-	0	-	0	-	-
3 Institutions	-	-	-	-	59	-	54	-	-	-	-	-	-	-	-	113	-	113	-	-
7 Corporates	-	-	-	-	-	-	-	-	-	4,866	-	-	-	-	-	4,866	-	4,866	-	4,866
8 Retail	-	-	-	-	-	-	-	-	306	-	-	-	-	-	-	306	-	306	-	306
9 Secured by mortgages on immovable property	-	-	-	-	-	1,459	-	-	-	1,255	-	-	-	-	-	2,714	-	2,714	-	2,714
10 Exposures in default	-	-	-	-	-	-	-	-	79	36	-	-	-	-	-	115	-	115	-	115
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	225	-	-	-	-	-	225	-	225	-	225
15 Equity	-	-	-	-	-	-	-	-	-	-	-	38	-	-	-	38	-	38	-	38
16 Other items	22	-	-	-	97	-	-	-	-	41	-	-	-	-	-	160	501	661	-	661
17 Total	4,530	-	-	-	156	1,459	54	-	306	6,241	261	41	-	-	-	13,048	501	13,549	-	8,925

AIB Group (UK) p.l.c.	Risk weight														31 December 2017					
	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	€ 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

Table 13: EU CR5 – Credit risk exposure class and risk-weights – Standardised Approach (continued)

		Risk weight														31 December 2018				
		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
EBS d.a.c.																				
1	Central governments and central banks	43	-	-	-	-	-	-	-	-	-	-	20	-	-	-	63	-	63	-
6	Institutions	754	-	-	-	-	-	-	-	-	-	-	-	-	-	-	756	-	756	-
7	Corporates	2,046	-	-	-	-	-	-	-	22	-	-	-	-	-	-	2,068	-	2,068	2,068
8	Retail	-	-	-	-	-	-	-	-	198	-	-	-	-	-	-	198	-	198	198
9	Secured by mortgages on immovable property	-	-	-	-	-	4,429	-	-	132	-	-	-	-	-	-	4,561	-	4,561	4,561
10	Exposures in default	-	-	-	-	-	-	-	-	394	81	-	-	-	-	-	475	-	475	475
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	0	-	0	-
12	Covered bonds	2,442	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,442	-	2,442	-
15	Equity	-	-	-	-	-	-	-	-	594	-	-	-	-	-	-	594	-	594	594
16	Other items	140	-	-	-	-	-	-	-	65	-	-	-	-	-	-	205	104	309	309
17	Total	5,425	-	-	-	2	4,429	-	-	1,207	81	20	-	-	-	-	11,362	104	11,466	8,205
		Risk weight														31 December 2017				
		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
EBS d.a.c.																				
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

5. Credit risk – Standardised Approach

Table 14: 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 pre CRM and CCF but net of impairment provisions. This table excludes counterparty credit risk exposures.

	31 December 2018													
	Agriculture	Constr- uction	Distribu- tion	Energy	Financial	Home loans	Manufac- turing	Other loans - personal	Other services	Property	Transport and commu- nication	Bank, sovereign and public sector	Other	Total expos- ures
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	7,816	-	7,816
8 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	260	-	260
13 Corporates	831	164	1,864	634	847	47	897	320	2,870	61	620	-	-	9,155
14 Retail	1,021	86	482	13	22	589	140	5,459	961	185	122	-	-	9,080
15 Secured by mortgages on immovable property	-	-	-	-	-	11,669	-	-	-	5,996	-	-	-	17,665
16 Exposures in default	94	11	90	1	24	1,020	9	173	16	829	4	-	-	2,271
17 Items associated with particularly high risk	-	1,021	-	-	117	-	-	-	185	216	-	-	-	1,539
21 Equity	-	-	-	16	113	-	-	-	-	7	-	-	-	136
22 Other items	-	-	-	-	-	-	-	-	-	-	-	-	3,090	3,090
24 Total	1,946	1,282	2,436	664	1,123	13,325	1,046	5,952	4,032	7,294	746	8,076	3,090	51,012

	31 December 2017													
	Agriculture	Constr- uction	Distribu- tion	Energy	Financial	Home loans	Manufac- turing	Other loans - personal	Other services	Property	Transport and commu- nication	Bank, sovereign and public sector	Other	Total expos- ures
AIB Group	€ 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
24 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

**Table 14: EU CRB-D – Concentration of exposures by industry or counterparty types – Standardised Approach
(continued)**

	31 December 2018													
	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
Allied Irish Banks, p.l.c.	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	7,754	-	7,754
8 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	260	-	260
12 Institutions	-	-	-	-	-	-	-	-	-	-	-	15,247	-	15,247
13 Corporates	685	20	382	18	3,629	25	134	291	325	42	126	-	-	5,677
14 Retail	991	74	449	12	16	5	135	5,192	921	145	119	-	-	8,059
15 Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	3,909	-	-	-	3,909
16 Exposures in default	98	9	77	-	3	15	7	191	23	680	4	-	-	1,107
17 Items associated with particularly high risk	-	759	-	-	110	-	-	-	19	201	-	-	-	1,089
21 Equity	-	-	-	16	927	-	-	-	-	7	-	4,397	-	5,347
22 Other items	-	-	-	-	-	-	-	-	-	-	-	-	2,659	2,659
24 Total	1,774	862	908	46	4,685	45	276	5,674	1,288	4,984	249	27,658	2,659	51,108

	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
Allied Irish Banks, p.l.c.	€ 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
24 Total	1,773	681	928	40	4,571	56	251	5,652	1,675	4,870	225	28,203	2,966	51,891

5. Credit risk – Standardised Approach

Table 14: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach (continued)

	31 December 2018													Total exposures
	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other	
AIB Mortgage Bank	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
7 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	0	-	0
12 Institutions	-	-	-	-	-	-	-	-	-	-	-	61	-	61
14 Retail	-	-	-	-	-	25	-	-	-	-	-	-	-	25
15 Secured by mortgages on immovable property	-	-	-	-	-	116	-	-	-	81	-	-	-	197
16 Exposures in default	-	-	-	-	-	1	-	0	1	98	-	-	-	100
22 Other items	-	-	-	-	-	-	-	-	-	-	-	-	14	14
24 Total	-	-	-	-	-	142	-	-	1	179	-	61	14	397

	31 December 2017													Total exposures
	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other	
AIB Mortgage Bank	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ 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
24 Total	-	-	-	-	-	399	-	-	-	-	-	63	25	487

Table 14: EU CRB–D – Concentration of exposures by industry or counterparty types – Standardised Approach (continued)

														31 December 2018	
	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	
AIB Group (UK) p.l.c.	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
7 Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	4,511	–	4,511	
12 Institutions	–	–	–	–	–	–	–	–	–	–	–	301	–	301	
13 Corporates	133	140	1,337	612	244	2	395	29	2,187	206	413	10	–	5,708	
14 Retail	35	13	34	1	6	69	6	280	43	39	3	–	–	529	
15 Secured by mortgages on immovable property	–	–	–	–	–	1,468	–	–	–	1,516	–	–	–	2,984	
16 Exposures in default	1	2	20	–	–	81	2	2	–	11	–	–	–	119	
17 Items associated with particularly high risk	–	248	–	–	–	–	–	–	–	17	–	–	–	265	
21 Equity	–	–	–	–	38	–	–	–	–	–	–	–	–	38	
22 Other items	–	–	–	–	–	–	–	–	–	–	–	–	160	160	
24 Total	169	403	1,391	613	288	1,620	403	311	2,230	1,789	416	4,822	160	14,615	

														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	
AIB Group (UK) p.l.c.	€ 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	
24 Total	103	571	1,379	329	354	1,666	598	332	2,177	1,292	389	5,220	122	14,532	

5. Credit risk – Standardised Approach

Table 14: EU CRB-D – Concentration of exposures by industry or counterparty types – Standardised Approach (continued)

	31 December 2018													Other	Total exposures
	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other		
EBS d.a.c.	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
7 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	63	-	63	
12 Institutions	-	-	-	-	-	-	-	-	-	-	-	756	-	756	
13 Corporates	-	-	-	-	2,068	-	-	-	-	-	-	-	-	2,068	
14 Retail	-	-	-	-	-	211	-	-	-	-	-	-	-	211	
15 Secured by mortgages on immovable property	-	-	-	-	-	4,565	-	-	-	132	-	-	-	4,697	
16 Exposures in default	-	-	-	-	-	425	-	-	-	50	-	-	-	475	
18 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	2,442	-	2,442	
21 Equity	-	-	-	-	-	-	-	-	-	-	-	594	-	594	
22 Other items	-	-	-	-	-	-	-	-	-	-	-	-	205	205	
24 Total	-	-	-	-	2,068	5,201	-	-	-	182	-	3,855	205	11,511	

	31 December 2017													Other	Total exposures
	Agriculture	Construction	Distribution	Energy	Financial	Home loans	Manufacturing	Other loans - personal	Other services	Property	Transport and communication	Bank, sovereign and public sector	Other		
EBS d.a.c.	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ 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	
24 Total	-	-	-	-	1,852	5,156	-	-	-	116	-	4,650	194	11,968	

Table 15: EU CRB–B – Total and average net amount of exposures – Standardised Approach

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

	31 December 2018		31 December 2017	
	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
AIB Group				
16 Central governments and central banks	7,816	8,721	8,271	8,782
17 Regional government or local authorities	260	147	–	–
18 Public sector entities	–	–	38	41
22 Corporates	9,155	9,168	9,222	9,575
24 Retail	9,080	9,435	9,747	9,763
26 Secured by mortgages on immovable property	17,665	17,101	16,450	16,625
28 Exposures in default	2,271	2,512	2,825	3,498
29 Items associated with particularly high risk	1,539	1,524	1,498	1,071
33 Equity	136	129	126	86
34 Other items	3,090	3,284	3,386	3,450
35 Total	51,012	52,021	51,563	52,891
Allied Irish Banks, p.l.c.				
16 Central governments and central banks	7,754	8,659	8,179	8,723
17 Regional government or local authorities	260	146	–	–
18 Public sector entities	–	–	38	41
21 Institutions	15,247	15,256	15,213	16,492
22 Corporates	5,677	5,959	5,985	6,847
24 Retail	8,059	8,003	8,119	8,166
26 Secured by mortgages on immovable property	3,909	3,664	3,465	2,664
28 Exposures in default	1,107	1,198	1,356	1,689
29 Items associated with particularly high risk	1,089	1,055	1,027	882
33 Equity	5,347	5,389	5,543	5,488
34 Other items	2,659	2,754	2,966	2,996
35 Total	51,108	52,083	51,891	53,988
AIB Mortgage Bank				
16 Central governments and central banks	0	0	–	–
21 Institutions	61	55	63	222
24 Retail	25	91	121	111
26 Secured by mortgages on immovable property	197	137	114	144
28 Exposures in default	100	127	164	208
34 Other items	14	18	25	167
35 Total	397	428	487	852
AIB Group (UK) p.l.c.				
16 Central governments and central banks	4,511	4,641	4,553	4,578
17 Regional government or local authorities	–	1	–	–
21 Institutions	301	404	453	395
22 Corporates	5,708	5,513	5,697	5,750
24 Retail	529	577	601	769
26 Secured by mortgages on immovable property	2,984	2,894	2,597	2,721
28 Exposures in default	119	156	197	279
29 Items associated with particularly high risk	265	286	274	56
33 Equity	38	38	38	39
34 Other items	160	158	122	166
35 Total	14,615	14,668	14,532	14,753
EBS d.a.c.				
16 Central governments and central banks	63	59	86	59
21 Institutions	756	1,476	1,995	2,830
22 Corporates	2,068	1,959	1,852	1,744
24 Retail	211	375	402	327
26 Secured by mortgages on immovable property	4,697	4,490	4,325	4,315
28 Exposures in default	475	501	545	607
29 Items associated with particularly high risk	–	–	–	1
30 Covered bonds	2,442	2,035	1,975	1,562
33 Equity	594	594	594	597
34 Other items	205	188	194	210
35 Total	11,511	11,677	11,968	12,252

⁽¹⁾Average net exposures are calculated based on quarterly averages.

⁽²⁾Pre CRM and CCF.

5. Credit risk – Standardised Approach

Table 16: EU CRB–C – Geographical breakdown of exposures – Standardised Approach

The table below provides a breakdown of exposures by geographical areas⁽¹⁾ and exposure classes. All exposures presented are pre CRM and CCF but net of impairment provisions.

	31 December 2018					31 December 2017				
	Net value					Net value				
	Republic of Ireland	United Kingdom	United States of America	Other geographical areas ⁽²⁾	Total	Republic of Ireland	United Kingdom	United States of America	Other geographical areas	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group										
7 Central governments and central banks	7,798	12	6	–	7,816	8,241	17	13	–	8,271
8 Regional government or local authorities	260	–	–	–	260	–	–	–	–	–
9 Public sector entities	–	–	–	–	–	–	–	38	–	38
13 Corporates	3,094	5,745	48	268	9,155	3,167	5,852	23	180	9,222
14 Retail	8,038	999	9	34	9,080	8,611	1,090	9	37	9,747
15 Secured by mortgages on immovable property	13,848	3,424	3	390	17,665	13,063	3,185	5	197	16,450
16 Exposures in default	2,077	150	1	43	2,271	2,514	280	12	19	2,825
17 Items associated with particularly high risk	1,129	300	109	1	1,539	1,100	310	86	2	1,498
21 Equity	130	6	–	–	136	105	21	–	–	126
22 Other items	2,929	159	1	1	3,090	3,262	122	1	1	3,386
23 Total	39,303	10,795	177	737	51,012	40,063	10,877	187	436	51,563
Allied Irish Banks, p.l.c.										
7 Central governments and central banks	7,744	4	6	–	7,754	8,162	4	13	–	8,179
8 Regional government or local authorities	260	–	–	–	260	–	–	–	–	–
9 Public sector entities	–	–	–	–	–	–	–	38	–	38
12 Institutions	14,569	678	–	–	15,247	14,736	477	–	–	15,213
13 Corporates	2,900	2,683	31	63	5,677	3,114	2,776	14	81	5,985
14 Retail	7,546	479	8	26	8,059	7,586	499	8	26	8,119
15 Secured by mortgages on immovable property	3,436	93	3	377	3,909	3,197	139	–	129	3,465
16 Exposures in default	1,077	5	–	25	1,107	1,329	7	9	11	1,356
17 Items associated with particularly high risk	979	1	109	–	1,089	940	–	86	1	1,027
21 Equity	4,509	639	–	199	5,347	4,505	669	–	369	5,543
22 Other items	2,658	–	1	–	2,659	2,965	–	1	–	2,966
23 Total	45,678	4,582	158	690	51,108	46,534	4,571	169	617	51,891
AIB Mortgage Bank										
7 Central governments and central banks	0	–	–	–	0	–	–	–	–	–
12 Institutions	61	–	–	–	61	63	–	–	–	63
14 Retail	25	–	–	–	25	121	–	–	–	121
15 Secured by mortgages on immovable property	197	–	–	–	197	114	–	–	–	114
16 Exposures in default	100	–	–	–	100	164	–	–	–	164
22 Other items	14	–	–	–	14	25	–	–	–	25
23 Total	397	–	–	–	397	487	–	–	–	487
AIB Group (UK) p.l.c.										
7 Central governments and central banks	–	4,511	–	–	4,511	–	4,553	–	–	4,553
12 Institutions	242	56	1	2	301	339	111	–	3	453
13 Corporates	119	5,367	17	205	5,708	58	5,493	9	137	5,697
14 Retail	10	514	–	5	529	11	582	1	7	601
15 Secured by mortgages on immovable property	4	2,969	–	11	2,984	18	2,557	–	22	2,597
16 Exposures in default	2	116	–	1	119	5	191	–	1	197
17 Items associated with particularly high risk	2	263	–	–	265	1	273	–	–	274
21 Equity	–	38	–	–	38	–	38	–	–	38
22 Other items	2	158	–	–	160	–	122	–	–	122
23 Total	381	13,992	18	224	14,615	432	13,920	10	170	14,532
EBS d.a.c.										
7 Central governments and central banks	63	–	–	–	63	86	–	–	–	86
12 Institutions	754	–	–	2	756	1,988	–	5	2	1,995
13 Corporates	2,068	–	–	–	2,068	1,852	–	–	–	1,852
14 Retail	208	2	–	1	211	399	2	–	1	402
15 Secured by mortgages on immovable property	4,695	–	–	2	4,697	4,302	10	3	10	4,325
16 Exposures in default	473	1	–	1	475	533	6	2	4	545
18 Covered bonds	2,442	–	–	–	2,442	1,975	–	–	–	1,975
21 Equity	594	–	–	–	594	594	–	–	–	594
22 Other items	205	–	–	–	205	194	–	–	–	194
23 Total	11,502	3	–	6	11,511	11,923	18	10	17	11,968

⁽¹⁾The geographic breakdown is based on residence of the immediate counterparty.

⁽²⁾For 2018, Rest of the World comprises less than 2% of the total exposures and comprises predominantly Luxembourg and other European countries.

Table 17: EU CRB-E – Maturity of exposures – Standardised Approach

The table below provides a breakdown of net exposures pre CRM and CCF by contractual residual maturity and exposure classes.

	31 December 2018						31 December 2017						
	Net exposure value						Net exposure value						
	On demand	< = 1 year	> 1 year	> 5 years	No stated maturity	Total	On demand	< = 1 year	> 1 year	> 5 years	No stated maturity	Total	
	< = 5 years						< = 5 years						
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
AIB Group													
7	Central governments and central banks	1,353	2,049	2,517	1,897	–	7,816	1,209	1,076	3,397	2,547	42	8,271
8	Regional government or local authorities	1	253	1	5	–	260	–	–	–	–	–	–
9	Public sector entities	–	–	–	–	–	–	–	38	–	–	–	38
13	Corporates	1,206	1,313	3,889	2,279	468	9,155	1,346	1,550	3,735	2,209	382	9,222
14	Retail	21	2,630	4,933	1,496	–	9,080	52	2,563	5,018	2,114	–	9,747
15	Secured by mortgages on immovable property	168	1,030	3,850	12,617	–	17,665	259	956	2,665	12,570	–	16,450
16	Exposures in default	646	125	352	1,148	–	2,271	922	211	333	1,359	–	2,825
17	Items associated with particularly high risk	178	462	484	120	295	1,539	450	208	542	138	160	1,498
21	Equity	–	–	–	–	136	136	–	–	–	–	126	126
22	Other items	646	158	1	–	2,285	3,090	668	104	1	–	2,613	3,386
23	Total	4,219	8,020	16,027	19,562	3,184	51,012	4,906	6,706	15,691	20,937	3,323	51,563
Allied Irish Banks, p.l.c.													
7	Central governments and central banks	1,311	2,029	2,517	1,897	–	7,754	1,126	1,074	3,397	2,547	35	8,179
8	Regional government or local authorities	1	253	1	5	–	260	–	–	–	–	–	–
9	Public sector entities	–	–	–	–	–	–	–	38	–	–	–	38
12	Institutions	7,944	882	1,199	5,222	–	15,247	2,381	8,740	1,702	2,390	–	15,213
13	Corporates	1,078	1,268	601	2,283	447	5,677	653	2,033	644	2,291	364	5,985
14	Retail	17	2,427	4,719	896	–	8,059	26	2,224	4,776	1,093	–	8,119
15	Secured by mortgages on immovable property	120	596	2,202	991	–	3,909	184	666	1,520	1,095	–	3,465
16	Exposures in default	579	106	298	124	–	1,107	790	124	222	220	–	1,356
17	Items associated with particularly high risk	142	388	319	111	129	1,089	307	133	373	127	87	1,027
21	Equity	–	–	–	–	5,347	5,347	–	–	–	–	5,543	5,543
22	Other items	580	60	1	–	2,018	2,659	633	62	1	–	2,270	2,966
23	Total	11,772	8,009	11,857	11,529	7,941	51,108	6,100	15,094	12,635	9,763	8,299	51,891
AIB Mortgage Bank													
7	Central governments and central banks	–	0	–	–	–	0	–	–	–	–	–	–
12	Institutions	61	–	–	–	–	61	63	–	–	–	–	63
14	Retail	–	–	–	25	–	25	–	–	5	116	–	121
15	Secured by mortgages on immovable property	–	–	3	194	–	197	–	–	–	114	–	114
16	Exposures in default	15	1	8	76	–	100	27	7	10	120	–	164
22	Other items	–	–	–	–	14	14	–	–	–	–	25	25
23	Total	76	1	11	295	14	397	90	7	15	350	25	487

5. Credit risk – Standardised Approach

Table 17: EU CRB-E – Maturity of exposures – Standardised Approach (continued)

	31 December 2018						31 December 2017					
	Net exposure value						Net exposure value					
	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
AIB Group (UK) p.l.c.												
7 Central governments and central banks	4,508	–	–	–	3	4,511	4,550	–	–	–	3	4,553
12 Institutions	297	4	–	–	–	301	452	1	–	–	–	453
13 Corporates	313	617	3,434	1,344	–	5,708	376	661	3,272	1,388	–	5,697
14 Retail	3	187	211	128	–	529	10	185	230	176	–	601
15 Secured by mortgages on immovable property	47	175	1,447	1,315	–	2,984	73	176	927	1,421	–	2,597
16 Exposures in default	40	3	23	53	–	119	68	26	34	69	–	197
17 Items associated with particularly high risk	17	74	165	9	–	265	21	74	168	11	–	274
21 Equity	–	–	–	–	38	38	–	–	–	–	38	38
22 Other items	24	98	–	–	38	160	28	42	–	–	52	122
23 Total	5,249	1,158	5,280	2,849	79	14,615	5,578	1,165	4,631	3,065	93	14,532
EBS d.a.c.												
7 Central governments and central banks	43	20	–	–	–	63	74	–	–	–	12	86
12 Institutions	756	–	–	–	–	756	1,968	27	–	–	–	1,995
13 Corporates	–	–	–	2,047	21	2,068	–	15	–	1,819	18	1,852
14 Retail	–	15	2	194	–	211	–	116	2	284	–	402
15 Secured by mortgages on immovable property	0	177	84	4,436	–	4,697	1	55	83	4,186	–	4,325
16 Exposures in default	2	15	23	435	–	475	3	18	34	490	–	545
18 Covered bonds	–	–	–	2,442	–	2,442	–	–	–	1,975	–	1,975
21 Equity	–	–	–	–	594	594	–	–	–	–	594	594
22 Other items	36	–	–	–	169	205	–	–	–	–	194	194
23 Total	837	227	109	9,554	784	11,511	2,046	231	119	8,754	818	11,968

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.

