

2007

Interim Results

for the half-year ended 30 June 2007

Allied Irish Banks, p.l.c.



A number of statements we will be making in our presentation and in the accompanying slides 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 and regional economic conditions, levels of market interest rates, credit or 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.

The following commentary is on a continuing operations basis. The growth percentages (excl. EPS) 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.



Eugene Sheehy
Group Chief Executive

Growth

Resilience

Efficiency

Diversity



.....wherever we operate

Basic earnings per share	114.7 c	
- basic adjusted *	108.8 c	↑ 16% **
Positive income / cost gap		4%
Cost / income ratio		↓ 1.2%
Impaired loans		0.7%
Dividend		↑ 10%
Return on equity		24%
Tier 1 capital ratio		7.6 %

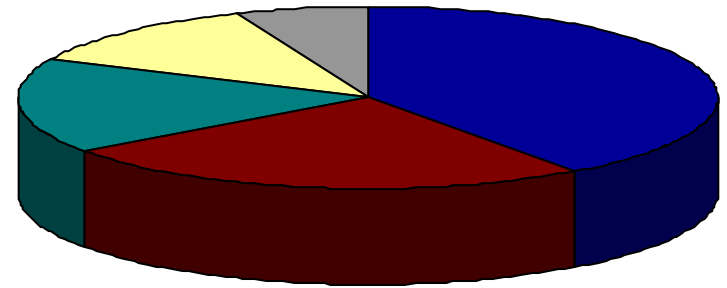
* Basic earnings per share less profit on disposal/development of properties, businesses and interest rate hedge volatility

** Relative to 2006 base figure of 94.2c

■ AIB Bank Rol	€527m	↑ 17%
■ Capital Markets	€331m	↑ 12%
■ AIB Bank UK	€223m	↑ 19%
■ Poland	€155m	↑ 37%
■ M&T*	€74m	↑ 1%

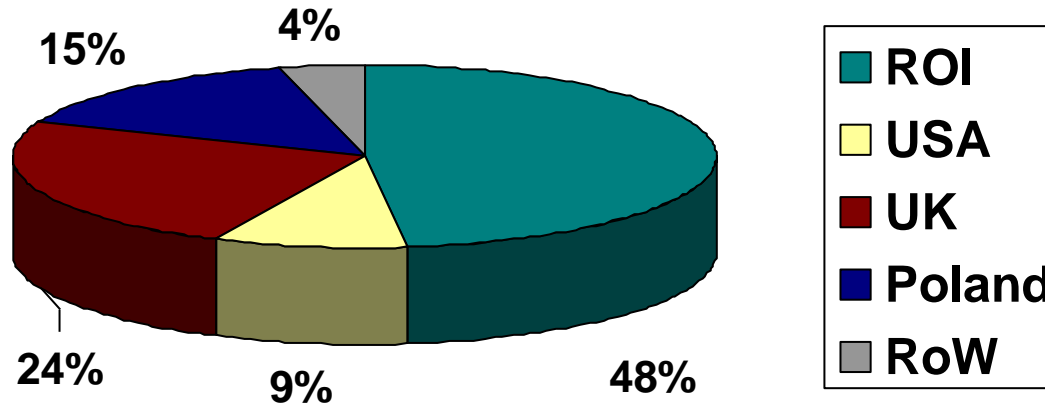
* after tax contribution

Operating profit by division



■ AIB Bank Rol	40%
■ Capital Markets	25%
■ AIB Bank UK	17%
■ Poland	12%
■ M&T	6%

Pre-tax profit by geography *



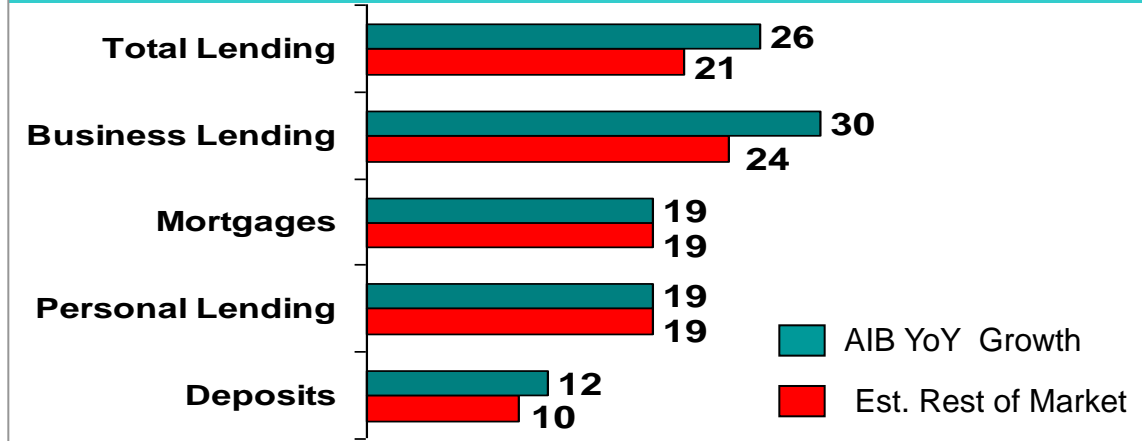
* Management estimate of continuing operations reflecting the geographic markets from which profit was generated. Does not include profit on disposal / development of properties and interest rate hedge volatility

- Republic of Ireland
Extending our no. 1 position in a resilient economy
- UK
Significant headroom for growth in selected GB mid market business sectors; strong franchise in an improving N.I. environment
- Poland
Well set for rapid organic growth and expansion – franchise built on solid foundations in a buoyant economy; 2007 (f) GDP c. 6%
- Rest of World
Applying skills to carefully selected, high potential international corporate markets and niches.
Active partnership with outstanding US regional bank

%	2007 (f)	2008 (f)
GDP	5.0	3.3

- Growth slowing in a changing, more broad based economy
- House market trends are a rational adjustment
 - Moderate price reductions following long period of buoyancy
 - Buyers responding to lower affordability; developers reducing supply
 - Positive demographics underpin long term demand
- Personal disposable income and spending are increasing
- Private sector credit demand remains good
- Government finances in excellent condition
 - National development plan €184bn underway
- Employment continues to grow, unemployment 4.6%

Gaining market share in a competitive environment

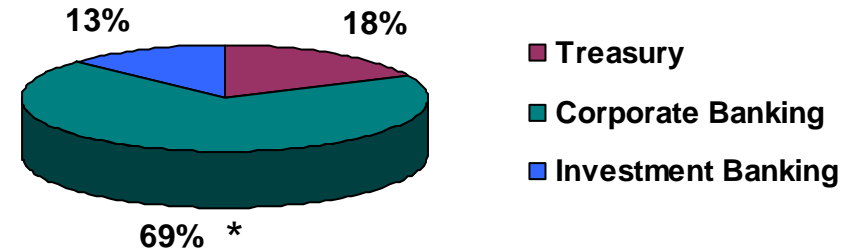


- Income / cost gap + 4%

Achieving high quality growth through investment in strength and depth of franchise

- Supporting experienced business customers in their areas of proven expertise
- Performing well in mortgages while maintaining conservative criteria
 - Principal focus on our own customers (circa 85%)
 - Irish mortgages – c. 6% of Group profit
- Ahead of aggressive profit growth plan in wealth management (€50m in 2006, €150m in 2010)
- Attacking underweight position in retail banking
 - Clear no. 1 in personal account openings

- Income / cost gap + 4%
- Pre-provision operating profit \uparrow 19%
- 10 year PBT CAGR 21%
- Strong recurring customer based income, 87% of total



Corporate Banking

PBT \uparrow 12%

- | | | |
|-----------------|-----|--|
| ■ Ireland | 19% | ● Operating profit \uparrow 24% pre lower provision writebacks |
| ■ International | 81% | ● Carefully chosen, well understood sectors / niches |
| | | ● Conservative risk appetite |
| | | ● Strong risk management framework |

