Highlights - AIB Group interim results 2006

Basic earnings per share	EUR	121.2c
less profit from Ark Life[1]	EUR	(18.2c)
less profit on Bankcentre[2]	EUR	(11.0c)
adjust for hedge volatility[3] under IFRS	EUR	1.7c
Adjusted basic earnings per share	**EUR**	**93.7c up 29%[4]**

Divisional pre-tax profit performance [5]

- AIB Bank ROI up 19%

- Capital Markets up 58%
or 45% on an operating profit [6] basis

- AIB Bank UK up 18%

- Poland up 62%

- M&T contribution up 11%

Income / cost gap +6%

Cost income ratio down 2.7% to 52.4%

Exceptionally high credit provision write-backs

Return on equity 30.4%

Tier 1 capital ratio 8.0%

Interim dividend of EUR 25.3c, up 10%

AIB Group Chief Executive Eugene Sheehy said:

'The very strong results for the first six months of 2006 reflect buoyant well-spread growth in all our markets and the development of high quality franchises. This performance was achieved thanks to the outstanding commitment and dedication of our people throughout the group. While exceptionally good asset quality complemented the first half results, the strong operating performance and customer demand underpins confidence in the future growth and resilience of our business.'

(1) *Includes the profit from Ark Life discontinued operation (€ 132 million after tax) and the profit on the transfer of the management of certain investment contracts to Aviva as part of the Ark disposal (€ 26 million after tax).*
(2) *Includes profit on the new Bankcentre development (€ 29 million after tax) and part of the profit on the disposal of the existing Bankcentre (€ 67 million after tax).*
(3) *The impact of interest rate hedge volatility (derivative ineffectiveness and volatility) under IFRS was a decrease of € 19 million to profit before taxation for the half-year (€ 15 million after tax).*
(4) *A 29% increase compared with EUR 72.4c for the half-year to June 2005, which includes the earnings in 2005 from Ark Life which is now a discontinued operation.*
(5) *Excluding the impact of exchange rate movements on the translation of foreign locations' profit.*
(6) *Operating profit excludes the € 26 million profit on the transfer of the management of certain investment contracts to Aviva as part of the disposal of Ark Life.*

Results for the half-year ended 30 June 2005 have been restated to represent the results of Ark Life as a discontinued operation (note 2).

Allied Irish Banks, p.l.c.

Dividend

The Board has declared an interim dividend of EUR 25.3c per share, an increase of 10% on the half-year ended 30 June 2005. The dividend will be paid on 26 September 2006 to shareholders on the Company's register of members at the close of business on 11 August 2006.

For further information please contact:

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This results announcement and a detailed informative presentation can be viewed on our internet site at www.aibgroup.com/investorrelations

Forward-looking statements

A number of statements we make in this document will not be based on historical fact, but will be 'forward-looking' statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected in the 'forward-looking' statements. Factors that could cause actual results to differ materially from those in the 'forward-looking' statements include, but are not limited to, global, national, regional economic conditions, levels of market interest rates, credit and other risks of lending and investment activities, competitive and regulatory factors and technology change. Any 'forward-looking' statements made by or on behalf of the Group speak only as of the date they are made.

Financial highlights *(unaudited)*

for the half-year ended 30 June 2006

	Half-year 30 June 2006 € m	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Results			
Total operating income	**2,078**	1,764	3,647
Operating profit	**978**	750	1,493
Profit before taxation - continuing operations	**1,214**	825	1,706
Profit attributable to equity holders of the parent	**1,089**	661	1,343
Per € 0.32 ordinary share			
Earnings – basic *(note 12a)*	**121.2c**	72.3c	151.0c
Earnings – diluted *(note 12b)*	**120.1c**	71.7c	149.8c
Dividend	**25.3c**	23.0c	65.3c
Dividend payout	**21%**	32%	44%
Net assets	**851c**	770c	773c
Performance measures			
Return on average total assets	**1.67%**	1.23%	1.20%
Return on average ordinary shareholders' equity	**30.4%**	20.1%	20.6%
Balance sheet			
Total assets	**144,073**	115,937	133,214
Ordinary shareholders' equity	**7,413**	6,636	6,672
Loans etc	**105,594**	78,214	92,361
Deposits etc	**123,349**	93,646	109,520
Capital ratios			
Tier 1 capital	**8.0%**	7.7%	7.2%
Total capital	**11.1%**	11.0%	10.7%

Allied Irish Banks, p.l.c.
Group Headquarters &
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Telephone (01) 6600311
Registered number 24173

Results for the half-year ended 30 June 2005 have been restated to represent the results of Ark Life as a discontinued operation (note 2).

Consolidated interim income statement *(unaudited)*

for the half-year ended 30 June 2006

	Notes	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Interest and similar income	4	**3,130**	2,421	5,151
Interest expense and similar charges	5	**1,701**	1,195	2,621
Net interest income		**1,429**	1,226	2,530
Dividend income		**19**	15	17
Fee and commission income		**598**	513	1,061
Fee and commission expense		**(76)**	(70)	(145)
Trading income	6	**79**	43	112
Other operating income	7	**29**	37	72
Other income		**649**	538	1,117
Total operating income		**2,078**	1,764	3,647
Administrative expenses	8	**1,018**	907	1,881
Depreciation of property, plant and equipment		**43**	42	83
Amortisation/impairment of intangible assets and goodwill		**27**	23	47
Total operating expenses		**1,088**	972	2,011
Operating profit before provisions		**990**	792	1,636
Provisions for impairment of loans and receivables	16	**12**	46	115
Provisions for liabilities and commitments		**–**	(5)	20
Amounts written off financial investments		**–**	1	8
Operating profit		**978**	750	1,493
Share of results of associated undertakings		**86**	70	149
Profit on disposal of property	9	**90**	5	14
Construction contract income	10	**34**	–	45
Profit on disposal of businesses		**26**	–	5
Profit before taxation - continuing operations		**1,214**	825	1,706
Income tax expense - continuing operations	11	**221**	167	319
Profit after taxation - continuing operations		**993**	658	1,387
Discontinued operation, net of taxation	2	**132**	24	46
Profit for the period		**1,125**	682	1,433
Attributable to:				
Equity holders of the parent		**1,089**	661	1,343
Minority interests in subsidiaries		**36**	21	90
		1,125	682	1,433
Basic earnings per share – continuing operations		**105.9c**	69.4c	145.7c
Basic earnings per share – discontinued operations		**15.3c**	2.9c	5.3c
Total	12(a)	**121.2c**	72.3c	151.0c
Diluted earnings per share – continuing operations		**105.0c**	68.9c	144.6c
Diluted earnings per share – discontinued operations		**15.1c**	2.8c	5.2c
Total	12(b)	**120.1c**	71.7c	149.8c

The results for the half-year ended 30 June 2005 have been restated to represent the results of Ark Life as a discontinued operation (note 2).

Consolidated interim balance sheet *(unaudited)*

30 June 2006

	Notes	**30 June 2006 € m**	31 December 2005 € m	30 June 2005 € m
Assets				
Cash and balances at central banks		**618**	742	666
Treasury bills and other eligible bills		**129**	201	–
Items in course of collection		**927**	402	695
Trading portfolio financial assets	14	**10,820**	10,113	9,502
Financial assets designated at fair value through profit or loss		**–**	–	2,197
Derivative financial instruments	22	**2,239**	2,439	2,604
Loans and receivables to banks		**9,932**	7,129	3,543
Loans and receivables to customers	15	**95,662**	85,232	74,671
Financial investments available for sale	18	**18,664**	16,864	16,487
Interests in associated undertakings		**1,846**	1,656	1,629
Intangible assets and goodwill		**516**	517	518
Property, plant and equipment		**625**	706	736
Other assets		**1,005**	778	1,726
Current taxation		**8**	18	–
Deferred taxation		**224**	253	197
Prepayments and accrued income		**807**	801	766
Disposal group and assets classified as held for sale		**51**	5,363	–
Total assets		**144,073**	133,214	115,937
Liabilities				
Deposits by banks		**34,318**	29,329	22,321
Customer accounts	19	**66,564**	62,580	55,046
Trading portfolio financial liabilities		**255**	240	203
Derivative financial instruments	22	**1,992**	1,967	2,084
Investment and insurance contract liabilities		**–**	–	4,351
Debt securities in issue		**22,467**	17,611	16,279
Current taxation		**242**	133	225
Other liabilities		**2,590**	1,599	2,207
Accruals and deferred income		**1,020**	1,092	792
Retirement benefit liabilities		**644**	1,227	1,061
Provisions for liabilities and commitments		**133**	140	110
Deferred taxation		**9**	32	41
Subordinated liabilities and other capital instruments	20	**4,693**	3,756	2,853
Disposal group classified as held for sale		**–**	5,091	–
Total liabilities		**134,927**	124,797	107,573
Shareholders' equity				
Share capital		**294**	294	294
Share premium account		**1,693**	1,693	1,693
Other equity interests		**497**	497	497
Reserves		**519**	1,152	1,451
Profit and loss account		**4,907**	3,533	3,198
Shareholders' equity		**7,910**	7,169	7,133
Minority interests		**1,236**	1,248	1,231
Total shareholders' equity including minority interests		**9,146**	8,417	8,364
Total liabilities, shareholders' equity and minority interests		**144,073**	133,214	115,937

Results for the half-year ended 30 June 2005 have been restated to represent the results of Ark Life as a discontinued operation (note 2).

