Half-Yearly Financial Report 2008

AIB

For the half-year ended 30 June 2008, Allied Irish Banks, p.l.c.

Forward looking statements

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.

visit www.aibgroup.com/investorrelations

Eugene Sheehy

Group Chief Executive

Presentation outline

H1 2008 overview including key financial trends and business unit review

Outlook in a challenging environment

H1 2008 - features

- Performance driven by high quality, diverse franchises operating in a difficult environment

- Resilience in key areas of market focus
  - Strong operating performance; actively managing costs as income growth slows
  - Vigilant management of deteriorating asset quality
  - Solid capital and funding positions though funding costs are high in dislocated markets

Financial highlights

Basic earnings per share	114.0 c	
- basic adjusted *	104.9 c	↓ 4 % **
Positive income / cost gap		5%
Cost / income ratio		↓ 2%
Impaired loans		1.1%
Dividend		↑ 10%
Return on equity		21.9%
Tier 1 capital ratio		7.7%

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

*** Relative to June 2007 base figure of 108.8c*

Diverse business mix

- Strong pre-provision operating performance; more difficult credit environment

	Pre-provision operating profit			Operating Profit		
AIB Bank RoI	€591m	↑	3%	€502m	↓	5%
Capital Markets	€313m	↑	4%	€295m	↓	7%
AIB Bank UK	£169m	↑	10%	£150m	-	
Poland	Pln 635m	↑	11%	Pln 615m	↑	3%
M&T *	US$ 704m	↑	10%	US$ 544m	↓	7%

* *100% M&T, AIB owns 24.2% @ Jun '08*

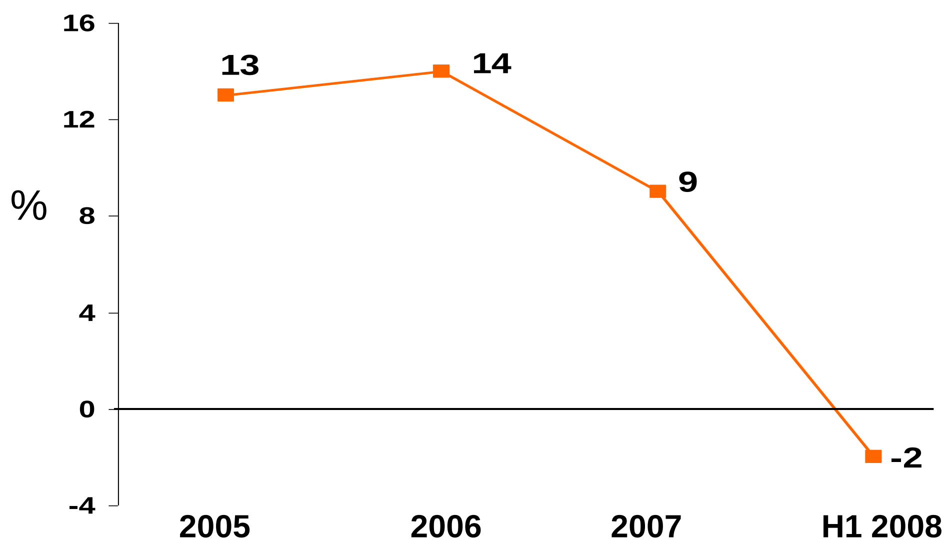
Income ↑ 3%

- Loans ↑ 6%; deposits ↑ 9% (6 months to June 2008)
  - Lower customer demand for loan products & services
  - Growth fully funded by customer deposits
- Net interest margin 2.21%, ↑ 1 bp
  - Exceptional growth in Global Treasury interest income
  - Increased funding costs are persisting
- Continued market dislocation has affected trading income, asset valuations and asset management activities

Costs ↓ 2%

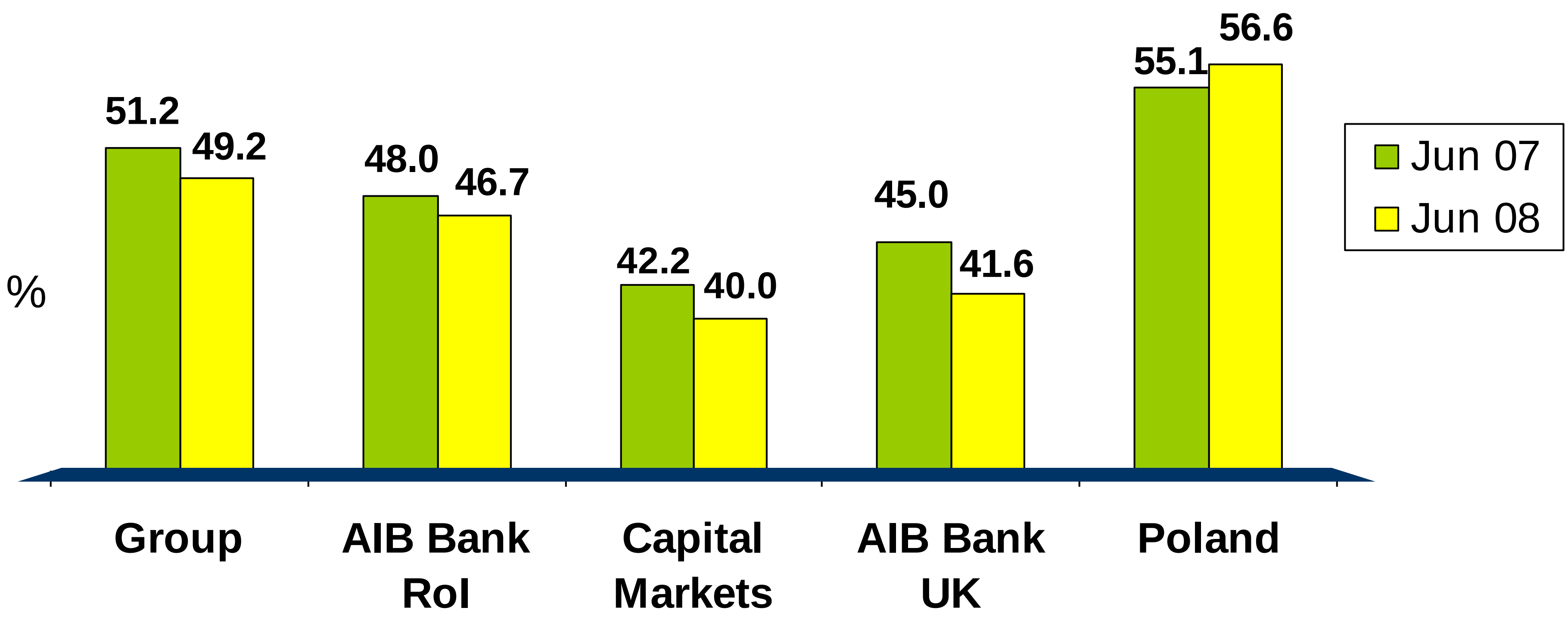
€m	Jun 2008	Underlying yoy change %
Staff costs	761	(4)
Other costs	369	1
Depreciation & amortìsation	74	4
Operating expenses	1,204	(2)