Global Treasury

PBT \downarrow 19%

- | | | |
|---------------|-------|---|
| ■ Customer | 78%** | ● Strong performance in customer services |
| ■ Proprietary | 22% | ● Difficult market conditions |
| | | ● Highly controlled risk environment |

Investment Banking

PBT \uparrow 48%

- Strong performances in asset management, stockbroking and corporate finance

* Includes AIA, previously included in Investment Banking

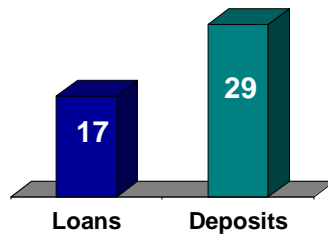
** before distributions to other divisions

- Income / cost gap + 5%
- Growth driven by intense focus on dual priorities
 - Premium product and service delivery in response to buoyant customer demand

+

- Realignment of franchises to maximise efficiency

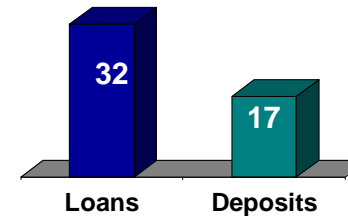
Great Britain PBT €122m ↑ 17%



Focus on high growth niches

- Chosen mid market business sectors
 - Increasing our presence in healthcare, environment, education, professional services
 - Leveraging business relationships to build complementary private banking service
 - Actively recruiting high quality people to underpin momentum

Northern Ireland PBT €101m ↑ 21%



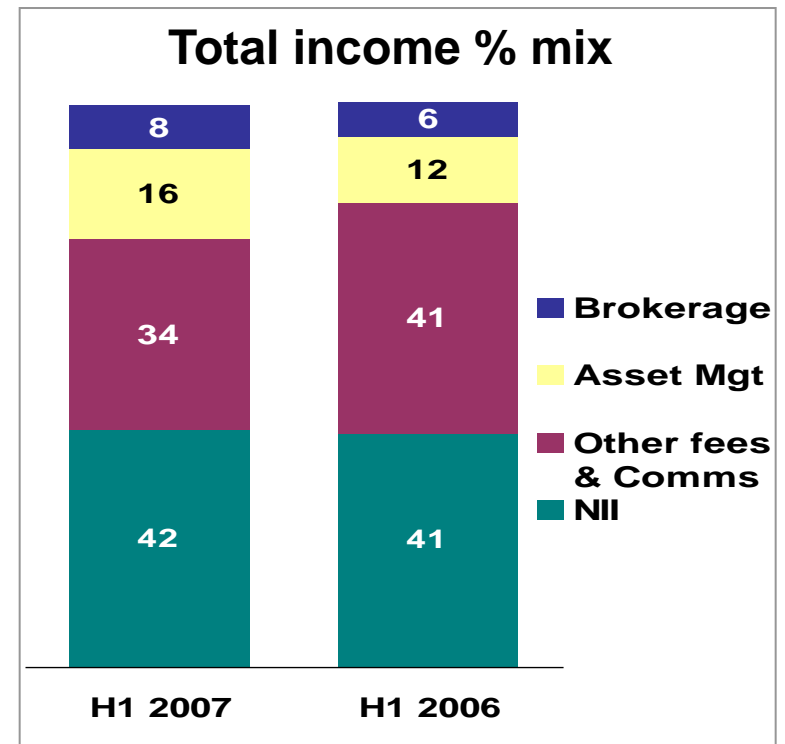
Strong growth in improved economy

- Realising benefits of “hub & spoke” approach
 - Branch reconfiguration aligned to local market potential
 - Removal of support activities to dedicated centres
 - Refreshed product suite

- Income / cost gap + 5%

Well balanced growth

- Interest income (+22%) now growing at a faster rate than non interest income (+19%)
 - Business lending ↑ 30%
 - Retail cash lending ↑ 36%
 - Mortgages ↑ 33%
 - Deposits ↑ 18%
- Mutual funds ↑ 77%
- Brokerage services income ↑ 53%



Significant investment in franchise development & alignment

- 40 new branch locations identified
- 10 new business centres
- 100% increase in direct banking capacity
- 200 agency agreements (“minibank”)
- c. 1m internet banking customers



- Intense change programme now moved from planning to implementation and delivery
 - Common UK & Irish branch banking front-end system now in operation across all locations
 - Phase 1 wholesale banking platform now live; initiation of common retail platform on target for Q2 2008
 - De-risking and automating a wide range of activities
 - 1st data centre complete – supporting enterprise wide processing; 2nd in place by year end
- Significant ongoing investment; 50% of €400m programme now spent

- Significant improvement in Q2 performance following a challenging first quarter
- Q2 cost / income ratio ↓ to 50.2% due to good income growth and tight cost management
- Bayview investment already making positive contribution
- Asset quality remains solid
 - Moderate increase in NPLs / charge off rates, still at very low levels
- AIB shareholding 24.9%; recently announced acquisition will reduce to c. 24.2%

Dec 2006		Jun 2007	
0.9	Impaired loans (ILs)	%	0.7
4.9	Criticised loans / total loans	%	4.8
0.4	Gross new ILs	%	0.4
76	Total provisions / ILs	%	80
12	Bad debt charge	bps	4

- Rich mix of earnings by geography & business unit underpins stability and options for growth
- Improving productivity while investing to sustain growth
- High quality asset portfolios
- Solid capital and funding positions





John O'Donnell
Group Finance Director

Jun 2006	€m	Jun 2007	ccy change %
2,076	Total operating income	2,417	17
1,088	Total operating expenses	1,237	13
988	Group operating profit before provisions	1,180	16
12	Total provisions	30	150
976	Group operating profit	1,150	18
1,214	Group profit before tax	1,318	9
121.2c	EPS – basic *	114.7c	-5
94.2c	EPS – basic adjusted *	108.8c	16