Table 18: Total exposures pre CRM and CCF split by external rating and credit quality assessment step

	31 December 2018							
	Standard and Poor's (ECAI 1)	Moody's (ECAI 2)	Fitch (ECAI 3)	DBRS (ECAI 4)	Credit quality assessment step	Total rated	Total unrated	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group								
Central governments and central banks	-	-	-	-	7,816	7,816	-	7,816
Regional government or local authorities	-	-	-	-	-	-	260	260
Corporates	-	-	-	-	-	-	9,155	9,155
Retail	-	-	-	-	-	-	9,080	9,080
Secured by mortgages on immovable property	-	-	-	-	-	-	17,665	17,665
Exposures in default	-	-	-	-	-	-	2,271	2,271
Exposures associated with particularly high risk	-	-	-	-	-	-	1,539	1,539
Equity	-	-	-	-	-	-	136	136
Other items	-	-	-	-	-	-	3,090	3,090
	-	-	-	-	7,816	7,816	43,196	51,012

	31 December 2017							
	Standard and Poor's (ECAI 1)	Moody's (ECAI 2)	Fitch (ECAI 3)	DBRS (ECAI 4)	Credit quality assessment step	Total rated	Total unrated	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group								
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

5. Credit risk – Standardised Approach

Table 19: Total exposures pre CRM and CCF split by credit quality assessment step⁽¹⁾ – Standardised Approach

							31 December 2018		
	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Total rated	Total unrated	Total
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Central governments and central banks	–	7,816	–	–	–	–	7,816	–	7,816
Regional government or local authorities	–	–	–	–	–	–	–	260	260
Corporates	–	–	–	–	–	–	–	9,155	9,155
Retail	–	–	–	–	–	–	–	9,080	9,080
Secured by mortgages on immovable property	–	–	–	–	–	–	–	17,665	17,665
Exposures in default	–	–	–	–	–	–	–	2,271	2,271
Exposures associated with particularly high risk	–	–	–	–	–	–	–	1,539	1,539
Equity	–	–	–	–	–	–	–	136	136
Other items	–	–	–	–	–	–	–	3,090	3,090
	–	7,816	–	–	–	–	7,816	43,196	51,012

							31 December 2017		
	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Total rated	Total unrated	Total
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ 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

⁽¹⁾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 € 48,870 million, with a capital requirement of € 1,484 million as at 31 December 2018 (2017: exposures of € 46,304 million, capital requirement of € 1,451 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.

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 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:

- 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;
- 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;
- 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
- 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 81 and 82 of the Annual Financial Report 2018.

6. Credit risk – Internal Ratings Based Approach

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.

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 2018						
PD band %	Internal sovereign grade	Midpoint PD %	Internal bank grade	Midpoint PD %	External rating agency grades	
					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	–

6. Credit risk – Internal Ratings Based Approach

Table 20: 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 and non-credit obligation assets. Exposures (EAD) are shown post CRM and CCF.

	31 December 2018													
	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
AIB Group	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Residence of the immediate counterparty														
Republic of Ireland	–	–	366	0.17	3,498	0.88	3,700	3.26	461	0.58	17,953	0.61	25,978	1.02
United Kingdom	4,817	–	2,401	0.11	475	0.82	8	1.35	54	1.02	10	2.30	7,765	0.09
United States of America	760	–	142	0.12	2,888	0.49	–	–	–	–	5	0.79	3,795	0.38
Other geographical areas ⁽¹⁾	3,158	0.00	5,310	0.09	1,910	0.71	–	–	9	0.40	9	2.35	10,396	0.18
Total performing	8,735	0.00	8,219	0.10	8,771	0.71	3,708	3.26	524	0.62	17,977	0.62	47,934	0.66
Defaulted	–	–	–	–	74	100	508	100	10	100	1,478	100	2,070	100
Total exposures	8,735	0.00	8,219	0.10	8,845	1.54	4,216	14.91	534	2.43	19,455	8.16	50,004⁽²⁾	4.18

	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
AIB Group	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Residence of the immediate counterparty														
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
Other geographical areas ⁽¹⁾	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	640	100	–	–	2,067	100	2,783	100
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⁽¹⁾	6.15

⁽¹⁾Exposures with supranational organisations are included under other geographical area.

⁽²⁾Includes credit risk exposures of € 47,854 million (2017: € 45,702 million) and counterparty credit risk of € 2,150 million (2017: € 2,000 million).

	31 December 2018													
	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
Allied Irish Banks, p.l.c.	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Residence of the immediate counterparty														
Republic of Ireland	–	–	366	0.17	3,474	0.88	3,700	3.26	461	0.58	940	0.46	8,941	1.87
United Kingdom	309	–	2,289	0.11	473	0.81	7	1.32	54	1.02	1	0.72	3,133	0.22
United States of America	760	–	141	0.12	2,888	0.49	–	–	–	–	–	–	3,789	0.38
Other geographical areas ⁽¹⁾	3,157	0.00	5,235	0.09	1,910	0.71	–	–	9	0.40	–	–	10,311	0.18
Total performing	4,226	0.00	8,031	0.10	8,745	0.71	3,707	3.26	524	0.62	941	0.41	26,174	0.76
Defaulted	–	–	–	–	74	100	507	100	10	100	184	100	775	100
Total exposures	4,226	0.00	8,031	0.10	8,819	1.54	4,214	14.90	534	2.43	1,125	16.69	26,949	3.38

	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
Allied Irish Banks, p.l.c.	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%
Residence of the immediate counterparty														
Republic of Ireland	–	–	432	0.23	3,617	1.18	3,117	4.38	308	0.54	1,054	0.53	8,528	2.19
United Kingdom	306	–	2,465	0.13	364	0.88	3	4.69	34	0.26	2	0.70	3,174	0.19
United States of America	312	–	202	0.06	2,175	0.57	–	0.78	5	5.00	–	–	2,694	0.47
Other geographical areas ⁽¹⁾	3,848	0.01	3,594	0.09	1,365	0.64	–	–	11	0.55	–	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	640	100	–	–	207	100	923	100
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

⁽¹⁾Exposures with supranational organisations are included under other geographical area.

Table 20: IRB – Probability of default by geography (excluding securitisations) (continued)

										31 December 2018	
	Institutions		Corporates SME		Corporates Other		Retail		Total IRB		
	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	
AIB Mortgage Bank	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	
Residence of the immediate counterparty											
Republic of Ireland	–	–	0	8.52	0	0.58	17,013	0.62	17,013	0.62	
United Kingdom	35	0.10	–	–	–	–	9	2.49	44	0.60	
United States of America	–	–	–	–	–	–	5	0.79	5	0.79	
Other geographical areas ⁽¹⁾	–	–	–	–	–	–	9	2.35	9	2.35	
Total performing	35	0.10	0	8.52	0	0.58	17,036	0.63	17,071	0.63	
Defaulted	–	–	1	100.00	–	–	1,294	100.00	1,295	100.00	
Total exposures	35	0.10	1	61.07	0	0.58	18,330	7.64	18,366	7.63	
										31 December 2017	
	Institutions		Corporates SME		Corporates Other		Retail		Total IRB		
	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	EAD	Average PD	
AIB Mortgage Bank	€ m	%	€ m	%	€ m	%	€ m	%	€ m	%	
Residence of the immediate counterparty											
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	
Other geographical areas ⁽¹⁾	–	–	–	–	–	–	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	

⁽¹⁾Exposures with supranational organisations are included under other geographical area.

The geographical analysis presented is based on the residence of the immediate 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 2018.

6. Credit risk – Internal Ratings Based Approach

Table 21: 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 and counterparty credit risk.

31 December 2018						
	AIB Group		Significant subsidiaries			
	RWA amounts € m	Capital requirements € m	Allied Irish Banks, p.l.c. RWA amounts € m	Capital requirements € m	AIB Mortgage Bank RWA amounts € m	Capital requirements € m
1 RWAs as at 1 January 2018	18,134	1,451	11,905	952	6,162	493
2 Asset size	923	74	1,433	115	(535)	(43)
3 Asset quality	(612)	(49)	(277)	(22)	(327)	(26)
5 Methodology and policy	–	–	–	–	–	–
7 Foreign exchange movements	102	8	102	8	–	–
9 RWAs as at 31 December 2018	18,547⁽¹⁾	1,484	13,163	1,053	5,300	424

31 December 2017						
	AIB Group		Significant subsidiaries			
	RWA amounts € m	Capital requirements € m	Allied Irish Banks, p.l.c. RWA amounts € m	Capital requirements € m	AIB Mortgage Bank RWA amounts € m	Capital requirements € m
1 RWAs as at 1 January 2017	20,026	1,602	12,686	1,015	7,090	567
2 Asset size	975	78	1,426	114	(130)	(10)
3 Asset quality	(836)	(67)	(76)	(6)	(803)	(64)
5 Methodology and policy	(1,650)	(132)	(1,752)	(140)	5	–
7 Foreign exchange movements	(381)	(30)	(379)	(30)	–	–
9 RWAs as at 31 December 2017	18,134⁽¹⁾	1,451	11,905	953	6,162	493

⁽¹⁾Excludes securitisation positions of € 68 million (2017: € 49 million) and counterparty credit risk of € 601 million (2017: € 693 million).

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 prescribed 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.

Table 22: 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⁽¹⁾ includes exposures rated under Foundation IRB and Advanced IRB. All exposures are presented both pre and post CRM and CCF (EAD). The table excludes counterparty credit risk, securitisations and non-credit obligation assets. Gross exposures are presented before credit impairment provisions.

AIB Group		31 December 2018											
		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	RWAs	RWA density	EL
		%	€ m	€ m	%	€ m	%	%	Years	€ m	%	€ m	€ m
Foundation IRB													
Central governments and central banks													
	0.00 to <0.15		8,462	–	–	8,735	0	35	45.00	2.50	59	1	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			8,462	–	0	8,735	0.00	35	45.00	2.50	59	1	0
Institutions													
	0.00 to <0.15		5,735	26	0	5,735	0.08	152	26.09	2.50	1,233	21	1
	0.15 to <0.25		627	5	0	355	0.25	35	39.24	2.50	208	59	1
	0.25 to <0.50		–	–	0	–	–	–	–	–	–	–	–
	0.50 to <0.75		42	–	0	42	0.62	8	45.00	2.50	43	104	–
	0.75 to <2.50		1	–	0	1	1.55	1	45.00	2.50	2	142	–
	2.50 to <10.00		–	–	0	–	3.87	1	45.00	2.50	–	177	–
	10.00 to <100.00		–	–	0	–	–	–	–	–	–	–	–
	100.00 (Default)		–	–	0	–	–	–	–	–	–	–	–
Total			6,405	31	0	6,133	0.10	197	26.98	2.50	1,486	24	2
Corporate specialised lending													
	0.00 to <0.15		–	–	0	–	–	–	–	–	–	–	–
	0.15 to <0.25		96	106	82	183	0.20	7	45.00	2.50	95	52	–
	0.25 to <0.50		45	22	90	65	0.40	8	45.16	2.50	49	75	–
	0.50 to <0.75		80	15	94	94	0.57	4	45.00	2.50	82	87	–
	0.75 to <2.50		122	18	52	131	1.06	6	46.83	2.50	151	115	1
	2.50 to <10.00		21	–	100	21	2.75	2	45.00	2.50	31	149	–
	10.00 to <100.00		–	–	0	–	–	–	–	–	–	–	–
	100.00 (Default)		10	–	0	10	100	1	45.00	2.50	–	–	5
Total			374	161	81	504	2.55	28	45.50	2.50	408	81	6
Corporate SME													
	0.00 to <0.15		0	5	60	3	0.03	3	45.00	2.50	1	19	0
	0.15 to <0.25		0	1	68	1	0.18	4	45.00	2.50	–	53	0
	0.25 to <0.50		327	82	68	383	0.32	64	45.00	2.50	275	72	1
	0.50 to <0.75		211	77	70	265	0.58	37	45.00	2.50	251	95	1
	0.75 to <2.50		1,490	524	44	1,719	1.45	1,545	45.04	2.50	1,646	96	11
	2.50 to <10.00		1,133	191	29	1,188	4.94	1,612	45.00	2.50	1,469	124	26
	10.00 to <100.00		143	15	36	149	23.16	237	45.00	2.50	294	198	16
	100.00 (Default)		496	29	40	508	100.00	1,152	45.05	2.50	–	–	229
Total			3,800	924	45	4,216	14.91	4,654	45.02	2.50	3,936	93	284
Corporate other													
	0.00 to <0.15		1,041	923	59	1,581	0.07	91	45.00	2.50	483	31	1
	0.15 to <0.25		1,072	339	67	1,299	0.18	80	45.00	2.50	697	54	1
	0.25 to <0.50		1,533	331	51	1,704	0.32	138	45.00	2.50	1,225	72	3
	0.50 to <0.75		1,843	255	52	1,977	0.58	154	45.91	2.50	1,909	97	6
	0.75 to <2.50		1,831	282	60	2,001	1.23	275	45.04	2.50	2,418	121	13
	2.50 to <10.00		124	54	52	152	3.95	45	45.00	2.50	254	167	3
	10.00 to <100.00		21	5	34	23	48.00	15	45.00	2.50	53	231	6
	100.00 (Default)		71	6	47	74	100.00	154	45.00	2.50	–	–	33
Total			7,536	2,195	58	8,811	1.54	952	45.21	2.50	7,039	80	66
Total Foundation IRB			26,577	3,311	52	28,399	3.62	5,866	41.34	2.50	12,928	45	358

⁽¹⁾Non-credit obligation assets are excluded from this analysis (€ 17 million).

6. Credit risk – Internal Ratings Based Approach

Table 22: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach (continued)

AIB Group													31 December 2017	
	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	IAS 39 provisions € m	
Foundation IRB														
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	–	–	
Institutions														
	0.00 to <0.15	4,232	25	0	4,232	0.08	134	26.03	2.50	937	22	1	–	
	0.15 to <0.25	1,073	12	0	707	0.25	29	22.73	2.50	243	34	–	–	
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–	
	0.50 to <0.75	4	4	0	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	0	4,943	0.11	177	25.57	2.50	1,184	24	1	–	
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	
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	
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	

Table 22: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach (continued)

AIB Group		31 December 2018											
	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	IFRS 9 ECL provisions
Advanced IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m
Retail													
	0.00 to <0.15	9,677	310	61	9,866	0	81,642	27	–	559	6	2	4
	0.15 to <0.25	3,839	80	65	3,890	0	29,633	28	–	763	20	4	7
	0.25 to <0.50	87	116	59	156	0	500	31	–	46	30	–	–
	0.50 to <0.75	–	–	0	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	3,168	12	84	3,177	1	23,103	28	–	1,803	57	14	11
	2.50 to <10.00	723	7	77	729	3	5,659	28	–	855	117	11	12
	10.00 to <100.00	159	–	100	159	22	1,309	29	–	411	258	15	6
	100.00 (Default)	1,465	13	100	1,478	100	11,725	27	–	1,165	79	307	308
Total Advanced IRB		19,118	538	63	19,455	8.16	153,571	27.67	–	5,602	29	353	348

AIB Group		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	IAS 39 provisions
Advanced IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ 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

6. Credit risk – Internal Ratings Based Approach

Table 22: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach (continued)

Allied Irish Banks, p.l.c.													31 December 2018	
	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	IFRS 9 ECL provisions	
Foundation IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m	
Central governments and central banks														
	0.00 to <0.15	3,954	–	0	4,226	0.00	31	45.00	2.50	59	1	0	–	
	0.15 to <0.25	–	–	0	–	–	–	–	–	–	–	–	–	
	0.25 to <0.50	–	–	0	–	–	–	–	–	–	–	–	–	
	0.50 to <0.75	–	–	0	–	–	–	–	–	–	–	–	–	
	0.75 to <2.50	–	–	0	–	–	–	–	–	–	–	–	–	
	2.50 to <10.00	–	–	0	–	–	–	–	–	–	–	–	–	
	10.00 to <100.00	–	–	0	–	–	–	–	–	–	–	–	–	
	100.00 (Default)	–	–	0	–	–	–	–	–	–	–	–	–	
Total		3,954	–	0	4,226	0.00	31	45.00	2.50	59	1	0	–	
Institutions														
	0.00 to <0.15	5,547	26	0	5,547	0.08	139	25.45	2.50	1,153	21	1	0	
	0.15 to <0.25	627	5	0	355	0.25	32	39.24	2.50	208	59	1	0	
	0.25 to <0.50	–	–	0	–	–	–	–	–	–	–	–	–	
	0.50 to <0.75	42	–	0	42	0.62	7	45.00	2.50	43	104	0	–	
	0.75 to <2.50	1	–	0	1	1.55	1	45.00	2.50	2	142	0	–	
	2.50 to <10.00	0	–	0	0	3.87	1	45.00	2.50	0	177	0	–	
	10.00 to <100.00	–	–	0	–	–	–	–	–	–	–	–	–	
	100.00 (Default)	–	–	0	–	–	–	–	–	–	–	–	–	
Total		6,217	31	0	5,945	0.09	180	26.41	2.50	1,406	24	2	0	
Corporate Specialised lending														
	0.00 to <0.15	–	–	0	–	–	–	–	–	–	–	–	–	
	0.15 to <0.25	96	106	82	183	0.20	7	45.00	2.50	95	52	0	0	
	0.25 to <0.50	45	22	90	65	0.40	8	45.16	2.50	49	75	0	0	
	0.50 to <0.75	80	15	94	94	0.57	4	45.00	2.50	82	87	0	0	
	0.75 to <2.50	122	18	52	131	1.06	6	46.83	2.50	151	115	1	1	
	2.50 to <10.00	21	0	100	21	2.75	2	45.00	2.50	31	149	0	0	
	10.00 to <100.00	–	–	0	–	–	–	–	–	–	–	–	–	
	100.00 (Default)	10	–	0	10	100.00	1	45.00	2.50	–	–	5	1	
Total		374	161	81	504	2.55	28	45.50	2.50	408	81	6	2	
Corporate SME														
	0.00 to <0.15	–	5	60	3	0.03	3	45.00	2.50	1	19	–	–	
	0.15 to <0.25	–	1	68	1	0.18	4	45.00	2.50	–	53	–	–	
	0.25 to <0.50	327	82	68	383	0.32	64	45.00	2.50	275	72	1	0	
	0.50 to <0.75	211	77	70	265	0.58	37	45.00	2.50	251	95	1	–	
	0.75 to <2.50	1,490	522	44	1,719	1.45	1,536	45.04	2.50	1,646	96	12	18	
	2.50 to <10.00	1,133	191	29	1,187	4.94	1,608	45.00	2.50	1,468	124	26	67	
	10.00 to <100.00	143	15	36	149	23.16	236	45.00	2.50	294	198	16	20	
	100.00 (Default)	495	29	40	507	100.00	1,152	45.05	2.50	–	–	228	193	
Total		3,799	922	46	4,214	14.90	4,640	45.02	2.50	3,935	94	284	298	
Corporate other														
	0.00 to <0.15	1,041	912	59	1,580	0.07	90	45.00	2.50	483	31	1	0	
	0.15 to <0.25	1,060	324	70	1,287	0.18	76	45.00	2.50	691	54	1	1	
	0.25 to <0.50	1,533	331	52	1,704	0.32	137	45.00	2.50	1,225	72	3	0	
	0.50 to <0.75	1,843	255	52	1,976	0.58	151	45.91	2.50	1,909	97	6	1	
	0.75 to <2.50	1,820	276	62	1,990	1.23	263	45.04	2.50	2,406	121	13	7	
	2.50 to <10.00	124	53	53	151	3.94	42	45.00	2.50	253	167	3	4	
	10.00 to <100.00	21	5	34	23	48.00	15	45.00	2.50	53	231	6	5	
	100.00 (Default)	71	6	47	74	100.00	154	45.00	2.50	0	0	33	25	
Total		7,513	2,162	59	8,785	1.54	928	45.21	2.50	7,020	80	66	43	
Total Foundation IRB		21,857	3,276	55	23,674	3.30	5,807	40.43	2.50	12,828	54	358	343	

Table 22: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach (continued)

Allied Irish Banks, p.l.c.													31 December 2017	
	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	RWAs	RWA density	EL	IAS 39 provisions	
	%			%		%		%	Years	€ m	%	€ m	€ m	
Foundation IRB														
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	–	–	
Institutions														
	0.00 to <0.15	4,066	26	0	4,066	0.08	125	25.26	2.50	867	21	1	–	
	0.15 to <0.25	1,072	12	0	706	0.25	26	22.68	2.50	243	34	–	–	
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–	
	0.50 to <0.75	3	4	0	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	0	4,775	0.11	164	24.89	2.50	1,113	23	1	–	
Corporate Specialised lending														
	0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–	
	0.15 to <0.25	28	64	75	76	0.20	5	45.00	2.50	40	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	9	178	–	–	
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–	
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–	
Total		221	126	82	324	0.59	21	45.21	2.50	265	81	1	1	
Corporate SME														
	0.00 to <0.15	4	1	44	4	0.10	3	45.00	2.50	1	38	–	–	
	0.15 to <0.25	–	2	13	–	0.18	2	45.00	2.50	–	53	–	–	
	0.25 to <0.50	111	66	42	138	0.32	50	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	1,215	320	27	1,302	1.47	1,282	45.00	2.50	1,244	96	9	12	
	2.50 to <10.00	1,290	251	40	1,390	5.13	1,664	45.00	2.50	1,768	127	33	39	
	10.00 to <100.00	189	17	30	194	23.28	324	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		3,523	709	34	3,760	20.65	4,698	45.00	2.50	3,587	96	351	337	
Corporate other														
	0.00 to <0.15	637	862	57	1,133	0.07	81	45.00	2.50	332	29	–	2	
	0.15 to <0.25	967	277	70	1,160	0.18	80	45.00	2.50	638	55	1	2	
	0.25 to <0.50	1,152	392	58	1,381	0.32	161	45.01	2.50	993	72	3	3	
	0.50 to <0.75	1,757	241	65	1,915	0.58	148	46.65	2.50	1,839	96	6	4	
	0.75 to <2.50	1,567	285	53	1,717	1.20	269	45.50	2.50	2,140	125	11	4	
	2.50 to <10.00	114	20	16	117	4.72	55	45.00	2.50	209	178	3	3	
	10.00 to <100.00	48	8	42	52	43.16	40	45.00	2.50	125	240	12	2	
	100.00 (Default)	75	1	62	76	100.00	194	45.00	2.50	–	–	34	71	
Total		6,317	2,086	59	7,551	1.89	1,028	45.28	2.50	6,276	83	70	91	
Total Foundation IRB		19,300	2,963	53	20,874	4.44	5,933	40.51	2.50	11,510	55	423	429	

