



AIB Group

Interim Results 2003

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EPS

Why it is a more appropriate measure than profit before tax

- M&T / Allfirst merger completed on 1st April 2003
- Consideration was 22.5% of M&T plus US\$886m cash
- Had cash not been part of consideration, AIB would own c.29% of M&T
- Cash used to buy back 55.8m shares, costing €750m approx.
 - less capital at work in U.S. generating operating profits
 - number of shares reduced following buyback
 - profits spread over smaller share base

Earnings per share therefore the most accurate measurement of relative performance

Reported adjusted earnings per share	58.5c*	↓5%
FRS 17, Govt levy, M&T restructuring	5.6c	
Excluding above items		↑4%

- EPS most accurate performance gauge because of cash element of M&T deal, share buybacks
- Currency translation impact of 4% on adjusted earnings per share
- After tax gain of €449m on Allfirst / M&T transaction not included in adjusted earnings

* before goodwill amortisation

- Solid volume growth - loans \uparrow 9%*, deposits \uparrow 4%*
- Good asset quality
- Strong growth in our Irish and British banking businesses
- Resilient performance in Capital Markets
- Share of M&T earnings plus buyback will be modestly earnings accretive in full year
 - integration on track

** excludes the impact of currency movements*

- Translation effect of stronger euro
- Weaker result in Poland
- ARK Life's non-recurring income from SSIAAs in early part of 2002

- Income expected to grow faster than costs for 2003
- Underlying income ↑ 6%, costs ↑ 7% in H1
 - Income growth constrained by non-recurring SSIA effect
 - Good cost discipline in operating divisions
 - Investing for risk and Basel II / MIS benefits
 - Additional costs relating to the U.S.
- Full year cost growth expected to be around 6%

- Non-performing loans ↓ to 1.7% (2.0% at end 2002)
 - NPLs / total advances reduced in all divisions
 - Criticised advances / total advances reduced in all divisions
- Annual provision charge expected not to exceed 40 bps
- Prudent provision cover
 - Total provisions / NPLs 84%
 - General provisions / advances 67bps
- Fixed asset investment write-offs €9m, (€20m in first half 2002)

- Active hedging policy and practice
- Significant euro appreciation
 - US dollar ↓ 18%
 - Sterling ↓ 9%
 - Polish zloty ↓ 14%
- Negative impact of depreciating currencies reduced EPS growth by 4%
- Expected full year currency effect - 4% dilution

- Dividend ↑ 10%
- 28% of Allfirst consideration in cash; repatriation to shareholders in low rate environment
 - €742m repaid through buybacks
 - Further buybacks to be considered as part of ongoing capital management activities
- Strong capital ratios; Tier 1 7.7%, total 10.5%

- Profit ↑ 6%
 - Banking business ↑ 16%, Ark Life ↓ 48%
- Income ↑ 7%, costs ↑ 5%, cost / income ratio ↓ to 50%
- Service and value driving increased market share and offsetting impact of margin erosion
 - Significantly higher profit growth where customer portfolio managers in place for greater than 1 year
 - Buoyant activity in central customer facing units, direct channels and post office outlets
 - Significant volume increases
 - home mortgages ↑ 14%
 - other lending ↑ 13%
 - Strong pipeline in both business and personal markets

- Ending of SSIA campaign had a dramatic effect
 - Excluding SSIA income, operating profit unchanged
- Persistent low level of customer demand for investment products
- Strong growth in protection products
- Market repositioning well advanced
 - AIB / Ark Life distribution now integrated
 - Open product architecture in place Q3
 - Pension market position being reviewed

- Profit ↑ 18% *
- Income ↑ 10%*, costs ↑ 8%*,
 - cost / income ratio ↓ to 50%
- Strong volume growth,
 - loans ↑ 10%*, deposits ↑ 11%*
- Business pipeline underpins positive outlook

** in sterling terms*

Great Britain

- Ongoing investment in business development capability, people and channels
 - 5 new offices opened, 40 new business development managers appointed
- Increasing recognition as bank of choice in selected segments, e.g., professional, not for profit, owner / managed businesses

Northern Ireland

- Increasing market share in key product areas
 - mortgages, savings, business and personal lending