Condensed interim statement of cash flows *(unaudited)*

for the half-year ended 30 June 2006

Consolidated statement of cash flows	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Net cash flows from operating activities	**4,731**	877	4,513
Investing activities			
Net increase in financial investments	**(2,041)**	(9)	(264)
Additions to property plant and equipment and intangible assets	**(94)**	(50)	(136)
Disposal of property plant and equipment	**142**	11	89
Investment in associated undertaking	**–**	–	(3)
Disposal of associated undertakings	**3**	–	4
Disposal of investment in businesses	**186**	–	7
Dividends received from associated undertakings	**29**	18	41
Cash flows from investing activities	**(1,775)**	(30)	(262)
Financing activities			
Issue of ordinary share capital	**35**	37	47
Redemption of subordinated liabilities	**–**	(441)	(630)
Issue of new subordinated liabilities	**1,004**	718	1,813
Interest paid on subordinated liabilities	**(70)**	(26)	(90)
Equity dividends paid	**(368)**	(333)	(532)
Dividends on other equity interests	**(38)**	(38)	(38)
Dividends paid to minority interests	**(35)**	(1)	(14)
Cash flows from financing activities	**528**	(84)	556
Net increase in cash and cash equivalents	**3,484**	763	4,807
Analysis of changes in cash			
At beginning of period	**7,670**	2,773	2,773
Net cash inflow before the effect of exchange translation adjustments	**3,484**	763	4,807
Effect of exchange translation adjustments	**(180)**	81	90
At end of period	**10,974**	3,617	7,670

The results for the half-year ended 30 June 2005 have been restated to represent the results of Ark Life as a discontinued operation (note 2).

Consolidated interim statement of recognised income and expense *(unaudited)*

	Half-year 30 June 2006 € m	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Foreign exchange translation differences	**(168)**	252	287
Net change in cash flow hedges, net of tax	**(259)**	120	(76)
Net change in fair value of available for sale securities, net of tax	**(136)**	104	(6)
Net actuarial gains and losses in retirement benefit schemes, net of tax	**492**	(157)	(285)
Income and expense recognised directly in equity	**(71)**	319	(80)
Profit for the period	**1,125**	682	1,433
Total recognised income and expense for the period	**1,054**	1,001	1,353
Attributable to:			
Equity holders of the parent	**1,018**	980	1,263
Minority interests in subsidiaries	**36**	21	90
Total recognised income and expense for the period	**1,054**	1,001	1,353

Condensed consolidated interim reconciliation of movements in shareholders' equity *(unaudited)*

	Half-year 30 June 2006 € m	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Profit attributable to equity holders of the parent	**1,089**	661	1,343
Transition adjustment at 1 January 2005 arising from IAS 32, IAS 39 and IFRS 4	**-**	545	545
Dividends on ordinary shares	**(368)**	(333)	(532)
Dividends on other equity interests	**(38)**	(38)	(38)
Share based payments	**17**	5	16
Actuarial gain/(loss) recognised in retirement benefit schemes	**488**	(154)	(285)
Actuarial gain/(loss) recognised in associated undertaking	**4**	(3)	-
Other recognised (losses)/gains relating to the period	**(559)**	470	198
Other recognised (losses)/gains in associated undertaking	**(35)**	6	(65)
Other ordinary shares issued	**60**	56	66
Net movement in own shares	**83**	(9)	(6)
Net additions to shareholders' equity	**741**	1,206	1,242
Opening shareholders' equity	**7,169**	5,927	5,927
Closing shareholders' equity	**7,910**	7,133	7,169
Shareholders' equity:			
Ordinary shareholders' equity	**7,413**	6,636	6,672
Other equity interests	**497**	497	497
	7,910	7,133	7,169

Earnings per share

Adjusted earnings per share of EUR 93.7c *(see note 13)* was up 29% compared to EUR 72.4c for the half-year to June 2005, which includes the earnings in 2005 from Ark Life which is now a discontinued operation.

Rates of Exchange

The following table shows the average accounting rates and average effective rates for both periods. The average effective rates include the impact of currency hedging activities.

	Average accounting rates half-year June 2006	Average accounting rates half-year June 2005	**Average effective rates half-year June 2006**	Average effective rates half-year June 2005
US dollar	**1.23**	1.29	1.20	1.32
Sterling	**0.69**	0.69	0.69	0.70
Polish zloty	**3.90**	4.08	3.86	4.08

Basis of preparation

The results for the half-year ended 30 June 2005 have been restated to represent the results of Ark Life as a discontinued operation. The following commentary is on a continuing operations basis. The growth percentages are shown on an underlying basis, adjusted for the impact of exchange rate movements on the translation of foreign locations' profit and excluding interest rate hedge volatility under IFRS.

"Total operating income up 17%"
"Strong loan and deposit volume growth"

Total operating income

Total income increased by 17% to € 2,078 million.

Total operating income	**Half-year June 2006 € m**	Half-year June 2005 € m	*Underlying % change 2006 v 2005*
Net interest income	**1,429**	1,226	*16*
Other income	**649**	538	*18*
Total operating income	**2,078**	1,764	*17*

Net interest income

Net interest income amounted to € 1,429 million, an increase of 16%. Strong loan and deposit growth in Republic of Ireland and UK, strong loan growth in Poland and continuing growth in loan arrangement fees were the key factors generating the increase. Loans to customers increased by 12% and customer accounts increased by 10% on a constant currency basis since 31 December 2005 (details of loan and deposit growth by division are contained on page 13 of this release).

Average interest earning assets	**Half-year June 2006 € m**	Half-year June 2005 € m	*% change[1] 2006 v 2005*
Average interest earning assets	**126,030**	99,988	*26*

[1] *This particular analysis is not adjusted for the impact of exchange rate movements.*

Net interest margin	**Half-year June 2006 %**	Half-year June 2005 %	*Basis point change*
Group net interest margin	**2.29**	2.47[2]	*-18*

[2] *The half-year to June 2005 net interest margin has been restated to exclude Ark Life.*

The domestic and foreign margins for the half-year to June 2006 are reported on page 32 of this release.

AIB Group manages its business divisionally on a product margin basis with funding and groupwide interest exposure centralised and managed by Global Treasury. While a domestic and foreign margin is calculated for the purpose of statutory accounts, the analysis of net interest margin trends is best explained by analysing business factors as follows:

The Group net interest margin amounted to 2.29%, a decrease of 18 basis points compared with the half-year to June 2005. The margin reduction was due to a combination of the following factors:

(a) loans increasing at a faster rate than deposits.
(b) a changing mix of products where stronger volume growth has been achieved in lower margin products; corporate loans, home loans and prime rate advances on the lending side and term deposits and other lower margin products on the deposit side.
(c) competitive pressures on loan and deposit pricing.
(d) lower yields on the re-investment of deposit and current account funds as they mature.

The largest factor in the margin reduction was average loans increasing at a greater rate than average deposits compared with 2005. While this strong lending growth generated good incremental profit, the funding impact resulted in a reduction in the overall net interest margin calculation when net interest income is expressed as a percentage of average interest earning assets.
The impact of low yields on the investment of deposit and current account funds particularly affected AIB Bank Republic of Ireland and UK divisions. As interest rates increase, the impact of this factor is expected to reduce.

