



# **AIB Group**

Interim Results 2002

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 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.

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**Michael Buckley**  
*Group Chief Executive*

Dividend  
per Share  
EUR 17.25c  
↑ 12%

Profit before  
taxation  
€703m  
↑ 5%

Underlying  
Earnings per  
Share  
↑ 7%\*

Profit  
attributable  
€519m  
↑ 8%

Return on  
equity  
22.2%

*\* before goodwill amortisation and tax benefit on release of provision*

*Consistent top quartile total shareholder returns*

- Operating profit before provisions ↑ 13%;
- Tangible cost / income ratio ↓ 1.1% to 57.3%;
- Provisions ↑ €67m;
- Tier 1 Capital strengthened to 6.8%

- Productivity gains;
- Maintaining asset quality;
- Our community banking agenda / divisional review;
- Update on response to Allfirst fraud;
- Financial review.

- Tangible cost / income ratio ↓ from 58.4% to 57.3%;
- Income growth outpacing cost growth:

	<u>Year 2001*</u>	<u>H1 2002*</u>
- Income	+8%	+8%
- Costs	+12%	+5%

- 94% of profit from core and dependable relationship business.

*\* excludes the impact of currency movements and acquisitions*

- Non-performing loans 2% (*2% in 2001*);
- Prudent specific and general provision cover;
- Annual provision charge expected to be in line with forecast of c.35 bps.



- “Strong credit culture exists throughout each of the Divisions and at the Group level”

*Deloitte & Touche (Credit & Operational Risk Review), July 2002*

- No stress on retail & commercial portfolios:
  - NPLs as % of loans stable / down in all franchises;
- Well diversified corporate loan book:
  - Credit typically part of wider relationship;
  - Telecoms 2% of Group loans;
- Debt securities almost exclusively investment grade.



*Progressing to consistent delivery of a  
distinctive customer proposition,  
wherever we operate...*



- Strong loan growth;
- High productivity - cost / income ratio at 50%;
- Market share gains in key strategic products;
- Increasing number of customer portfolio managers within existing resources:
  - Implemented in 10 of 26 regions;
  - Increasing customer loyalty...21% increase in value;
- Interest on business credit current accounts.



# AIB Bank Great Britain & Northern Ireland ↑ 14%

- Strong business growth, record volumes;
- Improved efficiency - cost / income ratio ↓ to 51%;
- Redeployment increasing customer relationship capacity:
  - Development teams in new business centres;
  - Sectoral experts and wealth advisors supporting local relationship teams;
  - Investing to increase people and network capability;
- Substantial scaling up underway in GB.

## *Allfirst...*

- Underlying operating profit performance up 5%:
  - Core business retained & stabilised;
  - Average core deposits up 1%, average loans up 6%\*  
(H1 02 v. H1 01)
- Profits reduced due to provisions / one off items;
- Recovery Plan being developed in Q3:
  - Restructuring for efficiencies;
  - Refocusing and investing for revenue growth.

\* excludes run off portfolios

- Business retention underlines depth and value of franchise;
- Ongoing consideration of optimum position recognises:
  - Unrealised potential validates continuing commitment to US regional banking;
  - Systematically exploring options to strengthen position;
  - Shape our involvement to deliver convincing, sustainable growth proposition to our shareholders.

## *Allied Irish America...*

- Strong profit growth, realising investment benefits;
- Underlying fee income ↑ 37%;
- Increase in risk weighted assets ↑ 11%;
- Business driven by distinctive customer proposition.

- Increasing customer base and maximising relationship potential;
- Continuing strong growth in Corporate Banking:
  - Risk adjusted model, independently endorsed, driving behaviour and pricing;
  - Product development aligned to customer need;
  - Almost 150% cover for non-performing loans;
- Strong interest rate management performance in Treasury:
  - Good positioning, low capital utilisation
  - Centralisation responsibilities adding value across the Group.



- Significant increase in operating profit, ↑ 78%;
- Underlying provisions as % of average loans ↓ from 1.7% to 1.2%;
- Identifying and selecting segment opportunities;
- Implementation of new branch banking model on schedule:
  - 30% of business converted; 100% complete Q1 2003;
  - Transforming customer proposition;
  - Driving cost reductions and improved productivity;
  - Cost agenda on target; full benefit by 2003.