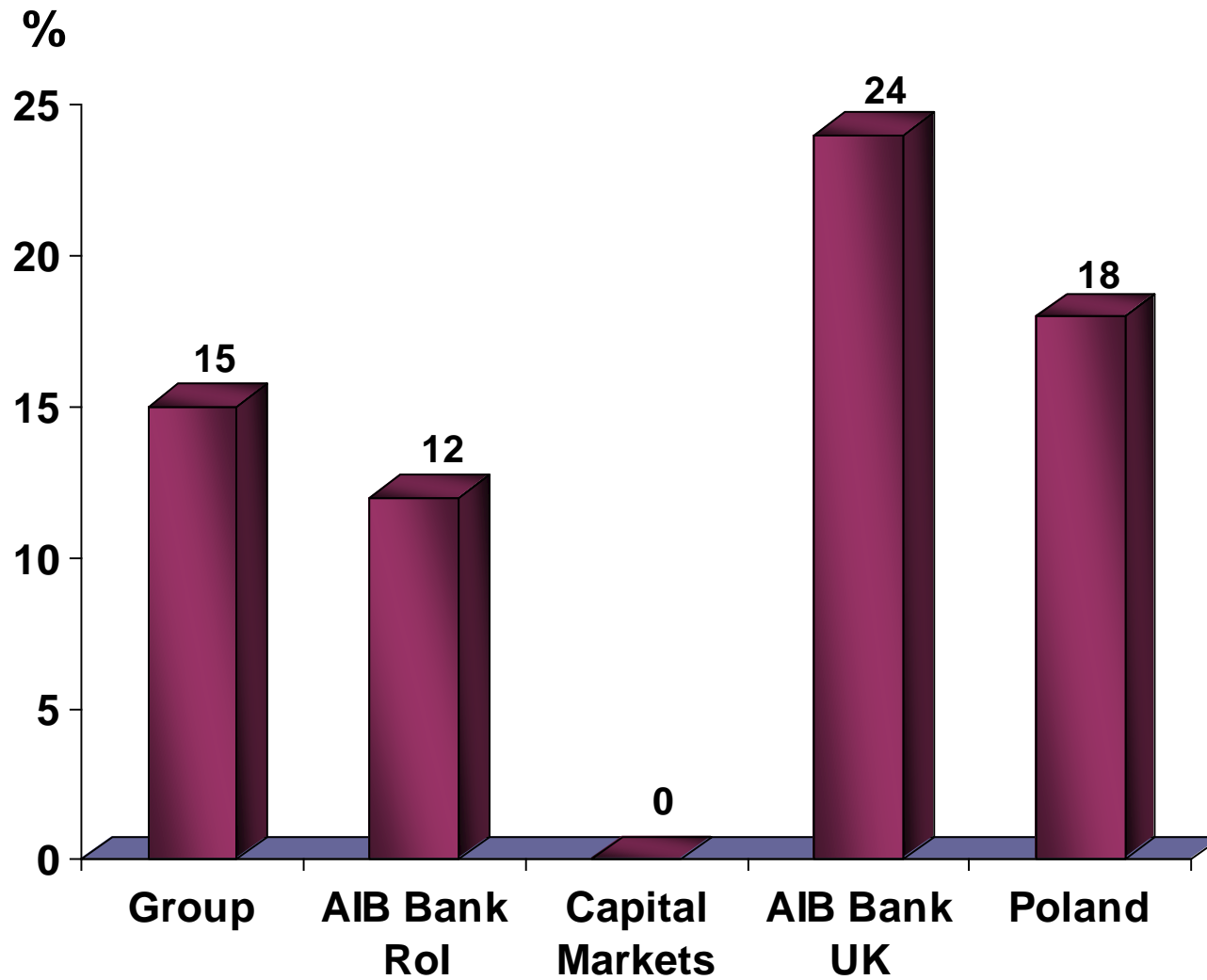
■ Effective tax rate 18.1%

**not constant currency*

% vs June 2006

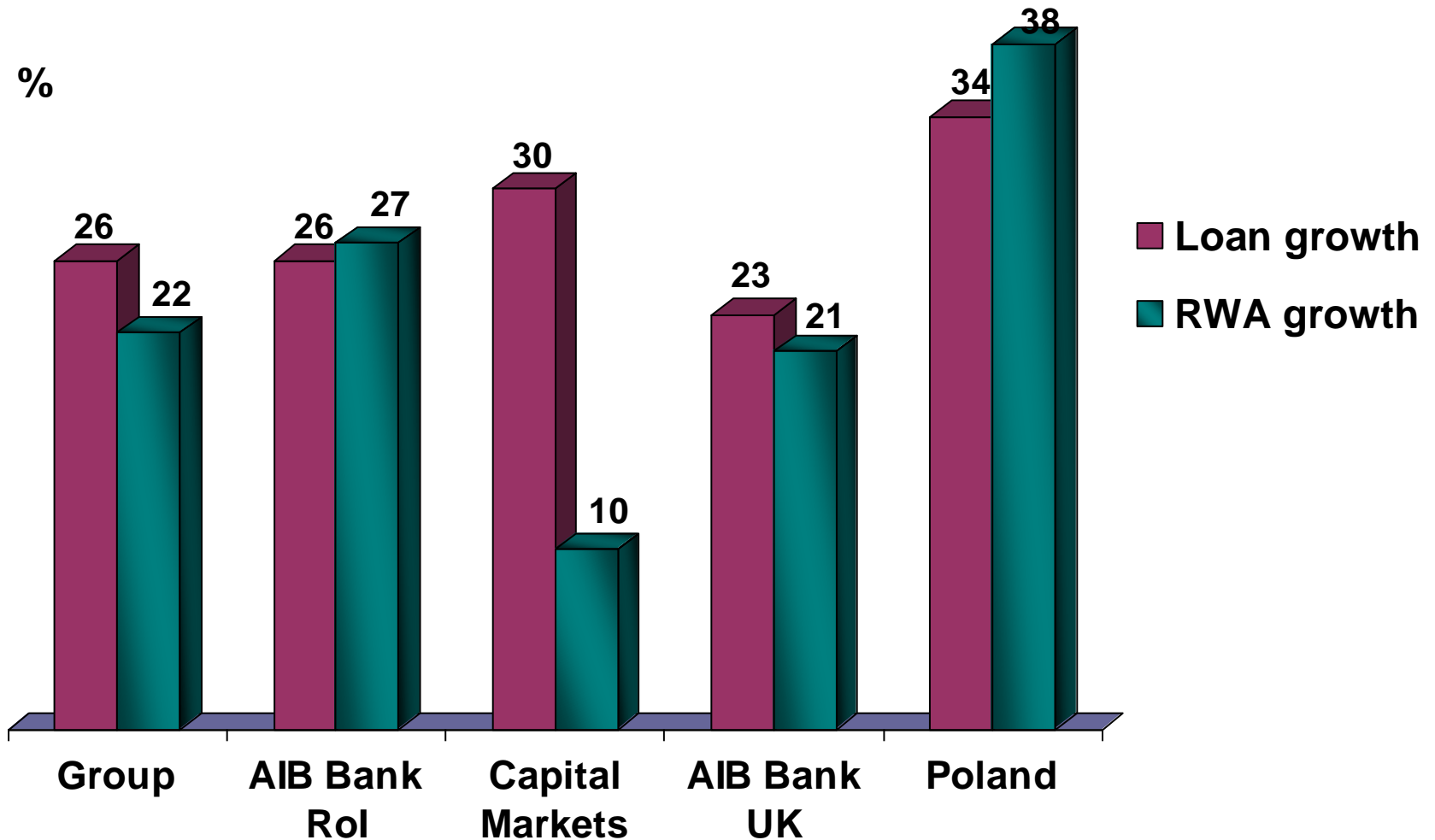
Basic earnings per share	114.7c	
Profit on disposal/development of property	(8.3c)	
Hedge volatility	2.4c	
Adjusted basic EPS	<u>108.8c</u>	16