- Transition period - Allfirst / M&T
 - 2003 / 2002 relative profit not comparable
- Successful merger integration
- Confident of rewarding partnership
- M&T Q2 results:
 - Net operating income ↑ 38%
 - Good progress on cost benefits, confident of \$100m annual cost reduction
 - Full year earnings expected to be in line with analysts' forecasts

- Profit ↑ 4%*
 - Underlying cost/income ratio stable
 - Good cost management
- Continuing profit growth in Corporate Banking
 - Growing international presence
 - Strong growth in fee income
- Solid treasury performance, low risk utilisation
- Lower investment banking / asset management revenues
- Profit from relevant Polish activities now included

** in base currency terms*

- Profit ↓ 32%*
- Underlying profit ↓ 19%**
- Interest rate dichotomy
- Loan volumes unchanged
- Improving asset quality, provisions rate ↓ to 1.0%
- Non-interest income ↑ 7%
- Further 8% reduction in cost base to be made

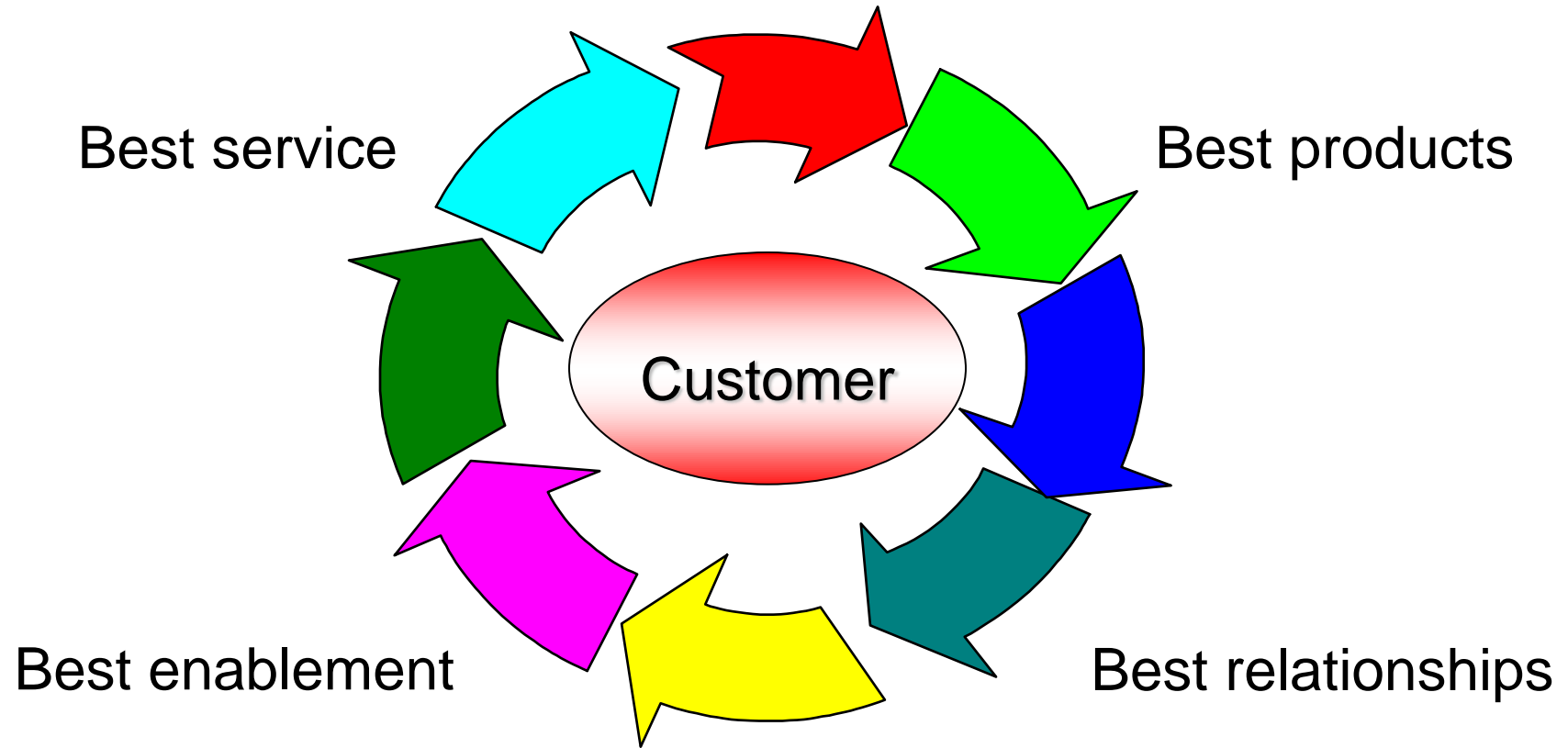
** in zloty terms and excluding goodwill*