- Identifying innovative joint venture opportunities:
  - AIB / BOI technology services joint venture;
- Streamlining support and administration activities;
- Driving Group-wide best practice and value management.

- Completing intensive examination of governance and risk control framework, supported by independent assessments:
  - Board and Audit Committee linkages;
  - Treasury, Credit, Operational and Asset & Liability;
- Progressing actions agreed with regulators;
- Centralised management and control of treasury operations underway.

- Strong performance in a difficult period;
- Consistent Group-wide focus on translating a distinctive customer proposition into superior profit growth:
  - Republic of Ireland - organising and growing capability (*complete Q1 03*) to deliver best in class products and services;
  - Northern Ireland - replicating RoI model, supported by investment in delivery channels;
  - Great Britain - scaling up proven successful model to double business banking capability within three years;

- Consistent Group-wide focus on translating a distinctive customer proposition into superior profit growth:
  - USA - revitalising and reshaping our involvement in regional banking to restore sustainable growth;
  - Continuing to invest in fast growing not-for-profit niche;
  - Capital Markets - using proven skills to build niche positions in carefully chosen markets and segments;
  - Poland - within 9 months of completing implementation of effective and efficient branch model, enabling transformation of the customer proposition.



**Gary Kennedy**

*Group Director,  
Finance & Enterprise Technology*



2001 figures have been restated to reflect FRS 17, UITF 33, and 2001 divisional structure

H1 2001	€m	H1 2002	Change %
1,805	Total operating income	1,971	9
1,075	Total operating expenses	1,145	7
<u>730</u>	Group operating profit before provisions	<u>826</u>	13
<u>65</u>	Total provisions	<u>132</u>	
665	Group operating profit on continuing activities	694	4
<u><u>670</u></u>	Group profit before tax	<u><u>703</u></u>	5



H1 2001	€m	H1 2002	Change %
284	AIB Bank Rep Ire	307	8
102	AIB Bank GB & NI	116	14
170	USA	128	-25
103	Capital Markets	117	14
26	Poland	31	18
(15)	Group	4	-
<u>670</u>	Group profit before tax	<u>703</u>	5