6. Credit risk – Internal Ratings Based Approach

Table 22: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach (*continued*)

Allied Irish Banks, p.l.c.													31 December 2018	
	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	IFRS 9 ECL provisions	
Advanced IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m	
Retail														
	0.00 to <0.15	595	2	100	597	0.05	6,643	29.10	–	36	6	0	1	
	0.15 to <0.25	216	1	100	217	0.24	2,176	30.01	–	46	21	0	0	
	0.25 to <0.50	0	–	–	0	0.39	2	32.49	–	–	31	0	0	
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–	
	0.75 to <2.50	94	0	100	94	0.93	928	30.55	–	54	58	0	1	
	2.50 to <10.00	27	0	100	28	3.76	248	29.63	–	37	135	1	1	
	10.00 to <100.00	5	0	100	5	21.91	55	29.74	–	14	267	1	0	
	100.00 (Default)	182	2	100	184	100.00	1,628	33.95	–	131	72	52	51	
Total Advanced IRB		1,119	5	100	1,125	16.69	11,680	30.21	–	318	28	54	54	

Allied Irish Banks, p.l.c.													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	IAS 39 provisions	
Advanced IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m	
Retail														
	0.00 to <0.15	618	3	100	621	0.05	6,652	29.14	–	38	6	–	2	
	0.15 to <0.25	246	1	100	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	100	143	0.91	1,260	31.35	–	84	58	1	2	
	2.50 to <10.00	36	–	100	36	3.95	335	30.29	–	51	142	1	1	
	10.00 to <100.00	9	–	100	9	21.91	82	31.57	–	26	294	1	–	
	100.00 (Default)	205	2	100	207	100.00	1,624	40.67	–	132	64	73	73	
Total Advanced IRB		1,256	7	100	1,263	16.78	12,346	31.58	–	384	30	76	79	

Table 22: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach (continued)

AIB Mortgage Bank													31 December 2018	
	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	IFRS 9 ECL provisions	
Foundation IRB	%	€ m	€ m	%	€ m	%		%	Years	€ m	%	€ m	€ m	
Institutions														
	0.00 to <0.15	35	–	–	35	0.10	1	45.00	2.50	15	42	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		35	–	–	35	0.10	1	45	2.5	15	42	0	0	
Corporate SME														
	0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–	
	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	0	–	–	0	8.52	1	45.00	2.50	1	145	0	0	
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–	
	100.00 (Default)	1	–	–	1	100.00	1	45.00	2.50	0	0	0	0	
Total		1	–	–	1	61.07	2	45	2.5	1	62	0	0	
Corporate other														
	0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–	
	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–	
	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–	
	0.50 to <0.75	0	–	–	0	0.58	1	45.00	2.50	0	95	0	0	
	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–	
	2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–	
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–	
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–	
Total		0	–	–	0	0.58	1	45.00	2.50	0	95	0	0	
Total Foundation IRB		36	–	–	36	1.95	4	45	2.50	16	43	0	0	
Advanced IRB														
Retail														
	0.00 to <0.15	9,083	308	60	9,269	0.05	74,999	27.23	–	524	6	2	3	
	0.15 to <0.25	3,622	79	64	3,673	0.24	27,456	28.02	–	717	20	4	6	
	0.25 to <0.50	87	117	59	156	0.39	498	30.58	–	46	30	–	–	
	0.50 to <0.75	–	–	0	–	–	–	–	–	–	–	–	–	
	0.75 to <2.50	3,073	12	84	3,083	1.13	22,175	27.93	–	1,749	57	14	10	
	2.50 to <10.00	696	7	77	701	3.45	5,411	28.37	–	818	117	10	12	
	10.00 to <100.00	154	–	100	154	21.91	1,254	28.72	–	397	258	14	6	
	100.00 (Default)	1,283	11	100	1,294	100.00	10,097	26.13	–	1,033	80	255	257	
Total		17,998	534	62	18,330	7.64	141,890	27.51	–	5,284	29	299	294	

6. Credit risk – Internal Ratings Based Approach

Table 22: EU CR6 – Credit risk exposures by exposure class and PD range – IRB Approach (continued)

AIB Mortgage Bank													31 December 2017	
	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	IAS 39 provisions € m	
Foundation IRB	%													
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	–	–	
Advanced IRB														
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	

Table 23: 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 pre CRM and CCF but net of credit impairment provisions. Counterparty credit risk and securitisations are excluded.

	31 December 2018		31 December 2017	
	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
AIB Group				
1 Central governments and central banks	8,462	8,454	8,639	8,973
2 Institutions	6,436	5,801	5,350	5,216
3 Corporates	14,647	13,564	12,604	12,140
4 Of which: Specialised lending	533	412	346	283
5 SMEs	4,426	4,355	3,910	4,018
6 Retail	19,308	19,493	19,700	19,927
7 Of which: Secured by real estate property	19,308	19,493	19,700	19,927
Non-credit obligation assets	17	26	11	19
15 Total	48,870⁽²⁾	47,338	46,304⁽²⁾	46,275
Allied Irish Banks, p.l.c.				
1 Central governments and central banks	3,954	3,820	4,098	4,398
2 Institutions	6,248	5,632	5,183	5,047
3 Corporates	14,588	13,506	12,553	11,849
4 Of which: Specialised lending	533	412	346	283
5 SMEs	4,423	4,347	3,895	3,916
6 Retail	1,070	1,122	1,184	1,245
7 Of which: Secured by real estate property	1,070	1,122	1,700	19,927
Non-Credit obligation assets	17	26	11	19
15 Total	25,877	24,106	23,029	22,558
AIB Mortgage Bank				
2 Institutions	35	35	35	35
3 Corporates	1	–	–	–
5 Of which: SMEs	1	–	–	–
6 Retail	18,238	18,373	18,516	18,684
7 Of which: Secured by real estate property	18,238	18,373	18,516	18,684
15 Total	18,274	18,408	18,551	18,719

⁽¹⁾Average net exposures are calculated based on quarterly averages.

⁽²⁾Net credit impairment provisions amount to € 691 million (2017: € 1,016 million).

6. Credit risk – Internal Ratings Based Approach

Table 24: EU CRB–C – Geographical breakdown of exposures – IRB Approach

The table below provides a breakdown of exposures by geographical areas⁽¹⁾ and exposure classes. All exposures presented are pre CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

	31 December 2018					31 December 2017				
	Net value					Net value				
	Republic of Ireland	United Kingdom	United States of America	Other geographical areas ⁽²⁾	Total	Republic of Ireland	United Kingdom	United States of America	Other geographical areas ⁽²⁾	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group										
1 Central governments and central banks	–	4,817	760	2,885	8,462	–	4,848	312	3,479	8,639
2 Institutions	366	1,152	141	4,777	6,436	427	886	197	3,840	5,350
3 Corporates	9,250	549	2,883	1,965	14,647	8,593	395	2,174	1,442	12,604
Of which: Specialised lending	483	41	–	9	533	313	16	5	12	346
SME	4,415	11	–	–	4,426	3,903	7	–	–	3,910
4 Retail	19,279	13	5	11	19,308	19,629	34	10	27	19,700
Non-credit obligation assets	17	–	–	–	17	11	–	–	–	11
6 Total	28,912	6,531	3,789	9,638	48,870	28,660	6,163	2,693	8,788	46,304
Allied Irish Banks, p.l.c.										
1 Central governments and central banks	–	309	760	2,885	3,954	–	307	312	3,479	4,098
2 Institutions	366	1,040	140	4,702	6,248	427	805	192	3,759	5,183
3 Corporates	9,202	538	2,883	1,965	14,588	8,552	385	2,174	1,442	12,553
Of which: Specialised lending	483	41	–	9	533	313	16	5	12	346
SME	4,414	9	–	–	4,423	3,890	4	–	1	3,895
4 Retail	1,069	1	–	–	1,070	1,182	2	–	–	1,184
Non-credit obligations assets	17	–	–	–	17	11	–	–	–	11
6 Total	10,654	1,888	3,783	9,552	25,877	10,172	1,499	2,678	8,680	23,029
AIB Mortgage Bank										
1 Central governments and central banks	–	–	–	–	0	–	–	–	–	–
2 Institutions	–	35	–	–	35	–	35	–	–	35
3 Corporates	1	–	–	–	1	–	–	–	–	–
Of which: SME	1	–	–	–	1	–	–	–	–	–
4 Retail	18,210	12	5	11	18,238	18,446	33	10	27	18,516
6 Total	18,211	47	5	11	18,274	18,446	68	10	27	18,551

⁽¹⁾The geographic breakdown is based on the residence of the immediate counterparty.

⁽²⁾Rest of the World comprises predominantly other European countries, France, Spain, Germany and the Netherlands.

Table 25: 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 pre CRM and CCF but net of impairment provisions. Counterparty credit risk and securitisations are excluded.

														31 December 2018	
	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	
AIB Group															
1 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	8,462	-	8,462	
2 Institutions	-	-	-	-	-	-	-	-	-	-	-	6,436	-	6,436	
3 Corporates	435	341	3,870	1,021	362	3	3,191	54	3,730	190	1,450	-	-	14,647	
Of which:															
Specialised lending	-	-	-	413	-	-	-	-	71	-	49	-	-	533	
SME	187	120	1,884	100	17	2	552	49	1,044	119	352	-	-	4,426	
4 Retail	-	-	-	-	-	19,308	-	-	-	-	-	-	-	19,308	
Non-credit obligation assets	-	4	1	-	-	-	1	-	1	-	10	-	-	17	
6 Total	435	345	3,871	1,021	362	19,311	3,192	54	3,731	190	1,460	14,898	-	48,870	

														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	
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
AIB Group															
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	

6. Credit risk – Internal Ratings Based Approach

Table 25: EU CRB-D – Concentration of exposures by industry or counterparty types – IRB Approach (continued)

														31 December 2018	
	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	
Allied Irish Banks, p.l.c.	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
1 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	3,954	-	3,954	
2 Institutions	-	-	-	-	-	-	-	-	-	-	-	6,248	-	6,248	
3 Corporates	434	338	3,862	1,021	341	3	3,181	54	3,723	181	1,450	-	-	14,588	
Of which:															
Specialised lending	-	-	-	413	-	-	-	-	71	-	49	-	-	533	
SME	187	120	1,882	100	17	2	552	49	1,044	118	352	-	-	4,423	
4 Retail	-	-	-	-	-	1,070	-	-	-	-	-	-	-	1,070	
Non-credit obligation assets	-	4	1	-	-	-	1	-	1	-	10	-	-	17	
6 Total	434	342	3,863	1,021	341	1,073	3,182	54	3,724	181	1,460	10,202	-	25,877	

														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	
Allied Irish Banks, p.l.c.	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ 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	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 2018	
	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	
AIB Mortgage Bank	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
2 Institutions	-	-	-	-	-	-	-	-	-	-	-	35	-	35	
3 Corporates	-	-	-	-	-	-	-	-	-	1	-	-	-	1	
Of which:															
SME	-	-	-	-	-	-	-	-	-	1	-	-	-	1	
4 Retail	-	-	-	-	-	18,238	-	-	-	-	-	-	-	18,238	
6 Total	-	-	-	-	-	18,238	-	-	-	1	-	35	-	18,274	

														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	
AIB Mortgage Bank	€ 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	

Table 26: 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 pre CRM and CCF but net of impairment provisions.

	31 December 2018						31 December 2017					
	Net exposure value						Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
AIB Group												
1 Central governments and central banks	5,223	390	1,901	948	–	8,462	5,097	334	2,101	1,107	–	8,639
2 Institutions	535	823	4,598	480	–	6,436	828	162	3,898	462	–	5,350
3 Corporates	686	1,970	6,657	5,334	–	14,647	717	1,874	5,979	4,034	–	12,604
Of which:												
Specialised lending	3	2	113	415	–	533	17	13	94	222	–	346
SME	431	840	1,784	1,371	–	4,426	466	651	1,506	1,287	–	3,910
4 Retail	86	532	551	18,139	–	19,308	95	575	553	18,477	–	19,700
Other non-credit obligation assets	5	8	4	–	–	17	2	6	3	–	–	11
6 Total	6,535	3,723	13,711	24,901	–	48,870	6,739	2,951	12,534	24,080	–	46,304
Allied Irish Banks, p.l.c.												
1 Central governments and central banks	715	390	1,901	948	–	3,954	556	334	2,101	1,107	–	4,098
2 Institutions	347	823	4,598	480	–	6,248	660	163	3,898	462	–	5,183
3 Corporates	664	1,935	6,655	5,334	–	14,588	673	1,836	6,010	4,034	–	12,553
Of which:												
Specialised lending	3	2	113	415	–	533	17	13	94	222	–	346
SME	431	838	1,783	1,371	–	4,423	460	641	1,506	1,288	–	3,895
4 Retail	12	4	34	1,020	–	1,070	14	6	33	1,131	–	1,184
Non-credit obligation assets	5	8	4	–	–	17	2	6	3	–	–	11
6 Total	1,743	3,160	13,192	7,782	–	25,877	1,905	2,345	12,045	6,734	–	23,029
AIB Mortgage Bank												
2 Institutions	35	–	–	–	–	35	35	–	–	–	–	35
3 Corporates	–	–	1	–	–	1	–	–	–	–	–	–
Of which:												
Specialised lending	–	–	–	–	–	–	–	–	–	–	–	–
SME	–	–	1	–	–	1	–	–	–	–	–	–
4 Retail	74	528	517	17,119	–	18,238	81	569	520	17,346	–	18,516
6 Total	109	528	518	17,119	–	18,274	116	569	520	17,346	–	18,551

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.

6. Credit risk – Internal Ratings Based Approach

Table 27: 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 2018						31 December 2017					
	AIB Group		Significant subsidiaries				AIB Group		Significant subsidiaries			
	Pre-credit derivatives RWAs € m	Actual RWAs € m	Pre-credit derivatives RWAs € m	Actual RWAs € m	Pre-credit derivatives RWAs € m	Actual RWAs € m	Pre-credit derivatives RWAs € m	Actual RWAs € m	Pre-credit derivatives RWAs € m	Actual RWAs € m	Pre-credit derivatives RWAs € m	Actual RWAs € m
1 Exposures under FIRB												
2 Central governments and central banks	59	59	59	59	–	–	269	269	269	269	–	–
3 Institutions	1,486	1,486	1,406	1,406	15	15	1,184	1,184	1,113	1,113	15	15
4 Corporates – Specialised lending	408	408	408	408	–	–	265	265	265	265	–	–
5 Corporates – SMEs	3,936	3,936	3,935	3,935	1	1	3,595	3,595	3,588	3,588	–	–
6 Corporates – Other	7,039	7,039	7,020	7,020	–	–	6,278	6,278	6,276	6,276	–	–
19 Other non-credit obligation assets	17	17	–	–	–	–	11	11	–	–	–	–
7 Exposures under AIRB												
14 Retail – Secured by real estate non-SMEs	5,602	5,602	318	318	5,284	5,284	6,532	6,532	384	384	6,147	6,147
19 Non-credit obligation assets	–	–	17	17	–	–	–	–	11	11	–	–
20 Total	18,547	18,547	13,163	13,163	5,300	5,300	18,134	18,134	11,906	11,906	6,162	6,162

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

Table 28: 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 2018									
	PD range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate ⁽¹⁾
					End of previous year	End of the year			
AIB Group	%		%	%					%
Central governments and central banks									
	0.00 to <0.15	AAA to BBB-	0.00	0.00	26	35	–	–	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			0.00	0.00	26	35	–	–	0.00
Institutions									
	0.00 to <0.15	AAA to A-	0.08	0.09	134	152	–	–	0.00
	0.15 to <0.25	BBB+ to BBB-	0.25	0.25	29	35	–	–	0.00
	0.25 to <0.50	–	–	–	–	–	–	–	0.00
	0.50 to <0.75	BB+ to BB-	0.62	0.62	14	8	–	–	0.00
	0.75 to <2.50	B+	1.55	1.55	–	1	–	–	0.00
	2.50 to <10.00	B to B-	3.87	3.87	–	1	–	–	0.00
	10.00 to <100.00	CCC+ to C	–	–	–	–	–	–	0.00
	100.00 (Default)	–	–	–	–	–	–	–	0.00
Total			0.10	0.16	177	197	–	–	0.00
Corporate specialised lending									
	0.00 to <0.15	N/A	–	–	–	–	–	–	0.00
	0.15 to <0.25	N/A	0.20	0.20	5	7	–	–	0.00
	0.25 to <0.50	N/A	0.40	0.39	8	8	–	–	0.00
	0.50 to <0.75	N/A	0.57	0.62	5	4	–	–	6.67
	0.75 to <2.50	N/A	1.06	1.46	2	6	–	–	15.00
	2.50 to <10.00	N/A	2.75	2.75	1	2	–	–	0.00
	10.00 to <100.00	N/A	–	–	–	–	–	–	0.00
	100.00 (Default)	N/A	100.00	100.00	–	1	–	–	0.00
Total			2.55	4.33	21	28	–	–	2.84
Corporate SME									
	0.00 to <0.15	N/A	0.03	0.06	4	3	–	–	0.00
	0.15 to <0.25	N/A	0.18	0.18	6	4	–	–	0.00
	0.25 to <0.50	N/A	0.32	0.32	51	64	–	–	0.00
	0.50 to <0.75	N/A	0.58	0.58	45	37	–	–	0.00
	0.75 to <2.50	N/A	1.45	1.55	1,292	1,545	7	–	1.63
	2.50 to <10.00	N/A	4.94	4.80	1,667	1,612	50	–	4.75
	10.00 to <100.00	N/A	23.16	21.29	325	237	43	–	17.76
	100.00 (Default)	N/A	100.00	100.00	1,328	1,152	–	–	0.00
Total			14.91	28.02	4,718	4,654	100	–	5.26
Corporate other									
	0.00 to <0.15	N/A	0.07	0.08	85	91	–	–	0.00
	0.15 to <0.25	N/A	0.18	0.18	82	80	–	–	0.00
	0.25 to <0.50	N/A	0.32	0.32	161	138	1	–	0.21
	0.50 to <0.75	N/A	0.58	0.58	149	154	2	–	0.72
	0.75 to <2.50	N/A	1.23	1.36	276	275	2	–	0.38
	2.50 to <10.00	N/A	3.95	4.00	57	45	1	–	2.42
	10.00 to <100.00	N/A	48.00	55.36	40	15	–	–	0.00
	100.00 (Default)	N/A	100.00	100.00	195	154	–	–	0.00
Total			1.54	17.79	1,045	952	6	–	0.42
Retail									
	0.00 to <0.15	N/A	0.05	0.05	77,635	81,642	108	–	0.13
	0.15 to <0.25	N/A	0.24	0.24	30,227	29,633	151	–	0.42
	0.25 to <0.50	N/A	0.39	0.39	357	500	–	–	0.00
	0.50 to <0.75	N/A	–	–	–	–	–	–	0.00
	0.75 to <2.50	N/A	1.12	1.10	24,289	23,103	326	–	1.20
	2.50 to <10.00	N/A	3.46	3.49	6,522	5,659	551	1	8.66
	10.00 to <100.00	N/A	21.91	21.91	1,718	1,309	458	1	16.22
	100.00 (Default)	N/A	100.00	100.00	14,090	11,725	–	–	0.00
Total			8.16	8.19	154,838	153,571	1,594	2	1.27

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

6. Credit risk – Internal Ratings Based Approach

Table 28: EU CR9 – Backtesting of PD per exposure class – IRB Approach (continued)

31 December 2017

AIB Group	PD range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate ⁽¹⁾
					End of previous year	End of the year			
	%		%	%					%
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
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.

Risk weightings for IRB models

The Group's risk weightings as a percentage of EAD for IRB models at 31 December 2018 are detailed below. The weightings are influenced by the grade profile and the associated PDs of the portfolios, having applied the regulatory LGD of 45% for the majority⁽¹⁾ of the non-retail portfolios (2017: 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 2018 (2017: 28%).

⁽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 29: CRD risk weightings as a percentage of EAD for IRB models

AIB Group – IRB rating models ⁽¹⁾	31 December	
	2018 %	2017 %
Sovereign	1	3
Bank	25	18
Commercial	109	116
Corporate	81	85
Not-for-profit	90	100
Project finance	82	81
Residential mortgage	25	28

⁽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.

7. Credit risk mitigation

The perceived strength of a borrower's repayment capacity is the primary factor in granting a loan, however, the Group 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 advances 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 81 and 82 of the Annual Financial Report 2018.

Collateral

The principal collateral types for loans and advances 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 advances is determined by the nature of the instrument.

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 advances to banks 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 2018 on pages 81 and 82, which describes the methodologies used for valuing collateral. Further information in relation to repurchase transactions is set out in Chapter 9 of this report – Counterparty credit risks on pages 90 to 94.

Credit risk mitigation for regulatory capital requirements calculation

The Group does not take account of credit risk mitigation for its credit risk exposures. For counterparty credit risk, the Group uses eligible financial collateral for derivatives and securities financing transactions as outlined in table 43 on page 93 of this report.

⁽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 93 to 121 of the Annual Financial Report 2018. AIB's debt securities portfolio comprises mainly government and bank securities.

Non-performing/default

On 1 January 2018, the Group introduced a new definition of default aligned with the EBA 'Guidelines on the application of the definition of default' under Article 178 of Capital Requirements Regulation and ECB Banking Supervision Guidance to Banks on Non-performing loans. The Group has aligned the definitions of 'non-performing loans', 'classification of default' and IFRS 9 Stage 3 'credit impaired', with the exception of those loans which have been derecognised and newly originated in Stage 1 or POCI (Purchased or Originated Credit Impaired).

Loans are identified as non-performing or defaulted by a number of characteristics. The key criteria resulting in a classification of non-performing are:

- Where the Group considers a credit obligor to be unlikely to pay his/her credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount.
- The credit obligor is 90 days or more past due on any material credit obligation. Date count starts where any amount of principal, interest or fee has not been paid by a credit obligor on the due date.

The trigger for default is based on a calculation of the sum of all past due amounts related to the credit obligation for a retail credit obligor or related to the credit obligations for a non-retail credit obligor. The Group's definition of financial distress, forbearance, non-performing exposures and unlikelihood to pay are included in the Group's Definition of Default policy.

Non-performing loans that have received a concession from the Group on terms or conditions will remain in the non-performing probationary period for a minimum of 12 months, and are subject to meeting defined probation criteria before moving to a performing classification.