Year on Year to June 2007

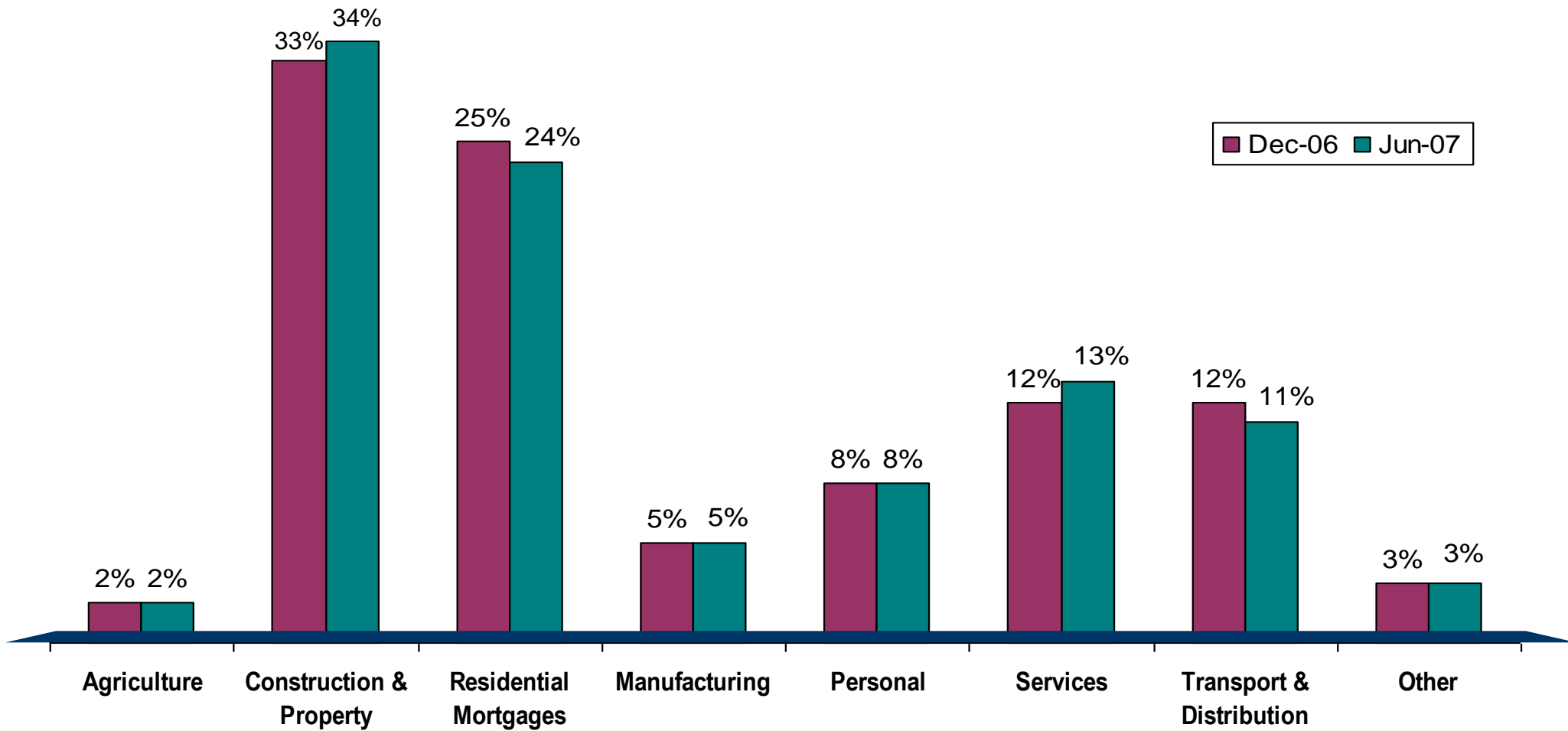


Loan and risk weighted asset growth

Year on Year to June 2007

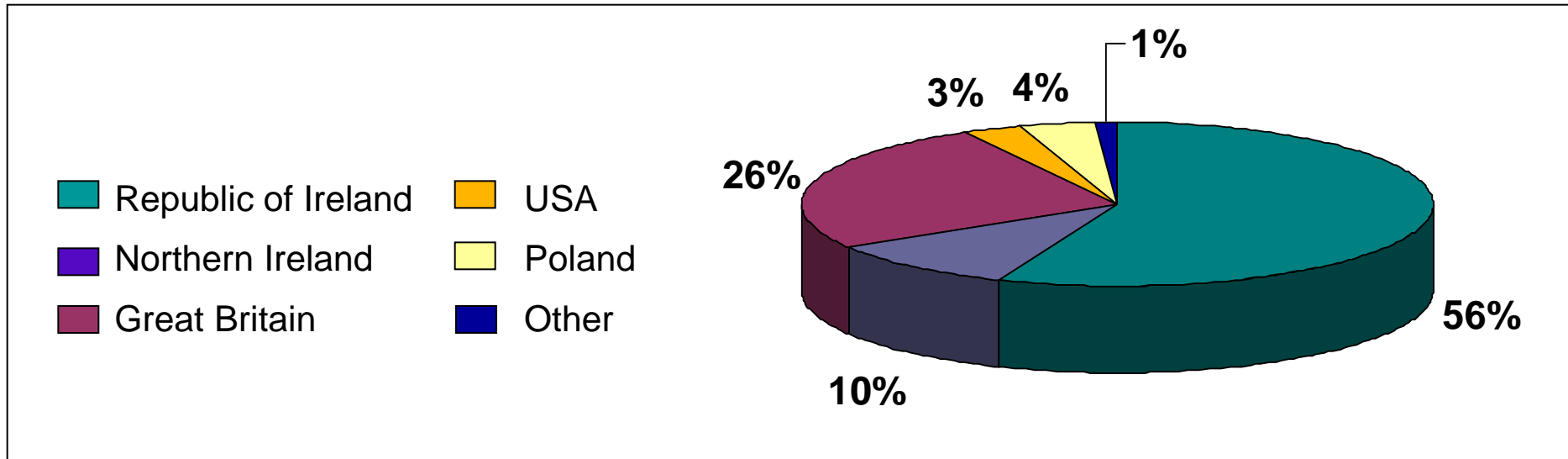


% of Group loan portfolio



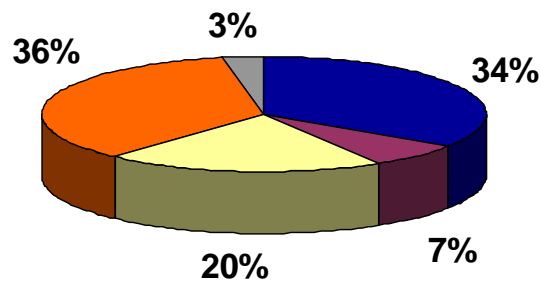
- Low level of impaired loans for this sector
 - Property & construction 0.4%, total book 0.7%

Loan book diversified by geography



- Further diversified by wide range of sub sectors & borrowers

AIB Bank RoI Division portfolios

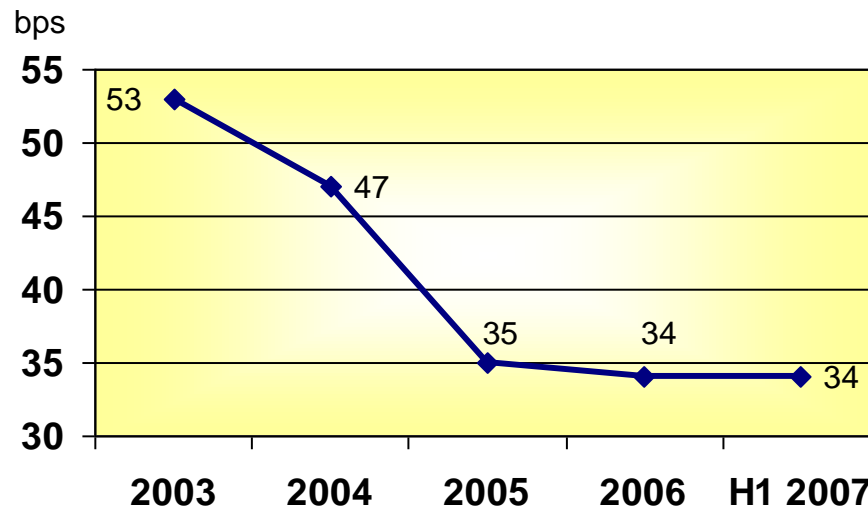


- **Commercial investment:** spread by sector, tenant & covenant, retail 26%, office 33%, industrial 8%, mixed 33%
- **Residential investment:** wide tenant spread, highly granular / small bite sizes, conservative approach to location, occupancy, repayment capacity and LTV
- **Commercial development:** emphasis on pre-sales / pre-lets / recourse to independent cash flows, typical LTV 70-75% for proven developers in favourable locations, low exposure to speculative development
- **Residential development:** finance usually phased / linked to pre-sales / recourse to independent cash flows for proven developers, typical LTV 70 – 80%, focus on loan reduction in 1 -2 year timeframe
- **Contracting:** working capital for established players