While it is difficult to disaggregate trends in product margins between mix and competitive factors, competitive pricing behaviour did impact loan and deposit margins. The Group's new business lending continued to meet targeted return on capital hurdles.

Commentary on results

"Strong increase in investment banking and asset management fees"

"Banking fees and commissions up 5%"

Other income

Other income was up 18% to € 649 million compared with the half-year to June 2005.

Other income	Half-year June 2006 € m	Half-year June 2005 € m	Underlying % change 2006 v 2005
Dividend income	**19**	15	*27*
Banking fees and commissions	**457**	429	*5*
Investment banking and asset management fees	**141**	84	*67*
Fee and commission income	**598**	513	*15*
Less: fee and commission expense	**(76)**	(70)	*7*
Trading income	**81**	50	*63*
Currency hedging profits / (losses)	**17**	(9)	-
Interest rate hedge volatility (IAS 39)	**(19)**	2	-
Trading income	**79**	43	*47*
Other operating income	**29**	37	*-22*
Total other income	**649**	538	*18*

Dividend income increased 27% mainly reflecting growth in dividends from investments held by the Poland business.

Banking fees and commissions increased by 5%, due to increased business and transaction volumes in AIB Bank Republic of Ireland, AIB Bank UK, Poland and Corporate Banking and there was strong growth in credit card activity in Ireland.

Investment banking and asset management fees increased by 67% driven by particularly strong sales performances in Asset Management in Poland and BZWBK's brokerage operation. Total fee and commission income was up 15%.

Trading income increased, with strong growth in interest rate swap and foreign exchange income, bond management activities and increased volumes in the Poland Treasury business. Trading income excludes interest payable and receivable arising from these activities, which is included in net interest income.

Other income as a percentage of total income increased to 31.2% from 30.5% for the half-year June 2005.

> ***"Investment to ensure the long term health of the business"***
>
> ***"Improved efficiency"***
>
> ***- "Very good income / cost gap +6%"***
>
> ***- "Cost income ratio down 2.7% to 52.4%"***

Total operating expenses

Operating expenses increased by 11% compared with the half-year to June 2005.

Operating expenses	**Half-year June 2006 € m**	Half-year June 2005 € m	*Underlying % change 2006 v 2005*
Personnel expenses	**699**	630	*10*
General and administrative expenses	**319**	277	*14*
Depreciation[1]/amortisation[2]	**70**	65	*6*
Total operating expenses	**1,088**	972	*11*

Operating expenses were up 11%, in an environment of significantly higher business volumes and strong revenue growth. In this time of exceptional opportunity and income buoyancy, the decision has been made to invest to sustain the long-term health and development of the business. This has required investment in a resilient risk, compliance and corporate governance framework, recruitment of appropriate skills, the introduction of enhanced reward systems and the building of common operating systems. In addition, costs are being incurred to ensure compliance with a range of regulatory requirements such as Sarbanes Oxley and Basel II. Excluding regulatory driven costs and performance related remuneration resulting from very strong profit growth, the increase was 9%.

Personnel expenses were up 10%, due to higher pension costs and a higher level of variable performance related remuneration. General and administrative expenses were up 14% mainly due to consultancy and systems costs to ensure compliance with a range of previously mentioned regulatory requirements. Depreciation/amortisation increased by 6%, mainly due to the commencement of depreciation on the aforementioned recent investment initiatives.

Improved productivity was evident in a reduction in the cost income ratio by 2.7% to 52.4% from 55.1% in the half-year to June 2005.

[1] *Depreciation of property, plant and equipment.*

[2] *Amortisation/impairment of intangible assets and goodwill.*

> *"Exceptionally positive bad debt experience reflecting benign credit environment"*
>
> *"Reduction in impaired loans as a percentage of loans to 0.8%"*
>
> *"Provision charge down to 3 basis points, not expected to recur"*
>
> *"Very significant level of provision write-backs in the period"*

Provisions

Total provisions were € 12 million, down from € 42 million in the half-year to June 2005.

Provisions	**Half-year June 2006 € m**	Half-year June 2005 € m
Provisions for impairment of loans and receivables	**12**	46
Provisions for liabilities and commitments	**-**	(5)
Amounts written off financial investments	**-**	1
Total provisions	**12**	42

Bad debt experience was exceptionally positive reflecting a benign credit environment and a significant level of provision write-backs in the period. There was a reduction in impaired loans as a percentage of total loans from 1.0% at 31 December 2005 to 0.8% at 30 June 2006 and the provision coverage for impaired loans increased to 81%. The provision for impairment of loans and receivables was € 12 million compared with € 46 million in the half-year to June 2005, representing a charge of 0.03% of average loans compared with 0.13% in the period to June 2005. The 0.03% charge represents € 14 million in the incurred but not reported ('IBNR') category and a net specific write-back of € 2 million.

In AIB Bank Republic of Ireland asset quality continued to be strong. Impaired loans as a percentage of total loans reduced to 0.6% at 30 June 2006 from 0.7% at 31 December 2005 and the provision charge remained at 0.14% of average loans compared with the half-year to June 2005. All leading indicators of asset quality across the retail and commercial portfolios remain solid.

The bad debt charge in the UK division decreased to 0.08% compared with 0.11% for the half-year to June 2005 reflecting positive bad debt experience and very strong recoveries. Impaired loans remained at 0.9% of total loans compared with 31 December 2005.

In Capital Markets, there were exceptional non-recurring credit provision write-backs during the period. There was a net provision write-back of € 37 million or -0.39% of average loans and impaired loans reduced to 0.3% from 0.7% of total loans at 31 December 2005.

The provision charge in Poland was 0.31% of loans compared with 0.26% in the half-year to June 2005. The downward trend in impaired loans continued with the ratio of impaired loans as a percentage of loans declining to 6.3% from 6.8% at 31 December 2005.

There were no net provisions for liabilities and commitments or for amounts written off financial investments in the half-year to June 2006.

Share of results of associated undertakings

The profit in the half-year to June 2006 was € 86 million compared to € 70 million in the half-year to June 2005 and mainly reflects AIB's 23.9% share of the income after taxation of M&T Bank Corporation (€ 80 million) and income after taxation from the recently completed venture in Life and Pensions with Hibernian.

Commentary on results

The following commentary is in respect of the total Group.

> ***"Loans up 12%, deposits up 10%"***
>
> ***"Effective tax rate at 18.2%"***

Balance sheet

Total assets amounted to € 144 billion compared to € 133 billion at 31 December 2005. Adjusting for the impact of currency, total assets were up 10% and loans to customers were up 12% since 31 December 2005 while customer accounts increased by 10%. Risk weighted assets excluding currency factors increased by 11% to € 111 billion.

Risk weighted assets, loans to customers and customer accounts *(excluding currency factors)*

% change June 2006 v December 2005	Risk weighted assets *% change*	Loans to customers *% change*	Customer accounts[1] *% change*
AIB Bank Republic of Ireland	18	16	7
AIB Bank UK	9	9	13
Capital Markets	5	7	25
Poland	6	8	3
AIB Group	11	12	10

[1] *Excludes money market funds*

Assets under management/administration and custody

Assets under management in the Group amounted to € 15 billion and assets under administration and custody amounted to € 265 billion at 30 June 2006.

Taxation

The taxation charge was € 221 million compared with € 167 million in the half-year to June 2005. The effective tax rate was 18.2% compared with 20.2% in the half-year to June 2005 (or 18.4% excluding the bank levy). The taxation charge excludes taxation on share of results of associated undertakings. Share of results of associated undertakings is reported net of taxation in the Group profit before taxation. The effective tax rate is influenced by the geographic mix of profits, which are taxed at the rates applicable in the jurisdictions where we operate.

Commentary on results

"EPS guidance increased – growth targeted to be over 20% for year 2006"

"Return on equity 30.4%"

Return on equity and return on assets

The return on equity increased to 30.4% compared to 20.1% in the half-year to June 2005 and the return on assets was 1.67%, up from 1.23% in the half-year to June 2005. The return on equity was boosted by the profit on Bankcentre[1] and the profit on the disposal of Ark Life.

Capital ratios

A strong capital position was reflected in a Tier 1 ratio of 8.0% and a total capital ratio of 11.1%.

Outlook

Momentum and the operating performance in all our principal franchises is strong. The impaired loan provision charge in the first half-year should be considered exceptional due to very high levels of credit provision write-backs. Arising from positive business trends and well distributed customer demand, growth in adjusted basic earnings per share (2005 base EUR 145.9c) is now targeted to be over 20% for the full year 2006.