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 page 121 of the Annual Financial Report 2018.

Impairment

The Group implemented IFRS 9 at 1 January 2018. The IFRS 9 PD modelling approach uses a combination of rating grades and scores obtained from these credit risk models along with key factors such as age of an account, the current/recent arrears status or the current/recent forbearance status and macro-economic factors to obtain the relevant IFRS 9 12 month and Lifetime PDs (i.e. point in time). The Group has set out its methodologies and judgements exercised in determining its expected credit loss ("ECL") under IFRS 9 on pages 85 to 92 in the Annual Financial Report 2018.

8. Credit risk – Credit profile of exposures

Table 30: 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) ECL provisions under IFRS 9 (31 December 2017: specific and IBNR provisions).

	31 December 2018							31 December 2017*						
	Gross carrying values of ⁽¹⁾		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽³⁾	Net values ⁽²⁾	Gross carrying values of ⁽¹⁾		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽⁴⁾	Net values ⁽²⁾
	Defaulted exposures	Non-defaulted exposures						Defaulted exposures	Non-defaulted exposures					
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Central governments and central banks	–	8,462	–	–	–	–	8,462	–	8,639	–	–	–	–	8,639
2 Institutions	–	6,436	–	–	–	–	6,436	–	5,350	–	–	–	–	5,350
3 Corporates	612	14,378	343	–	504	10	14,647	740	12,294	430	–	–	2	12,604
4 Of which: Specialised lending	10	525	2	–	–	–	533	–	347	1	–	–	–	346
5 SMEs	525	4,199	298	–	392	18	4,426	664	3,584	338	–	–	–	3,910
6 Retail	1,478	18,178	348	–	400	(89)	19,308	2,068	18,218	586	–	426	(119)	19,700
7 Of which: Secured by real estate property	1,478	18,178	348	–	–	–	19,308	2,068	18,218	586	–	426	(119)	19,700
Non-credit obligation assets	–	17	–	–	–	–	17	–	11	–	–	–	–	11
15 Total IRB Approach	2,090	47,471	691	–	904	(79)	48,870	2,808	44,512	1,016	–	426	(117)	46,304
16 Central governments and central banks	–	7,816	–	–	–	–	7,816	–	8,207	–	–	–	–	8,207
17 Regional government or local authorities	–	260	–	–	–	–	260	–	64	–	–	–	–	64
18 Public sector entities	–	–	–	–	–	–	–	–	38	–	–	–	–	38
22 Corporates ⁽⁵⁾	498	9,232	77	–	–	109	9,155	691	9,294	72	–	–	46	9,222
24 Retail ⁽⁵⁾	586	9,246	166	–	–	(31)	9,080	1,035	9,818	71	–	–	(1)	9,747
26 Secured by mortgages on immovable property ⁽⁵⁾	1,905	17,750	85	–	–	(82)	17,665	2,735	16,633	183	–	–	(41)	16,450
28 Exposures in default	2,989	–	718	–	1,642	(91)	2,271	4,473	–	1,648	–	3,581	–	2,825
29 Items associated with particularly high risk	321	1,353	135	–	868	(30)	1,539	689	1,164	355	–	–	–	1,498
33 Equity exposures	–	136	–	–	–	–	136	–	126	–	–	–	–	126
34 Other exposures	–	3,090	–	–	–	–	3,090	12	3,386	–	–	–	–	3,386
35 Total Standardised Approach	3,310	48,883	1,181	–	2,510	(125)	51,012	5,162	48,730	2,329	–	3,581	4	51,563
36 Total	5,400	96,354	1,872⁽⁶⁾	–	3,414	(204)	99,882	7,970	93,242	3,345	–	4,007	(113)	97,867
Of which:														
37 Loans	5,242	68,492	1,822	–	3,414	(209)	71,912	7,762	66,697	3,345	–	4,007	(113)	71,114
38 Debt securities	–	16,133	–	–	–	–	16,133	–	15,642	–	–	–	–	15,642
39 Off-balance sheet exposures	158	11,729	50	–	–	5	11,837	208	10,903	–	–	–	–	11,111

⁽¹⁾Excludes securitisations of € 555 million (2017: € 557 million) and counterparty credit risk amounting to € 7,752 million (2017: € 7,484 million).

⁽²⁾Gross carrying value minus specific credit risk adjustment.

⁽³⁾IFRS 9 net credit impairment writeback.

⁽⁴⁾IAS 39 net credit impairment writeback.

⁽⁵⁾Defaulted exposures are broken down into the exposure class that corresponds to the exposure before default.

⁽⁶⁾Total IFRS 9 ECLs amount to € 2,097 million of which € 1,872 million is reported to the Regulator, including IFRS 9 transitional scalars.

*For Tables EU CR1–A, EU CR1–B and EU CR1–C, the gross carrying values of exposures and net values have been restated compared to those reported in the equivalent tables in the Pillar 3 2017 Report. No other tables were impacted by this restatement (e.g. no impact on reported RWAs or capital ratios).

Table 30: EU CR1-A – Credit quality of exposures by exposure class and instrument (continued)

	31 December 2018						31 December 2017*							
	Gross carrying values of ⁽¹⁾		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽³⁾	Net values ⁽²⁾	Gross carrying values of ⁽¹⁾		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽⁴⁾	Net values ⁽²⁾
	Defaulted exposures	Non-defaulted exposures						Defaulted exposures	Non-defaulted exposures					
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Allied Irish Banks, p.l.c.														
1 Central governments and central banks	–	3,954	–	–	–	–	3,954	–	4,098	–	–	–	–	4,098
2 Institutions	–	6,248	–	–	–	–	6,248	–	5,183	–	–	–	–	5,183
3 Corporates	611	14,320	343	–	503	10	14,588	740	12,242	429	–	–	–	12,553
4 Of which: Specialised lending	10	525	2	–	–	–	533	–	347	1	–	–	–	346
5 SMEs	524	4,197	298	–	392	18	4,423	664	3,568	337	–	–	–	3,895
6 Retail	184	940	54	–	28	(15)	1,070	312	951	79	–	37	(12)	1,184
7 Of which: Secured by real estate property	184	940	54	–	–	–	1,070	312	951	79	–	37	(12)	1,184
Non-credit obligation assets	–	17	–	–	–	–	17	–	11	–	–	–	–	11
15 Total IRB Approach	795	25,479	397	–	531	(5)	25,877	1,052	22,485	508	–	37	(12)	23,029
16 Central governments and central banks	–	7,754	–	–	–	–	7,754	–	8,179	–	–	–	–	8,179
18 Public sector entities	–	260	–	–	–	–	260	–	38	–	–	–	–	38
21 Institutions	–	15,247	–	–	–	–	15,247	–	15,213	–	–	–	–	15,213
22 Corporates ⁽⁵⁾	405	5,696	19	–	–	86	5,677	557	6,118	133	–	937	6	5,985
24 Retail ⁽⁵⁾	317	8,168	109	–	–	(23)	8,059	393	8,184	65	–	385	(1)	8,119
26 Secured by mortgages on immovable property ⁽⁵⁾	713	3,941	32	–	–	(1)	3,909	1,209	3,658	193	–	2,390	(41)	3,465
28 Exposures in default	1,435	–	328	–	1,206	(166)	1,107	2,160	–	804	–	–	–	1,356
29 Items associated with particularly high risk	235	926	72	–	868	(33)	1,089	596	431	–	–	–	–	1,027
33 Equity exposures	–	7,595 ⁽⁶⁾	2,248 ⁽⁶⁾	–	–	–	5,347	–	5,543	–	–	–	–	5,543
34 Other exposures	–	2,659	–	–	–	–	2,659	1	2,966	–	–	–	–	2,966
35 Total Standardised Approach	1,670	52,246	2,808	–	2,074	(137)	51,108	2,756	50,330	1,195	–	3,712	(36)	51,891
36 Total	2,465	77,725	3,205⁽⁷⁾	–	2,605	(142)	76,985	3,808	72,815	1,703	–	3,749	(48)	74,920
Of which:														
37 Loans	2,332	45,877	3,168	–	2,605	(140)	45,041	3,662	45,037	1,703	–	3,749	(48)	46,996
38 Debt securities	–	22,836	–	–	–	–	22,836	–	19,487	–	–	–	–	19,487
39 Off-balance sheet exposures	133	9,012	37	–	–	(2)	9,108	146	8,291	–	–	–	–	8,437
AIB Mortgage Bank														
2 Institutions	–	35	–	–	–	–	35	–	35	–	–	–	–	35
3 Corporates	1	–	–	–	1	–	1	–	–	–	–	–	–	–
5 Of which: SME	1	–	–	–	–	–	1	–	–	–	–	–	–	–
6 Retail	1,294	17,238	294	–	372	(74)	18,238	1,882	17,142	508	–	396	(114)	18,516
7 Of which: Secured by real estate property	1,294	17,238	294	–	–	–	18,238	1,882	17,142	508	–	396	(114)	18,516
15 Total IRB Approach	1,295	17,273	294	–	373	(74)	18,274	1,882	17,177	508	–	396	(114)	18,551
21 Institutions	–	61	–	–	–	(2)	61	–	63	–	–	–	–	63
24 Retail ⁽⁵⁾	2	25	–	–	–	–	25	–	124	3	–	–	–	121
26 Secured by mortgages on immovable property ⁽⁵⁾	109	201	4	–	–	–	197	–	114	–	–	–	–	114
28 Exposures in default	111	–	11	–	73	(4)	100	200	–	36	–	–	–	164
34 Other exposures	–	14	–	–	–	–	14	–	25	–	–	–	–	25
35 Total Standardised Approach	111	301	15	–	73	(6)	397	200	326	39	–	–	–	487
36 Total	1,406	17,574	309⁽⁷⁾	–	446	(80)	18,671	2,082	17,503	547	–	396	(114)	19,038
Of which:														
37 Loans	1,395	17,051	309	–	446	(80)	18,137	2,067	16,964	547	–	396	(114)	18,484
39 Off-balance sheet exposures	11	523	–	–	–	–	534	15	539	–	–	–	–	554

⁽¹⁾Excludes securitisations and counterparty credit risk. ⁽²⁾Gross carrying value minus specific credit risk adjustment. ⁽³⁾IFRS 9 net credit impairment writeback.

⁽⁴⁾IAS 39 net credit impairment. ⁽⁵⁾Defaulted exposures are broken down into the exposure class that corresponds to the exposure before default.

⁽⁶⁾Relates principally to investments in subsidiary undertakings on which provision for impairments were previously made under IAS 37.

⁽⁷⁾As reported to the Regulator, including IFRS 9 transitional scalars.

*For Tables EU CR1-A, EU CR1-B and EU CR1-C, the gross carrying values of exposures and net values have been restated compared to those reported in the equivalent tables in the Pillar 3 2017 Report. No other tables were impacted by this restatement (e.g. no impact on reported RWAs or capital ratios).

8. Credit risk – Credit profile of exposures

Table 30: EU CR1–A – Credit quality of exposures by exposure class and instrument (continued)

	31 December 2018							31 December 2017*						
	Gross carrying values of ⁽¹⁾		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽³⁾	Net values ⁽²⁾	Gross carrying values of ⁽¹⁾		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽⁴⁾	Net values ⁽²⁾
	Defaulted exposures	Non-defaulted exposures						Defaulted exposures	Non-defaulted exposures					
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group (UK) p.l.c.														
16 Central governments and central banks	–	4,511	–	–	–	–	4,511	–	4,553	–	–	–	–	4,553
21 Institutions	–	301	–	–	–	–	301	–	453	–	–	–	–	453
22 Corporates ⁽⁵⁾	45	5,751	43	–	–	19	5,708	94	5,727	30	–	–	38	5,697
24 Retail ⁽⁵⁾	29	537	8	–	–	(4)	529	48	606	5	–	–	(1)	601
26 Secured by mortgages on immovable property ⁽⁵⁾	91	2,995	11	–	–	(10)	2,984	123	2,616	19	–	–	(13)	2,597
28 Exposures in default	165	–	46	–	–	11	119	267	–	70	–	–	–	197
29 Items associated with particularly high risk	20	257	12	–	–	6	265	37	255	18	–	–	–	274
33 Equity exposures	–	38	–	–	–	–	38	–	38	–	–	–	–	38
34 Other exposures	–	160	–	–	–	–	160	2	122	–	–	–	–	122
35 Total Standardised Approach	185	14,550	120	–	–	22	14,615	304	14,370	142	–	–	24	14,532
36 Total	185	14,550	120⁽⁶⁾	–	–	22	14,615	304	14,370	142	–	–	24	14,532
Of which:														
37 Loans	175	12,487	113	–	–	14	12,549	259	12,473	142	–	–	24	12,590
39 Off-balance sheet exposures	10	2,063	7	–	–	8	2,066	45	1,897	–	–	–	–	1,942
EBS d.a.c.														
16 Central governments and central banks	–	63	–	–	–	–	63	–	86	–	–	–	–	86
21 Institutions	–	756	–	–	–	–	756	–	1,995	–	–	–	–	1,995
22 Corporates ⁽⁵⁾	–	2,068	–	–	–	–	2,068	–	1,852	–	–	–	–	1,852
24 Retail ⁽⁵⁾	118	223	12	–	–	(5)	211	210	402	–	–	–	–	402
26 Secured by mortgages on immovable property ⁽⁵⁾	495	4,718	21	–	–	(36)	4,697	715	4,377	52	–	–	16	4,325
28 Exposures in default	613	–	138	–	218	23	475	930	–	385	–	–	–	545
30 Covered bonds	–	2,442	–	–	–	–	2,442	–	1,975	–	–	–	–	1,975
33 Equity exposures	–	594	–	–	–	–	594	–	594	–	–	–	–	594
34 Other exposures	–	205	–	–	–	–	205	5	194	–	–	–	–	194
35 Total Standardised Approach	613	11,069	171	–	218	(18)	11,511	930	11,475	437	–	–	16	11,968
36 Total	613	11,069	171⁽⁶⁾	–	218	(18)	11,511	930	11,475	437	–	–	16	11,968
Of which:														
37 Loans	612	8,438	171	–	218	(18)	8,879	926	8,405	437	–	–	16	8,894
38 Debt securities	–	2,442	–	–	–	–	2,442	–	2,914	–	–	–	–	2,914
39 Off-balance sheet exposures	1	189	–	–	–	–	190	4	156	–	–	–	–	160

⁽¹⁾Excludes securitisations and counterparty credit risk.

⁽²⁾Gross carrying value minus specific credit risk adjustment.

⁽³⁾IFRS 9 net credit impairment writeback.

⁽⁴⁾IAS 39 net credit impairment writeback.

⁽⁵⁾Defaulted exposures are broken down into the exposure class that corresponds to the exposure before default.

⁽⁶⁾As reported to the Regulator, including IFRS 9 transitional scalars.

*For Tables EU CR1–A, EU CR1–B and EU CR1–C, the gross carrying values of exposures and net values have been restated compared to those reported in the equivalent tables in the Pillar 3 2017 Report. No other tables were impacted by this restatement (e.g. no impact on reported RWAs or capital ratios).

Table 31: 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 2018							31 December 2017*						
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽¹⁾	Net values	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽²⁾	Net values
	Defaulted exposures	Non-defaulted exposures						Defaulted exposures	Non-defaulted exposures					
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group														
Agriculture	139	2,305	63	–	104	(15)	2,381	148	2,250	50	–	106	(1)	2,348
Energy	24	1,674	13	–	28	9	1,685	37	1,097	15	–	24	1	1,119
Manufacturing	42	4,243	47	–	82	10	4,238	72	3,397	60	–	88	6	3,409
Property and construction	1,478	8,082	449	–	1,447	(123)	9,111	2,409	7,390	1,064	–	2,316	(50)	8,735
Distribution	416	6,155	264	–	406	(5)	6,307	495	6,302	278	–	465	(8)	6,519
Transport	18	2,201	13	–	21	(1)	2,206	16	1,687	16	–	23	(6)	1,687
Financial	31	1,463	9	–	4	(1)	1,485	15	1,156	13	–	3	21	1,158
Other services	213	7,730	180	–	179	15	7,763	303	7,627	185	–	196	27	7,745
Personal: Residential mortgages	2,734	30,530	628	–	775	(84)	32,636	4,056	30,797	1,418	–	427	(101)	33,435
Other	305	5,907	206	–	338	(11)	6,006	419	5,855	246	–	359	(2)	6,028
Bank, sovereign and public sector	–	22,974	–	–	–	–	22,974	–	22,298	–	–	–	0	22,298
Other	–	3,090	–	–	30	2	3,090	–	3,386	–	–	–	0	3,386
Total	5,400	96,354	1,872	–	3,414	(204)	99,882	7,970	93,242	3,345	–	4,007	(113)	97,867
Allied Irish Banks, p.l.c.														
Agriculture	138	2,120	50	–	104	(17)	2,208	146	2,132	49	–	112	(1)	2,229
Energy	22	1,052	7	–	28	3	1,067	23	767	8	–	23	(2)	782
Manufacturing	38	3,453	33	–	82	(1)	3,458	58	2,560	48	–	87	4	2,570
Property and construction	1,165	5,476	272	–	1,376	(100)	6,369	2,068	4,939	844	–	2,390	(38)	6,163
Distribution	387	4,620	236	–	406	(5)	4,771	442	4,731	254	–	497	(18)	4,919
Transport	17	1,703	11	–	21	(1)	1,709	12	1,240	10	–	21	(4)	1,242
Financial	8	7,271	2,253	–	4	(2)	5,026	14	4,816	11	–	4	(2)	4,819
Other services	188	4,947	123	–	179	(21)	5,012	383	4,582	156	–	193	27	4,809
Personal: Residential mortgages	204	974	60	–	37	(11)	1,118	239	1,098	92	–	37	(13)	1,245
Other	298	5,590	160	–	338	11	5,728	423	5,499	231	–	385	(1)	5,691
Bank, sovereign and public sector	–	37,860	–	–	–	–	37,860	–	37,484	–	–	–	–	37,484
Other	–	2,659	–	–	30	2	2,659	–	2,967	–	–	–	–	2,967
Total	2,465	77,725	3,205	–	2,605	(142)	76,985	3,808	72,815	1,703	–	3,749	(48)	74,920

⁽¹⁾IFRS 9 net credit impairment writeback.

⁽²⁾IAS 39 net credit impairment writeback.

*For Tables EU CR1–A, EU CR1–B and EU CR1–C, the gross carrying values of exposures and net values have been restated compared to those reported in the equivalent tables in the Pillar 3 2017 Report. No other tables were impacted by this restatement (e.g. no impact on reported RWAs or capital ratios).

8. Credit risk – Credit profile of exposures

Table 31: EU CR1–B – Credit quality of exposures by industry or counterparty types (continued)

	31 December 2018							31 December 2017*						
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽¹⁾	Net values	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/(credit) in the period ⁽²⁾	Net values
	Defaulted exposures	Non-defaulted exposures						Defaulted exposures	Non-defaulted exposures					
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Mortgage Bank														
Property and construction	110	85	15	–	–	–	180	–	–	–	–	–	–	–
Other services	1	–	–	–	–	–	1	–	–	–	–	–	–	–
Personal: Residential mortgages	1,295	17,379	294	–	446	(80)	18,380	2,082	17,380	547	–	396	(114)	18,915
Bank, sovereign and public sector	–	96	–	–	–	–	96	–	98	–	–	–	–	98
Other	–	14	–	–	–	–	14	–	25	–	–	–	–	25
Total	1,406	17,574	309	–	446	(80)	18,671	2,082	17,503	547	–	396	(114)	19,038
AIB Group (UK) p.l.c.														
Agriculture	1	169	1	–	–	(2)	169	1	103	1	–	–	(1)	103
Energy	1	618	6	–	–	4	613	2	329	2	–	–	2	329
Manufacturing	4	408	9	–	–	10	403	6	598	6	–	–	3	598
Property and construction	39	2,187	34	–	–	–	2,192	74	1,841	52	–	–	(5)	1,863
Distribution	24	1,379	12	–	–	(2)	1,391	22	1,373	16	–	–	12	1,379
Transport	1	417	2	–	–	1	416	2	389	2	–	–	–	389
Financial	–	290	2	–	–	5	288	1	354	1	–	–	23	354
Other services	12	2,246	28	–	–	6	2,230	60	2,130	13	–	–	–	2,177
Personal: Residential mortgages	98	1,543	21	–	–	(1)	1,620	126	1,578	38	–	–	(9)	1,666
Other	5	311	5	–	–	1	311	10	333	11	–	–	(1)	332
Bank, sovereign and public sector	–	4,822	–	–	–	–	4,822	–	5,220	–	–	–	–	5,220
Other	–	160	–	–	–	–	160	–	122	–	–	–	–	122
Total	185	14,550	120	–	–	22	14,615	304	14,370	142	–	–	24	14,532
EBS d.a.c.														
Property and construction	62	145	25	–	14	(18)	182	81	79	44	–	–	(1)	116
Financial	–	2,068	–	–	–	–	2,068	–	1,852	–	–	–	–	1,852
Personal: Residential mortgages	551	4,796	146	–	204	–	5,201	849	4,700	393	–	–	17	5,156
Bank, sovereign and public sector	–	3,855	–	–	–	–	3,855	–	4,811	–	–	–	–	4,811
Other	–	205	–	–	–	–	205	–	33	–	–	–	–	33
Total	613	11,069	171	–	218	(18)	11,511	930	11,475	437	–	–	16	11,968

⁽¹⁾IFRS 9 net credit impairment writeback.

⁽²⁾IAS 39 net credit impairment writeback.

*For Tables EU CR1–A, EU CR1–B and EU CR1–C, the gross carrying values of exposures and net values have been restated compared to those reported in the equivalent tables in the Pillar 3 2017 Report. No other tables were impacted by this restatement (e.g. no impact on reported RWAs or capital ratios).

Table 32: EU CR1–C – Credit quality of exposures by geography

The table below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by geography. Exposures by geography are based on the residence of the immediate counterparty.