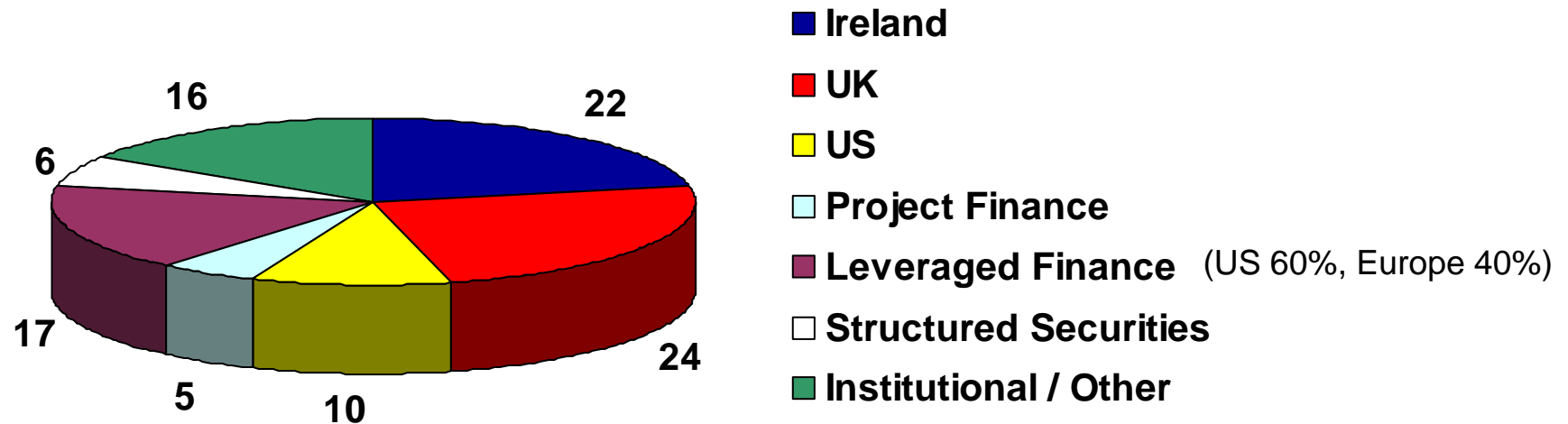
■ Good customer demand in a changing environment

- Pipeline underpins confidence in our outlook for growth
- Strong demand continues in commercial investment & development
- Increasing investment / development appetite for overseas assets; now c. 12% of RoI book
- Financial flexibility of proven developers to increase investment portfolios

- Very solid, resilient portfolio
 - Arrears profile remains very low



- Primary emphasis remains on repayment capacity
- Conservative LTVs and loan durations
 - New business LTVs across all ranges virtually unchanged in 2007
 - Maximum term 35 years, 83% mature within 25 years
- Aggressive posture on quality business



- Average portfolio margin ↑ to 164 bps
- International expansion built on people experience / sector specialism
 - More difficult conditions would create opportunities

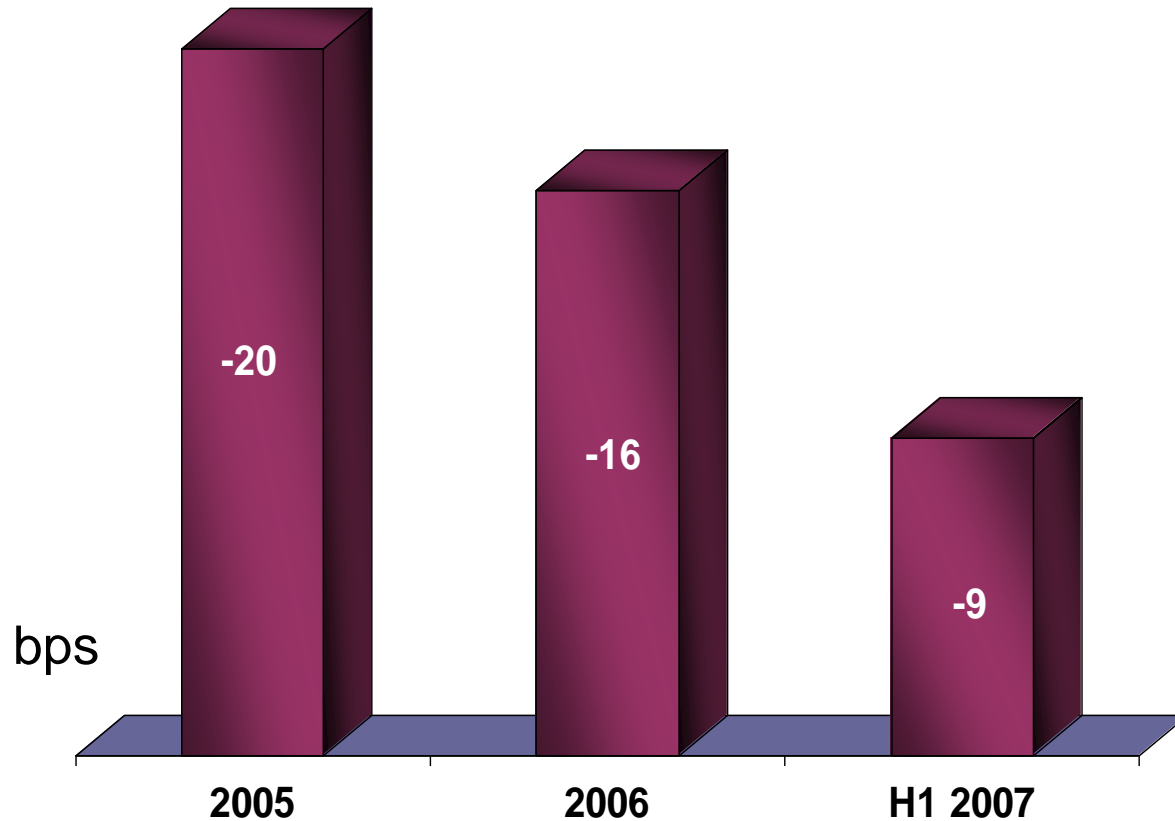
Characteristics

CLOs / CDOs	<ul style="list-style-type: none"> ■ Asset portfolio of €359m, investment grade ■ All performing well, no write downs, all held to maturity ■ US / Europe split 51% / 49%, average deal size €9.6m
Own managed CLOs / CDOs	<ul style="list-style-type: none"> ■ Asset manager for 6 funds, total funds managed €2bn, all performing well, no write downs ■ Holder of small equity tranches totalling c. €35m
US sub prime ABS	<ul style="list-style-type: none"> ■ Portfolio of \$238m, 31 transactions, average deal size \$7.7m, investment grade ■ All performing well, no write downs, all held to maturity
US sub prime “whole loans”	<ul style="list-style-type: none"> ■ Portfolio of \$149m April 2007 vintage loans purchased at very attractive yields ■ Assets selected directly by AIB from top US originator, performing well, held to maturity

Jun 2007	Jun 2006	change
2.20%	2.29%	-9 bps

- Business factors affecting net interest margin; est. -9 bps
- Growth in treasury assets; est. 0 bps
-9 bps
- Business factors include
 - Loans growing faster than deposits 5 bps
 - Business mix & competition; unchanged factor 4 bps
 - *Product margins broadly stable / changing in line with expectations*
 - Re-investment of customer account funds; neutral effect 0 bps
- 2007 full year guidance: around 10 bps