Moderating trend



- Transformation of operations including new core banking and common operating systems
  - People redeployment to more productive roles
  - More efficient product and service delivery channels
  - Streamlined back office operations
  - Material reduction in error & re-work rate
- Continuing to invest for growth in Poland
  - Costs ↓ 6% excluding Poland
- Full year 2008 guidance: flat

Cost / income ratio

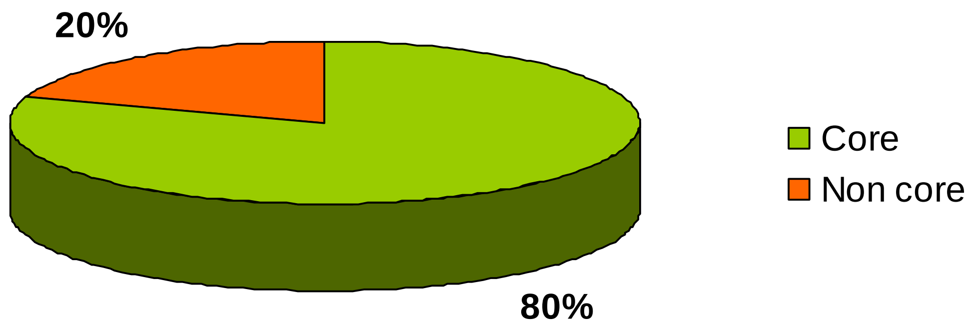


Asset quality – deteriorating trends

Dec 2007	%	June 2008
0.8	Impaired loans (ILs)	1.1
5.3	Criticised loans / total loans	7.6
0.45	Gross new ILs	0.93
71	Total provisions / ILs	57
9	Bad debt charge bps	21

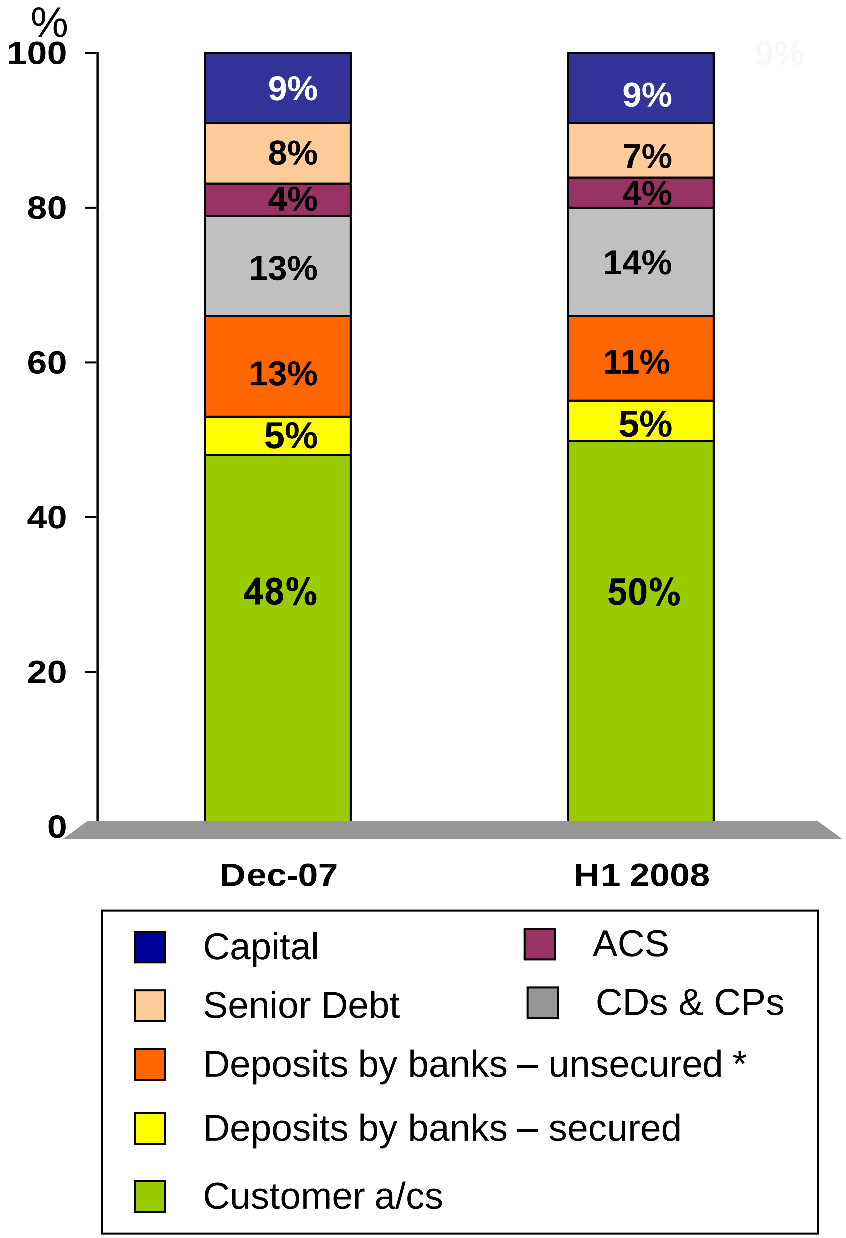
Solid capital position

- Tier 1 capital ratio 7.7%
- Core Tier 1 ratio 6.2%



- Total capital ratio 10.6%
- No requirement for recourse to shareholders
- Continuing progressive dividend policy