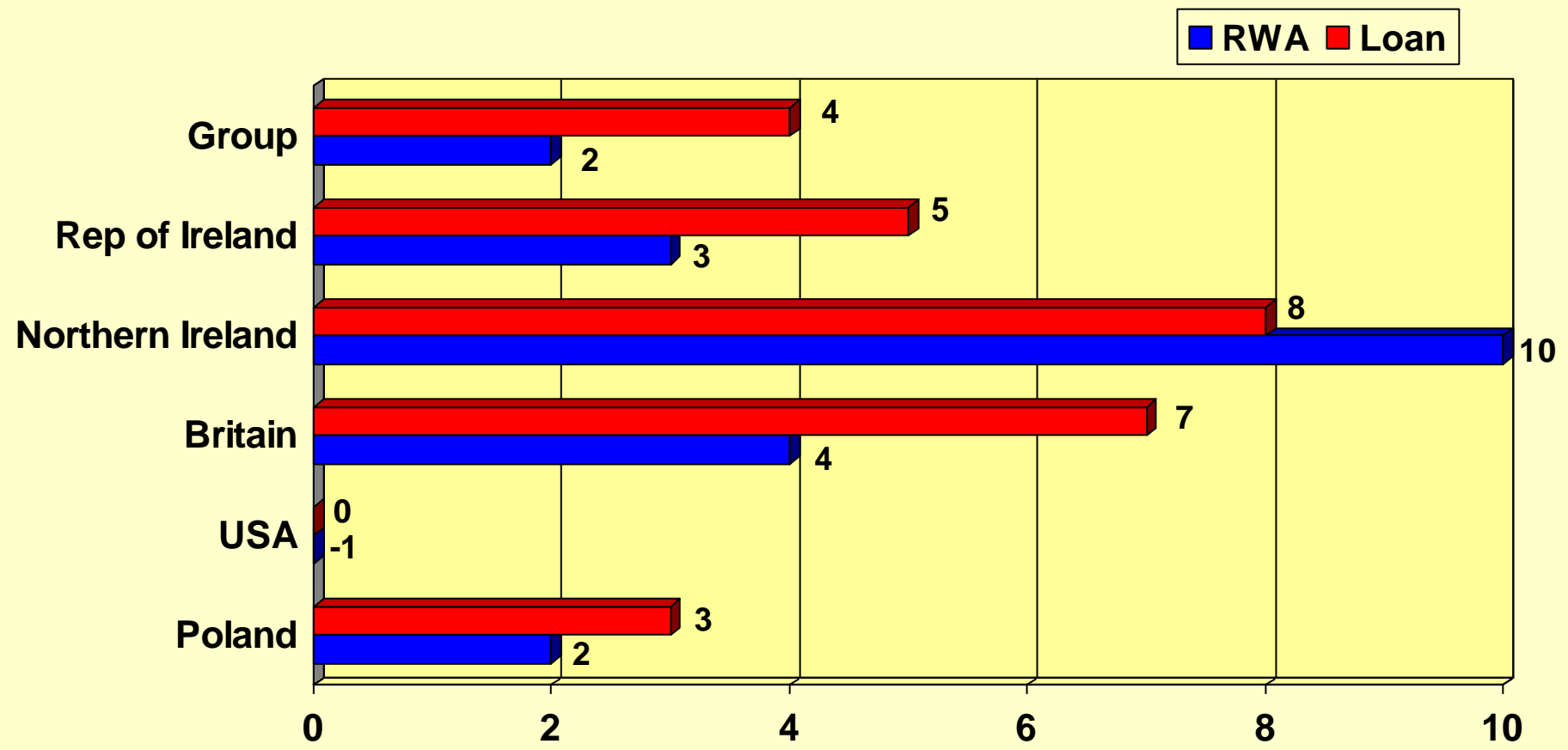
€m	H1 2001	H1 2002	Change %
Profit before taxation	170	128	-25
Specific corporate case		28	
Deferred compensation - <i>mutual funds</i>		15	
Auto residual values		10	
Underlying profit before tax	<u>170</u>	<u>181</u>	+6

H1 2001	€m	H1 2002	Underlying Change %*
1,052	Net interest income	1,197	15
33	Other finance income	29	-14
<u>720</u>	Other income	<u>745</u>	-1
<u><u>1,805</u></u>	Total operating income	<u><u>1,971</u></u>	8
41.7%	<i>Other income ratio</i>	39.2%	

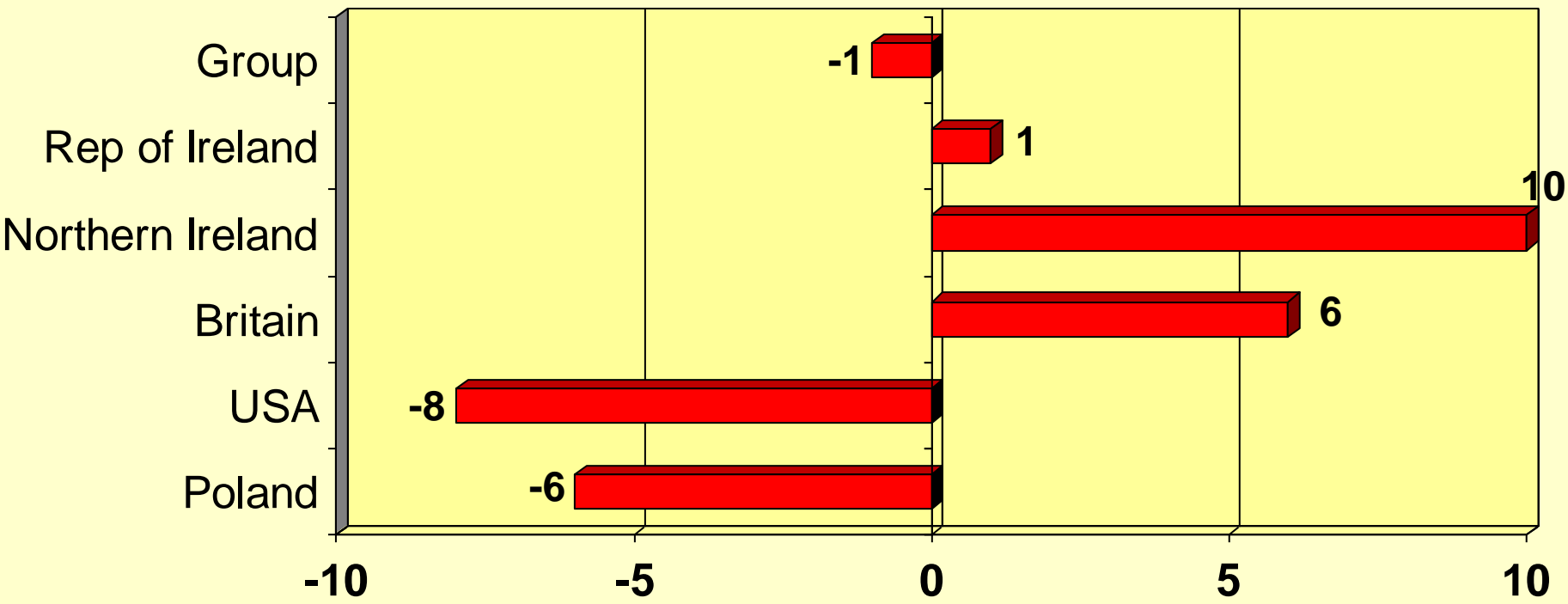
- Better margin outcome than anticipated
- Embedded value -€13m, discount rate adjustment +€16m;
- Poland other income up 31%;
- USA other income up 13%.