*** in zloty terms and excluding goodwill and other group adjustments*



AIB positioned in geographies that will outperform

%	2003	2004
USA	2.2	3.5
UK	1.8	2.6
Ireland	2.2	4.0
Poland	3.0	4.0
Eurozone	0.6	2.0
OECD	1.8	3.0



H1 2002	€m	H1 2003	Underlying change %*
917	Net interest income	919	5
29	Other finance income	7	-
<u>549</u>	Other income	<u>562</u>	7
<u><u>1,495</u></u>	Total operating income	<u><u>1,488</u></u>	6
38.6%	<i>Other income ratio</i>	38.2%	

- 10% increase in banking fees and commissions driven by strong loan growth and higher volumes of business
- Ark Life contribution down 48% on impact of SSIA's in H12002

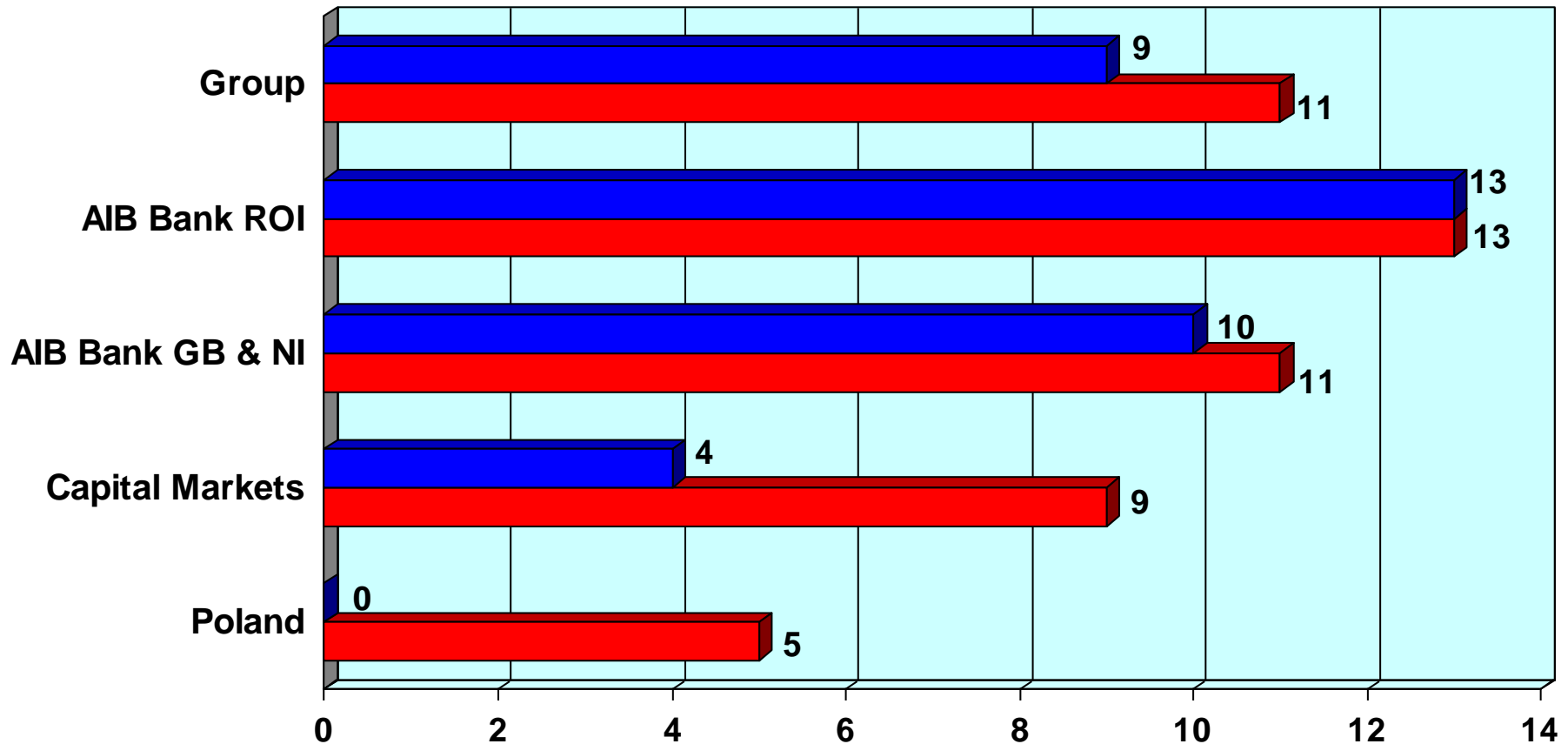
* excludes the impact of currency movements and reduction in other finance income (FRS 17)