[1] *Includes profit on the new Bankcentre development (€ 29 million after tax) and part of the profit on the disposal of the existing Bankcentre (€ 67 million after tax).*

Divisional commentary

On a divisional basis, profit is measured in euro and consequently includes the impact of currency movements. The underlying percentage change is reported in the divisional income statements adjusting for the impact of exchange rate movements on the translation of foreign locations' profit.

AIB Bank Republic of Ireland division profit was up 19%

> ***"Very strong revenue growth"***
>
> ***"Income / cost gap at +4%"***
>
> ***"Cost income ratio decreases to 49.4%"***

AIB Bank Republic of Ireland *Retail and commercial banking operations in Republic of Ireland, Channel Islands and Isle of Man; AIB Finance and Leasing and Card Services.*

AIB Bank Republic of Ireland income statement	**Half-year June 2006 € m**	Half-year June 2005 € m	*Underlying % change 2006 v 2005*
Net interest income	**745**	637	*17*
Other income	**212**	183	*16*
Total operating income	**957**	820	*17*
Total operating expenses	**473**	417	*13*
Operating profit before provisions	**484**	403	*20*
Provisions	**35**	27	*35*
Operating profit	**449**	376	*19*
Share of results of associated undertakings	**4**	-	-
Profit on disposal of property	**-**	4	-
Profit before taxation	**453**	380	*19*

AIB Bank Republic of Ireland generated growth in profit before tax of 19% underpinned by a continuing strong Irish economy and a dynamic AIB franchise. Operating income was up 17% and operating expenses were up 13% with the operating income/cost gap at +4%.

The strong profit growth reflects increased customer demand for products and services and the benefits of a refined branch operating model. Loans and deposits increased by 16% and 7% respectively since 31 December 2005 (+33% and +20% compared with June 2005), despite ongoing, though largely unchanged competitive pressure. Operating expenses were up 13%. Increased staff numbers reflecting higher activity levels across the business, annual salary inflation, the impact of a new career framework pay structure, performance related costs and pension costs were key drivers. In addition increased costs were incurred in a number of non-business related areas, including mandatory / regulatory driven project costs. The strong operating performance is further reflected in an improvement in the cost income ratio which reduced to 49.4% compared with 51.0% in June 2005. Asset quality remains strong and the provision charge for the half-year to 30 June 2006, was 0.14% of average loans, unchanged from the half-year to 30 June 2005. The increase in absolute amounts reflects the growth in loans.

Retail Banking reported a very strong half-year profit. Business lending growth was exceptionally strong, with personal lending, home mortgages and private banking activities all experiencing excellent increases reflecting buoyant customer response to competitive product offerings. Profit growth in AIB Card Services also increased significantly, resulting from strong revenue due to higher consumer spending and card balances, with costs flat compared with the comparative period. In AIB Finance and Leasing there was solid profit growth reflecting a strong growth in loan volumes and new business levels, particularly in the motor, plant and equipment and property finance sectors.

The recently completed venture in Life and Pensions with Hibernian is an important part of the wealth management platform being developed by AIB in Ireland.

Capital Markets division profit was up 58% on the half-year to June 2005

> ***"Another excellent performance in Corporate Banking"***
>
> ***"Exceptional credit provision write-backs"***
>
> ***"Customer treasury business was very strong and wholesale trading performed well"***
>
> ***"Investment Banking profits show strong growth"***
>
> ***"Income / cost gap at +13%"***

Capital Markets *Global Treasury, Corporate Banking and Investment Banking.*

Capital Markets income statement	Half-year June 2006 € m	Half-year June 2005 € m	Underlying % change 2006 v 2005
Net interest income	**239**	214	*11*
Other income	**227**	194	*15*
Total operating income	**466**	408	*13*
Total operating expenses	**202**	200	-
Operating profit before provisions	**264**	208	*26*
Provisions	**(34)**	3	-
Operating profit	**298**	205	*45*
Share of results of associated undertakings	**2**	1	*47*
Profit on disposal of business	**26**	-	-
Profit before taxation	**326**	206	*58*

Profit before taxation at € 326 million was 58% ahead of the comparative period, with operating profit up 45%. The performance benefited from a combination of strong revenue growth, tight cost management and exceptional credit provision write-backs. Operating profit before provisions at € 264 million was 26% ahead of the comparative period.

Performance in Corporate Banking was excellent with operating profit before provisions up 24% and pre-tax profit up 59% on the comparative period. Loans increased by 7% since 31 December 2005 (21% since 30 June 2005), reflecting strong underlying growth, principally in our International and New York businesses, partly impacted by the repositioning of certain loan portfolios.

Overall, Global Treasury profit was up 36% compared with the half year to June 2005. Our Customer Treasury business performed strongly and was well ahead of the comparative period. Wholesale Treasury business performed well, in a difficult trading environment in the first half-year, with a good profit increase compared to 2005.

Investment Banking profit was 35% ahead of the half-year to June 2005. The result was underpinned by strong profit growth in asset management and stockbroking.

Operating expenses were in line with June 2005 with investment in growth businesses offset by the impact of selective business rationalisation during the latter half of 2005. The cost income ratio decreased to 43.5% from 49.1% reflecting increased productivity.

Exceptional credit provision write-backs were experienced during the period, reflecting the uniquely benign global credit environment. A conservative approach to credit management continues to be adopted and the quality of our loan portfolios remains strong.

Profit on disposal of business was earned on the transfer of the management of certain investment contracts to Aviva, as part of the Ark Life disposal.

The consistency and quality of growth underlines the capability within the division to identify, develop and sustain profitable sectors and niches.

AIB Bank UK division profit was up 18%

> ***"Buoyant growth in customer volumes"***
>
> ***"Income / cost gap at +5%"***
>
> ***"Cost income ratio improves by 2.0% to 47.3%"***

AIB Bank UK *Retail and commercial banking operations in Great Britain and Northern Ireland.*

AIB Bank UK income statement	**Half-year June 2006 € m**	Half-year June 2005 € m	*Underlying % change 2006 v 2005*
Net interest income	**287**	247	*17*
Other income	**75**	74	*2*
Total operating income	**362**	321	*13*
Total operating expenses	**171**	158	*8*
Operating profit before provisions	**191**	163	*18*
Provisions	**7**	8	*-4*
Operating profit	**184**	155	*19*
Profit on disposal of property	**-**	1	-
Profit before taxation	**184**	156	*18*

AIB Bank UK had an excellent business performance in the half-year to June 2006 with profit before taxation increasing by 18%, continuing the trend of strong double-digit growth in recent periods. Loans and deposits increased by 9% and 13% respectively since 31 December 2005 and by 25% and 18% when compared with 30 June 2005, resulting in a net interest income increase of 17%. Other income was up 2%, reflecting growth in credit card income and banking commissions. Operating expenses were up 8%, due to increases in staff numbers, marketing expenditure and pension costs combined with annual salary increases. The cost income ratio improved from 49.3% to 47.3%.

Allied Irish Bank (GB), primarily a business bank, reported significant profit growth of 27% to € 103 million in 2006. This growth was driven primarily by strong volume growth with loans and deposits increasing by 27% and 21% respectively since 30 June 2005. This volume growth underpins the strength of customer demand and is the result of consistently focusing on chosen business sectors. Costs increased by 11% when compared against the same period last year, driven by the same factors noted above. The cost income ratio improved from 48.7% to 46.0% reflecting improved productivity.

In Northern Ireland, First Trust Bank increased profit before tax to € 81 million representing 9% growth on the same period last year (11% if the impact of property disposals is excluded). Loans and deposits were up 23% and 15% respectively when compared with 30 June 2005 with strong growth in business and home mortgage lending activity. Costs increased by 6% impacted by higher pension costs. Higher productivity resulted in an improvement in the cost income ratio from 50.0% to 48.7%.