\* excludes the impact of currency movements and acquisitions

# Risk weighted asset & loan growth \*



\* excludes the impact of currency movements



- Ireland - growth traditionally higher in H2;
- USA - benefit at 31/12/01 from high level of short term corporate (seasonal) deposits; Allfirst average core deposits up 1% for half year;
- Poland - savings market impacted by introduction of deposit withholding tax and lower interest rates

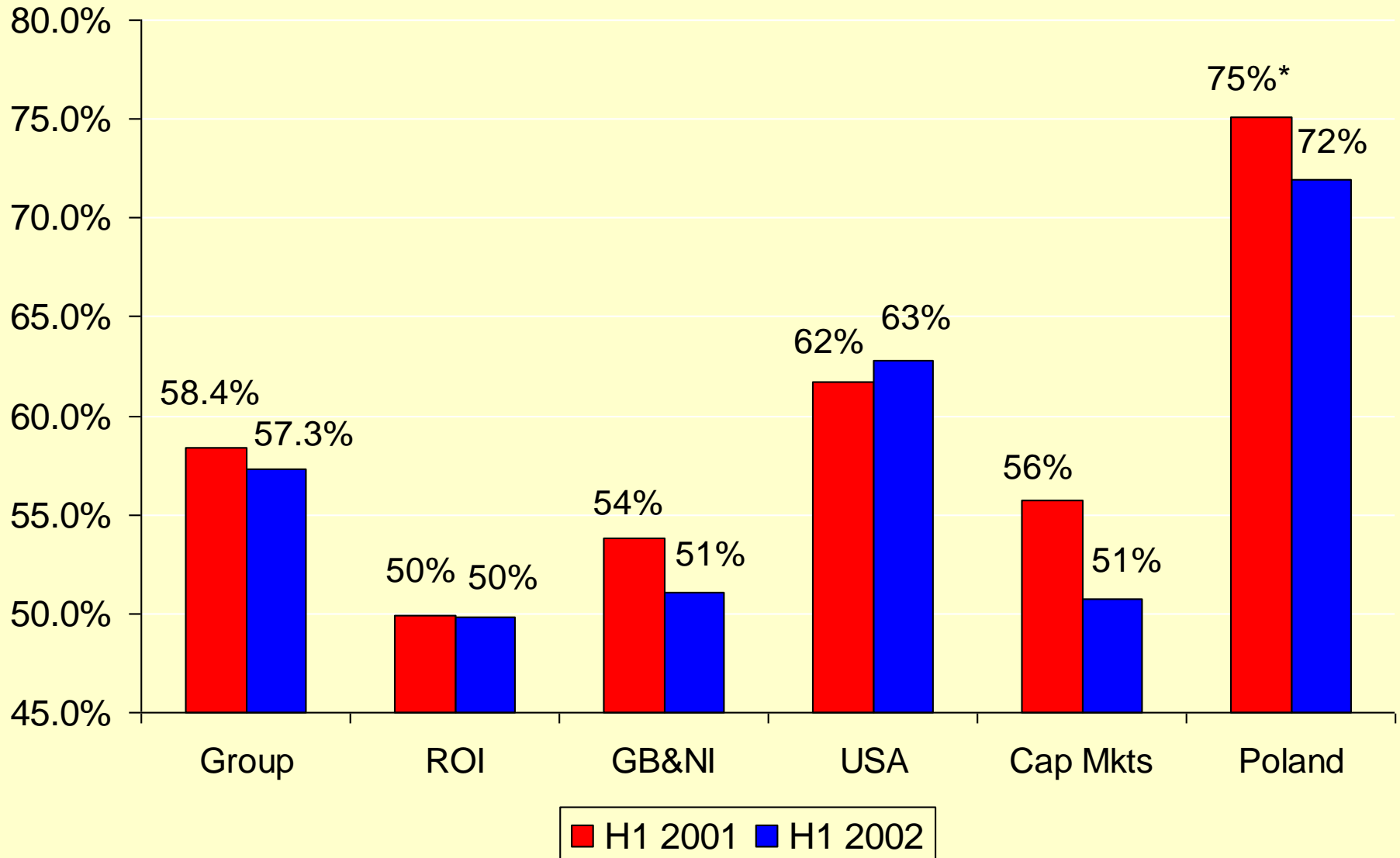
\* excludes the impact of currency movements