N.I.M. business factors attrition – a reducing trend

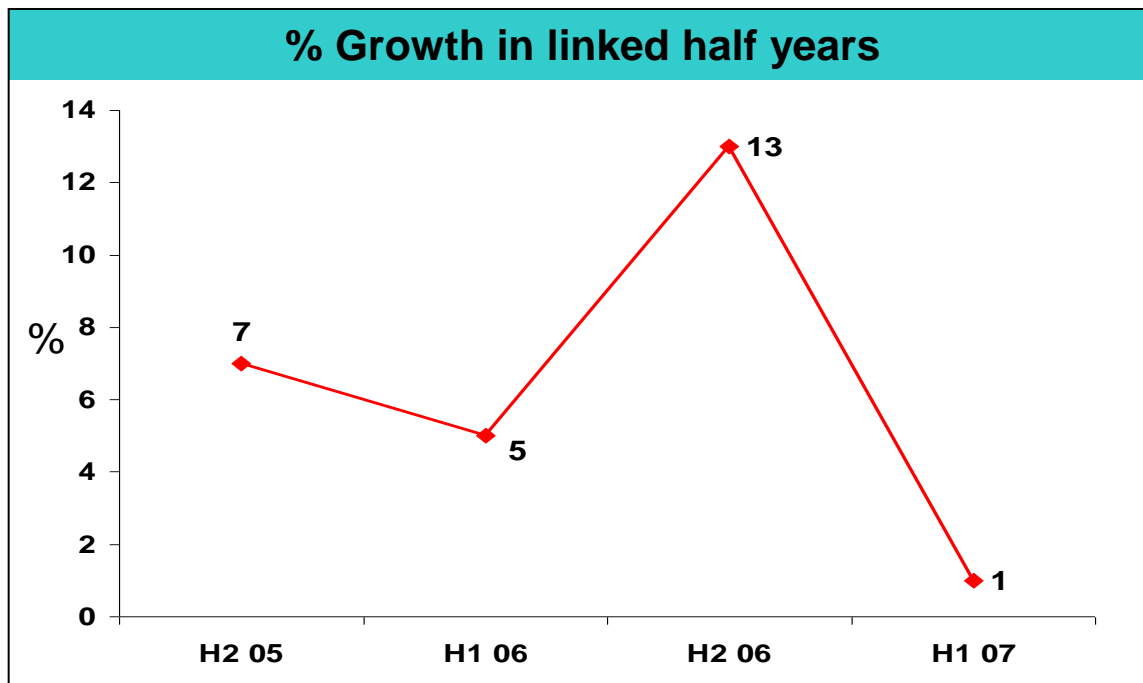


- 2007 business factor guidance: around 10 bps (*vs 16 bps in 2006, excludes effect of treasury assets*)

Costs – continued investment, growth rate now peaked

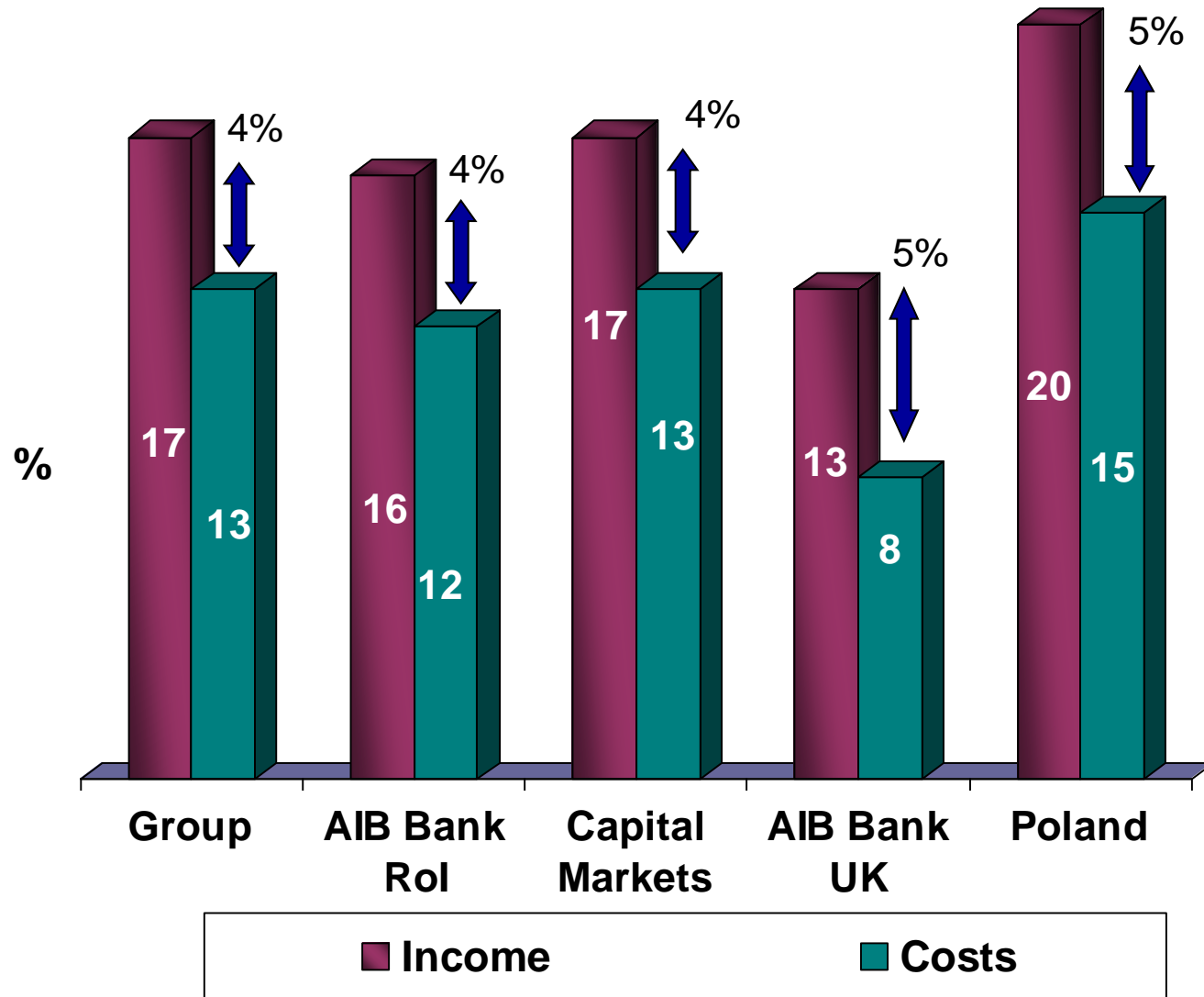
	Jun 2007	Underlying yoy change %
Staff costs	799	14
Other costs	368	15
Depreciation & amortisation	<u>70</u>	1
Operating expenses	<u><u>1,237</u></u>	13