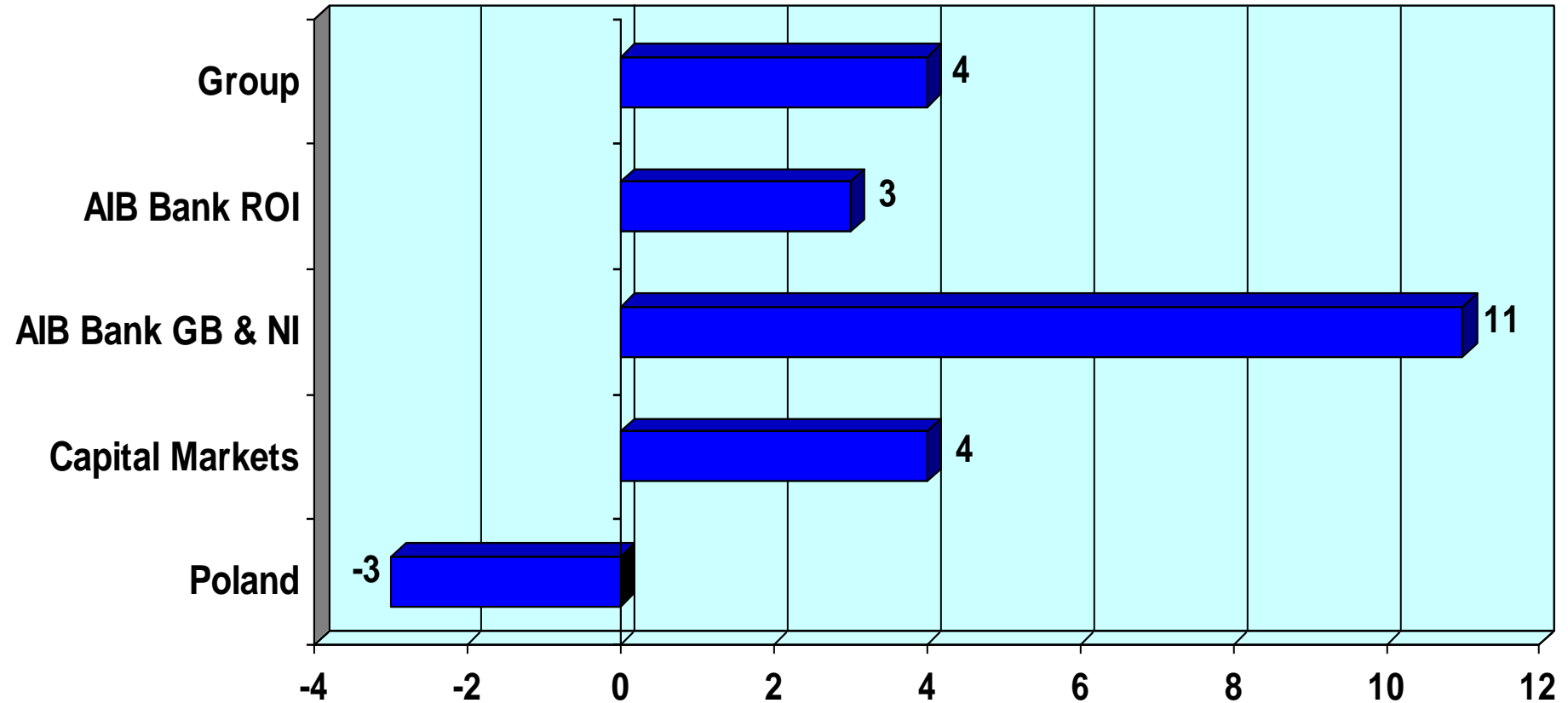
Risk weighted asset & loan growth *

(continuing activities)