Poland division profit was € 114 million, up 62%

> ***"Substantial profit growth"***
>
> ***"Strong increase in customer lending"***
>
> ***"Exceptional growth in mutual funds"***
>
> ***"Income / cost gap + 17%"***

Poland *Bank Zachodni WBK ('BZWBK'), in which AIB has a 70.5% shareholding, together with its subsidiaries and associates. BZWBK Wholesale Treasury and share of certain Investment Banking subsidiaries results are reported in Capital Markets division.*

Poland income statement	**Half-year June 2006 € m**	Half-year June 2005 € m	*Underlying % change 2006 v 2005*
Net interest income	**112**	93	*16*
Other income	**162**	115	*34*
Total operating income	**274**	208	*26*
Total operating expenses	**156**	136	*9*
Operating profit before provisions	**118**	72	*58*
Provisions	**4**	4	*-2*
Profit before taxation	**114**	68	*62*

Profit before taxation was up by 62% on a local currency basis to € 114 million, reflecting increasingly strong momentum across the division's business lines, generated through higher business activity and volumes and the execution of its business strategy.

Total operating income increased by 26% with net interest income increasing by 16% and other income increasing by 34%. The first half-year saw a material pick up in the demand for credit. Total loans increased by 8% since December 2005 (12% since 30 June 2005), with the pick-up in retail lending continuing and an increased demand for business lending, which increased by 8%. Mortgage growth at 10% continued to be tempered by the market preference for foreign exchange denominated lending. Overall lending margins were maintained reflecting a better product mix, despite increasing competition in business and mortgage lending. Customer deposits increased by 3% since December 2005 (7% since 30 June 2005), with growth primarily in current accounts and foreign exchange deposits. Deposit growth must be seen in the context of customer preference for mutual funds in which we are achieving very significant growth (as outlined below). Lower interest rates and increased competition reduced deposit margins, compensated somewhat by a better product mix.

Other income growth of 34% was driven by a variety of positive factors, including exceptional growth in assets under management. Mutual fund balances increased 230% on June 2005 and market share increased to 16.4% in June 2006 from 12.6% in December 2005. Outstanding sales and favourable portfolio mix resulted in asset management income growth of 341%. The brokerage business enjoyed an excellent half-year with substantial increases in turnover, buoyed by the performance of the Warsaw Stock Exchange in the first half of 2006. In addition, E-business and payment fees, dividends, equity disposals and foreign exchange income also contributed to the strong growth.

Operating expenses increased by 9% reflecting increased business activity and higher performance related costs.

Impaired loans as a percentage of total loans continued to decline with the ratio at 6.3% at 30 June 2006 compared with 6.8% at 31 December 2005. Total provisions were at the same level as the half-year to June 2005. The credit provision charge as a percentage of average loans was 0.31%, compared with 0.26% in the half-year to June 2005.

Group

Group *includes interest income earned on capital not allocated to divisions, the funding cost of certain acquisitions, hedging in relation to the translation of foreign locations' profit, unallocated costs of central services and the contribution from AIB's share of approximately 23.9% in M&T Bank Corporation ('M&T').*

Group income statement	Half-year June 2006 € m	Half-year June 2005 € m
Net interest income	**46**	35
Other income/(loss)	**(27)**	(28)
Total operating income	**19**	7
Total operating expenses	**86**	61
Operating loss	**(67)**	(54)
Share of results of associated undertaking - M&T	**80**	69
Profit on disposal of property	**90**	-
Construction contract income	**34**	-
Profit before taxation	**137**	15

Group reported profit of € 137 million for the half-year to June 2006 compared with a profit of € 15 million in 2005. The increase mainly reflects profit on the partial disposal of the existing Bankcentre building and profit on the new Bankcentre development (total € 124 million).

Net interest income increased due to higher capital income resulting from higher capital balances (strong retained earnings and the return on the funds generated from the sale of Bankcentre and Ark Life). Other income/(loss) remained broadly in line with June 2005. In the half-year to June 2006 there was profit from the economic hedging of foreign currency translation including € 12 million of mark to market profit relating to economic hedges in place for the second half of 2006. The profit from foreign exchange hedging was offset by interest rate hedge volatility. Other income/(loss) in the half-year to June 2005 included economic hedging losses in relation to foreign currency translation hedging and interest rate hedge volatility.

Total operating expenses were higher due to increased compliance related spend, mainly Sarbanes Oxley and Basel II and systems development costs. Performance related costs were higher in line with strong profit growth.

AIB's share of M&T after-tax profit in 2006 amounted to € 80 million. On a local currency basis M&T's contribution of US$ 98 million increased by 11% relative to the half-year to June 2005 of US$ 88 million. AIB benefited from a 23.9% share of profit compared to a 23.3% share in the half-year to June 2005. M&T reported its half-year results on 12 July 2006, showing strong earnings growth with net income up 8% to US$ 415 million. US GAAP-basis diluted earnings per share was up 10% to US$ 3.64 from US$ 3.31 in the half-year to June 2005. Diluted net operating earnings per share, which excludes the amortisation of core deposit and other intangibles and branch acquisition related expenses, was US$ 3.79, up 10% from US$ 3.46.

Profit on disposal of property relates to part of the profit on the disposal of the existing Bankcentre building. Construction contract income reflects the profit from the new development at Bankcentre.

1 Accounting policies and presentation of financial information

The accounting policies that the Group applied in the preparation of the interim financial statements for the half year ended 30 June 2006 are in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU and are consistent with those set out in the Annual Report and Accounts for the year ended 31 December 2005.

2 Disposal of Ark Life Assurance Company Limited ('Ark Life'). Acquisition of an interest of 24.99% in Hibernian Life Holdings Limited.

On 30 January 2006, the previously announced venture with Aviva Group p.l.c for the manufacture and distribution of life and pensions products in the Republic of Ireland was completed. The transaction brought together Hibernian Life & Pensions Limited and Ark Life under a holding company Hibernian Life Holdings Limited of which AIB owns 24.99%. AIB has entered into an exclusive agreement to distribute the life and pensions products of the venture.

Under IFRS 5, 'Non-current assets held for sale and discontinued operations', the income and expenses, up to the date of disposal, of the operations deemed to be disposed of, have been reported net of taxation as a discontinued operation below profit after taxation. The impact of the restatement on the previously reported June 2005 figures is outlined below. The assets and liabilities of Ark Life as at 31 December 2005 were classified as held for sale, separate from other assets and liabilities on the balance sheet. There has been no restatement of 30 June 2005 balance sheet figures as the assets and liabilities were not held for sale at that date.

	30 June 2005		
	As previously reported € m	Discontinued operations € m	Continuing operations € m
Net interest income	1,268	42	1,226
Other income	890	352	538
Total operating income	2,158	394	1,764
Insurance and investment contract liabilities and claims	355	355	-
Total operating expenses	985	13	972
Provisions	42	-	42
Operating profit	776	26	750
Share of results of associated undertakings	70	-	70
Profit on disposal of property	5	-	5
Profit before taxation	851	26	825
Taxation	169	2	167
Profit after taxation	682	24	658

The transaction gave rise to a profit of € 154m of which € 26m is treated as a profit on disposal of business and € 128m as a profit on disposal of a discontinued operation. The profit for Ark Life for the period to date of disposal is included within discontinued operations. The contribution of the venture for the 5 months ended June 2006 is included within share of results of associated undertakings. The carrying value of the investment is shown within interests in associated undertakings.

3 Segmental information	AIB Bank ROI € m	AIB Bank UK € m	Capital Markets € m	Poland € m	Group € m	Total € m
						Half-year 30 June 2006
Operations by business segments[1]						
Net interest income	**745**	**287**	**239**	**112**	**46**	**1,429**
Other income	**212**	**75**	**227**	**162**	**(27)**	**649**
Total operating income	**957**	**362**	**466**	**274**	**19**	**2,078**
Total operating expenses	**473**	**171**	**202**	**156**	**86**	**1,088**
Provisions	**35**	**7**	**(34)**	**4**	**–**	**12**
Operating profit/(loss)	**449**	**184**	**298**	**114**	**(67)**	**978**
Share of results of associated undertakings	**4**	**–**	**2**	**–**	**80**	**86**
Profit on disposal of property	**–**	**–**	**–**	**–**	**90**	**90**
Construction contract income	**–**	**–**	**–**	**–**	**34**	**34**
Profit on disposal of business	**–**	**–**	**26**	**–**	**–**	**26**
Profit before taxation – continuing operations	**453**	**184**	**326**	**114**	**137**	**1,214**
Balance sheet						
Total loans	**52,754**	**19,721**	**28,380**	**4,478**	**261**	**105,594**
Total deposits	**39,275**	**12,177**	**65,515**	**6,262**	**120**	**123,349**
Total assets	**58,261**	**21,851**	**50,134**	**7,702**	**6,125**	**144,073**
Total risk weighted assets	**45,997**	**19,874**	**39,654**	**4,716**	**826**	**111,067**
Net assets[2]	**3,070**	**1,326**	**2,647**	**315**	**55**	**7,413**