Strong and diverse funding sources



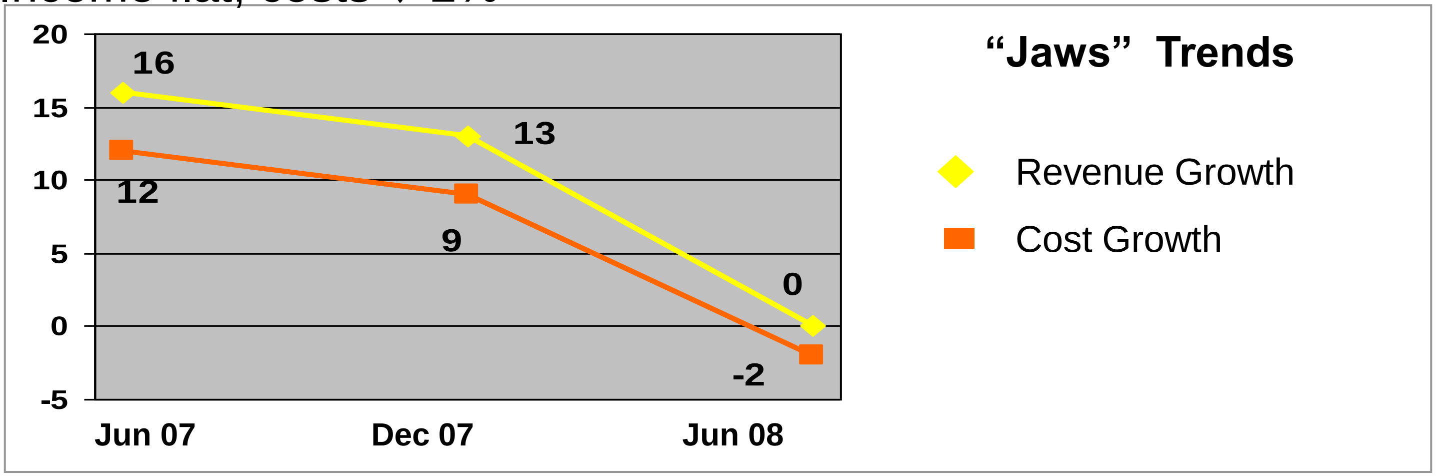
- **Steady improvement in key funding measurements**
  - 91% of customer loans funded by customer deposits & funding maturing beyond Dec '08
- **Incremental loan growth fully funded by €5.7bn increase in customer deposits**
  - Improved loan / deposit ratio 153% (157% Dec '07)
- **Diversified debt programmes; multiple geographies, investor types & tenors**
- **Very robust liquidity position**
  - €37bn in qualifying liquid assets/contingent funding; significant surplus over regulatory requirement
  - Ongoing successful refinancing of term funding maturities for 2008; €4bn completed in H1

* *Deposits by banks unsecured when netted against "loans to banks" is 8% in 2007 and 6% in H1 2008*

Maintaining a realistic assessment of economic conditions

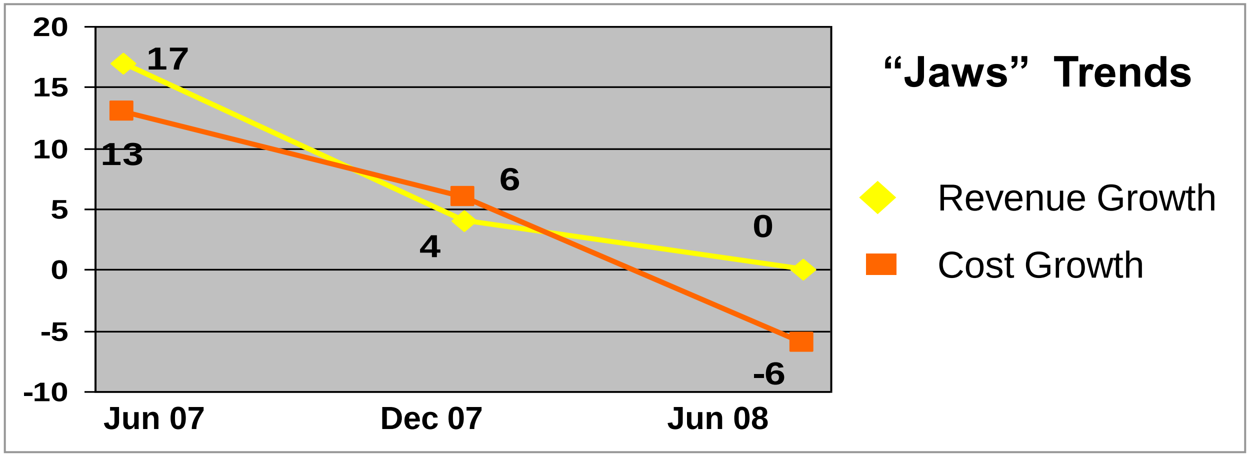
- No economic growth expected in Ireland in 2008; UK and USA expected to grow by c. 1%
- Poland a strong outperformer; 2008 growth forecast c.5%
- Ireland
  - Return to “trend” growth likely to be delayed until 2010
  - Low level of housing activity is continuing
  - Public finances enable essential investment programme
  - Long term growth and stability remains intact

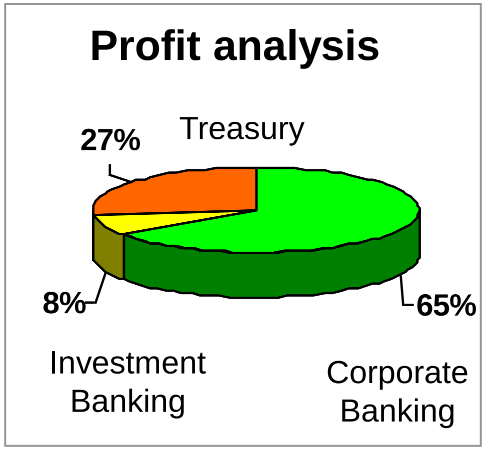
- Lower volume growth reflects economic downturn
  - Loans ↑ 4%, deposits flat
  - Maintaining market shares
  - Broadly stable product margins
- Strong focus on productivity
  - Income flat, costs ↓ 2%



- Intensive management of asset quality
  - Impaired loans 1% (0.7% Dec '07)
  - Control framework and actions in place to mitigate bad debts as credit trends deteriorate