■ RWA growth v. Dec 2002 ■ Loan growth v. Dec 2002



* excludes the impact of currency movements



- AIB Bank GB&NI average deposits up 6% from December 2002

* excludes the impact of currency movements

	H1 2002	H1 2003	Change on H1 2002 bps
Group	2.97	2.80	-17
Domestic	2.78	2.74	-4
Foreign	3.26	2.90	-36

Margin reduction factors:

- Changes in product mix, loans growing faster than deposits, impact of lower interest rates in Ireland and Poland

Further rate cuts will impact liabilities' margin and have a negative endowment effect on reinvestment of maturing capital & deposit funds

H1 2002	€m	H1 2003	Underlying * change %
518	Staff costs	533	8
259	Other costs	250	4
78	Depr. & amort.	88	19
<u>855</u>	Operating expenses	<u>871</u>	7**
56.2%	<i>Tangible cost / income ratio</i>	57.6%	

- Stable cost income ratio in operating divisions
- Increased investment in systems and processes, additional costs relating to the U.S.
- Underlying cost growth for year expected to be 6%

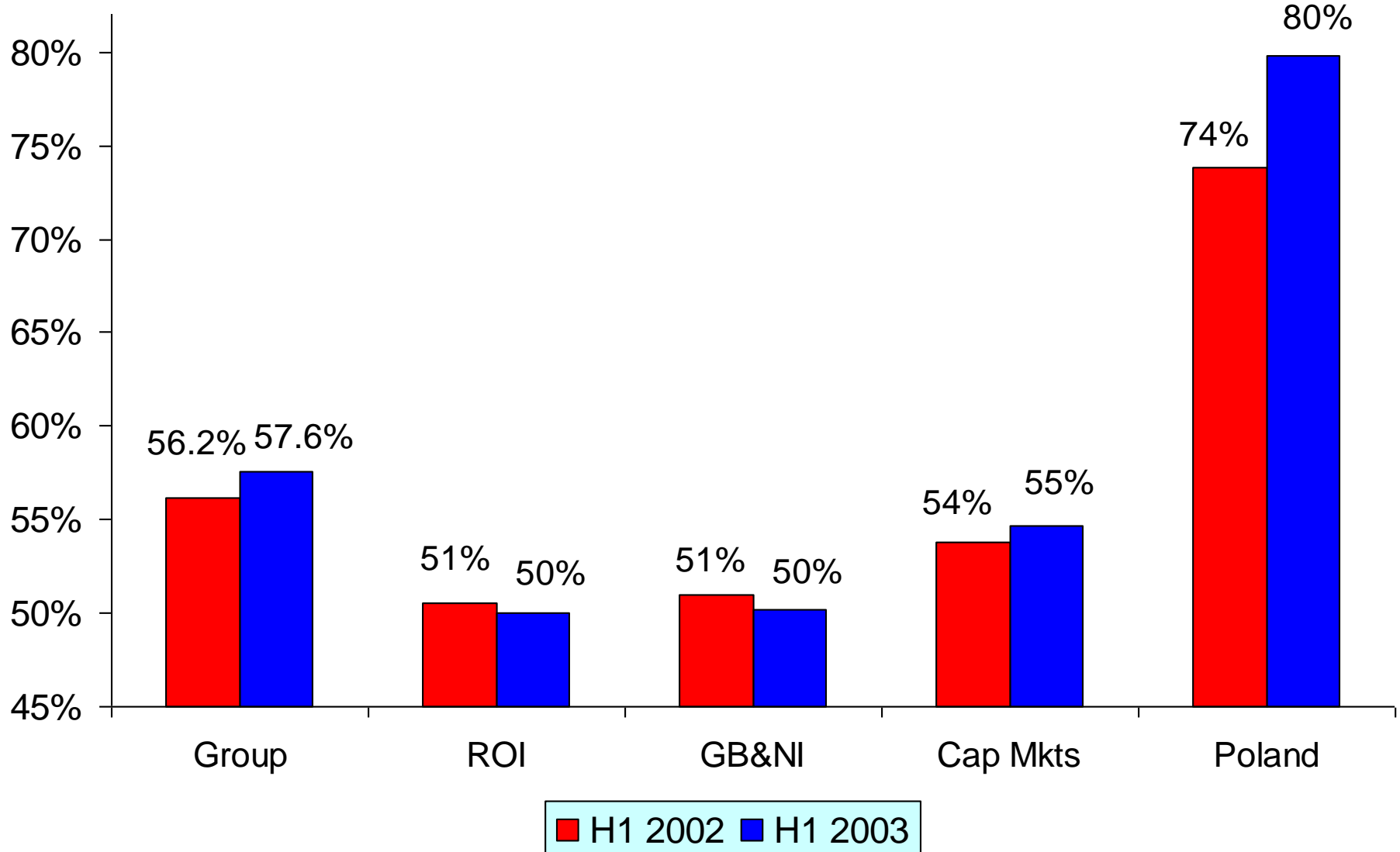
* excludes the impact of currency movements