	AIB Bank ROI € m	AIB Bank UK € m	Capital Markets € m	Poland € m	Group € m	Total € m
						Half-year 30 June 2005
Operations by business segments[1]						
Net interest income	637	247	214	93	35	1,226
Other income	183	74	194	115	(28)	538
Total operating income	820	321	408	208	7	1,764
Total operating expenses	417	158	200	136	61	972
Provisions	27	8	3	4	–	42
Operating profit/(loss)	376	155	205	68	(54)	750
Share of results of associated undertakings	–	–	1	–	69	70
Profit on disposal of property	4	1	–	–	–	5
Profit before taxation – continuing operations	380	156	206	68	15	825
Balance sheet						
Total loans	39,858	15,772	18,546	3,827	211	78,214
Total deposits	29,260	10,576	47,771	5,869	170	93,646
Total assets	44,672	17,625	40,935	7,563	5,142	115,937
Total risk weighted assets	34,781	14,611	33,643	4,154	1,047	88,236
Net assets[2]	2,616	1,099	2,530	312	79	6,636

3 Segmental information *(continued)*	AIB Bank ROI € m	AIB Bank UK € m	Capital Markets € m	Poland € m	Group € m	Total € m
	Year 31 December 2005					
Operations by business segments[1]						
Net interest income	1,314	516	435	205	60	2,530
Other income	376	148	407	222	(36)	1,117
Total operating income	1,690	664	842	427	24	3,647
Total operating expenses	867	323	400	280	141	2,011
Provisions	55	21	46	15	6	143
Operating profit/(loss)	768	320	396	132	(123)	1,493
Share of results of associated undertakings	(1)	–	2	–	148	149
Profit on disposal of property	12	2	–	–	–	14
Construction contract income	–	–	–	–	45	45
Profit on disposal of businesses	–	–	5	–	–	5
Profit before taxation – continuing operations	779	322	403	132	70	1,706
Balance sheet						
Total loans	45,523	18,346	23,794	4,487	211	92,361
Total deposits	34,172	10,958	58,038	6,229	123	109,520
Total assets	55,224	20,031	44,371	7,813	5,775	133,214
Total risk weighted assets	39,073	18,335	38,974	4,640	634	101,656
Net assets[2]	2,564	1,203	2,558	305	42	6,672

	Republic of Ireland € m	**United States of America € m**	**United Kingdom € m**	**Poland € m**	**Rest of the world € m**	**Total € m**
	Half-year 30 June 2006					
Operations by geographical segments[3]						
Net interest income	**891**	**26**	**381**	**126**	**5**	**1,429**
Other income	**310**	**31**	**113**	**190**	**5**	**649**
Total operating income	**1,201**	**57**	**494**	**316**	**10**	**2,078**
Total operating expenses	**682**	**21**	**220**	**160**	**5**	**1,088**
Provisions	**28**	**(1)**	**(19)**	**4**	**–**	**12**
Operating profit	**491**	**37**	**293**	**152**	**5**	**978**
Share of results of associated undertakings	**6**	**80**	**–**	**–**	**–**	**86**
Profit on disposal of property	**90**	**–**	**–**	**–**	**–**	**90**
Construction contract income	**34**	**–**	**–**	**–**	**–**	**34**
Profit on disposal of business	**26**	**–**	**–**	**–**	**–**	**26**
Profit before taxation – continuing operations	**647**	**117**	**293**	**152**	**5**	**1,214**
Balance sheet						
Total loans	**69,964**	**3,881**	**26,837**	**4,478**	**434**	**105,594**
Total deposits	**89,024**	**4,479**	**23,570**	**6,262**	**14**	**123,349**
Total assets	**99,707**	**5,299**	**30,907**	**7,721**	**439**	**144,073**
Net assets[2]	**4,593**	**538**	**1,909**	**338**	**35**	**7,413**

3 Segmental information *(continued)*	Republic of Ireland € m	United States of America € m	United Kingdom € m	Poland € m	Rest of the world € m	Total € m
						Half-year 30 June 2005
Operations by geographical segments[3]						
Net interest income	758	20	339	106	3	1,226
Other income	249	37	124	125	3	538
Total operating income	1,007	57	463	231	6	1,764
Total operating expenses	596	35	198	140	3	972
Provisions	21	(2)	19	4	–	42
Operating profit	390	24	246	87	3	750
Share of results of associated undertakings	1	69	–	–	–	70
Profit on disposal of property	4	–	1	–	–	5
Profit before taxation - continuing operations	395	93	247	87	3	825
Balance sheet						
Total loans	49,987	2,428	21,780	3,827	192	78,214
Total deposits	62,020	3,730	22,027	5,869	–	93,646
Total assets	79,207	3,561	25,488	7,487	194	115,937
Net assets[2]	4,148	471	1,791	214	12	6,636

	Republic of Ireland € m	United States of America € m	United Kingdom € m	Poland € m	Rest of the world € m	Total € m
						Year 31 December 2005
Operations by geographical segments[3]						
Net interest income	1,564	45	689	225	7	2,530
Other income	537	68	252	251	9	1,117
Total operating income	2,101	113	941	476	16	3,647
Total operating expenses	1,239	62	413	290	7	2,011
Provisions	70	1	54	15	3	143
Operating profit	792	50	474	171	6	1,493
Share of results of associated undertakings	1	148	–	–	–	149
Profit on disposal of property	12	–	2	–	–	14
Construction contract income	45	–	–	–	–	45
Profit on disposal of businesses	–	4	1	–	–	5
Profit before taxation – continuing operations	850	202	477	171	6	1,706
Balance sheet						
Total loans	58,831	3,863	24,888	4,487	292	92,361
Total deposits	77,971	4,021	21,291	6,229	8	109,520
Total assets	91,622	5,071	28,411	7,815	295	133,214
Net assets[2]	4,039	477	1,810	320	26	6,672

3 Segmental information *(continued)*

(1)The business segment information is based on management accounts information. Income on capital is allocated to the divisions on the basis of the capital required to support the level of risk weighted assets. Interest income earned on capital not allocated to divisions is reported in Group.

(2)The fungible nature of liabilities within the banking industry inevitably leads to allocations of liabilities to segments, some of which are necessarily subjective. Accordingly, the directors believe that the analysis of total assets is more meaningful than the analysis of net assets.

(3)The geographical distribution of profit before taxation is based primarily on the location of the office recording the transaction.

4 Interest and similar income	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Interest on loans and receivables to banks	**140**	50	167
Interest on loans and receivables to customers	**2,460**	1,905	4,032
Interest on trading portfolio financial assets	**181**	142	305
Interest on financial investments available for sale	**349**	324	647
	3,130	2,421	5,151

5 Interest expense and similar charges	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Interest on amounts due to banks and customers	**1,187**	902	1,944
Interest on debt securities in issue	**424**	239	545
Interest on subordinated liabilities and other capital instruments	**90**	54	132
	1,701	1,195	2,621

6 Trading income	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Foreign exchange contracts	**61**	18	59
Profits less losses from trading portfolio assets	**(4)**	38	84
Interest rate contracts	**18**	(15)	(32)
Equity index contracts	**4**	2	1
	79	43	112

7 Other operating income	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Profit on disposal of available for sale debt securities	**1**	16	17
Profit on disposal of available for sale equity shares	**7**	4	2
Profit on disposal of investments in associated undertakings	**2**	–	–
Miscellaneous operating income	**19**	17	53
	29	37	72

8 Administrative expenses	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Personnel expenses	**699**	630	1,298
General and administrative expenses	**319**	277	583
	1,018	907	1,881

9 Profit on disposal of property

In April 2006, the Group announced that it had agreed a sale and leaseback of its existing headquarters building. The property has been sold in two lots, for a total consideration of € 378m. One part of the sale and leaseback transaction had completed at 30 June 2006, giving rise to the recognition of a profit of € 90m (tax charge € 23m). The second part of the transaction completed on 21 July 2006, giving rise to a profit of € 168m (tax charge € 32m), to be recognised in the second half of the year. The initial annual rent payable on these buildings is € 11.6m.