	31 December 2018							31 December 2017*						
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/ (credit) in the period ⁽¹⁾	Net values	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges/ (credit) in the period ⁽²⁾	Net values
	Defaulted exposures	Non-defaulted exposures						Defaulted exposures	Non-defaulted exposures					
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group														
1 Republic of Ireland	5,015	64,850	1,650	–	3,380	(235)	68,215	7,360	64,356	2,993	–	3,975	(142)	68,723
2 United Kingdom	307	17,203	184	–	12	15	17,326	563	16,780	303	–	32	17	17,040
3 United States of America	2	3,966	2	–	16	–	3,966	10	2,882	12	–	–	(2)	2,880
4 Other geographical areas ⁽³⁾	76	10,335	36	–	6	16	10,375	37	9,224	37	–	–	14	9,224
6 Total	5,400	96,354	1,872	–	3,414	(204)	99,882	7,970	93,242	3,345	–	4,007	(113)	97,867
Allied Irish Banks, p.l.c.														
1 Republic of Ireland	2,409	54,845	922	–	2,581	(159)	56,332	3,729	54,629	1,652	–	3,716	(57)	56,706
2 United Kingdom	8	8,689	2,227	–	4	3	6,470	39	6,050	19	–	33	(2)	6,070
3 United States of America	1	3,942	2	–	15	–	3,941	5	2,845	3	–	–	(1)	2,847
4 Other geographical areas ⁽³⁾	47	10,249	54	–	5	14	10,242	35	9,291	29	–	–	12	9,297
6 Total	2,465	77,725	3,205	–	2,605	(142)	76,985	3,808	72,815	1,703	–	3,749	(48)	74,920
AIB Mortgage Bank														
1 Republic of Ireland	1,400	17,516	308	–	442	(80)	18,608	2,082	17,398	547	–	396	(114)	18,933
2 United Kingdom	4	44	1	–	2	–	47	–	68	–	–	–	–	68
3 United States of America	–	5	–	–	–	–	5	–	10	–	–	–	–	10
4 Other geographical areas ⁽³⁾	2	9	–	–	2	–	11	–	27	–	–	–	–	27
6 Total	1,406	17,574	309	–	446	(80)	18,671	2,082	17,503	547	–	396	(114)	19,038
AIB Group (UK) p.l.c.														
1 Republic of Ireland	5	379	3	–	–	(1)	381	10	427	5	–	–	(1)	432
2 United Kingdom	179	13,929	116	–	–	21	13,992	294	13,762	136	–	–	25	13,920
3 United States of America	–	18	–	–	–	–	18	–	10	–	–	–	–	10
4 Other geographical areas ⁽³⁾	1	224	1	–	–	2	224	–	171	1	–	–	–	170
6 Total	185	14,550	120	–	–	22	14,615	304	14,370	142	–	–	24	14,532
EBS d.a.c.														
1 Republic of Ireland	610	11,061	169	–	215	(18)	11,502	910	11,440	427	–	–	15	11,923
2 United Kingdom	2	2	1	–	3	–	3	10	13	5	–	–	–	18
3 United States of America	–	–	–	–	–	–	–	3	8	1	–	–	–	10
4 Other geographical areas ⁽³⁾	1	6	1	–	–	–	6	7	14	4	–	–	1	17
6 Total	613	11,069	171	–	218	(18)	11,511	930	11,475	437	–	–	16	11,968

⁽¹⁾IFRS 9 net credit impairment writeback.

⁽²⁾IAS 39 net credit impairment writeback.

⁽³⁾Exposures with supranational organisations are included under other geographical area.

*For Tables EU CR1–A, EU CR1–B and EU CR1–C, the gross carrying values of exposures and net values have been restated compared to those reported in the equivalent tables in the Pillar 3 2017 Report. No other tables were impacted by this restatement (e.g. no impact on reported RWAs or capital ratios).

8. Credit risk – Credit profile of exposures

Table 33: 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 2018							31 December 2017						
	Gross carrying values							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	≤ 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
AIB Group														
1 Loans	754	194	166	242	354	2,535	4,245	925	292	191	324	480	4,524	6,736
3 Total exposures	754	194	166	242	354	2,535	4,245	925	292	191	324	480	4,524	6,736
Allied Irish Banks, p.l.c.														
1 Loans	255	49	47	89	154	1,045	1,639	293	93	67	125	224	2,099	2,901
3 Total exposures	255	49	47	89	154	1,045	1,639	293	93	67	125	224	2,099	2,901
AIB Mortgage Bank														
1 Loans	187	52	51	64	97	667	1,118	212	87	48	90	128	1,044	1,609
3 Total exposures	187	52	51	64	97	667	1,118	212	87	48	90	128	1,044	1,609
AIB Group (UK) p.l.c.														
1 Loans	38	24	14	12	22	84	194	68	25	16	27	22	135	293
3 Total exposures	38	24	14	12	22	84	194	68	25	16	27	22	135	293
EBS d.a.c.														
1 Loans	133	34	27	37	33	344	608	153	42	26	37	53	617	928
3 Total exposures	133	34	27	37	33	344	608	153	42	26	37	53	617	928

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 forbearance solutions are outlined in detail in section 3.1 – Credit risk monitoring of the Annual Financial Report 2018 (pages 79 to 80). Detailed disclosures on the quantum of loans in forbearance are set out in section 3.2 – Additional credit quality and forbearance disclosures on loans and advances to customers of the Annual Financial Report 2018 (pages 127 to 144).

The disclosures as set out in the Annual Financial Report 2018 comply with the definition of forbearance in the EBA Implementing Technical Standards.

Table 34: EU CR1–E – Non-performing and forborne exposures

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

	31 December 2018													
	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		On non-performing exposures	Of which forborne exposures
		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne	Of which defaulted	Of which credit impaired ⁽¹⁾	Of which forborne	Of which forborne	Of which forborne	Of which forborne	Of which forborne				
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
AIB Group														
Debt securities	16,133	–	–	–	–	–	–	3	–	–	–	–	–	
Loans and advances	62,907 ⁽²⁾	121	1,704	6,054	6,054 ⁽³⁾	5,842 ⁽⁴⁾	4,063	431	102	1,608	952	3,809	4,095	
Off-balance sheet exposures	11,887	–	13	183	183	182	37	29	1	29	–	–	–	
Allied Irish Banks, p.l.c.														
Debt securities	22,649	–	–	–	–	–	–	3	–	–	–	–	–	
Loans and advances	23,906 ⁽²⁾	39	622	2,685	2,685	2,505	1,574	308	76	876	458	1,239	1,076	
Off-balance sheet exposures	9,145	655	10	145	145	144	16	23	1	27	–	–	–	
AIB Mortgage Bank														
Loans and advances	18,201 ⁽²⁾	20	610	1,607	1,607	1,585	1,360	25	10	289	255	1,320	1,703	
Off-balance sheet exposures	534	–	2	13	13	13	13	–	–	–	–	–	–	
AIB Group (UK) p.l.c.														
Loans and advances	7,647 ⁽²⁾	22	39	239	239	239	77	59	1	74	20	143	86	
Off-balance sheet exposures	2,074	–	–	11	11	11	–	6	–	3	–	–	–	
EBS d.a.c.														
Debt securities	2,593	–	–	–	–	–	–	–	–	–	–	–	–	
Loans and advances	5,421 ⁽²⁾	19	194	707	707	695	523	15	7	156	113	455	499	
Off-balance sheet exposures	190	–	1	1	1	1	1	–	–	–	–	–	–	

⁽¹⁾In accordance with IFRS 9 (Stage 3 together with that element of POCI/FVTPL considered non-performing).

⁽²⁾Loans and advances are presented gross, i.e. before impairment provisions.

⁽³⁾Reported as per FINREP reporting.

⁽⁴⁾Per Annual Financial Report 2018, Stage 3 together with elements of POCI and FVTPL considered non-performing.

8. Credit risk – Credit profile of exposures

Table 34: EU CR1–E – Non-performing and forborne exposures (*continued*)

	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		On non-performing exposures	Of which forborne exposures
		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne	Of which defaulted	Of which im-paired	Of which forborne		Of which forborne		Of which forborne			
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
AIB Group													
Debt securities	15,642	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	63,338 ⁽¹⁾	133	2,433	10,194	7,762 ⁽²⁾	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	–	–	–	–	–	–
Allied Irish Banks, p.l.c.													
Debt securities	19,487	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	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	–	–	–	–	–	–
AIB Mortgage Bank													
Loans and advances	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	–	–	–	–	–	–
AIB Group (UK) p.l.c.													
Loans and advances	7,481 ⁽¹⁾	25	31	328	258	228	70	39	2	103	11	–	–
Off-balance sheet exposures	1,942	–	1	1	–	–	1	–	–	–	–	–	–
EBS d.a.c.													
Debt securities	2,914	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	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 advances are presented gross, i.e. before impairment provisions.

⁽²⁾Reported as per FINREP reporting.

Table 35: 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 2018				
	Gross carrying value ⁽¹⁾ defaulted exposures				
	AIB Group	Significant subsidiaries			
	€ m	Allied Irish Banks, p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m	EBS d.a.c. € m
At 31 December 2017 (IAS 39)	10,194	5,040	2,460	341	1,100
Harmonising the definition of default ⁽³⁾	(582)	(293)	(61)	19	(92)
1 Opening balance	9,612	4,747	2,399	360	1,008
2 Loans that have defaulted or impaired since the last reporting period	2,322	1,307	300	302	148
3 Returned to non-defaulted status	(2,727)	(1,652)	(458)	(298)	(131)
4 Amounts written-off	(1,029)	(347)	(154)	(51)	(244)
5 Other changes ⁽⁴⁾	(2,124)	(1,389)	(480)	(74)	(74)
6 Closing balance	6,054	2,666	1,607	239	707

	31 December 2017				
	Gross carrying value ⁽¹⁾ defaulted exposures				
	AIB Group	Significant subsidiaries			
	€ m	Allied Irish Banks, p.l.c. € m	AIB Mortgage Bank € m	AIB Group (UK) p.l.c. € m	EBS d.a.c. € m
1 Opening balance	11,244	5,018	3,006	437	1,183
2 Loans that have defaulted or impaired since the last reporting period	893	550	115	58	50
3 Returned to non-defaulted status	(911)	(239)	(354)	(4)	(106)
4 Amounts written-off	(716)	(316)	(163)	(137)	–
5 Other changes ⁽⁴⁾	(2,748)	(1,519)	(573)	(126)	(205)
6 Closing balance	7,762⁽²⁾	3,494	2,031	228	922

⁽¹⁾Gross carrying value represents that used for financial reporting purposes in the Annual Financial Report 2018.

⁽²⁾Reported as per FINREP reporting. The closing balance at 31 December 2017 in FINREP was realigned with the Annual Financial Report 2017, thereby, increasing non-performing loans by € 2,432 million i.e. total for AIB Group was € 10,194 million.

⁽³⁾The non-performing exposures ("NPE") stock was revised from € 10,194 million at 31 December 2017 to € 9,612 million at 1 January 2018 reflecting the implementation and harmonisation of a new definition of default policy which aligns to accounting standards and EBA guidelines.

⁽⁴⁾Other changes include the disposal of distressed loan portfolios, accounts that were closed or cleared and balance decreases.

8. Credit risk – Credit profile of exposures

Table 36: EU CR2–A – Changes in the stock of general and specific credit risk adjustments

The tables below present the movements in accumulated credit risk adjustments held against loans and advances to customers which have been reported on an accounting basis. At 31 December 2018, this has been prepared under IFRS 9 and includes expected credit losses on both non credit impaired and credit impaired loans. Comparative data at 31 December 2017 has been prepared on an incurred loss basis under IAS 39.

	31 December 2018									
	Accumulated specific credit risk adjustment ⁽¹⁾					Accumulated general credit risk adjustment				
	AIB Group	Significant subsidiaries				AIB Group	Significant subsidiaries			
	Allied Irish Banks, p.l.c.	Mortgage Bank	AIB Group (UK) p.l.c.	EBS d.a.c.		Allied Irish Banks, p.l.c.	Mortgage Bank	AIB Group (UK) p.l.c.	EBS d.a.c.	
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
At 31 December 2017 (IAS 39)	3,345	1,703	547	142	436	-	-	-	-	-
Impact of adopting IFRS 9 at 1 January 2018	271	257	37	29	-	-	-	-	-	-
1 Opening balance	3,616	1,960	584	171	436	-	-	-	-	-
2 & 3 Increases due to amounts set aside for estimated loan losses during the period and decreases due to amounts reversed for estimated loan losses during the period	(89)	(49)	(65)	17	(13)	-	-	-	-	-
4 Decreases due to amounts taken against accumulated credit risk adjustments	(1,029)	(346)	(154)	(55)	(244)	-	-	-	-	-
6 Impact of exchange rate differences	(1)	-	-	-	-	-	-	-	-	-
Disposals	(472)	(414)	(51)	-	(8)	-	-	-	-	-
8 Other adjustments	14	14	-	-	-	-	-	-	-	-
9 Closing balance	2,039	1,165	314	133	171	-	-	-	-	-
10 Recoveries on credit risk adjustments recorded directly to the income statement	(120)	(92)	(15)	(3)	-	-	-	-	-	-
11 Specific credit risk adjustments recorded directly to the income statement	(120)	(92)	(15)	(3)	-	-	-	-	-	-

⁽¹⁾Excludes specific credit risk adjustments for AIB Group of € 58 million on off-balance sheet items at 31 December 2018 (1 January 2018: € 68 million).

At 1 January 2018: Allied Irish Banks, p.l.c. € 68 million; AIB Mortgage Bank Nil; AIB Group (UK) p.l.c. € 1 million; EBS d.a.c. Nil.

	31 December 2017									
	Accumulated specific credit risk adjustment					Accumulated general credit risk adjustment				
	AIB Group	Significant subsidiaries				AIB Group	Significant subsidiaries			
	Allied Irish Banks, p.l.c.	Mortgage Bank	AIB Group (UK) p.l.c.	EBS d.a.c.		Allied Irish Banks, p.l.c.	Mortgage Bank	AIB Group (UK) p.l.c.	EBS d.a.c.	
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
1 Opening balance	4,589	2,119	936	265	546	-	-	-	-	-
2 & 3 Increases due to amounts set aside for estimated loan losses during the period and decreases due to amounts reversed for estimated loan losses during the period	359	238	13	72	30	-	-	-	-	-
4 Decreases due to amounts taken against accumulated credit risk adjustments	(472)	(286)	(127)	(49)	(9)	-	-	-	-	-
6 Impact of exchange rate differences	(716)	(316)	(162)	(138)	(92)	-	-	-	-	-
Disposals	(26)	(11)	-	(8)	-	-	-	-	-	-
8 Other adjustments	(404)	(53)	(113)	-	(39)	-	-	-	-	-
9 Closing balance	15	12	-	-	-	-	-	-	-	-
10 Recoveries on credit risk adjustments recorded directly to the income statement	3,345	1,703	547	142	436	-	-	-	-	-
11 Specific credit risk adjustments recorded directly to the income statement	-	-	-	(1)	-	-	-	-	-	-
	-	-	-	1	-	-	-	-	-	-

At 31 December 2018, the expected credit loss allowances based on permitted regulatory calculations totalled € 1,872 million. Total Group expected credit loss allowances on loans and advances to customers under IFRS 9 was € 2,039 million (€ 3,617 million at 1 January 2018).

The reduction in ECL allowances was driven by loan write offs of €1,029 million and disposals of € 472 million together with a € 89 million writeback on on-balance sheet exposures (loans to customers).

The income statement net credit impairment write back of € 203 million in 2018 in respect of loans to customers comprised the € 89 million noted above together with recoveries of amounts previously written-off of € 120 million which were partly offset by a charge of € 6 million on off-balance sheet exposures.

The writeback of € 89 million was driven by loans curing from Stage 3 and improvements in trading and asset values associated with the general economic environment in Ireland.

Changes in cash flow assumptions, recoveries and repayments all contributed to writeback activity in addition to higher collateral values and the uplift in market yields which were observed during the ongoing restructuring and while cases were serving probation periods within Stage 3.

Writebacks predominantly occurred in commercial real estate and property exposures.

Within recoveries of amounts previously written-off as outlined above, € 44 million relates to interest previously suspended on impaired loans that had subsequently cured. This was previously classified as a release to interest income but which under new accounting guidelines, is now reported as a recoveries of amounts previously written-off. The remaining recoveries relate to cash received on other amounts previously written-off.

In 2018, write-offs amounted to € 1,029 million (2017: € 716 million).

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 ECL allowance) 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 expected credit loss amount, for example when a loan enters a legal process. The reduced loan balance remains on the balance sheet as non-performing.

In addition, write-offs may reflect restructuring activity with customers who are subject to the terms of a revised loan agreement and subsequent satisfactory performance.

Where there is no formal debt forgiveness agreed with the customer, the Group may write off a loan either partially or fully when there is no reasonable expectation of recovery. This is considered a non-contracted write-off. In this case, the borrower remains fully liable for the credit obligation and is not advised of the write-off.

Debt forgiveness arises where there is a formal contract agreed with the customer for the write-off of a loan.

In 2018, the Group disposed of some portfolios of distressed non-performing loans on which there were ECL allowances of € 472 million.

8. Credit risk – Credit profile of exposures

Loss experience in the preceding period – IRB Approach

An analysis of the expected loss (“EL”) and actual loss experience (net credit impairment loss incurred) by exposure class for the year ended 31 December 2018 is outlined in table 37 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 37 below.

The EL would generally expect to be higher 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 37: Expected loss analysis – IRB Approach

AIB Group	Total expected loss ⁽¹⁾ at 31 December 2017	2018 Actual loss/ (writeback)	Total expected loss ⁽¹⁾ at 31 December 2016	2017 Actual loss	Total expected loss ⁽¹⁾ at 31 December 2015	2016 Actual loss
Exposure class	€ m	€ m	€ m	€ m	€ m	€ m
Institutions	–	–	–	–	–	–
Corporates	98	40	196	46	162	45
Retail exposures secured by immovable property collateral non-SME	56	(21)	130	23	104	39
Securitisation positions ⁽²⁾	–	–	–	–	–	–
	154	19	326	69	266	84

⁽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 income statement net credit impairment writeback for the year ended 31 December 2018, 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 2018.

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 38: Distribution of outstanding non-defaulted credit exposures to customers for IRB portfolios by classification in the Annual Financial Report 2018

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 2018 and 2017. The EAD is the gross exposure after taking account of CRM and CCF and net of credit impairment provisions.

	2018				2017			
	EAD € m	Average PD %	Average LGD %	EL ⁽¹⁾ € m	EAD € m	Average PD %	Average LGD %	EL ⁽¹⁾ € m
AIB Group								
Residential mortgages								
Owner-occupier	15,803	0.60	27.53	36	15,646	0.70	27.48	41
Buy-to-let	2,174	0.75	29.08	10	2,395	0.98	29.54	15
	17,977	0.62	27.72	46	18,041	0.74	27.75	56
Corporate	9,295	0.70	45.23	35	7,884	0.88	45.28	37
SME	3,708	3.26	45.02	56	3,126	4.37	45.00	63
Total	30,980	0.96	35.04	137	29,051	1.17	34.36	156

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

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 47 in the Annual Financial Report 2018.

The Group uses a volatility-based risk weighting for internal purposes to determine potential future exposure values. For derivatives these weightings or add-on-factors are derived from historical price data, and computed to a 95% confidence level; add on factors of between 3% and 5% are used for repo transactions. The Group updates the derivative add-on factor tables, which are organised by product, currency and residual maturity, on a monthly basis. Pre-settlement CCE limits for derivative transactions are established by reference to the specific transaction's add-on-factors equivalent.

Credit Support Annexes ("CSAs") are taken into consideration when setting the internal credit risk utilisation for derivative counterparties. CSAs and netting are not recognised as credit risk mitigation for reducing the exposure at default on the derivative and repo transactions in the Pillar 1 regulatory capital calculations for all customers; netting and CSAs are currently recognised for just 11 bank counterparties.

The Group has established the capacity to clear derivatives in line with European Markets Infrastructure Regulation requirements for central counterparty 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 certain derivatives with an authorised Central Clearing Party (termed a 'CCP'; AIB uses LCH SwapClear, Eurex and ICE Clear) 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.

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.

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.

Repurchase agreements (continued)

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 Minimum Transfer amount for margin calls on two 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.

Collateral held

At 31 December 2018, 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: negative €343 million; GMRA: negative € 16 million; and derivatives clearing: negative € 1 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 2018, € 205 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 39: 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 2018							31 December 2017						
	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE ⁽¹⁾	Multiplier	EAD post CRM	RWAs	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE ⁽¹⁾	Multiplier	EAD post CRM	RWAs
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Mark to market	–	594	314	–	–	908	568	–	1,144	507	–	–	1,651	897
9 Financial collateral comprehensive method (for SFTs)	–	–	–	–	–	1,551	341	–	–	–	–	–	1,042	152
11 Total	–	594	314	–	–	2,459	909	–	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.

9. Counterparty credit risks

Table 40: 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 2018								31 December 2017							
	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	
AIB Group	%	€ m	%		%	Years	€ m	%	€ m	%		%	Years	€ m	%	
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		24	0.07	25	45	2.5	12	48	35	0.06	31	45	2.5	15	44	
0.15 to <0.25		3	0.18	7	45	2.5	2	53	3	0.18	12	45	2.5	1	53	
0.25 to <0.50		4	0.32	15	45	2.5	3	72	3	0.32	15	45	2.5	2	72	
0.50 to <0.75		1	0.58	10	45	2.5	1	95	2	0.58	8	45	2.5	2	95	
0.75 to <2.50		2	1.16	13	45	2.5	2	123	2	1.15	12	45	2.5	3	122	
2.50 to <10.00		0	6.01	2	45	2.5	0	203	1	3.88	5	45	2.5	1	175	
10.00 to <100.00		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Subtotal		34	0.19	72	45	2.5	20	57	46	0.21	83	45	2.5	24	54	
Corporate specialised lending																
0.00 to <0.15		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
0.15 to <0.25		12	0.20	3	45	2.5	6	52	8	0.20	1	45	2.5	4	52	
0.25 to <0.50		4	0.31	2	45	2.5	3	66	16	0.36	7	45	2.5	12	70	
0.50 to <0.75		10	0.61	2	45	2.5	8	90	7	0.64	3	45	2.5	6	92	
0.75 to <2.50		4	0.92	3	45	2.5	5	106	3	0.85	1	45	2.5	3	103	
2.50 to <10.00		0	2.75	1	45	2.5	0	149	–	–	–	–	–	–	–	
10.00 to <100.00		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Subtotal		30	0.47	11	45	2.5	22	74	34	0.42	12	45	2.5	25	74	
Institutions																
0.00 to <0.15		2,033	0.10	56	45	1.02	534	26	1,747	0.09	58	45	1.7	542	31	
0.15 to <0.25		53	0.25	4	45	0.84	25	46	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		2,086	0.10	60	45	1.0	559	27	1,918	0.10	70	45	1.7	644	34	
Total (all portfolios)		2,150	0.11	143	45	1.1	601	28	2,000	0.11	166	45	1.8	693	35	

Table 41: 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 2018											
												Total	Of which unrated										
												Risk weight											
AIB Group	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	€ m	€ m										
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m										
1 Central governments and central banks	1	–	–	–	–	–	–	–	2	–	–	3	–										
7 Corporates	–	–	–	–	–	–	–	–	306	–	–	306	306										
11 Total	1	–	–	–	–	–	–	–	308	–	–	309	306										

												31 December 2017											
												Total	Of which unrated										
												Risk weight											
AIB Group	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	€ m	€ m										
	€ 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 42: EU CCR2 – CVA capital charge

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

		31 December 2018		31 December 2017	
		Exposure value	RWAs	Exposure value	RWAs
		€ m	€ m	€ m	€ m
4 All portfolios subject to the standardised method		539	392	1,566	796
5 Total subject to the CVA capital charge		539	392	1,566	796

Table 43: EU CCR5-A – Impact on exposure values of netting and collateral held

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

						31 December 2018					31 December 2017				
						Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
						€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
1 Derivatives						1,269	555	714	120	594	1,144	–	1,144	–	1,144
2 Securities financing transactions (“SFTs”)						6,696	–	6,696	5,145	1,551	6,168	–	6,168	5,126	1,042
4 Total						7,965	555	7,410	5,265	2,145	7,312	–	7,312	5,126	2,186

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.