** also excludes AIA restructuring costs and transfer of Ark Life sales force to AIB's payroll



Tangible cost / income ratios*

(continuing activities)



* excludes goodwill

€m	H1 2002	H1 2003
Bad and doubtful debts	48 [*]	66
Contingent liabilities & commitments	-	7
Investment provisions	20	9
Total Provisions	<u>68</u>	<u>82</u>

*€76 million before release of unallocated provision

H1 2002

H1 2003

	bps	bps
Bad and doubtful debts	24	29
Release from unallocated	14	-
Gross provision rate	<u>38</u>	<u>29</u>
Off balance sheet	-	4
Underlying rate	<u><u>38</u></u>	<u><u>33</u></u>

H1 2002	Average Loans %	€m	H1 2003	Average Loans %
25	0.28	AIB Bank ROI	28	0.25
11	0.27	AIB Bank GB & NI	6	0.13
19	0.38	Capital Markets	16	0.33
21	1.24	Poland	16	1.00
(28)	-0.14	Group	-	-
<u>48</u>	0.24	Total	<u>66</u>	0.29

	Jun 2003		Underlying
	PLN	€m	change %
BZWBK consolidated Irish GAAP	132	31	-19
BZ Goodwill amortisation		(12)	
Other Group adjustments*		(11)	
Poland division		<u>8</u>	

* includes central costs and other adjustments in line with AIB segmental reporting

€m	H1 2002	H1 2003
Allfirst	117	54
22.5% share of M&T	-	42
Operating profit	<u>117</u>	<u>96</u>

- Cash element of consideration used for buyback
- Combined EPS impact modestly accretive in 2003

* excludes restructuring costs and goodwill amortisation

31 Dec 2002	€m Assets:	30 June 2003	Underlying * change %
44,342	Loans to customers	46,753	9
38,567	Customer accounts	39,005	4
70,470	Total assets	76,103	12