10 Construction contract income	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Construction revenue	**62**	-	81
Construction expense	**(28)**	-	(36)
	34	-	45

In 2005, Blogram Limited a property development company and subsidiary of Allied Irish Banks, p.l.c., contracted with the Serpentine Consortium to construct on a fixed price contract basis, a new development at Bankcentre, Ballsbridge, Dublin on the behalf of the consortium. At 30 June 2006, € 87m (31 December 2005: € 26m) was due from the consortium in respect of construction contracts in progress. A subsidiary of AIB has contracted with the Serpentine Consortium to lease the property on completion at an initial rent of € 16.1m per annum for a period of 33 years with a break clause at year 23.

11 Taxation	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Allied Irish Banks, p.l.c. and subsidiaries			
Corporation tax in Republic of Ireland			
Current tax on income for the period[1]	**120**	75	160
Adjustments in respect of prior periods	**-**	2	1
	120	77	161
Double taxation relief	**(14)**	(10)	(10)
	106	67	151
Foreign tax			
Current tax on income for the period	**139**	106	163
Adjustments in respect of prior periods	**(6)**	(1)	(11)
	133	105	152
	239	172	303
Deferred taxation			
Origination and reversal of timing differences	**(18)**	(6)	16
Other	**-**	1	-
	(18)	(5)	16
Total income tax expense - continuing operations	**221**	167	319
Effective income tax rate - continuing operations	**18.2%**	20.2%	18.7%

[1] The 30 June 2005 and 31 December 2005 figures included a charge of € 14.7m and € 29.5m respectively in relation to the Irish Government bank levy.

12 Earnings per € 0.32 ordinary share	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
(a) Basic			
Profit attributable to equity holders of the parent	**1,089**	661	1,343
Distributions to other equity holders	**(38)**	(38)	(38)
Profit attributable to the ordinary shareholders	**1,051**	623	1,305
Weighted average number of shares in issue during the period	**868.0m**	862.6m	864.5m
Earnings per share	**EUR 121.2c**	EUR 72.3c	EUR 151.0c

(b) Diluted	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Profit attributable to ordinary shareholders	**1,051**	623	1,305
Dilutive impact of potential ordinary shares in associated company	**(1)**	(1)	(1)
Adjusted profit attributable	**1,050**	622	1,304
	Number of shares (millions)		
Weighted average number of shares in issue during the period	**868.0**	862.6	864.5
Dilutive effect of options outstanding	**6.6**	5.0	5.7
Adjusted weighted average number of shares	**874.6**	867.6	870.2
Earnings per share - diluted	**EUR 120.1c**	EUR 71.7c	EUR 149.8c

			Basic			**Diluted**
13 Adjusted earnings per share	**Half-year 30 June 2006 cent**	Half-year 30 June 2005 cent	Year 31 December 2005 cent	**Half-year 30 June 2006 cent**	Half-year 30 June 2005 cent	Year 31 December 2005 cent
Earnings per share	**121.2**	72.3	151.0	**120.1**	71.7	149.8
EPS - discontinued operations	**15.3**	2.9	5.3	**15.1**	2.8	5.2
EPS - continuing operations	**105.9**	69.4	145.7	**105.0**	68.9	144.6
Adjustments:						
Profit on sale of Bankcentre	**(7.6)**	-	-	**(7.6)**	-	-
Construction contract income	**(3.4)**	-	(4.4)	**(3.3)**	-	(4.4)
Profit on disposal of business	**(2.9)**	-	-	**(2.9)**	-	-
Hedge volatility	**1.7**	0.1	(0.7)	**1.7**	0.1	(0.7)
Adjusted EPS - continuing operations	**93.7**	69.5	140.6	**92.9**	69.0	139.5

Adjusted earnings per share is presented to help understand the underlying performance of the Group. The adjustments in 2006 and 2005 are items that do not reflect the underlying business performance.

14 Trading portfolio financial assets	**30 June 2006 € m**	31 December 2005 € m	30 June 2005 € m
Loans and receivables to banks	**3**	3	3
Loans and receivables to customers	**18**	72	39
Debt securities:			
Government securities	**717**	922	1,234
Other public sector securities	**39**	19	20
Other debt securities	**9,913**	9,008	8,136
	10,669	9,949	9,390
Equity shares	**130**	89	70
	10,820	10,113	9,502

15 Loans and receivables to customers	**30 June 2006 € m**	31 December 2005 € m	30 June 2005 € m
Loans and receivables to customers	**91,667**	81,171	71,071
Amounts receivable under finance leases	**1,634**	1,620	1,593
Amounts receivable under hire purchase contracts	**1,288**	1,154	1,084
Unquoted debt securities	**1,073**	1,287	923
	95,662	85,232	74,671

16 Provisions for impairment of loans and receivables	**30 June 2006 € m**	31 December 2005 € m	30 June 2005 € m
At beginning of period	**676**	760	760
IFRS transition adjustment	**-**	(146)	(146)
Transfer from debt securities	**-**	-	4
Exchange translation adjustments	**(14)**	16	10
Charge against income statement	**12**	115	46
Amounts written back	**(36)**	(72)	(23)
Recoveries of amounts written off in previous years	**4**	3	1
At end of period	**642**	676	652
At end of period:			
Specific	**468**	514	500
IBNR	**174**	162	152
	642	676	652
Amounts include:			
Loans and receivables to banks	**2**	2	2
Loans and receivables to customers	**640**	674	650
	642	676	652

17 Risk elements in lending

Management has set out below the amount of loans, without giving effect to available security and before deduction of provisions, classified as (a) Impaired Loans and (b) Accruing loans which are contractually past due 90 days or more as to principal or interest:

	30 June 2006 € m	31 December 2005 € m	30 June 2005 € m
Impaired loans[1]			
Republic of Ireland	**332**	347	350
United Kingdom	**198**	246	234
Poland	**248**	262	277
Rest of world	**9**	13	4
	787	868	865
Accruing loans which are contractually past due 90 days or more as to principal or interest[2]			
Republic of Ireland	**158**	124	113
United Kingdom	**109**	61	54
	267	185	167

[1]Total interest income that would have been recorded during the half-year ended 30 June 2006, had interest on gross impaired loans been included in income amounted to € 9m for Republic of Ireland (31 December 2005: € 15m; 30 June 2005: € 9m), € 4m for United Kingdom (31 December 2005: € 8m; 30 June 2005: € 3m) and € 9m for Poland (31 December 2005: € 23m; 30 June 2005: € 8m). Interest on impaired loans (net of provisions) included in income for the half-year ended 30 June 2006 totalled € 10m (31 December 2005: € 19m; 30 June 2005: € 5m).

[2]Overdrafts generally have no fixed repayment schedule and consequently are not included in this category.

18 Financial investments available for sale	**30 June 2006 € m**	31 December 2005 € m	30 June 2005 € m
Debt securities:			
Government securities	**8,273**	8,522	7,744
Other public sector securities	**915**	507	603
Bank and building society certificates of deposit	**1,232**	643	495
Other debt securities	**8,072**	7,021	7,479
	18,492	16,693	16,321
Equity shares	**172**	171	166
	18,664	16,864	16,487

19 Customer accounts	**30 June 2006 € m**	31 December 2005 € m	30 June 2005 € m
Current accounts	**22,512**	20,909	18,612
Demand deposits	**8,372**	8,013	7,990
Time deposits	**29,764**	28,118	24,296
	60,648	57,040	50,898
Securities sold under agreements to repurchase	**3**	6	49
Other short-term borrowings	**5,913**	5,534	4,099
	5,916	5,540	4,148
	66,564	62,580	55,046

20 Subordinated liabilities and other capital instruments

In June 2006, Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ('Preferred Securities') were issued in the amount of Stg£ 350,000,000 and € 500,000,000 through Limited Partnerships. The Preferred Securities were issued at par and have the benefit of a subordinated guarantee of Allied Irish Banks, p.l.c. ('AIB'). The Preferred Securities have no fixed final redemption date and the holders have no rights to call for the redemption of the Preferred Securities.

The Preferred Securities are redeemable in whole but not in part at the option of the general partner and with the agreement of the Financial Regulator (i) upon the occurrence of certain events or (ii) on or after 14 June 2016 for the Stg£ 350,000,000 Preferred Securities and 16 June 2016 for the € 500,000,000 Preferred Securities.