9. Counterparty credit risks

Table 44: 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.

AIB Group	31 December 2018						31 December 2017					
	Collateral used in derivative transactions				Collateral used in SFTs		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	Fair value of collateral received		Fair value of posted collateral			
	Segre-gated ⁽¹⁾	Unsegre-gated ⁽²⁾	Segre-gated ⁽¹⁾	Unsegre-gated ⁽²⁾			Segre-gated ⁽¹⁾	Unsegre-gated ⁽²⁾	Fair value of collateral received	Fair value of posted collateral		
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m			
Cash	79	186	79	529	25	41	6	187	85	437	7	5
Sovereign debt	–	–	–	–	–	92	–	–	–	–	22	1,360
Other	–	–	–	–	3,140	4,866	–	–	–	–	1,689	4,820
Total	79	186	79	529	3,165	4,999	6	187	85	437	1,718	6,185

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

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

Table 45: EU CCR6 – Credit derivatives exposures

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

AIB Group	31 December 2018			31 December 2017		
	Credit derivative hedges		Other credit derivatives	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold		Protection bought	Protection sold	
	€ m	€ m	€ m	€ m	€ m	€ m
Notionals						
Single-name credit default swaps	–	–	–	–	–	–
Index credit default swaps	355	–	–	130	–	–
Credit options	–	–	–	–	–	–
Other credit derivatives	–	–	–	–	–	–
Total notionals	355	–	–	130	–	–
Fair values	–	–	–	–	–	–
Positive fair value (asset)	–	–	–	–	–	–
Negative fair value (liability)	4	–	–	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

The Group 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 measured at fair value through profit or loss under the 'Investment securities' classification in the financial statements.

In addition, a small portfolio of securitisations comprising predominantly investment grade rated residential mortgage backed securities ("RMBS"), Collateralised Loan Obligations ("CLO's") and Commercial Mortgage Backed Securities ("CMBS") transactions are held for investment purposes. These are measured at amortised cost under the 'loans and advances' classification in the financial statements.

The Group 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 advances 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 advances have not been derecognised for Pillar 1 purposes.

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 2018, the Group purchased € 304 million in securitisation assets for investment purposes comprising US and European RMBS, CLOs and CMBS transactions. During 2018, the Group sold € 13 million in re-securitisation positions, realising a loss on disposal of € 0.1 million. During 2018, the Group reclassified € 247 million of Ginnie Mae bonds from Securitisation to Sovereign risk. While these bonds are backed by mortgage collateral, they are also fully guaranteed by the USA government and have been reclassified accordingly. In addition, there were amortisations and foreign exchange movements during the year accounting for the remaining € 46 million. At 31 December 2018, the Group's exposure to securitisation assets as an investor amounted to € 555 million (2017: € 557 million).

There were no new securitisations originated during 2018.

Further details on the Group's securitisation vehicles are contained in 'Off-balance sheet arrangements and transferred financial assets' Note 50 to the consolidated financial statements in the Annual Financial Report 2018.

10. Securitisations

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 237 to 239 under 'Basis of consolidation' in the Annual Financial Report 2018.

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 2018, all the Group'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 69 to 72 of the Annual Financial Report 2018 and which are described in further detail in the "Risk management" section of the Annual Financial Report 2018.

In 2018, the Group's exposure to securitisation positions as an investor was exclusively to investment grade rated tranches which benefit from subordination and other structural features of standard securitisations (e.g. excess spread). Underlying assets predominantly comprised residential mortgage loans, corporate loans and commercial real estate loans.

The Group 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 the Group with regard to the management, reporting, control and oversight of asset encumbrance risk. The 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

The Group used 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 of Ireland.

In line with the revised EU securitisation framework, the Group will apply a revised methodology in the calculation of risk weighted assets from 2019 to newly issued securitisations. Securitisations issued prior to 31 December 2018 benefit from grandfathering of the previous framework for 1 year, with the revised approach applying to all positions from 1 January 2020 onwards. On average, it is anticipated that this will result in an increase in RWA density in the Group's securitisations investments from 2020 onwards.

The Group uses the following ECAIs for securitisation exposures:

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

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

Tables 46 and 47 analyse the Group's total securitisation positions (including re-securitisations) by exposure type and risk weight, while table 48 analyses the Group's re-securitisation positions by risk weight.

Table 46: Securitisation positions – by exposure type of underlying exposure

AIB Group	31 December 2018				31 December 2017			
	Securitisation positions – outstanding amount				Securitisation positions – outstanding amount			
	Retained		Purchased		Retained		Purchased	
	Originator € m	Sponsor € m	Investor € m	Total € m	Originator € m	Sponsor € m	Investor € m	Total € m
Exposure type								
Residential mortgages	–	–	367	367	–	–	544	544
Leasing	–	–	0	0	–	–	–	–
Loans to corporate and SMEs	–	–	188	188	–	–	–	–
Re-securitisations	–	–	0	0	–	–	13	13
Total	–	–	555	555	–	–	557	557

Table 47: Securitisation positions – risk weight bands

AIB Group	31 December 2018				31 December 2017			
	Securitisation positions – outstanding amount				Securitisation positions – outstanding amount			
	Retained		Purchased		Retained		Purchased	
	Originator € m	Sponsor € m	Investor € m	Total € m	Originator € m	Sponsor € m	Investor € m	Total € m
Risk weight band								
7% – 9%	–	–	367	367	–	–	544	544
10% – 19%	–	–	98	98	–	–	–	–
20% – 49%	–	–	80	80	–	–	–	–
50% – 74%	–	–	–	–	–	–	13	13
75% – 99%	–	–	10	10	–	–	–	–
100% – 249%	–	–	–	–	–	–	–	–
250% – 349%	–	–	–	–	–	–	–	–
350% – 424%	–	–	–	–	–	–	–	–
425% – 649%	–	–	–	–	–	–	–	–
650% – 1249%	–	–	–	–	–	–	–	–
1250% or deducted	–	–	–	–	–	–	–	–
Total	–	–	555	555	–	–	557	557

Table 48: Re-securitisation positions – risk weight bands

AIB Group	31 December 2018				31 December 2017			
	Securitisation positions – outstanding amount				Securitisation positions – outstanding amount			
	Retained		Purchased		Retained		Purchased	
	Originator € m	Sponsor € m	Investor € m	Total € m	Originator € m	Sponsor € m	Investor € m	Total € m
Risk weight band								
7% – 9%	–	–	–	–	–	–	–	–
10% – 19%	–	–	–	–	–	–	–	–
20% – 49%	–	–	–	–	–	–	–	–
50% – 74%	–	–	–	–	–	–	13	13
75% – 99%	–	–	–	–	–	–	–	–
100% – 249%	–	–	–	–	–	–	–	–
250% – 349%	–	–	–	–	–	–	–	–
350% – 424%	–	–	–	–	–	–	–	–
425% – 649%	–	–	–	–	–	–	–	–
650% – 1249%	–	–	–	–	–	–	–	–
1250% or deducted	–	–	–	–	–	–	–	–
Total	–	–	0	0	–	–	13	13

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 comprises two distinct components:

- (i) Principal investments defined as investments made with a view to a profitable exit at some point. The primary focus is fund and direct equity investments.
- (ii) Strategic investments defined as investments not undertaken with a view to an exit.

The principal accounting policies applied by the Group to equity investments are informed by International Accounting Standards ("IAS") IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9 *Financial Instruments* which set out the rules for classification, balance sheet recognition, methods of valuation and income and impairment recognition.

On transition to IFRS 9, the Group had an option to irrevocably designate equity investments at FVOCI and to present changes in fair value in other comprehensive income with no recycling to profit or loss. The Group availed of this option for one such equity investment held for strategic purposes. All other equity investments are now measured under IFRS 9 at FVTPL. 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 2018 note 1 (m), page 245.

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.

The cumulative realised gains from sales and liquidations of equity investments amounted to Nil for the year to 31 December 2018 (2017: € 48 million). The net unrealised gains on equity investments amounted to € 506 million, gross of tax, at 31 December 2018. All post tax gains are included in CET 1 for 2018 (2017: net unrealised gains € 464 million, 80% of post tax gains included a CET 1).

Table 49: Banking book equity values

		31 December	
		2018	2017
		Carrying value	
AIB Group		€ m	€ m
Exchange traded exposure			
Quoted	A limited number of straight equity positions that are quoted on recognised stock exchanges	23	16
Equity exposures			
Unquoted	Exposure to equities or the equity in a structured transaction or SPE ⁽¹⁾	620	597
Funds	Exposure to the equity component of a managed investment fund	85	66
		728⁽²⁾	679⁽²⁾
Investments in associated undertakings			
Less: goodwill		90	80
		–	–
		90	80
		818⁽³⁾	759⁽³⁾
Of which:			
Risk weighted assets		818	667
Deducted from capital		–	–
		818	667

⁽¹⁾ Of which € 468 million (2017: € 466 million) relates to NAMA subordinated bonds and € 109 million relates to Visa Inc. (2017: € 92 million).

⁽²⁾ Equity securities classified as investment securities measured at fair value in the financial statements. Comparative data for 31 December 2017 has been prepared under IAS 39.

⁽³⁾ 2018 includes € 506 million of unrealised gains/losses (2017: € 464 million), all of which under CRD IV transitional rules is included in risk weighted assets.

Table 50: Risk weighted asset equivalents of equity exposures

	31 December 2018		31 December 2017	
	Exposure € m	Risk weighted assets € m	Exposure € m	Risk weighted assets € m
AIB Group				
Equity investments subject to a 100% risk weight	491	491	397	397
Equity investments subject to a 150% risk weight	214	322	160	240
Equity investments subject to a 250% risk weight	113	283	110	276
	818	1,096	667	913

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 is 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. An earnings sensitivity measurement of how the Group's net interest income might change over a 1 year horizon in the event of an adverse change in interest rates, is calculated and reported monthly.

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 51: Non-trading interest rate risk variation

The following table presents a summary of the Group's banking book non-traded market risk under a range of interest rate scenarios.

For example, the table shows that the present value of the Group's open interest rate risk position at 31 December 2018 would increase by € 496 million if there was an instantaneous parallel upward shift in interest rates of 200 basis points.

In December 2017, the impact of stressed changes in certain behavioural assumptions is included in the values.

AIB Group	Change in economic value	
	31 December	
Interest rate shock	2018 € m	2017 € m
99% 1 year shocks	(281)	(216)
+ 100 bps	250	122
+ 200 bps	496	241
- 100 bps	(253)	(125)
- 200 bps	(509)	(254)

The absolute level of interest rate risk sensitivity, as represented by the 99% IRRBB measure increased over the course of 2018. This is primarily due strategic reductions in structural interest rate hedges made in 2018. The interest rate sensitivity is primarily attributable to EUR, GBP and USD interest rates, with the vast majority (>98% of the PV01 sensitivity) being due to EUR interest rate sensitivity at 31 December 2018.

The December 2018 99% 1 year shock impact is reported including an assumption relating to the term applied to equity. Removing this assumption results in an exposure of € 173 million at December 2018.

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 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 21 of this Report, of the total minimum capital requirement of € 4,128 million at 31 December 2018, the minimum capital requirement for market risk amounts to € 30 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 155 and 156 of the Annual Financial Report 2018. A sensitivity analysis of the Group's banking book to movements in interest rates is set out on pages 157 to 160 of the Annual Financial Report 2018, together with a Value at Risk ("VaR") profile for both the banking and trading book.

Table 52: EU MR1 – Market risk under the Standardised Approach

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

AIB Group	31 December 2018		31 December 2017	
	RWAs € m	Capital requirements € m	RWAs € m	Capital requirements € m
Outright products				
1 Interest rate risk (general and specific)	366	29	353	29
2 Equity risk (general and specific)	1	–	3	–
Options				
6 Delta-plus method	4	1	4	–
9 Total	371	30	360	29

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 the Group's remuneration structure applicable to all employees.

This section should be read in conjunction with the Group's Annual Financial Report 2018, in particular, the Report of the Remuneration Committee, pages 201 to 204.

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.

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. Further details in respect of the operation of the Group's remuneration policies and practices are outlined in the Annual Financial Report.

The Remuneration Policy is set and governed by the Remuneration Committee (the "Committee") on behalf of the Board. The Committee's responsibilities include oversight of the design, implementation and operation of remuneration policies and practices for all directors and employees with specific reference to Executive and Non-Executive Directors, the Chief Executive Officer, members of the Leadership Team, Heads of Control Functions and Material Risk Takers. In determining remuneration policies and practices, the Committee takes account of appropriate input from the Group's support and control functions to ensure that its decision making is aligned with the Group's financial performance, regulatory guidelines and the State's remuneration constraints.

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). Remuneration outcomes are determined by the Remuneration Committee in accordance with the remuneration constraints outlined above.

The Remuneration Policy is designed to reflect the provisions of EU and national regulations, notably the Capital Requirements Directive (CRD IV) and the 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 input from the Group's risk, compliance and internal audit functions.

The Committee further controls the appointment of any external remuneration consultants or similar specialist advisors who provide it with advice. 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.

Attraction and retention of key staff and skills

The Group faces an ongoing challenge to attract and retain the right talent and skill-sets to grow and sustain the business. The Group's remuneration philosophy aims to align reward with performance so that employees are rewarded fairly and competitively for their contribution to the Group's future success and growth. However, the Group's inability to apply market aligned remuneration practices and, in particular, the inability to offer executive remuneration on an equal footing with competitors for talent in the market represents a key risk to the Group. The Remuneration Committee endeavours to monitor and address this risk on an ongoing basis.

Link between pay and performance

The Group's performance management framework is a key enabler of strategy, putting the Group's brand values at the centre of ongoing conversations about performance, achievement and personal development. The Group's brand values provide the behavioural framework for how employees work, interact with each other and serve the customer. With particular emphasis on customer centric behaviours, the framework helps to create a high performance culture where strong performance is recognised and poor performance proactively addressed.

The Group's strategic objectives are cascaded down through the organisation to create a link to individual employees' objectives and to enable an understanding of how individual employees contribute to the delivery of the Group's overall strategy. Performance outcomes for all employees, including Identified Staff, based on a combined assessment of "What" objectives and "How" behaviours, inform a pay matrix which directly impacts the level of base salary increases awarded under the annual pay review to create a transparent link between performance and remuneration. The absence of incentive schemes for Identified Staff precludes alignment of remuneration and reward for variable pay.

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 Group's 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 is subject to annual review in conjunction with the Group's Remuneration Policy. The process was reviewed and approved by the Remuneration Committee during 2018.

In compiling the list, the Group aligns the qualitative and quantitative criteria set out in the regulations 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 boards of directors of material Group entities;
- Members of the Leadership Team and their direct reports, including members of Senior Management Teams;
- Heads of material subsidiaries, business units and their 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 2018, a total of 360 employees were considered as Identified Staff (2017: 293). As at 31 December 2018, Identified Staff comprised 329 (31 December 2017: 269).

Remuneration of Identified Staff in 2018 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, shares, options or other performance based remuneration paid to Identified Staff in 2018.

14. Remuneration

Table 53: Remuneration by business area

The following tables illustrate the total remuneration of Identified Staff in 2018 and 2017.

AIB Group		RCB	WIB	AIB UK	Group	Total
2018						
Total remuneration in 2018	€ m	13.5	5.9	16.0	32.5	67.9
(all forms of payments or benefits)	Identified staff	56	26	121	157	360
Total variable remuneration in 2018	€ m	0.3	0.0	0.6	2.3	3.2
(Severance payments and buy-outs of contracts from previous employment)	Identified staff	2	0	5	13	20
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	€ m	0.0	0.6	0.6	1.2	2.4
(Severance payments and buy-outs of contracts from previous employment)	Identified staff	0	3	4	7	14

Table 54: Remuneration by functional area

AIB Group		Functions				Total
		NEDs and senior management ⁽¹⁾	Control functions	Corporate functions	Other material risk takers	
2018						
Total remuneration in 2018	€ m	27.2	9.5	6.3	24.9	67.9
(all forms of payments or benefits)	Identified staff	105	59	35	161	360
Total fixed remuneration in 2018	€ m	26.5	8.2	6.1	23.9	64.7
(salaries and other fixed benefits including pension contributions)	Identified staff	105	59	35	161	360
Total variable remuneration in 2018	€ m	0.7	1.3	0.2	1.0	3.2
(Severance payments and buy-outs of contracts from previous employment)	Identified staff	4	7	1	8	20
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	€ m	25.0	7.2	4.1	18.8	55.1
(salaries and other fixed benefits including pension contributions)	Identified staff	104	50	24	115	293
Total variable remuneration in 2017	€ m	1.4	0.2	0.2	0.6	2.4
(Severance payments and buy-outs of contracts from previous employment)	Identified staff	8	1	3	2	14

⁽¹⁾Non-Executive Directors, Leadership Team and direct reports to the Leadership team.

Notes on remuneration 2018:

- i. The increased number and remuneration of Identified Staff reflects additional individuals in key business areas assessed as material risk takers, including a recalibration of lending discretions in the UK business;
- ii. Total variable remuneration paid during the year amounted to € 3.2 million (2017: € 2.4 million). This comprised of severance payments to 19 individuals which amounted to € 3.1 million and payments in respect of compensation for loss of income from previous employment (awarded in a prior year) for 1 individual which amounted to € 0.1 million;
- iii. Under the severance programme, the highest severance payment to any one person in 2018 was € 225,000. 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 2018 and no variable remuneration was paid in equity or other instruments;
- v. There was no remuneration awarded in 2018 for loss of income from previous employment;
- vi. Deferred remuneration outstanding as at 31 December 2018 in respect of loss of income from previous employment amounted to € 0.1 million for one individual;
- vii. Further details of Directors' remuneration are set out on pages 208 to 210 in the Annual Financial Report 2018;
- viii. One individual was identified as a material risk taker during 2018 who was designated as a Service Provider and whose remuneration was not directly paid by the Group. The individual's total remuneration amounted to € 0.1 million and is included within fixed remuneration; and,
- ix. There were no employees whose total remuneration exceeded € 1 million during 2018.

Total remuneration

Total remuneration during 2018 was principally comprised of fixed pay and pension elements in line with remuneration constraints in place with the State. Following the closure of all defined benefit pension schemes to future accrual, all employees are invited to participate in a defined contribution pension scheme. There were no general bonus schemes, long-term incentive plans or share incentive schemes in operation in 2018.

Increases in base salary arising from the 2018 Annual Pay Review were performance based, determined by performance against each individual's objectives. Additional base pay increases were awarded in exceptional cases in order to retain key staff and skills considered critical to the achievements of the Group's long term objectives.

Further details in respect of total employee numbers and total employee remuneration are contained in Notes 13 and 56 in the Annual Financial Report 2018.

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.

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.

Investment securities reserves

Investment securities reserves represent the net unrealised gains and losses, net of tax, arising from the recognition in the statement of financial position of investment securities at fair value through other comprehensive income ("FVOCI"). The CRR transitional provisions in relation to investment securities expired at the end of 2017. At 31 December 2018, 100% of investment securities reserves are included in common equity tier 1 capital.

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

Tier 1 capital (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 charges 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 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. 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;
- Investment securities reserves - 100% of the investment securities reserves are recognised at 31 December 2018. At 31 December 2017 80% of the investment securities reserve was recognised;
- Pension filter - phase out of Basel II adjustment, 0% deducted in 2018;
- Pension reserves in surplus - deduct from capital the total pension reserves of schemes in surplus;
- Pension deficit - 100% of the pension deficit is deducted from CET1 for 2018 as per CRD IV;
- Deferred tax assets that rely on future profitability - deducted from capital at 10% per annum, which commenced in 2015. Therefore, 40% is deducted from capital in 2018;
- Excess of expected loss over IRB provisions - deducted from capital (see page 109 for further information); and
- IFRS 9 - The Group applies the 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. The phase in rate at 31 December 2018 was 5%.

Appendix 1: Own funds

Tier 1 capital (*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 € 260 million.

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

Tier 2 capital

Broadly includes qualifying subordinated debt and other tier 2 securities in issue. It is subject to adjustments relating to the excess of expected loss on the IRBA portfolios over the accounting expected credit losses on the IRBA portfolios, securitisation positions 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 € 370 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 IRB exposures, the total regulatory expected loss ("EL") on IRB loans is compared to the total expected credit loss ("ECL") attributed to those loans in the financial statements. If EL is greater than ECL, the excess is deducted from CET1. An excess of ECL over EL on exposures in default cannot be used to cover a deficit on non-default exposures, i.e. the CET 1 deduction is the greater of (i) the total excess of EL over ECL and (ii) the non-default excess of EL over ECL. Any excess of ECL over EL is added to tier 2 capital up to a limit of 0.6% of IRB risk weighted assets.