* excludes the impact of currency movements

		Dec
Tier 1	6.9%	7.7%
Total	10.1%	10.5%

Jun 2002

Tangible return on equity*	25%	25%
Reported return on equity**	22.2%	18.7%

* excludes the impact of goodwill

** not comparable year on year due to Allfirst / M&T transaction

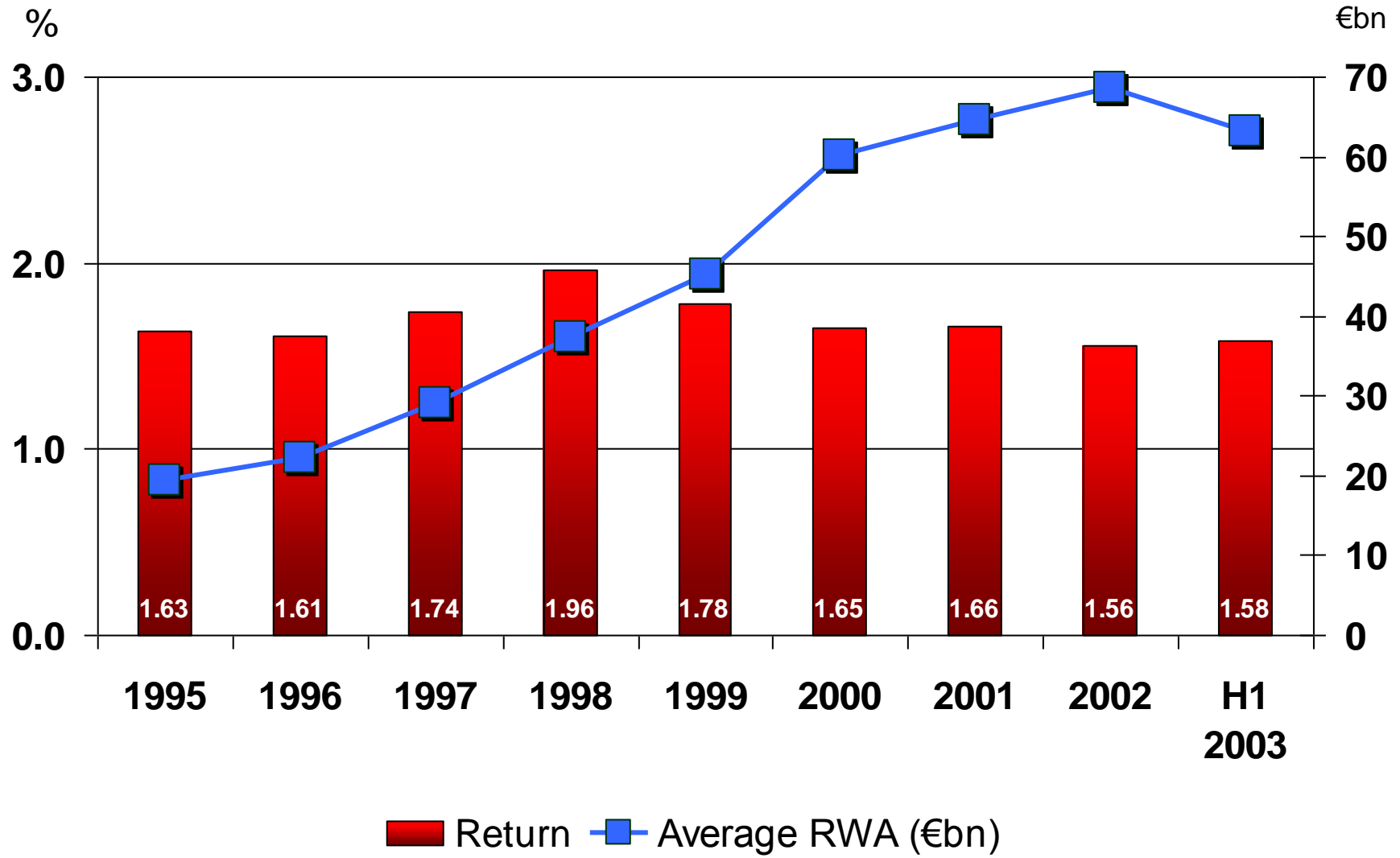
- Customer demand fuelling volume growth and business momentum; countering lower margin environment
- Good operating cost control while continuing to invest for growth
- Resilient asset quality
- Active capital management, strong capital ratios
- M&T / Allfirst integration points to successful long term partnership
- Transition year and non operating items prompt unchanged guidance
 - Low single digit underlying adjusted EPS growth



Additional Information

31 Dec 2002	€m	H1 2003	Underlying Change %*
18,820	AIB Bank Rep Ire	21,248	13
8,666	AIB Bank GB & NI	9,059	11
22,720	Capital Markets	23,692	9
3,663	Poland	3,555	5
54,126	Total RWA	58,115	11

* excludes the impact of currency movements





Non-performing loans by Division

(continuing activities)

As at December 31, 2002				As at June 30, 2003		
NPLs	NPLs/ Actual Advances	Total Provisions/ NPLs		NPLs	NPLs/ Actual Advances	Total Provisions/ NPLs
€m	%	%		€m	%	%
194	0.9	108	AIB Bank ROI	202	0.8	110
88	1.0	138	AIB Bank GB & NI	78	0.8	149
115	1.1	110	Capital Markets	96	1.0	122
486	14.8	50	Poland	424	13.9	49
1,954			- €m - Pln m	1,898		
<u>884</u>	2.0	80	Total	<u>800</u>	1.7	84

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