- Sustained investment in people, operations, governance and risk framework

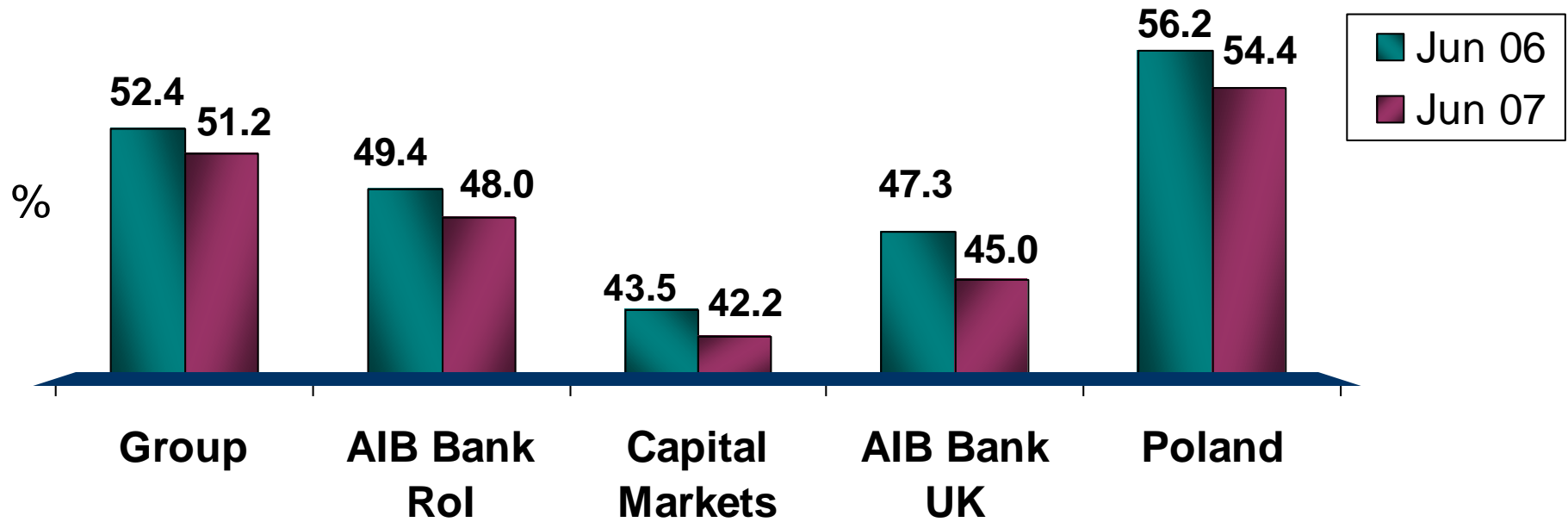


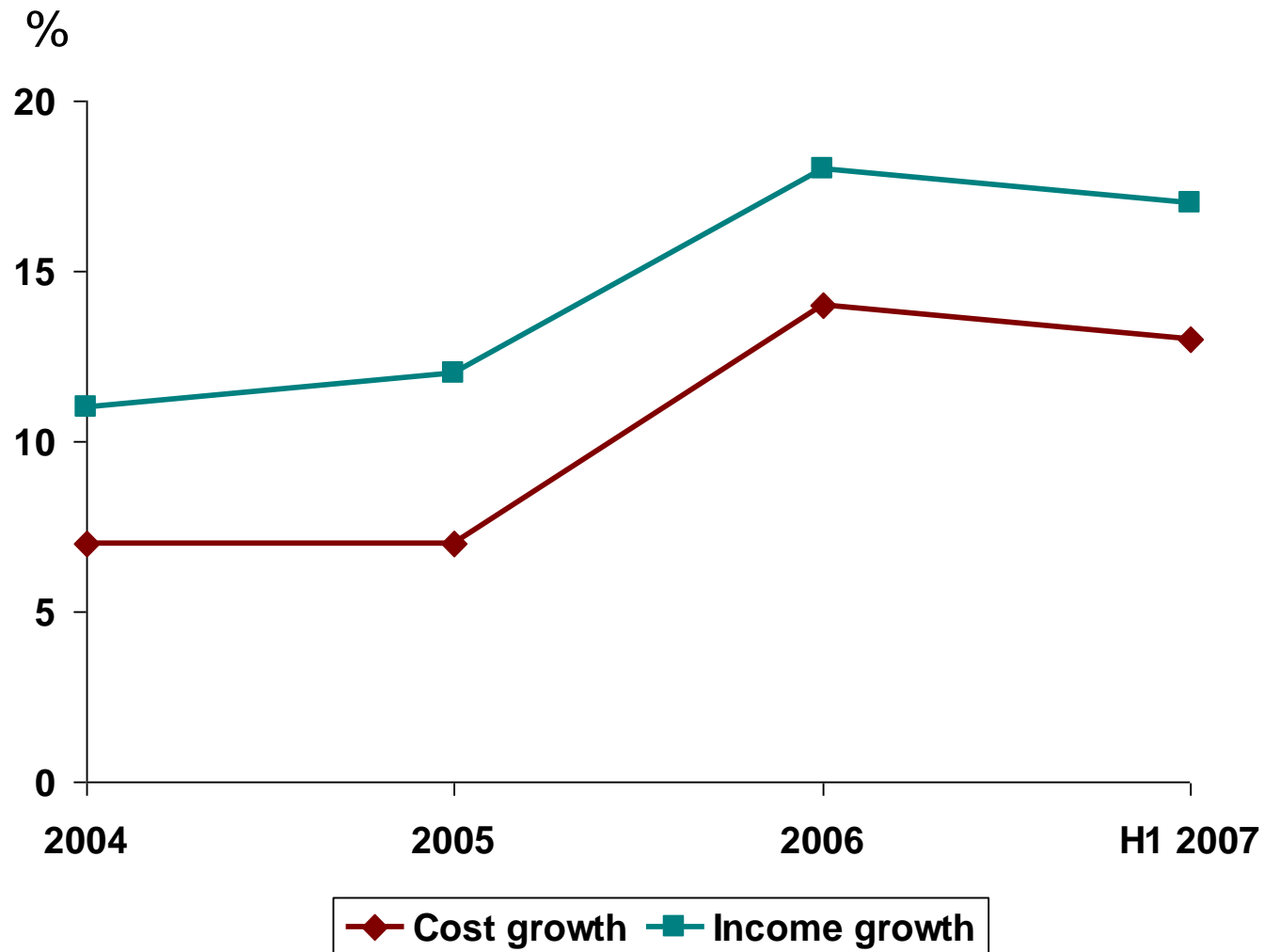
- Rate of growth now moderating
 - Non recurrence of significant step up in key cost drivers
 - *Regulatory spend, 2006 exceptional performance pay*
- 2007 full year guidance +9%

Positive “jaws” in all franchises



Cost / income ratio ↓ in all divisions

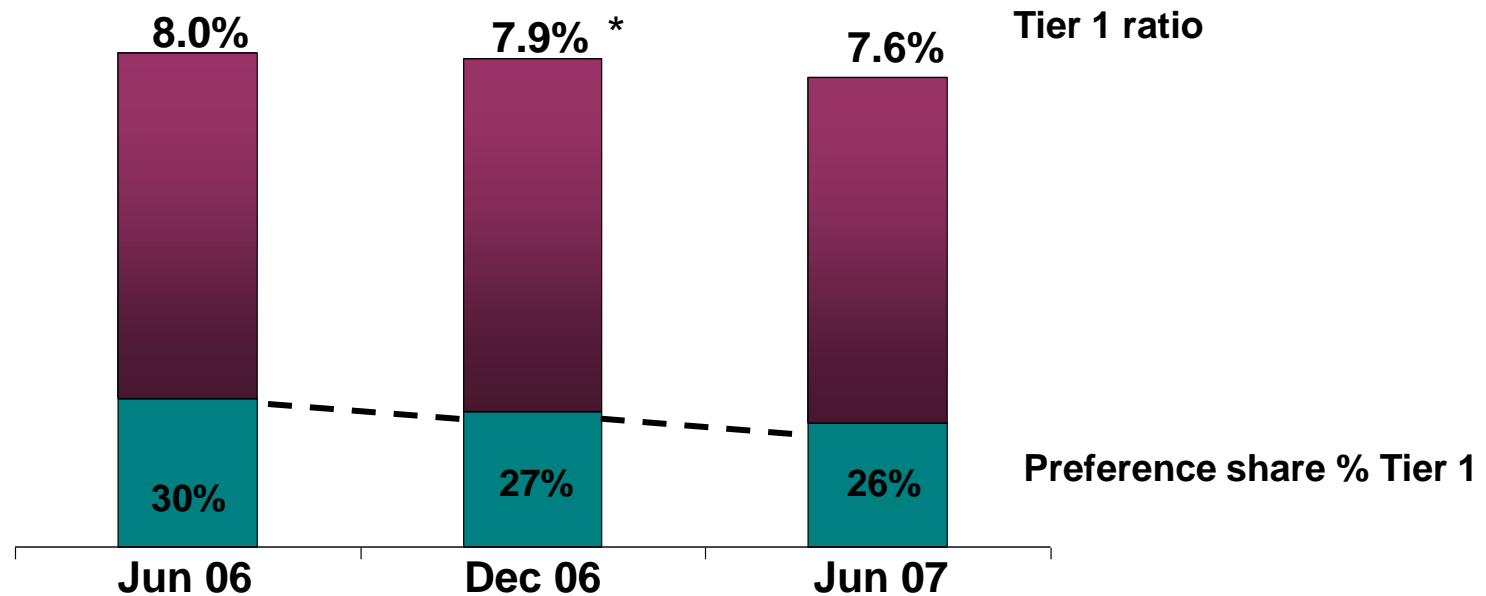




As at 31 December, 2006				As at 30 June, 2007			
ILs	ILs/ Actual	Total		ILs	ILs/ Actual	Total	
€m	Advances	Provisions/ ILs		€m	Advances	Provisions/ ILs	
	%	%			%	%	
366	0.6	81	AIB Bank ROI	385	0.6	85	
130	0.6	74	Capital Markets	77	0.3	97	
205	0.9	71	AIB Bank UK	214	0.9	67	
232	4.9	73	Poland	219	3.9	76	
<u>933</u>	0.9	76	Total	<u>895</u>	0.7	80	