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 figures covering the year to 31 December 2018. The exposure values used are 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 55: Encumbered and unencumbered assets held by AIB Group – Table A

	31 December 2018							
	Encumbered assets				Unencumbered assets			
	Carrying amount	Of which: notionally eligible EHQLA ⁽¹⁾ and HQLA ⁽¹⁾	Fair value	Of which: notionally eligible EHQLA ⁽¹⁾ and HQLA ⁽¹⁾	Carrying amount	Of which: EHQLA ⁽¹⁾ and HQLA ⁽¹⁾	Fair value	Of which: EHQLA ⁽¹⁾ and HQLA ⁽¹⁾
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Assets of the reporting institution	12,113	1,790	–	–	79,773	18,757	–	–
Equity instruments	–	–	–	–	717	–	–	–
Debt securities	1,855	1,790	1,855	1,790	13,643	12,197	13,643	12,197
Of which:								
Covered bonds	254	254	254	254	2,701	2,690	2,701	2,690
Asset-backed securities	295	295	295	295	248	206	248	206
Issued by general governments	1,291	1,332	1,291	1,334	8,343	8,209	8,343	8,209
Issued by financial corporations	563	344	563	334	5,260	3,734	5,260	3,734
Issued by non-financial corporations	–	–	–	–	137	26	137	26
Other assets	10,418	–	–	–	64,003	6,914	–	–
Of which loans and advances	9,491	–	–	–	51,566	–	–	–
Loans on demand	673	–	–	–	7,122	6,914	–	–
Other assets	250	–	–	–	5,922	–	–	–

	31 December 2017							
	Encumbered assets				Unencumbered assets			
	Carrying amount	Of which: notionally eligible EHQLA ⁽¹⁾ and HQLA ⁽¹⁾	Fair value	Of which: notionally eligible EHQLA ⁽¹⁾ and HQLA ⁽¹⁾	Carrying amount	Of which: EHQLA ⁽¹⁾ and HQLA ⁽¹⁾	Fair value	Of which: EHQLA ⁽¹⁾ and HQLA ⁽¹⁾
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Assets of the reporting institution	14,277	2,689	–	–	76,233	18,401	–	–
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	4,826	–	–
Of which loans and advances	10,644	–	–	–	49,870	–	–	–
Loans on demand	535	–	–	–	5,019	4,826	–	–
Other assets	143	–	–	–	6,057	–	–	–

⁽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.

Table 56: Collateral received – Table B

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

	31 December 2018				31 December 2017			
	Fair value of encumbered collateral received or own debt securities issued	Of which: notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	Of which: EHQLA and HQLA	Fair value of encumbered collateral received or own debt securities issued	Of which: notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	Of which: EHQLA and HQLA
AIB Group	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Collateral received by the reporting institution	–	18	2,899	1,056	47	47	1,309	962
Loans on demand	–	–	201	–	–	–	259	–
Debt securities	–	3	2,717	1,151	47	47	1,069	962
Of which:								
Covered bonds	–	–	879	877	–	–	743	743
Asset-backed securities	–	–	340	–	–	–	221	114
Issued by general governments	–	3	47	77	47	47	115	115
Issued by financial corporations	–	–	2,431	877	–	–	964	857
Issued by non-financial corporations	–	–	290	–	–	–	–	–
Of which:								
Own covered bonds and ABSs ⁽¹⁾ issued and not yet pledged	–	–	5,911	–	–	–	3,667	–
Total assets, collateral received and debt securities issued	12,113	1,793	–	–	14,324	2,736	–	–

⁽¹⁾Asset backed securities ("ABSs").

Table 57: Encumbered assets/collateral received and associated liabilities – Table C

	31 December 2018		31 December 2017	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
AIB Group	€ m	€ m	€ m	€ m
Carrying amount of selected financial liabilities	5,649	10,436	8,810	12,795

Appendix 2: Asset encumbrance

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 investment securities 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 2018, € 12,113 million (2017: € 14,324 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 page 150 of the Annual Financial Report 2018. 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 sources of unsecured funding increased at a greater pace than the funding requirement, mainly, through an increase in customer deposits and senior unsecured note issuances. 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 repo transaction 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 12% as at 31 December 2018 (2017: 14%), i.e. point-in-time 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 over-collateralisation of 5% and minimum legislative over-collateralisation 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 2018, the Group had € 5,922 million (2017: € 6,057 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, and plant and equipment.

Appendix 3: 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., and EBS d.a.c.) in accordance with Articles 4 and 5 of the Commission Implementing Regulation (EU) No.1423/2013:

Table 58: Own funds of AIB Group and its principal subsidiaries

		AIB Group			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2018 € m	31 December 2017 € m	31 December 2018 € m	31 December 2017 € m
Common equity tier 1 capital: Instruments and reserves					
1	Capital instruments and the related share premium accounts				
	– Ordinary stock	1,696	1,697	1,696	1,697
2	Retained earnings	12,518	12,060	12,518	12,060
3	Accumulated other comprehensive income (and other reserves)	(1,941)	(1,753)	(1,941)	(1,753)
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	627	785	627	785
6	Common equity tier 1 (CET 1) capital before regulatory adjustments	12,900	12,789	12,900	12,789
Common equity tier 1 capital: regulatory adjustments					
7	Additional value adjustments	(39)	(15)	(39)	(15)
8	Intangible assets (net of related tax liability)	(682)	(569)	(682)	(569)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(1,079)	(829)	(2,697)	(2,764)
11	Fair value reserves related to gains or losses on cash flow hedges	(285)	(257)	(285)	(257)
12	Negative amounts resulting from the calculation of expected loss amounts	(21)	–	(21)	–
15	Defined benefit pension fund assets	(183)	(139)	(183)	(139)
20	IFRS 9 CET1 transitional add-back	298	–	–	–
26a	Regulatory adjustments relating to unrealised gains and losses	–	(115)	–	–
	of which: – Unrealised gains on non-sovereign bonds	–	(4)	–	–
	– Unrealised gains on sovereign bonds	–	(111)	–	–
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filters and deductions required pre CRR	–	(97)	–	–
	of which: – Defined benefit pension scheme	–	14	–	–
	– Property revaluation reserves	–	(5)	–	–
	– Minimum funding standard pension contributions	–	(25)	–	–
	– Unrealised gains on equity	–	(81)	–	–
28	Total regulatory adjustments to Common equity tier 1 (CET 1)	(1,991)	(2,021)	(3,907)	(3,744)
29	Common equity tier 1 (CET 1) capital	10,909	10,768	8,993	9,045
Additional tier 1 (AT1) capital: Instruments					
34	Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	235	260	316	291
Additional tier 1 (AT1) capital: before regulatory adjustments					
		235	260	316	291
43	Total regulatory adjustments to Additional tier 1 (AT1)	–	–	–	–
44	Additional tier 1 (AT1) capital	235	260	316	291
45	Tier 1 capital (T1 = CET 1 + AT1)	11,144	11,028	9,309	9,336

Appendix 3: Transitional and fully loaded own funds

AIB Group and its principal subsidiaries

Table 58: Own funds of AIB Group and its principal subsidiaries (continued)

		AIB Group			
		CRD IV transitional basis		CRD IV fully loaded basis	
		31 December 2018 € m	31 December 2017 € m	31 December 2018 € m	31 December 2017 € m
Tier 2 (T2) capital: Instruments and provisions					
48	Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties	415	442	531	492
50	Credit risk adjustments	–	28	–	28
Tier 2 (T2) capital before regulatory adjustments		415	470	531	520
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	–	–	–	–
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR	–	174	–	–
	of which: – IBNR provisions	–	171	–	–
	– Property revaluation reserve	–	3	–	–
57	Total regulatory adjustments to tier 2 (T2) capital	–	174	–	–
58	Tier 2 (T2) capital	415	644	531	520
59	Total capital (TC = T1 + T2)	11,559	11,672	9,840	9,856
60	Total risk weighted assets	51,596	51,728	51,439	51,823
Capital ratios and buffers					
61	Common equity tier 1	21.1%	20.8%	17.5%	17.5%
62	Tier 1	21.6%	21.3%	18.1%	18.0%
63	Total capital	22.4%	22.6%	19.1%	19.0%
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)	6.5794%	5.7523%	8.7044%	8.5023%
65	of which: capital conservation buffer requirement	1.875%	1.25%	2.5%	2.5%
66	countercyclical buffer requirement	0.2044%	0.0023%	0.2044%	0.0023%
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)	16.6%	16.3%	13.0%	13.0%
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)	109	92	109	92
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)	113	110	113	110
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	85	40	85	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	–	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	337	343	337	343
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	115	113	115	113

⁽¹⁾ CET 1 in excess of 4.5%.

AIB Group and its principal subsidiaries

Table 58: 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 2018 € m	31 December 2017 € m	31 December 2018 € m	31 December 2017 € 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	7,879	7,542	7,879	7,542
3	Accumulated other comprehensive income (and other reserves)	820	1,264	820	1,264
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	400	656	400	656
6	Common equity tier 1 (CET 1) capital before regulatory adjustments	12,182	12,545	12,182	12,545
Common equity tier 1 capital: regulatory adjustments					
7	Additional value adjustments/other	(42)	(19)	(42)	(19)
8	Intangible assets (net of related tax liability)	(630)	(530)	(630)	(530)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(960)	(724)	(2,400)	(2,412)
11	Fair value reserves related to gains or losses on cash flow hedges	(290)	(239)	(290)	(239)
12	Negative amounts resulting from the calculation of expected loss amounts	(16)	(13)	(16)	(16)
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)	(287)	(120)	(287)	(302)
20	IFRS 9 CET1 transitional add-back	323	–	–	–
26a	Regulatory adjustments relating to unrealised gains and losses	–	(102)	–	–
	of which: – Unrealised gains on non-sovereign bonds	–	17	–	–
	– Unrealised gains on sovereign bonds	–	(119)	–	–
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filters and deductions required pre CRR	–	(73)	–	–
	of which: – Defined benefit pension scheme	–	9	–	–
	– Property revaluation reserves	–	(1)	–	–
	– Minimum funding standard pension contributions	–	(7)	–	–
	– Unrealised gains on equity	–	(74)	–	–
28	Total regulatory adjustments to Common equity tier 1 (CET 1)	(1,904)	(1,822)	(3,667)	(3,520)
29	Common equity tier 1 (CET 1) capital	10,278	10,723	8,515	9,025
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)	–	–
	– Significant financial sector holdings	–	(15)	–	–
43	Total regulatory adjustments to Additional tier 1 (AT1)	–	(16)	–	–
44	Additional tier 1 (AT1) capital	494	478	494	494
45	Tier 1 capital (T1 = CET 1 + AT1)	10,772	11,201	9,009	9,519

Appendix 3: Transitional and fully loaded own funds

AIB Group and its principal subsidiaries

Table 58: 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 2018 € m	31 December 2017 € m	31 December 2018 € m	31 December 2017 € m
Tier 2 (T2) capital: Instruments and provisions					
46	Capital instruments and the related share premium accounts	785	783	785	783
50	Credit risk adjustments	–	24	–	24
Tier 2 (T2) capital before regulatory adjustments		785	807	785	807
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)	–	–
	– Significant financial sector holdings	–	(15)	–	–
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR	–	102	–	–
	of which: – IBNR provisions	–	100	–	–
	– Property revaluation reserve	–	2	–	–
57	Total regulatory adjustments to tier 2 (T2) capital	–	85	–	–
58	Tier 2 (T2) capital	785	892	785	807
59	Total capital (TC = T1 + T2)	11,557	12,093	9,794	10,326
60	Total risk weighted assets	39,869	39,612	39,640	39,322
Capital ratios and buffers					
61	Common equity tier 1	25.8%	27.1%	21.5%	23.0%
62	Tier 1	27.0%	28.3%	22.7%	24.2%
63	Total capital	29.0%	30.5%	24.7%	26.3%
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)	6.531%	5.753%	7.156%	7.003%
65	of which: capital conservation buffer requirement	1.88%	1.25%	2.5%	2.5%
66	countercyclical buffer requirement	0.156%	0.003%	0.156%	0.003%
68	Common equity tier 1 available to meet buffers ⁽¹⁾ (as a % of risk exposure amount)	21.3%	22.6%	17.0%	18.5%
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)	109	92	109	92
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)	880	1,084	880	933
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	67	35	67	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	–	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach	278	289	278	289
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	83	76	83	76

⁽¹⁾CET 1 in excess of 4.5%.

AIB Group and its principal subsidiaries

Table 58: Own funds of AIB Group and its principal subsidiaries (continued)

	AIB Mortgage Bank			
	CRD IV transitional basis		CRD IV fully loaded basis	
	31 December 2018 € m	31 December 2017 € m	31 December 2018 € m	31 December 2017 € 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			
	36	(17)	36	(17)
3	Accumulated other comprehensive income (and other reserves)			
	580	580	580	580
5a	Independently reviewed interim profits net of any foreseeable charge or dividend			
	125	86	125	86
6	Common equity tier 1 (CET 1) capital before regulatory adjustments			
	2,486	2,394	2,486	2,394
Common equity tier 1 capital: regulatory adjustments				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)			
	–	(4)	–	(14)
12	Negative amounts resulting from the calculation of expected loss amounts			
	(7)	–	(7)	–
24	IFRS 9 CET1 transitional add-back			
	31	–	–	–
28	Total regulatory adjustments to Common equity tier 1 (CET 1)			
	24	(4)	(7)	(14)
29	Common equity tier 1 (CET 1) capital			
	2,510	2,390	2,479	2,380
45	Tier 1 capital (T1 = CET 1 + AT1)			
	2,510	2,390	2,479	2,380
Tier 2 (T2) capital: Instruments and provisions				
46	Capital instruments and the related share premium accounts			
	300	300	300	300
50	Credit risk adjustments			
	1	19	1	19
	Tier 2 (T2) capital before regulatory adjustments			
	301	319	301	319
Tier 2 (T2) capital: Regulatory adjustments				
56b	IFRS 9 Tier 2 deductions			
	(1)	–	–	–
56c	Amount to be deducted from or added to tier 2 capital with regard to additional filers and deductions required pre CRR			
	–	2	–	–
	of which: – IBNR provisions			
	–	2	–	–
	– Property revaluation reserve			
	–	–	–	–
57	Total regulatory adjustments to tier 2 (T2) capital			
	(1)	2	–	–
58	Tier 2 (T2) capital			
	300	321	301	319
59	Total capital (TC = T1 + T2)			
	2,810	2,711	2,780	2,699
60	Total risk weighted assets			
	6,158	7,075	6,158	7,075
Capital ratios and buffers				
61	Common equity tier 1			
	40.8%	33.8%	40.3%	33.6%
62	Tier 1			
	40.8%	33.8%	40.3%	33.6%
63	Total capital			
	45.6%	38.3%	45.1%	38.1%
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)			
	6.38%	5.75%	7.0%	7.0%
65	of which: capital conservation buffer requirement			
	1.88%	1.25%	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)			
	36.3%	29.3%	35.8%	29.1%
Applicable caps on the inclusion of provision in Tier 2				
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)			
	4	–	4	–
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised Approach (prior to application of the cap)			
	–	2	–	–
77	Cap on inclusion of credit risk adjustments in T2 under Standardised Approach			
	4	5	4	5
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to application of the cap)			
	1	19	1	19
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings - based approach			
	32	37	32	37

⁽¹⁾CET 1 in excess of 4.5%.

Appendix 3: Transitional and fully loaded own funds

AIB Group and its principal subsidiaries

Table 58: 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 2018 € m	31 December 2017 € m	31 December 2018 € m	31 December 2017 € m
Common equity tier 1 capital: Instruments and reserves				
1	Capital instruments and the related share premium accounts			
	– Ordinary stock			
	2,665	2,687	2,665	2,687
2	(2,565)	(2,673)	(2,565)	(2,673)
3	1,815	1,854	1,815	1,854
6	1,915	1,868	1,915	1,868
Common equity tier 1 capital: regulatory adjustments				
7	(6)	–	(6)	–
8	(37)	(29)	(37)	(29)
9	(22)	(24)	(22)	(24)
10	(127)	(124)	(127)	(124)
11	–	(7)	–	(7)
15	(335)	(354)	(335)	(354)
24	21	–	–	–
28	(506)	(538)	(527)	(538)
29	1,409	1,330	1,388	1,330
45	1,409	1,330	1,388	1,330
Tier 2 (T2) capital: Instruments and provisions				
59	1,409	1,330	1,388	1,330
60	8,179	8,153	8,172	8,153
Capital ratios and buffers				
61	17.2%	16.3%	17.0%	16.3%
62	17.2%	16.3%	17.0%	16.3%
63	17.2%	16.3%	17.0%	16.3%
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)			
	7.34004%	5.75007%	7.96504%	7.00007%
65	of which: capital conservation buffer requirement			
	1.88%	1.250%	2.5%	2.5%
66	countercyclical buffer requirement			
	0.965%	0.00007%	0.965%	0.00007%
68	Common equity tier 1 available to meet buffers ⁽¹⁾ (as a % of risk exposure amount)			
	12.7%	11.8%	12.5%	11.8%
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)			
	0	–	0	–
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	38	38	38
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)			
	9	3	9	3
Applicable caps on the inclusion of provision in Tier 2				
77	95	95	95	95

⁽¹⁾CET 1 in excess of 4.5%.

AIB Group and its principal subsidiaries

Table 58: 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 2018 € m	31 December 2017 € m	31 December 2018 € m	31 December 2017 € 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	(754)	(787)	(754)	(787)
3	123	167	123	167
5a	–	48	–	48
6	1,023	1,082	1,023	1,082
Common equity tier 1 capital: regulatory adjustments				
8	(15)	(10)	(15)	(10)
10	(89)	(69)	(223)	(230)
11	12	6	12	6
26a	–	13	–	–
	–	13	–	–
26b	–	1	–	–
	–	5	–	–
	–	(1)	–	–
	–	(3)	–	–
28	(92)	(59)	(226)	(234)
29	931	1,023	797	848
45	931	1,023	797	848
Tier 2 (T2) capital: Instruments and provisions				
56c	–	19	–	–
	–	19	–	–
57	–	19	–	–
58	–	19	–	–
59	931	1,042	797	848
60	3,380	3,345	3,380	3,345
Capital ratios and buffers				
61	27.5%	30.6%	23.6%	25.4%
62	27.5%	30.6%	23.6%	25.4%
63	27.5%	31.2%	23.6%	25.4%
64	6.38%	5.75%	7.0%	7.0%
65	1.88%	1.25%	2.5%	2.5%
68	23.0%	26.1%	19.1%	20.9%
73	0	–	0	–
75	20	12	20	12
Applicable caps on the inclusion of provision in Tier 2				
76	–	19	–	–
77	38	38	38	38

⁽¹⁾CET 1 in excess of 4.5%.

Appendix 4: Quantitative information on Liquidity Coverage Ratio

Liquidity risk

Table 59: Funding and 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 2018 and for the year ended 31 December 2018.

AIB Group	Total unweighted value (average) € m					Total weighted value (average) € m				
	2018				2017	2018				2017
	31 Mar	30 Jun	30 Sep	31 Dec	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec	31 Dec
High Quality Liquid Assets ("HQLA")										
Total HQLA						17,166	17,418	17,509	17,581	16,923
Cash outflows										
Retail deposits and deposits from small business customers, of which:										
Stable deposits	21,475	21,930	22,432	22,957	21,099	1,101	1,139	1,181	1,208	1,065
Less stable deposits	13,694	14,245	14,839	15,347	13,257	1,953	2,031	2,116	2,193	1,892
Unsecured wholesale funding of which:										
Operational deposits (all counterparties) and deposits in networks of co-operative banks	-	-	-	-	-	-	-	-	-	-
Non-operational deposits (all counterparties)	20,527	20,914	21,371	21,685	20,115	9,108	9,231	9,460	9,667	8,938
Unsecured debt	178	22	53	42	224	178	22	53	42	224
Secured wholesale funding	-	-	-	-	-	32	29	23	19	66
Additional requirements, of which:										
Outflows related to derivative exposures and other collateral requirements	350	334	328	316	362	350	334	328	316	362
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
Credit and liquidity facilities	9,912	10,021	10,297	10,536	9,927	797	800	823	851	827
Other contractual funding obligations	396	361	329	262	445	279	247	218	155	328
Other contingent funding obligations	1,318	1,221	1,129	999	1,329	89	80	70	58	89
Total cash outflows						13,887	13,913	14,272	14,509	13,791
Cash inflows										
Secured lending (reverse repos)	57	52	92	104	98	-	-	41	62	13
Inflows from fully performing exposures	799	825	854	862	758	476	495	523	524	443
Other cash inflows	923	949	940	931	940	200	236	232	227	206
Total cash inflows	1,779	1,826	1,886	1,897	1,796	676	731	796	813	662
						€ m	€ m	€ m	€ m	€ m
Total HQLA						17,166	17,418	17,509	17,581	16,923
Total net cash outflows						13,211	13,182	13,476	13,696	13,129
						%	%	%	%	%
Liquidity coverage ratio⁽¹⁾						130	132	130	128	129

⁽¹⁾LCR = Total HQLA/total net cash outflows.

The quarterly 12 month rolling average LCR ranged from 128-132% in 2018. The quarterly average HQLA ranged from € 17,166 million to € 17,581 million of which government securities constituted 45-55% and withdrawable central bank reserves constituted 19-27%. The quarterly weighted average of outflows ranged from € 13,886 million to € 14,508 million of which the non-operational deposits and undrawn commitments contribution remained broadly flat at 67% and 6% respectively. The quarterly weighted average inflows from assets ranged from € 676 million to € 812 million with fully performing exposures constituting 65-70% of total cash inflows.

Appendix 5: Countercyclical capital buffer

Table 60: Countercyclical capital buffer – geographical distribution of credit exposures

The countercyclical buffer (“CCyB”) was introduced under CRD IV.

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 UK, Sweden, Norway, Hong Kong, Iceland, Czech Republic and Slovakia as at 31 December 2018 are shown. The Financial Policy Committee (“FPC”) sets the UK countercyclical capital buffer, which is currently 1.0% (effective from November 2018). The rate had previously increased from 0.0% to 0.5% (effective June 2018). The Republic of Ireland countercyclical buffer is currently 0.0%, the CBI have announced an increase to 1.0% effective July 2019.

AIB had an overall CCyB additional capital requirement of € 105 million as at 31 December 2018 (2017: € 1 million).