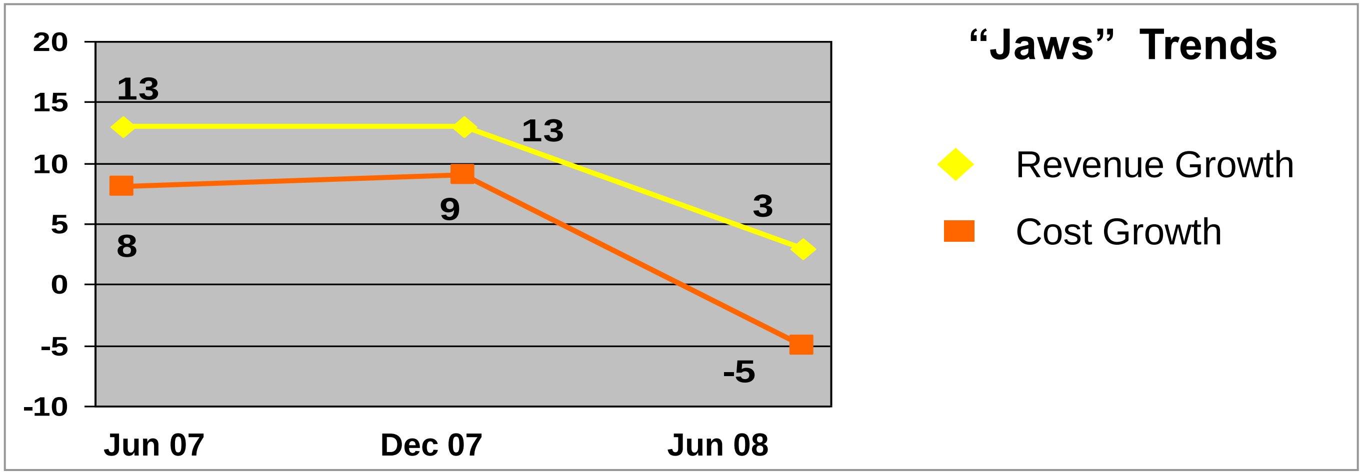
- €34m income write downs absorbed in dislocated markets
- Corporate Banking ↓ 13%
  - Pre-provision operating profit ↑ 4%; increased provisions following exceptionally benign 2007
  - Loans ↑ 8%; lower customer demand, improving margins
- Deposits ↑ 25%; well spread domestic & international growth
- Global Treasury ↑ 31%
  - Strong customer activity, well positioned in interest rate markets, difficult trading conditions
- Low activity levels in Investment Banking ↓ 49%
- Strong focus on productivity
  - Income flat, costs ↓ 6%





- Solid asset quality underpinned by focus on carefully chosen markets and niches; impaired loans 0.5% (0.3% Dec '07)

- High quality performance underpinned by a clear focus
  - Mid corporate sectors and niches in Great Britain; profit ↑3%
  - Improving efficiency in Northern Ireland franchise; profit ↓2%
- Productivity continuing to improve
  - Income ↑ 3%, costs ↓ 5%

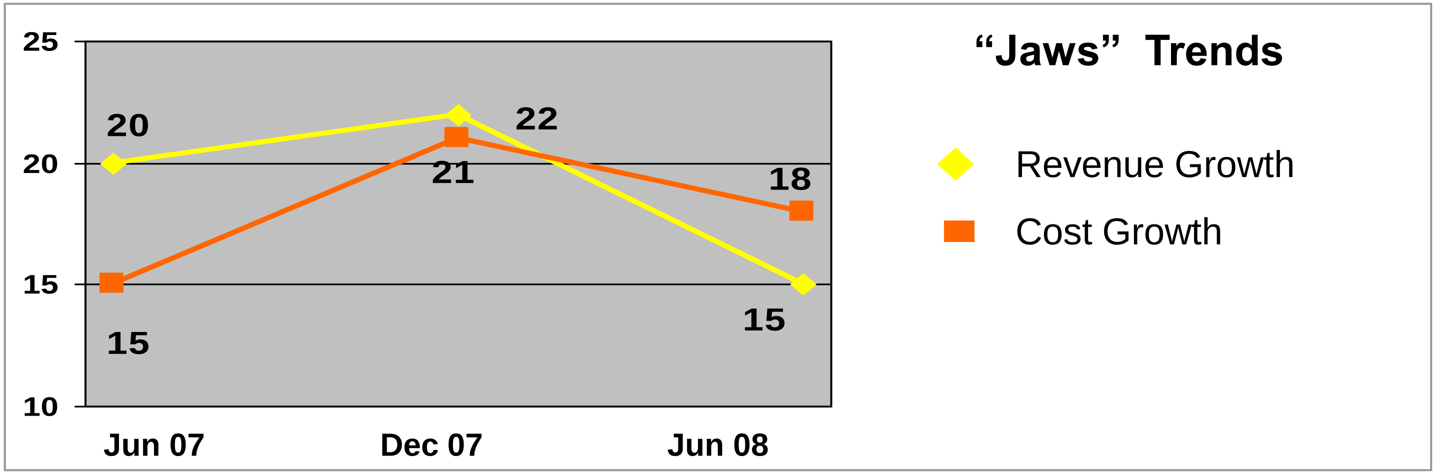


	Loans	Deposits
Great Britain	↑ 8%	↑ 13%
Northern Ireland	↑ 1%	↑ 4%

- Solid asset quality; impaired loans 1.4% (1.1% Dec '07)
  - Minimal direct exposure to GB consumer market
  - Northern Ireland private sector income underpinned by high level of state employment

Poland

- Buoyant volume growth driven by customer demand
  - Loans ↑ 20%, deposits ↑ 15%
- Market conditions adversely affecting asset management and brokerage income
- Banking fees, commissions and dividend income all buoyant
- Substantial investment continues
  - People, branches, corporate centres
  - Enhanced wealth management proposition – Private Banking Teams; Aviva JV
  - Income ↑ 15%, costs ↑18%



- Asset quality remains strong
  - Impaired loans 2.4% (2.8% Dec 2007)

- Contribution ↓ 11%
- Satisfactory performance in a highly challenging environment
  - Net income $362m ($390m H1 2007) ↓ 7%
  - 3rd best performer amongst top 21 US banks*
- Average loans / leases ↑ 12%, deposits ↑ 6%
  - Net interest margin stable (Q2 v Q1 2008)
- Efficiency ratio 52.4% (50.2% Q2 2007)
- Increase in non-performing loans and credit costs
  - 4th lowest net charge off ratio amongst top 21 US banks*
  - Principally driven by weak housing market
  - Prudent and vigilant management; allowance for credit losses 1.58%
- High rate of internal capital generation