H1 2001	H2 2001	%	H1 2002	Change on H1 2001 bps
2.89	3.08	Group	3.06	17
2.57	2.62	Domestic	2.78	21
3.16	3.50	Foreign	3.33	17

- Margin down 4 bps excluding benefit of interest rate management activities in treasury.

H1 2001	€m	H1 2002	Underlying * Change %
643	Staff costs	694	6
333	Other costs	351	5
91	Depreciation & amortisation	100	8
<u>1,067</u>		<u>1,145</u>	
8	Integration costs	-	
<u><u>1,075</u></u>	Operating expenses	<u><u>1,145</u></u>	5
58.4%	<i>Tangible cost / income ratio</i>	57.3%	

\* excludes the impact of currency movements and acquisitions



\* excludes integration costs



	H1 2001	H1 2002
Bad and doubtful debts	67	96
Contingent liabilities & commitments	(3)	-
Investment provisions	1	36
<b>Total Provisions</b>	<u><u>65</u></u>	<u><u>132</u></u>

H1 2001	Average Loans %	€m	H1 2002	Average Loans %
22	0.26	AIB Bank Rep Ire	25	0.28
10	0.28	AIB Bank GB & NI	11	0.27
20	0.30	USA	50	0.75
10	0.26	Capital Markets	17	0.38
5	0.31*	Poland	21	1.24
		Group	<u>(28)</u>	-0.11
<u>67</u>	0.28	Total	<u>96</u>	0.37

\* includes the use of general provisions in 2001 created on acquisition

	H1 2001	H1 2002
	bps	bps
Bad and doubtful debts	28	37
Fair value adjustment	9	-
US specific case	-	11
<b>Gross provision rate</b>	<u>37</u>	<u>48</u>
Release from unallocated	-	(11)
<b>Underlying rate</b>	<u><u>37</u></u>	<u><u>37</u></u>

% %	H1 2001	H1 2002
NPLs / loans	2.0	2.0
Bad debts charge / average loans	0.28	0.37
Provisions / NPLs	99	91