Distributions on the Preferred Securities are non-cumulative. The distributions on the Stg£ 350,000,000 Preferred Securities will be payable at a rate of 6.271% semi-annually until 14 June 2016 and thereafter at a rate of 1.23% per annum above 3 month LIBOR, payable quarterly. The distributions on the € 500,000,000 Preferred Securities will be payable at a rate of 5.142% per annum up to 16 June 2016 and thereafter at the rate of 1.98% per annum above 3 month EURIBOR, payable quarterly.

In the event of the dissolution of the Limited Partnerships, holders of Preferred Securities will be entitled to receive a liquidation preference in an amount equal to the distributions that those holders would have received in a dissolution of AIB at that time, if they had held, instead of the Preferred Securities, non-cumulative preference shares issued directly by AIB, having the same liquidation preference as the Preferred Securities, and ranking junior to all liabilities of AIB including subordinated liabilities.

	Contract amount		
21 Memorandum items: contingent liabilities and commitments	**30 June 2006 € m**	31 December 2005 € m	30 June 2005 € m
Contingent liabilities:			
Endorsements	**-**	-	10
Guarantees and assets pledged as collateral security	**6,526**	7,157	6,548
Other contingent liabilities	**1,090**	1,396	823
	7,616	8,553	7,381
Commitments:			
Other commitments	**22,380**	19,558	16,932
	29,996	28,111	24,313

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

22 Derivative financial instruments

The following table presents the notional amounts and fair values of derivative financial instruments as at 30 June 2006 and 31 December 2005.

	30 June 2006			31 December 2005		
	Notional amount € m	Fair values Assets € m	Fair values Liabilities € m	Notional amount € m	Fair values Assets € m	Fair values Liabilities € m
Interest rate contracts[1]	**200,368**	**1,710**	**(1,494)**	178,326	1,924	(1,600)
Exchange rate contracts[1]	**13,522**	**242**	**(216)**	19,799	261	(244)
Equity contracts[1]	**5,904**	**284**	**(275)**	4,386	254	(123)
Credit derivatives	**639**	**3**	**(7)**	-	-	-
Total derivative financial instruments	**220,433**	**2,239**	**(1,992)**	202,511	2,439	(1,967)

[1]Interest rate, exchange rate and equity contracts have been entered into for both hedging and trading purposes.

The Group uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on balance sheet lending including counterparty credit approval, limit setting and monitoring procedures. In addition, in relation to derivative instruments, the Group's exposure to market risk is controlled within the risk limits in the Group's Interest Rate Risk and Foreign Exchange Risk Policies and is further constrained by the risk parameters incorporated in the Group's Derivatives Policy as approved by the Board.

23 Average balance sheets and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the half-year ended 30 June 2006 and the year ended 31 December 2005. The calculation of average balances include daily and monthly averages for reporting units. The average balances used are considered to be representative of the operations of the Group.

	Half-year ended 30 June 2006			Year ended 31 December 2005		
Assets	Average balance € m	Interest € m	Average rate %	Average balance € m	Interest € m	Average rate %
Loans and receivables to banks						
Domestic offices	**5,061**	**80**	**3.2**	4,596	117	2.5
Foreign offices	**2,595**	**60**	**4.7**	1,131	50	4.4
Loans and receivables to customers						
Domestic offices	**58,694**	**1,376**	**4.7**	47,806	2,084	4.4
Foreign offices	**31,893**	**1,018**	**6.4**	27,664	1,768	6.4
Trading portfolio financial assets						
Domestic offices	**9,301**	**165**	**3.6**	7,786	257	3.3
Foreign offices	**963**	**16**	**3.3**	1,308	48	3.7
Financial investments						
Domestic offices	**13,618**	**258**	**3.8**	12,869	470	3.7
Foreign offices	**3,905**	**91**	**4.7**	3,220	177	5.5
Total interest earning assets						
Domestic offices	**86,674**	**1,879**	**4.4**	73,057	2,928	4.0
Foreign offices	**39,356**	**1,185**	**6.1**	33,323	2,043	6.1
Net interest on swaps		**56**			125	
Total average interest earning assets	**126,030**	**3,120**	**5.0**	106,380	5,096	4.8
Non-interest earning assets	**10,012**			13,209		
Total average assets	**136,042**	**3,120**	**4.6**	119,589	5,096	4.3
Percentage of assets applicable to foreign activities			**31.6**			31.1

23 Average balance sheets and interest rates *(continued)*

Liabilities and shareholders' equity	Half-year ended 30 June 2006 Average balance € m	Interest € m	Average rate %	Year ended 31 December 2005 Average balance € m	Interest € m	Average rate %
Due to banks						
Domestic offices	**26,689**	**450**	**3.4**	25,288	693	2.7
Foreign offices	**2,250**	**45**	**4.0**	1,963	81	4.1
Due to customers						
Domestic offices	**33,164**	**336**	**2.0**	27,820	473	1.7
Foreign offices	**20,675**	**346**	**3.4**	18,545	642	3.5
Other debt issued						
Domestic offices	**12,451**	**187**	**3.0**	7,001	171	2.4
Foreign offices	**10,789**	**237**	**4.4**	8,486	374	4.4
Subordinated liabilities						
Domestic offices	**3,771**	**87**	**4.7**	2,925	132	4.5
Foreign offices	**89**	**3**	**5.7**	-	-	-
Total interest earning liabilities						
Domestic offices	**76,075**	**1,060**	**2.8**	63,034	1,469	2.3
Foreign offices	**33,803**	**631**	**3.8**	28,994	1,097	3.8
Total average interest earning liabilities	**109,878**	**1,691**	**3.1**	92,028	2,566	2.8
Non interest earning liabilities	**18,623**			21,237		
Total average liabilities	**128,501**	**1,691**	**2.7**	113,265	2,566	2.3
Shareholders' equity	**7,541**			6,324		
Total average liabilities and shareholders' equity	**136,042**	**1,691**	**2.5**	119,589	2,566	2.2
Percentage of liabilities applicable to foreign activities			**30.6**			30.7

24 Post-balance sheet events

On 31 July 2006, subsequent to the interim balance sheet date, an interim dividend of EUR 25.3 cent per share was declared by the Board of Directors for payment on 26 September 2006. The interim dividend amounts to € 221 million and has not been recorded as a liability in the balance sheet.

25 Approval of accounts

The interim financial statements (unaudited) were approved by the Board of Directors on 31 July 2006.

	Half-year 30 June 2006	Half-year 30 June 2005[1]	Year 31 December 2005
Operating ratios			
Operating expenses/operating income	**52.4%**	55.1%	55.2%
Other income/operating income	**31.2%**	30.5%	30.6%
Net interest margin			
Group	**2.29%**	2.47%	2.38%
Domestic	**2.04%**	2.30%	2.17%
Foreign	**2.84%**	2.85%	2.83%
Rates of exchange			
€/US $			
Closing	**1.2713**	1.2092	1.1797
Average	**1.2287**	1.2894	1.2484
€/Stg			
Closing	**0.6921**	0.6742	0.6853
Average	**0.6883**	0.6862	0.6851
€/PLN			
Closing	**4.0546**	4.0388	3.8600
Average	**3.8991**	4.0827	4.0276

[1]The results for the half-year ended 30 June 2005 have been restated to represent the results of Ark Life as a discontinued operation to reflect the disposal *(note 2)*.

Capital adequacy information	**Half-year 30 June 2006 € m**	Half-year 30 June 2005 € m	Year 31 December 2005 € m
Total risk weighted assets	**111,067**	88,236	101,656
Capital			
Tier 1	**8,913**	6,794	7,275
Tier 2	**3,815**	3,412	4,089
	12,728	10,206	11,364
Supervisory deductions	**349**	477	487
Total	**12,379**	9,729	10,877

Independent review report of KPMG to Allied Irish Banks, p.l.c.

Introduction

We have been engaged by the company to review the financial information for the six months ended 30 June 2006, which comprises the statement of accounting policies, consolidated interim income statement, consolidated interim balance sheet, consolidated condensed interim statement of cash flows, consolidated interim statement of recognised income and expense, condensed consolidated interim reconciliation of movements in shareholders' equity and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Irish Stock Exchange and the UK Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this review report, or for the conclusions we have reached.

Directors' responsibilities

This interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing this interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 *Review of interim financial information* issued by the Auditing Practices Board for use in Ireland and the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

KPMG

Chartered Accountants
Dublin
31 July 2006