* *excludes trust banks*

Resilient business model founded on customer revenues

Diverse premium positions in chosen markets / niches

Proactive, disciplined cost management

Common, consistent and effective operating systems / platforms

Intense focus on risk management

Strong capital and funding positions

John O'Donnell

Group Finance Director

Performance snapshot

Jun 2007	€m	Jun 2008	ccy change %
2,417	Total operating income	2,445	3
1,237	Total operating expenses	1,204	-2
1,180	Group operating profit before provisions	1,241	8
30	Total provisions	138	346
1,150	Group operating profit	1,103	-1
1,318	Group profit before tax	1,279	-1 *
114.7c	EPS – basic	114.0c	-1
108.8c	EPS – basic adjusted *	104.9c	-4

** excluding profit on disposal/development of properties, businesses and hedge volatility*

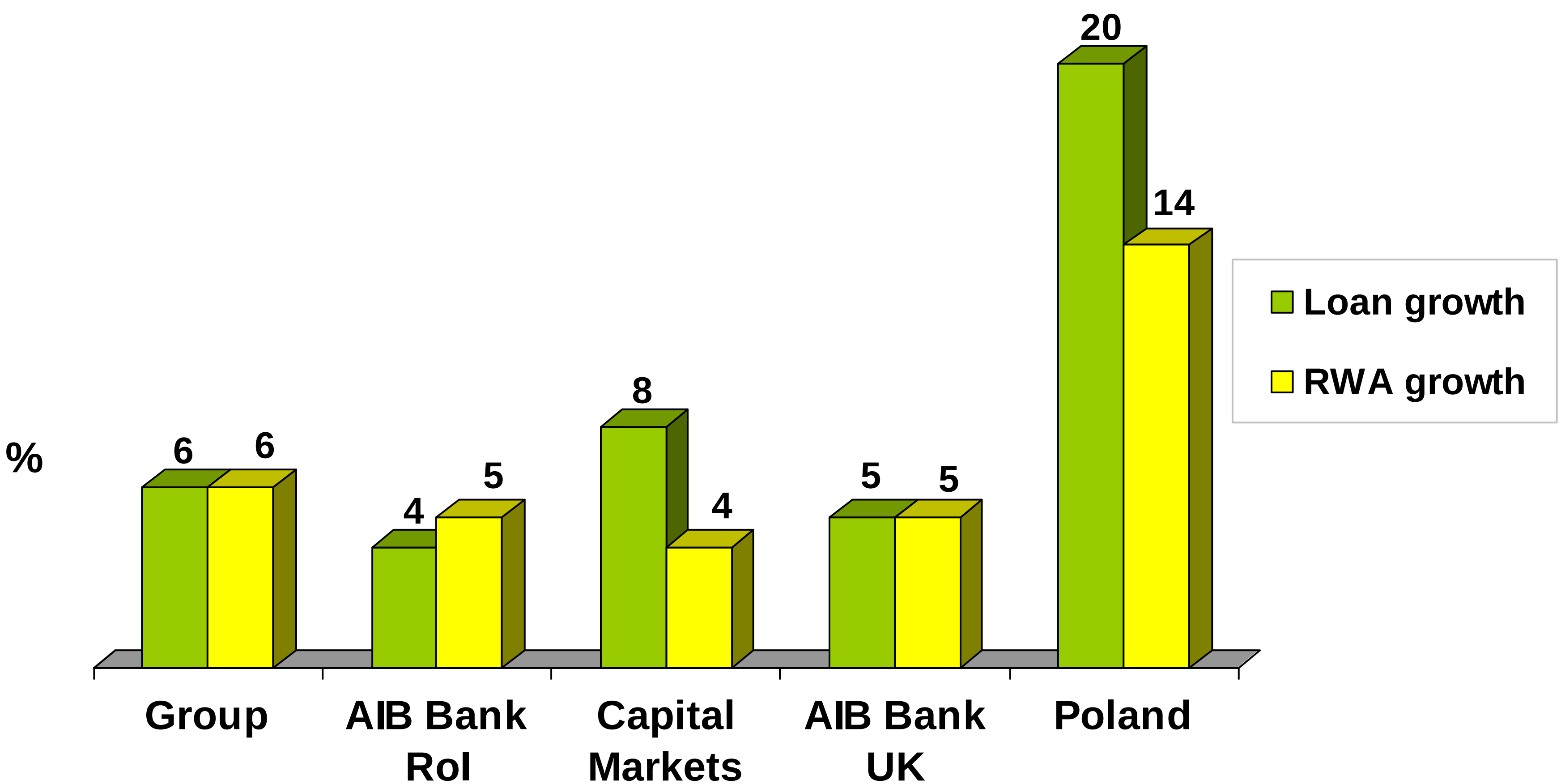
- Effective tax rate 15.2%

Adjusted basic EPS

		% vs June 2007
Basic earnings per share	114.0c	-1
Profit on disposal/development of property	(0.6c)	
Profit on disposal of business	(12.0c)	
Hedge volatility	3.5c	
Adjusted basic EPS	104.9c	-4