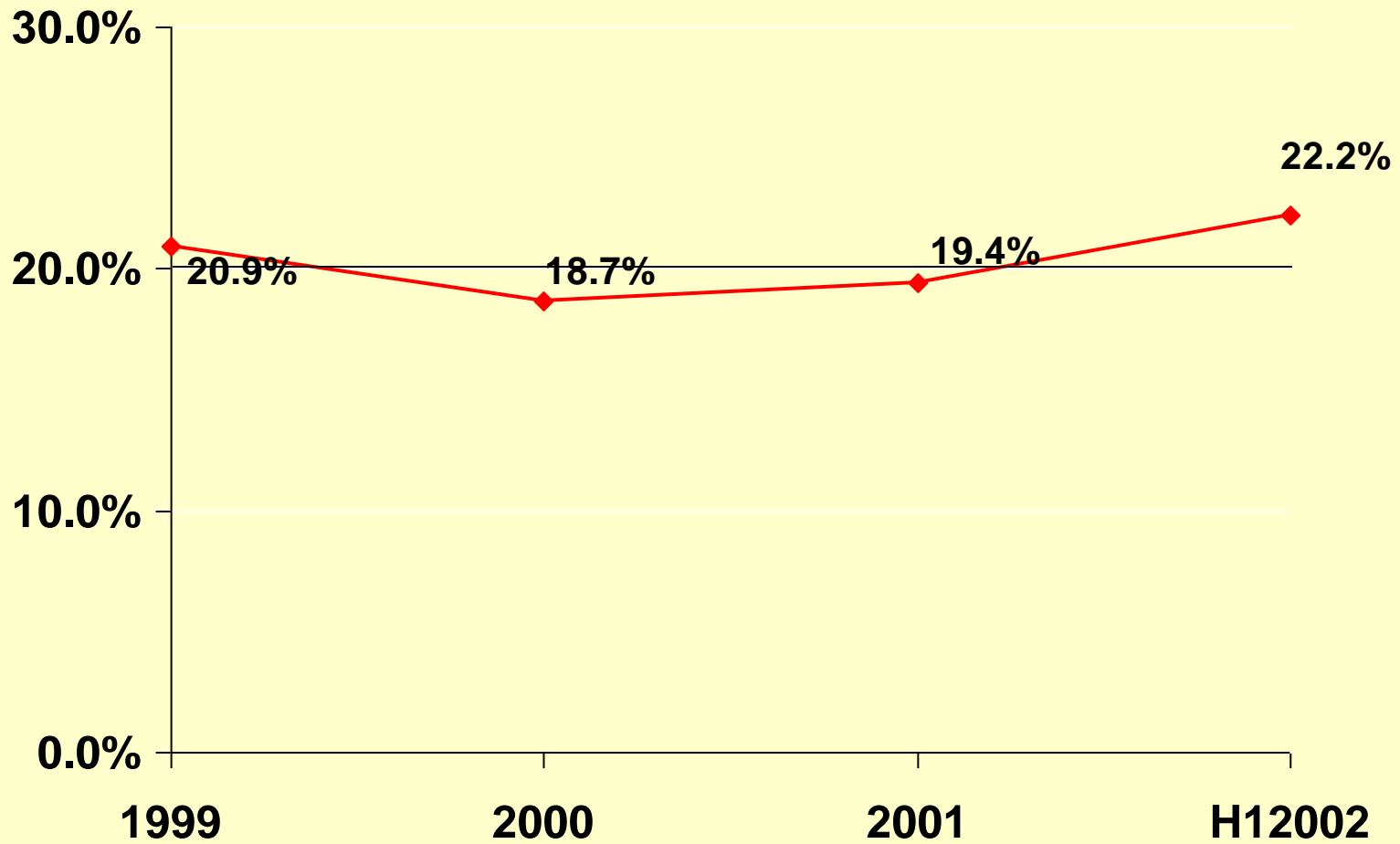
- NPLs / loans ratio at 1.0% (excl. Poland)
- Provisions / NPLs at 138% (excl. Poland)

31 Dec 2001	€m Assets:	30 June 2002	Underlying * change %
51,216	Loans to customers	50,458	4
54,557	Customer accounts	50,897	-1
88,837	Total assets	85,733	3

*\* excludes the impact of currency movements*

	Dec 2001	June 2002
Tier 1	6.5%	6.8%
Total	10.1%	10.3%

- Strong capital generation, €330m profits retained following 12% increase in dividend.