The following table sets out the Group’s countercyclical capital buffer by geographical location:

		31 December 2018									
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	26,414	9,365	0	0	0	–	–	0	855	36,634
	Exposure value for IRB	27,689	551	19	19	0	–	–	–	4,787	33,065
Trading book exposures	Sum of long and short positions of trading book exposures for SA	11	–	–	–	–	–	–	–	–	11
	Value of trading book exposures for internal models	–	–	–	–	–	–	–	–	–	–
Securitisation exposures	Exposure value for SA	–	–	–	–	–	–	–	–	–	–
	Exposure value for IRB	159	–	–	–	–	–	–	–	396	555
Own funds requirements⁽¹⁾	General credit exposure	2,399	712	2	1	0	–	–	0	398	3,512
	Trading book exposure	1	–	–	–	–	–	–	–	–	1
	Securitisation exposures	2	–	–	–	–	–	–	–	3	5
Total		2,402	712	2	1	0	–	–	0	401	3,518
		%	%	%	%	%	%	%	%	%	%
Own funds requirement weight		68.26	20.25	0.06	0.03	0.00	–	–	0.00	11.40	100
Countercyclical capital buffer rate		0.00	1.00	2.00	2.00	1.88	–	–	1.30	–	0.2044
Total risk exposure (sum of general credit, trading and securitisation)											
		€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Allied Irish Banks, p.l.c.		18,761	3,679	0	0	–	–	–	–	806	23,246
AIB Group (UK) p.l.c.		44	8,251	–	–	–	–	–	–	222	8,517
Total own funds requirements											
Allied Irish Banks, p.l.c.		1,851	412	2	1	–	–	–	–	416	2,682
AIB Group (UK) p.l.c.		3	585	–	–	–	–	–	–	18	606

Table 61: Countercyclical capital buffer

The additional countercyclical capital buffer requirement is shown below for the Group and its significant subsidiaries.

	31 December 2018		
	AIB Group € m	Allied Irish Banks, p.l.c. € m	AIB Group (UK) p.l.c. € m
Total risk exposure amount	51,596	39,869	8,179
	%	%	%
Institution-specific countercyclical capital buffer rate⁽¹⁾	0.2044	0.1557	0.97
	€ m	€ m	€ m
Institution-specific countercyclical capital buffer requirement	105	62	79

⁽¹⁾Countercyclical capital buffer rate multiplied by Own funds requirement weights by country breakdown.

Appendix 6: Further analysis of the loan profile

Table 62: Loans and advances, loans past due but not impaired, impaired loans and provisions – industry and geographic distribution

The following table presented for AIB Group and significant subsidiary, profiles the customer loan portfolio, loans past due, credit impaired ECL allowance and credit impairment losses/ (writeback) by industry sector and geography⁽¹⁾:

	31 December 2018						31 December 2017				
	Gross loans and advances to customers ⁽²⁾	Of which: past due	Of which: credit impaired ⁽³⁾	ECL ⁽⁴⁾ allowance on gross loans and advances to customers – Balance sheet	ECL ⁽⁴⁾ allowance on credit impaired gross loans and advances to customers – Balance sheet	Credit impairment losses/ (writeback) – Income statement	Loans and advances 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
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AIB Group											
Agriculture	1,836	147	172	77	45	(15)	1,818	78	101	32	(6)
Energy	983	13	14	14	6	9	717	7	36	12	–
Manufacturing	2,934	40	54	49	29	10	2,390	19	60	49	7
Property and construction	7,951	733	1,189	480	403	(123)	8,820	275	1,803	914	(100)
Distribution	5,518	307	460	283	177	(5)	5,547	94	417	211	(20)
Transport	1,779	18	20	17	8	(1)	1,352	5	14	8	(6)
Financial	595	5	33	12	8	(1)	478	1	14	11	22
Other services	5,921	159	235	141	95	14	5,374	79	230	147	24
Personal:											
Residential mortgages	32,315	2,486	3,257	713	654	(84)	33,720	869	3,293	1,135	(111)
Other	3,075	337	343	253	172	(13)	3,122	156	362	203	(9)
	62,907	4,245	5,777	2,039	1,597	(209)	63,338	1,583	6,330	2,722	(199)
Republic of Ireland	48,677	3,899	5,321	1,787	1,418	(231)	50,737	1,455	5,799	2,437	(229)
United Kingdom	8,864	301	366	208	142	8	9,006	123	464	246	16
Other geographical areas	5,366	45	90	44	37	14	3,595	5	67	39	14
	62,907	4,245	5,777	2,039	1,597	(209)	63,338	1,583	6,330	2,722	(199)
Allied Irish Banks, p.l.c.											
Agriculture	1,661	142	169	74	44	(14)	1,684	75	98	31	(6)
Energy	464	10	12	8	6	3	367	6	23	7	(2)
Manufacturing	1,481	28	40	30	21	–	1,198	10	50	41	4
Property and construction	5,573	550	983	363	301	(106)	6,279	214	1,442	717	(84)
Distribution	3,630	287	429	257	163	(6)	3,795	80	379	196	(31)
Transport	945	14	17	10	6	(1)	700	4	9	5	(5)
Financial	209	3	10	9	8	(2)	196	1	4	10	(2)
Other services	2,607	138	203	103	78	(16)	2,488	62	208	133	24
Personal:											
Residential mortgages	1,159	140	214	63	60	(11)	1,314	35	208	76	(12)
Other	2,923	326	334	246	167	11	2,935	149	347	190	(8)
	20,652	1,638	2,411	1,163	854	(142)	20,956	636	2,768	1,406	(122)
Republic of Ireland	17,865	1,597	2,346	1,117	815	(150)	18,906	629	2,698	1,359	(132)
United Kingdom	545	10	11	7	5	1	644	5	35	15	(1)
Other geographical areas	2,242	31	54	39	34	7	1,406	2	35	32	11
	20,652	1,638	2,411	1,163	854	(142)	20,956	636	2,768	1,406	(122)

⁽¹⁾The geographic breakdown in this table is based on the residence of the immediate counterparty.

⁽²⁾Includes loans and advances to customers at amortised cost at FVTPL.

⁽³⁾Loans and advances to customers classified as Stage 3 under IFRS 9. Also included are loans and advances which were purchased or originated as credit impaired.

⁽⁴⁾Expected credit loss ("ECL").

Table 62: Loans and advances, loans past due but not impaired, impaired loans and provisions – industry and geographic distribution (continued)

	31 December 2018						31 December 2017				
	Gross loans and advances to customers ⁽²⁾	Of which: past due	Of which: credit impaired ⁽³⁾	ECL ⁽⁴⁾ allowance on gross loans and advances to customers – Balance sheet	ECL ⁽⁴⁾ allowance on credit impaired gross loans and advances to customers – Balance sheet	Credit impairment losses/ (writeback) – Income statement	Loans and advances 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
AIB Mortgage Bank	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Personal:											
Residential mortgages	18,201	1,118	1,588	314	289	(80)	18,778	455	1,425	396	(100)
Republic of Ireland	18,201	1,118	1,588	314	289	(80)	18,778	455	1,425	396	(100)
AIB Group (UK) p.l.c.											
Agriculture	95	2	1	1	–	(1)	82	2	1	1	–
Energy	497	2	–	5	–	3	321	–	1	1	1
Manufacturing	352	10	3	11	2	12	477	8	4	1	–
Property and construction	1,741	59	59	40	30	–	1,746	38	54	43	(3)
Distribution	1,293	13	22	17	8	(1)	1,258	12	24	8	10
Transport	389	–	–	2	–	–	301	–	–	–	–
Financial	196	1	–	3	–	6	126	1	–	–	24
Other services	1,598	8	10	20	4	4	1,450	16	4	2	(2)
Personal:											
Residential mortgages	1,335	91	136	27	24	(2)	1,521	31	128	33	(5)
Other	136	8	6	6	4	1	199	5	12	9	–
	7,632	194	237	132	72	22	7,481	113	228	98	25
Republic of Ireland	25	11	9	7	6	–	34	2	10	5	(1)
United Kingdom	7,408	183	228	124	66	22	7,318	111	218	93	26
Other geographical areas	199	–	–	1	–	–	129	–	–	–	–
	7,632	194	237	132	72	22	7,481	113	228	98	25
EBS d.a.c.											
Property and construction	104	39	47	15	13	(18)	150	19	70	43	1
Personal:											
Residential mortgages	5,317	569	652	156	143	–	5,417	152	804	340	8
	5,421	608	699	171	156	(18)	5,567	171	874	383	9
Republic of Ireland	5,382	594	685	168	153	(18)	5,520	170	866	380	9
United Kingdom	17	7	7	2	2	–	21	–	4	1	–
Other geographical areas	22	7	7	1	1	–	26	1	4	2	–
	5,421	608	699	171	156	(18)	5,567	171	874	383	9

⁽¹⁾The geographic breakdown in this table is based on the residence of the immediate counterparty.

⁽²⁾Includes loans and advances to customers at amortised cost at FVTPL.

⁽³⁾Loans and advances to customers classified as Stage 3 under IFRS 9. Also included are loans and advances which were purchased or originated as credit impaired.

⁽⁴⁾Expected credit loss ("ECL")

Glossary of definitions and explanations

A

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 – 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

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 in a held to collect and sell business model, on a fair value through other comprehensive income (FVOCI) basis.

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 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”) – 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).

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 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).

C

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.

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”) – 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 impaired – Under IFRS 9, these are Stage 3 financial assets where there is objective evidence of impairment and, therefore, considered to be in default. A lifetime ECL is recognised for such assets.

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.

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.

Glossary of definitions and explanations

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 – 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 credit loss (“ECLs”) – The weighted average of credit losses with the respective risks of a default occurring as the weights. This is an accounting measure of losses under IFRS 9 for financial reporting purposes.

Expected loss (“EL”) – The amount expected to be lost on an exposure from a potential default of a counterparty 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”) – 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 – 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 loan; and capitalising arrears amounts and related interest.

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 – See credit impaired above.

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”) – 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”).

Items associated with particularly high risk – A CRD IV exposure class whereby institutions 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 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 introduced 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”) – 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’.

Loans 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 number of days that 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;
- has been advised of a limit lower than the then current amount outstanding; or
- has drawn credit without authorisation.

When a borrower is past due, the entire exposure is reported as past due, rather than the amount of any excess or arrears.

M

Mark-to-market – The mark-to-market of a derivative security represents its replacement cost at a point in time.

Minimum Transfer Amount – 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 Treasury Management Agency (“NTMA”) – 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 (“NPEs”) – Non-performing exposures are defined by the European Banking Authority to include 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

Off-balance sheet items – Include undrawn commitments to lend, guarantees, letters of credit, acceptances and other items as listed in Annex I of the CRR.

Operational risk – 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 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.

Potential future exposure (“PFE”) – 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.

Probability of default (“PD”) – The likelihood that a borrower will default on an obligation to repay.

PV01 – 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”) – A 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”) – Debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

Risk weighted assets (“RWAs”) – 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 – The process of aggregating and repackaging non-tradable financial instruments such as loans and advances, or company cash flows into securities that can be issued and traded in the capital markets.

Securitisation position – An exposure to a securitisation.

Single Supervisory Mechanism (“SSM”) – 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”) – 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 – A 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 (“SFM”) – This 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. It is subject to adjustments relating to the excess of expected loss on the IRBA portfolios over the accounting expected credit losses on the IRBA portfolios, securitisation positions and material holdings in financial companies.

Total exposure – See exposure value.

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
CRR 431:	Scope of disclosure requirements	
431(1)	Institutions to publish Pillar 3 disclosures.	AIB Group Pillar 3 Disclosures at 31 December 2018 ("P3").
431(2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	P3: Chapter 3 – page 28; and AIB Group Annual Financial Report 2018 ("AFR 2018"); pages 162 and 163.
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 8.
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 material 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 8.
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 8.
434(2)	Disclosure made for accounting requirements can be used for Pillar 3 Disclosure purposes if appropriate.	Certain cross references are made to AFR 2018, 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 26; and AFR 2018: page 69.
435(1)(b)	Structure and organisation of risk management function.	P3: Chapter 3 – pages 28 and 29; and AFR 2018: pages 69 and 70.
435(1)(c)	Risk reporting and measurement systems.	AFR 2018: pages 85 to 92; and pages 145 to 166.
435(1)(d)	Hedging and mitigating risk – policies and processes.	P3: Chapter 7 – page 74; and AFR 2018: pages 81 to 84.
435(1)(e)	Adequacy of risk management arrangements approved by the Board.	AFR 2018: pages 211 to 213.
435(1)(f)	Concise risk statement approved by the Board.	AFR 2018: pages 211 to 213.

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 28 and 29; AFR 2018: pages 18 and 19; 26 to 32; and 186 to 200.
435(2)(a)	Number of directorships held by Board members.	P3: Chapter 3 – pages 28 and 29; and AFR 2018: pages 34 and 35.
435(2)(b)	Recruitment policy of Board members, their actual knowledge, skills and expertise.	P3: Chapter 3 – pages 28 and 29; and AFR 2018: pages 196 to 200.
435(2)(c)	Policy on diversity of Board membership and results against targets.	P3: Chapter 3 – page 29; and AFR 2018: page 197.
435(2)(d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	P3: Chapter 3 – pages 26 to 29; and AFR 2018: pages 192 to 195.
435(2)(e)	Description of information flow on risk to the Board.	P3: Chapter 3 – pages 28 to 29; AFR 2018: pages 69 to 72; and 192 to 195.
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 9; and Table 1 on page 10.
436(b)(i)	Fully consolidated.	P3: Chapter 1 – page 9.
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 9.
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 – page 8.
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 5 and 6 – pages 14 to 17; and Appendix 3: 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 6 – page 17 footnotes; and Appendix 3: Transitional and fully loaded own funds.
437(1)(d)(ii)	Each capital deduction applied.	P3: Chapter 2 – Tables 3 to 6; and Appendix 1: Own funds.
437(1)(d)(iii)	Items not deducted from capital.	P3: Chapter 2 – pages 13 to 19.
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 13 to 19; and Appendix 1: Own funds.

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 13 and AFR 2018: page 154.
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 4 – Table 11 – page 31.
438(d)	Capital requirement amounts for credit risk for each Internal Ratings Based Approach exposure class.	P3: Chapter 4 – Table 11 – page 31.
438(d)(i)-(iv)	Capital requirement amounts for credit risk for each Internal Ratings Based Approach exposure class.	P3: Chapter 4 – Table 11 – page 31.
438(e)	Capital requirement amounts for market risk or settlement risk.	P3: Chapter 2 – Table 8 – page 21; and Chapter 13 – page 101.
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: Chapter 2 – Table 8 – page 21.
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 90 and 91.
439(b)	Discussion of policies to secure collateral and establishing credit reserves.	P3: Chapter 9 – page 91.
439(c)	Discussion of management of wrong-way risk exposures.	P3: Chapter 9 – page 91.
439(d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	P3: Chapter 9 – page 91.
439(e)	Derivation of net derivative credit exposure.	P3: Chapter 9 – page 91; and Table 43 – page 93.
439(f)	Exposure values for mark-to-market, original exposure, Standardised and Internal model methods.	P3: Chapter 9 – Table 39 – page 91.
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 45 page 94.
439(h)	Notional amounts of credit derivative transactions.	P3: Chapter 9 – Table 45 page 94.
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 5 – Table 60 – page 121.
440(1)(b)	Amount of the institution specific countercyclical capital buffer.	P3: Appendix 5 – Table 61 – page 121.
440(2)	EBA will issue technical implementation standards related to 440 (1).	AIB Group follows the current standards.

CRR Roadmap

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 75 (definition of non-preforming/defaulted).
442(b)	Approaches for calculating specific and general credit risk adjustments.	P3: Chapter 8 – page 75; and AFR 2018: pages 85 to 92.
442(c)	Disclosure of pre-CRM EAD by exposure class.	P3: Chapter 5 – Table 15 – page 45; and Chapter 6 – Table 23 – page 65.
442(d)	Disclosure of pre-CRM EAD by geography and exposure class.	P3: Chapter 5 – Table 16 – page 46; Chapter 6 – Table 24 – page 66; and Chapter 8 – Table 32 – page 81.
442(e)	Disclosure of pre-CRM EAD by industry and exposure class.	P3: Chapter 5 – Table 14 – page 40; Chapter 6 – Table 25 – page 67; and Chapter 8 – Table 31 – page 79.
442(f)	Disclosure of pre-CRM EAD by residual maturity and exposure class.	P3: Chapter 5 – Table 17 – page 47; and Chapter 6 – Table 26 – page 69.
442(g)	Breakdown of impaired, past due, specific and general credit risk adjustments, and impairment charges for the period, by industry.	P3: Table 30 – page 76; Table 31 – page 79; Table 32 – page 81; Table 36 – page 86; and Appendix 6.
442(h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	P3: Table 32 – page 81; and Appendix 6.
442(i)	Reconciliation of changes in specific and general credit risk adjustments.	P3: Chapter 8 – Table 36 – page 86.
442	Specific credit risk adjustments recorded in income statement to be disclosed separately.	P3: Chapter 8 – Table 31 – page 79.
CRR 443: Unencumbered assets		
443	Disclosures on unencumbered assets.	P3: Appendix 2 - Asset encumbrance.
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 32.
444(b)	Exposure classes associated with each ECAI.	P3: Chapter 5 – Table 18 – page 49; and Chapter 10 – page 96.
444(c)	Process used to transfer credit assessments to non-trading book items.	P3: Chapter 5 – page 32.
444(d)	Mapping of external rating to Credit Quality Step.	P3: Chapter 5 – page 32; and Tables 18 and 19 – pages 49 and 50.
444(e)	Exposure value pre and post-credit risk mitigation, by Credit Quality Step.	P3: Chapter 5 – pages 32 to 50; and Chapter 7 – page 74.
CRR 445: Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	P3: Chapter 13 – page 101.
CRR 446: Operational risk		
446	Scope of approaches used to calculate operational risk.	P3: Chapter 3 – page 28; and AFR 2018: pages 162 and 163.

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 98.
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 98 and 99. 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 98 and 99.
447(d)	Realised gains or losses arising from sales and liquidations in the period.	P3: Chapter 11 – pages 98 and 99.
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 98 and 99. There were no latent revaluation gains or losses.
CRR 448:	Exposure to interest 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 100; and AFR 2018: page 157.
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 100; and AFR 2018: page 157.
CRR 449:	Exposure to securitisation positions	
449(a)	Objectives in relation to securitisation activity.	P3: Chapter 10 – pages 95 and 96; and AFR 2018: pages 334 and 335.
449(b)	Nature of other risks in securitised assets, including liquidity.	P3: Chapter 10 – pages 95 and 96.
449(c)	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets.	P3: Chapter 10 – pages 95 and 96. Minimal re-securitisation activity.
449(d)	The roles played by the institution in the securitisation process.	P3: Chapter 10 – pages 95 and 96.
449(e)	Indication of the extent of involvement in roles.	P3: Chapter 10 – pages 95 and 96.
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 95 and 96.
449(g)	Description of the institution's policies with respect to hedging and unfunded protection, and identification of material hedge counterparties.	P3: Chapter 10 – pages 95 and 96.
449(h)	Approaches to the calculation of risk-weighted assets for securitisations mapped to types of exposures.	P3: Chapter 10 – page 96.
449(i)	Types of SSPEs used to securitise third-party exposures as a sponsor.	Not applicable.
449(j)	Summary of accounting policies for securitisations.	P3: Chapter 10 – page 96.
449(k)	Names of ECAIs used for securitisations and type.	P3: Chapter 10 – page 96.
449(l)	Full description of Internal Assessment Approach.	P3: Chapter 10 – page 96.
449(m)	Explanation of significant changes in quantitative disclosures.	P3: Chapter 10 – pages 95 to 97.

CRR Roadmap

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 95 to 97.
449(n)(ii)	On-balance sheet securitisation retained or purchased, and off-balance sheet exposures.	P3: Chapter 10 – pages 95 to 97.
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 95 and 96.
449(o)	Banking and trading book securitisations by risk band.	P3: Table 47 – page 97.
449(o)(i)	Retained and purchased positions and associated capital requirements, broken down by risk-weight bands.	P3: Tables 46 and 47 – page 97.
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 48 – page 97.
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 102 to 105; and AFR 2018: pages 201 to 210.
CRR 451:	Leverage	
451 (1)	Institutions shall disclose:	
451(1)(a)	The leverage ratio;	P3: Chapter 2 – page 23 and 24; and AFR 2018: page 59.
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 and 24.
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;	AFR 2018: page 154.
451(1)(e)	Factors that had an impact on the leverage ratio during the period.	P3: Chapter 2 – Table 9 – page 23 and 24.
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 51 to 53.
452(b)(i)	Internal rating scales, mapped to external ratings.	P3: Chapter 6 – page 53.
452(b)(ii)	Use of internal ratings for purposes other than capital requirement calculations.	AFR 2018: pages 76 and 77.
452(b)(iii)	Management and recognition of credit risk mitigation.	P3: Chapter 6 – page 51.
452(b)(iv)	Controls around ratings systems.	P3: Chapter 6 – pages 51 to 53.
452(c)	Description of ratings processes for each IRB asset class.	P3: Chapter 6 – pages 52 and 53.
452(d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	P3: Chapter 6 – Table 22 – pages 57 to 64.
452(e)(i)	Total exposure, separating drawn and undrawn exposure.	P3: Chapter 6 – Table 22 – pages 57 to 64.
452(e)(ii)	Exposure-weighted average risk weight.	P3: Chapter 6 – Table 22 – pages 57 to 64.
452(e)(iii)	Undrawn commitments and the exposure-weighted average Credit Conversion Factor (CCF).	P3: Chapter 6 – Table 22 – pages 57 to 64.
452(f)	The requirements laid out in 452(e) for the Retail exposure class.	P3: Chapter 6 – Table 22 – pages 57 to 64.
452(g)	Actual specific risk adjustments for the period and explanation of changes.	P3: Table 30 – page 76; Table 36 – page 86.
452(h)	Commentary on drivers of losses in preceding period.	P3: Table 37 – page 88.
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 37 – page 88.
452(j)	For all IRB exposures: Where applicable, PD and LGD by each country where the bank operates.	P3: Table 22 – pages 57 to 64. 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. In terms of Central governments and central banks on page 60, 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 2018: page 81.
453(b)	How collateral valuation is managed.	AFR 2018: pages 81 and 82.
453(c)	Description of types of collateral used by the institution.	P3: Chapter 7 – page 74; and AFR 2018: pages 81 and 82.
453(d)	Main types of guarantor and credit derivative counterparty, creditworthiness.	AFR 2018: page 82.
453(e)	Market or credit risk concentrations within risk mitigation exposures.	P3: Chapter 7 – page 74.
453(f)	Standardised or Foundation IRB Approach, exposure value covered by eligible collateral.	P3: Chapter 7 – page 74.
453(g)	Exposures covered by guarantees or credit derivatives.	P3: Chapter 6 – Table 27 – page 70; and Chapter 7 – page 74.

CRR Roadmap

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.	Not applicable.
455(b)	Scope of permission for use of the models.	Not applicable.
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.