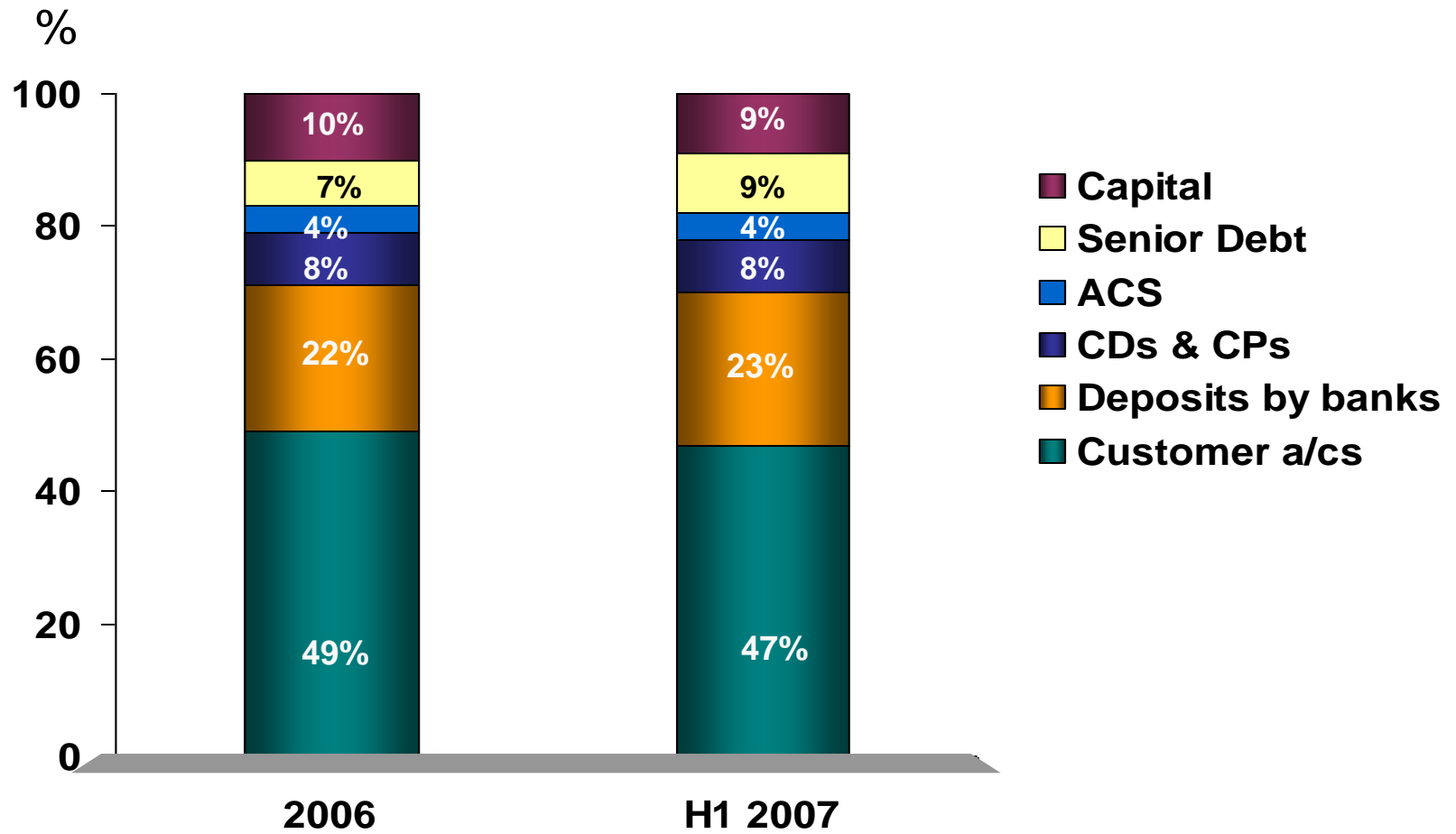
Jun 2006	Average Loans %	€m	Jun 2007	Average Loans %
35.4	0.14	AIB Bank ROI	46.1	0.15
(37.0)	(0.39)	Capital Markets	(22.0)	(0.19)
7.5	0.08	AIB Bank UK	6.4	0.06
6.1	0.31	Poland	(6.0)	(0.24)
<u>12.1</u>	0.03	Total	<u>24.5</u>	0.04

- 2007 full year guidance c. 13 bps



- Total capital ratio 10.4%
- Tier 1 7.6% (target minimum c. 7%)
- Core tier 1 5.6% (preference shares 26%, target range 20 – 30%)
- No requirement for recourse to shareholders
- Basel II - no material change expected to capital position
 - Application made to Regulator
 - Targeting foundation level IRB

* Restated to reflect 2006 dividend paid



- High quality growth set to continue across all key franchises
- Strong customer demand and pipelines
 - Loans expected to increase c. 20%, deposits c. 10%
- Solid asset quality
 - Lower writebacks in H2 will increase bad debt charge

Now increasing our target to low teens growth in EPS





Appendices

H1 2006	€m	H1 2007	Change %
745	Net interest income	868	17
<u>212</u>	Other income	<u>238</u>	12
957	Total operating income	1,106	16
<u>473</u>	Total operating expenses	<u>531</u>	12
484	Operating profit before provisions	575	19
<u>35</u>	Total Provisions	<u>48</u>	36
449	Operating profit	527	17
-	Profit on disposal of property	-	-
<u>4</u>	Associated Undertakings	<u>7</u>	103
<u><u>453</u></u>	Profit before taxation	<u><u>534</u></u>	18

H1 2006	€m	H1 2007	Change %
239	Net interest income	285	20
<u>227</u>	Other income	<u>254</u>	13
466	Total operating income	539	17
<u>202</u>	Total operating expenses	<u>227</u>	13
264	Operating profit before provisions	312	19
<u>(34)</u>	Total Provisions	<u>(19)</u>	-44
298	Operating profit	331	12
2	Associated Undertakings	-	-
<u>26</u>	Profit on disposal of business	<u>2</u>	-93
<u><u>326</u></u>	Profit before taxation	<u><u>333</u></u>	3

H1 2006	€m	H1 2007	Change %
287	Net interest income	339	16
<u>75</u>	Other income	<u>78</u>	1
362	Total operating income	417	13
<u>171</u>	Total operating expenses	<u>187</u>	8
191	Operating profit before provisions	230	18
<u>7</u>	Total Provisions	<u>7</u>	-
184	Operating profit	223	19
-	Profit on disposal of property	-	-
<u><u>184</u></u>	Profit before tax	<u><u>223</u></u>	19

H1 2006	€m	H1 2007	Change %
112	Net interest income	139	22
<u>160</u>	Other income	<u>192</u>	19
272	Total operating income	331	20
<u>156</u>	Total operating expenses	<u>182</u>	15
116	Operating profit before provisions	149	26
<u>4</u>	Total Provisions	<u>(6)</u>	-
112	Operating profit	155	37
<u>2</u>	Associated undertakings	<u>-</u>	-
<u><u>114</u></u>	Profit before tax	<u><u>155</u></u>	35

H1 2006	€m	H1 2007
46	Net interest income	36
<u>(27)</u>	Other income	<u>(12)</u>
19	Total operating income	24
86	Total operating expenses	110
-	Total Provisions	-
<u>(67)</u>	Operating loss	<u>(86)</u>
80	Share of results of associates – M&T	74
90	Profit on disposal of property	41
<u>34</u>	Construction contract income	<u>44</u>
<u>137</u>	Profit before tax	<u>73</u>

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

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