- Strong business momentum and resilient balance sheet;
- Income / cost gap to be maintained;
- Income growth to be sustained by an increasingly distinctive customer proposition;
- Active cost control;
- Prudently managing and maintaining asset quality;
- Well positioned to continue growth;
- 2002 adjusted EPS target - mid single-digit growth.



# AIB Bank Republic of Ireland profit statement

H1 2001	€m	H1 2002	Change %
406	Net interest income	449	11
21	Other finance income	18	-16
<u>181</u>	Other income	<u>193</u>	6
608	Total income	660	8
<u>304</u>	Operating costs	<u>330</u>	8
304	Operating profit before prov.	330	9
<u>22</u>	Provisions	<u>28</u>	29
282	Operating profit	302	7
<u>2</u>	Profit on disposal	<u>5</u>	-
<u><u>284</u></u>	Profit before tax	<u><u>307</u></u>	8



# AIB Bank GB & NI profit statement

H1 2001	€m	H1 2002	Change %
163	Net interest income	178	9
2	Other finance income	-1	-
78	Other income	83	6
<u>243</u>	Total income	<u>260</u>	7
131	Operating costs	133	2
112	Operating profit before prov.	127	13
10	Provisions	11	5
<u>102</u>	Profit before tax	<u>116</u>	14

H1 2001*	€m	H1 2002	Change %
287	Net interest income	294	3
1	Other finance income	-	-
<u>209</u>	Other income	<u>236</u>	13
497	Total income	530	7
<u>307</u>	Operating costs	<u>336</u>	9
190	Operating profit before prov.	194	2
20	Provisions	66	230
<u><u>170</u></u>	Profit before tax	<u><u>128</u></u>	-25

\* excludes Allfirst fraud

H1 2001	€m	H1 2002	Change %
55	Net interest income	154	185
4	Other finance income	3	-11
186	Other income	136	-27
<u>245</u>	Total income	<u>293</u>	20
136	Operating costs	149	9
<u>109</u>	Operating profit before prov.	<u>144</u>	34
8	Provisions	32	335
<u>101</u>	Operating profit	<u>112</u>	12
2	Income from associates	5	133
<u><u>103</u></u>	Profit before tax	<u><u>117</u></u>	14

H1 2001	€m	H1 2002	Change %
134	Net interest income	137	2
<u>73</u>	Other income	<u>95</u>	31
207	Total income	232	13
169	Operating costs	179	6
<u>8</u>	Integration costs	<u>-</u>	-
<u>177</u>	Total operating expenses	<u>179</u>	2
30	Operating profit before prov.	53	78
<u>5</u>	Provisions	<u>21</u>	342
25	Operating profit	32	27
<u>1</u>	Property disposal	<u>(1)</u>	
<u>26</u>	Profit before tax	<u>31</u>	18