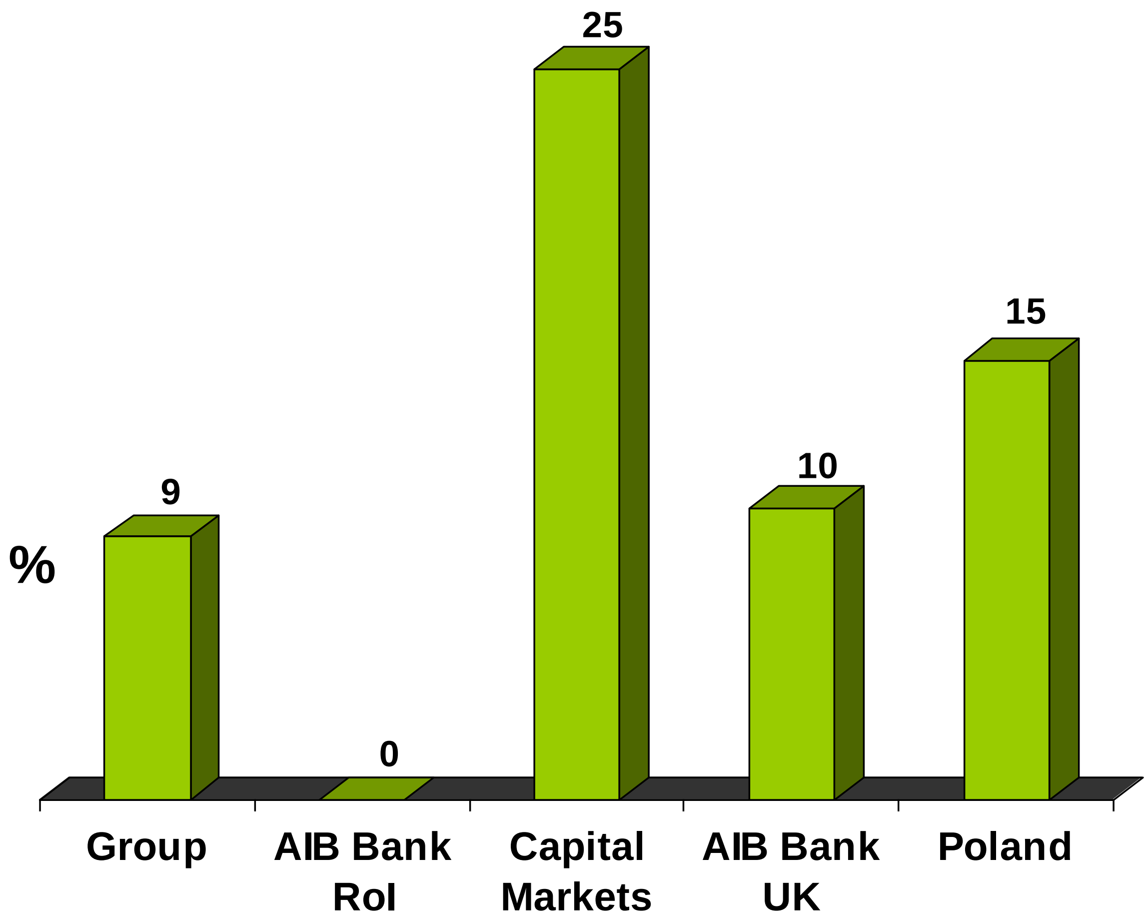
Loan and risk weighted asset growth

6 months to June 2008



- Targeting loan growth of c.10% in 2008

6 months to June 2008



- Targeting low teens % growth in 2008

Net Interest Margin

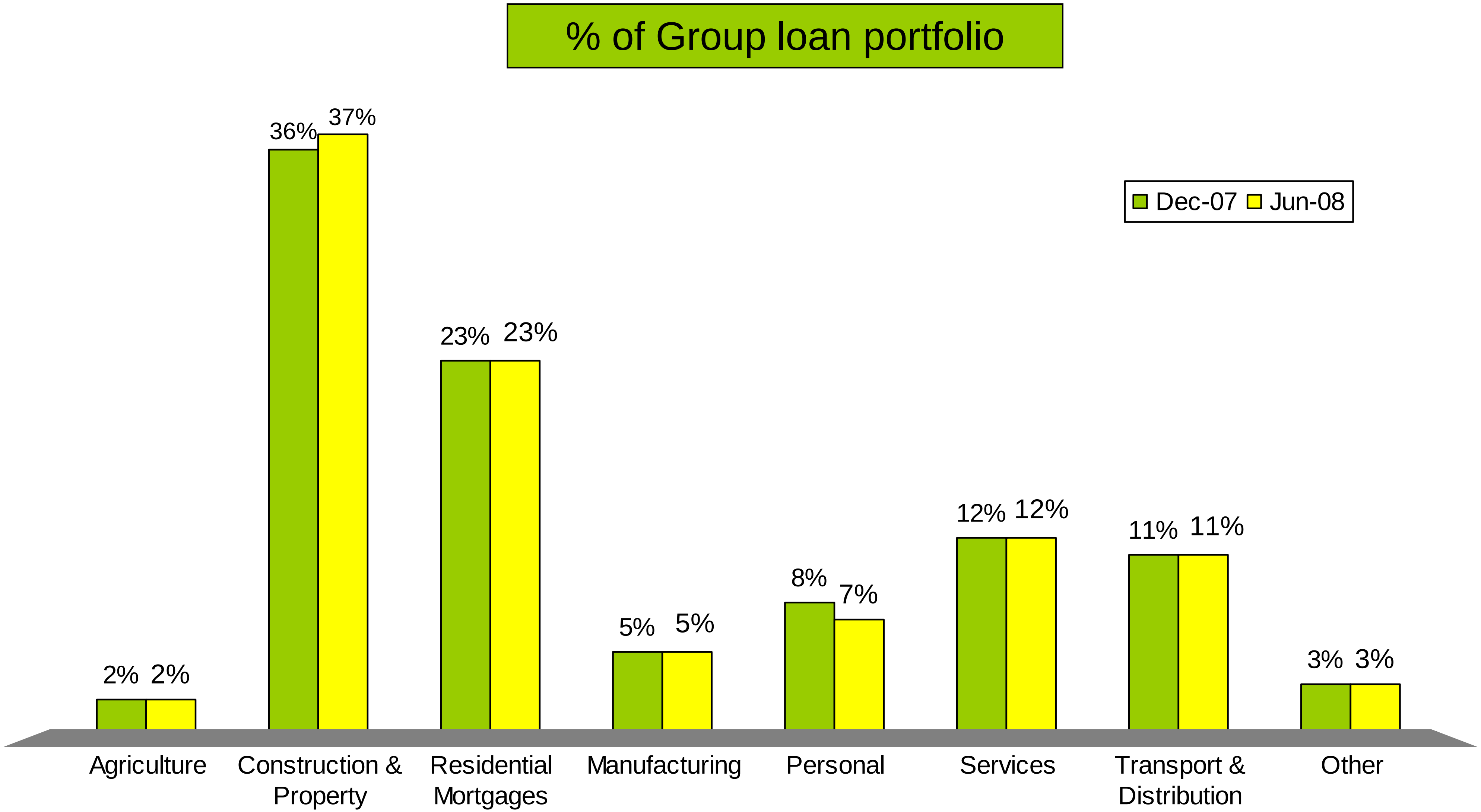
Jun 2007	Jun 2008	change
2.20%	2.21%	+1 bp