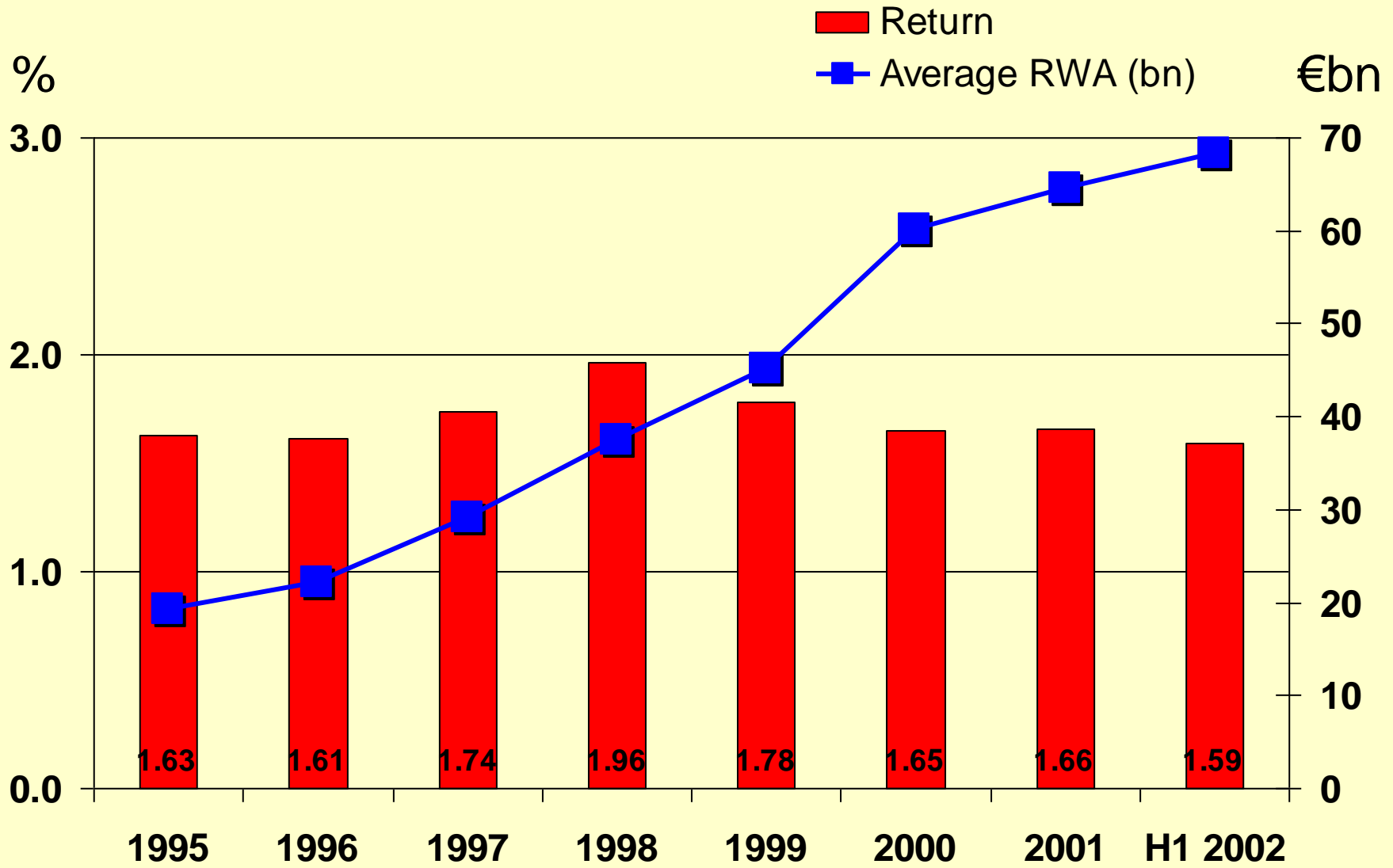
		H1 2002
	PLN	€m
BZWBK consolidated	183	50
BZ Goodwill amortisation		(12)
Other adjustments *		(7)
Poland division		<u>31</u>

*\* includes capital adjustment and alignment with Group accounting policies*

31 Dec 2001	€m		H2 2002	Underlying Change %*
15,987	AIB Bank	Rep Ire	17,374	9
7,542	AIB Bank	GB & NI	7,782	10
22,403	USA		19,639	-1
18,821	Capital Markets		17,395	-8
4,105	Poland		3,602	2
-	Group		18	
<u>68,858</u>			<u>65,810</u>	2

\* excludes the impact of currency movements

# Return on risk weighted assets





# Non-performing loans by division


As at December 31, 2001				As at June 30, 2002		
NPLs	NPLs/ Actual Advances	Total Provisions/ NPLs		NPLs	NPLs/ Actual Advances	Total Provisions/ NPLs
€m	%	%		€m	%	%
162	0.9	123	AIB Bank Rep Ire	179	0.9	111
107	1.3	119	AIB Bank GB & NI	91	1.1	131
87	0.6	222	USA - €m	127	1.0	160
77			- US\$m	126		
34	0.4	251	Capital Markets	66	0.8	146
643	18.4	55	Poland - €m	573	18.0	53
2,249			- Pln m	2,325		
<u>1,033</u>	2.0	97	Total	<u>1,036</u>	2.0	91

Growth %	2002 (f)	2003 (f)
Republic of Ireland	4.0	6.0
Northern Ireland	2.0	3.5
Great Britain	1.8	3.0
U.S.A.	2.7	3.5
Poland	1.5	3.0

*Source: AIB Group Chief Economist*



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