- Key factors — Est.
  - Loans growing faster than deposits — -4 bps
  - Increased cost of wholesale funding — -8 bps
  - Treasury funding — 12 bps
  - Re-investment of customer account funds; neutral effect — 1 bp
- Full year 2008 guidance: (5-10) bps *

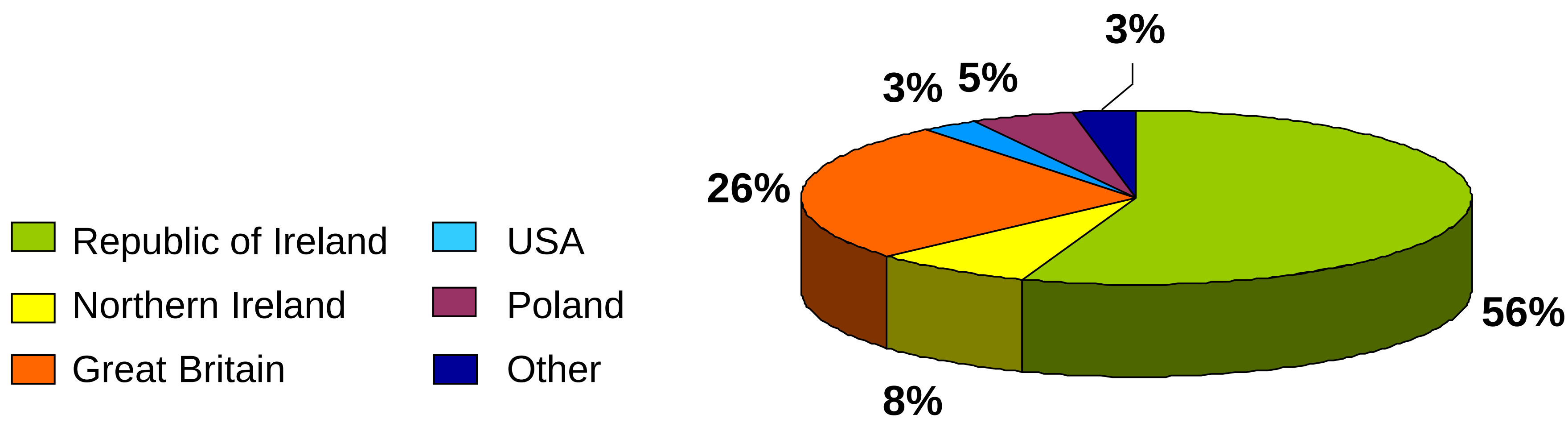
Key factors	Est.
Loans growing faster than deposits	-4 bps
Increased cost of wholesale funding	-8 bps
Treasury funding	12 bps
Re-investment of customer account funds; neutral effect	1 bp

* *excluding treasury*

Loan portfolios by sector



Loan book diversified by geography



Property & construction – sub sector diversity

%	ROI	UK*	CM	Poland*	Group
Commercial Investment	34	34	78	43	41
Residential Investment	8	16	4	1	8
Commercial Development	21	13	9	24	18
Residential Development	35	30	8	27	30
Contractors	2	7	1	5	3
Total	100	100	100	100	100
Balances €m	29,663	9,824	7,130	2,258	48,874

** An element of management estimation has been applied in this sub-categorisation*

Overview

- Trends are deteriorating in all sub-sectors and the book is being very closely managed
- Many borrowers are involved in more than one sub-sector
- Each sub-sector carries different risk characteristics and loss potential
- Structuring, recourse to sponsor / independent cash flows, cross collateralisation are all key to risk mitigation

Republic of Ireland property & construction

Commercial investment: (€10.1bn)

- Spread by sector, tenant & covenant
- Retail 35%, mixed 26%, office 31%, industrial 8%
- 45% of total loans to top 40 customers
- C. 90% occupancy levels
- Current reappraised average LTV c. 70%
- Typical interest cover 1.2 x

Bank risk overview:

- Assets generating income from independent 3rd parties
- Assets typically owned by private / personal entities
- Reduction in capital values only becomes a bank risk issue if asset ceases to generate income and LTV approaches 100%
- Resilient portfolio

Republic of Ireland property & construction

Residential investment (€2.3 bn)

- Wide tenant spread, highly granular / small bite sizes, conservative approach to location, occupancy, repayment capacity and LTV (current average c.75%)

Bank risk overview

- Assets generating income from independent 3rd parties
- Book typically comprises professional investors and developers
- Residential rental market is stable
- Reduction in capital values only becomes a bank risk issue if asset ceases to generate income and LTV approaches 100%
- Resilient portfolio

Republic of Ireland property & construction

Residential development (€10.4 bn)

- Difficult market conditions continue, no near term improvement
- Exposures comprise mix of undeveloped land and work in progress, ratio c. 65:35
  Current reappraised average LTV c. 77%
- Duration prior to recovery of housing market will determine extent of loss
- Realistic assessment of increasing loss rates

Bank risk overview

- Unlike our investment portfolios, residential development is generating lower cashflows due to low buyer demand
- Risk assessment centres on borrowers capacity to meet interest pending resumption of more significant sales activity and / or level of prudent interest roll up
- Principal source of adverse shift in credit quality and progressive deterioration expected

Republic of Ireland property & construction

Commercial development (€6.2 bn)

- Strong emphasis on pre-sales / pre-lets / recourse to independent cash flows
- Low exposure to speculative development
- Exposures comprise mix of undeveloped land and work in progress, ratio c. 40:60, Current reappraised average LTV c. 70%
- 50% of total loans to top 40 customers

Bank risk overview

- Lower buyer demand is evident but work in progress is predominantly either pre-sold / pre-let or concentrated in premium locations to a small number of high quality customers to whom we typically have recourse
- Ongoing monitoring to ensure interest is paid by sponsors where required on undeveloped land exposure, prudent interest roll up permitted where appropriate
- Some deterioration expected

RoI – Home mortgages

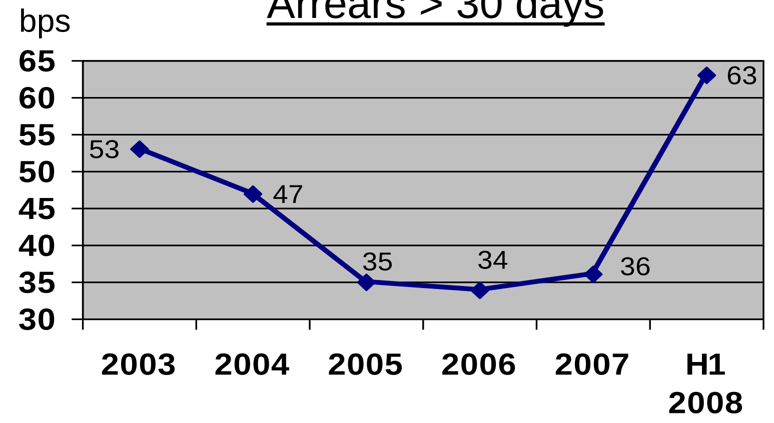
New Business

LTVs	**2005**	**2006**	**2007**	**H1 08**
(% no's of drawdowns)				
< 75%	70	63	66	70
> 75% < 90%	17	22	20	18
> 90%	13	15	14	12
Total	100	100	100	100

Borrower Profile

	2005	**2006**	**2007**	**H1 08**
(New drawn balances)				
First Time Buyer	13	10	9	8
Principal Residence	36	35	32	23
Investment	21	25	28	36
Holiday/2nd Home	2	1	1	1
Take over Mortgage	3	3	5	7
Equity Release	25	26	25	25
(Ext & Refurb,Top-Up, Refinance)				
Total	100	100	100	100

Arrears > 30 days



- Very solid, resilient portfolio
  - Arrears profile remains low and consistent across borrower categories

UK property & construction

- **Proactive in risk mitigation actions since early 2007**
  - Minimal new lending in vulnerable locations / sectors
  - Early mover in maintaining risk profile while market liquidity was strong
- **Commercial and residential investment (50% of property and construction portfolio) remains robust**
  - Underpinned by strong covenants, high occupancy levels, low average LTVs c. 62%
- **Commercial and residential development (43% of property and construction portfolio**)
  - Relationship (recourse & cross collateralised) rather than transactional business
  - Average LTV c. 57%
- **Stress tests incorporate 20-40% write down on cost values**
  - In this downside scenario, bad debt charge would not exceed current run rate by > low / mid tens of £ millions
- **House Mortgages (£3.2bn portfolio)**
  - £1.2bn in Great Britain; primarily facilitating high net worth and business banking client base
  - £2.0bn in Northern Ireland; high level of state employment underpins quality
  - Buy-to-let c. 8% (£260m); no material deterioration, impaired loans £2m

International property & construction

Capital Markets

- Principally investment property (c. 82% of total), well underpinned by quality and wide mix of covenants, tenants and sectors
- No material case due for repayment or refinance in 2008 and 2009 that is a significant cause for concern

Poland

- Building portfolio off a small base in a market underpinned by strong demand
- No significant deterioration evident / anticipated

Update on other topical asset portfolios

Treasury assets

- Trading portfolio, credit assets €5.9bn (€7.2bn end 2007)
- AFS portfolio, credit assets €8.5bn*
- Held for liquidity management purposes
- No deterioration, premium quality, average life 2.5 years
- Mark to market adjustments of €20m (€8m net) to income & €37m through equity account
  - Revised mark to market valuation methodology adopted in inactive markets

* *total AFS portfolio €22.8bn*

Update on other topical asset portfolios – CLOs / CDOs

- €576m portfolio (€550m Dec 2007)
- All held to maturity in Corporate Banking, performing in line with original expectations
- c.97% investment grade, no negative rating actions, no sub-prime
- Income write down of €2m on this portfolio due to credit spread movement
- One-off write down of €17m on disposal of the single transaction containing sub-prime

Update on other topical asset portfolios – US Sub-prime

- ABS portfolio c.€150m equivalent (net of writedowns)
  - c.€5m writedown to income in H1
  - 26 transactions all held to maturity in Corporate Banking, overall performance remains above market average
  - Monthly monitoring, forward looking stressed evaluation
- Whole loans c.€111m equivalent
  - Further repayments of c.€9m year to date (c.€11m in 2007)
  - 883 loans purchased post onset of sub prime crisis reducing monthly
  - Deals include expectation of losses, minimal losses to date, continuing to closely monitor

Impaired loans by division

As at 31 December, 2007				As at 30 June, 2008		
ILs €m	ILs/ Actual Advances %	Total Provisions/ ILs %		ILs €m	ILs/ Actual Advances %	Total Provisions/ ILs %
511	0.7	72	AIB Bank ROI	773	1.0	56
77	0.3	96	Capital Markets	124	0.5	58
274	1.1	51	AIB Bank UK	337	1.4	42
187	2.8	87	Poland	206	2.4	84
1,049	0.8	71	Total	1,440	1.1	57

Bad debt provisions by division

Jun 2007	Average Loans %	€m	Jun 2008	Average Loans %
46	0.15	AIB Bank ROI	89	0.24
(22)	(0.19)	Capital Markets	20	0.15
7	0.06	AIB Bank UK	25	0.21
(6)	(0.24)	Poland	3	0.07
25	0.04	Total	137	0.21

Asset quality trend – implication for bad debt charges

- Full year 2008 forecast bad debt charge c. 35 bps of average loans
  - Deterioration in Irish property development sub-sector the key catalyst;
  - Moderate deterioration expected in other portfolios, primarily reflecting slowing economies
  - IFRS rules magnify front end bad debt charges relative to previous GAAP rules; positive effect on income subsequently as discount unwinds
- Bad debt charge likely to peak in 2009
  - Driven by the same dynamics referred to for 2008
  - Guidance for bad debt charge: range 60 – 80 bps of average loans
  - Portfolio review incorporates an assumption of a peak to trough fall in a 30 – 40% range in Irish property asset values

Asset quality trend – Basel II effect

- Basel II Internal Ratings Based (IRB) since January 2008
- IRB portfolio coverage c.65%, based on exposure at default
- Procyclicality a potentially significant change from Basel I
  - Little potential effect on standardised portfolios (c.€58bn, 47% of risk weighted assets)
  - Predominantly applies to IRB portfolios (c.€67bn, 53% of risk weighted assets)
  - Agreed timeframe with regulator to bring IRB to c.87% of risk weighted assets
- 2 IRB portfolios; Non-retail €42.5bn, Retail €24.5bn, (RoI mortgages)
  - Principal drivers of capital requirement in both portfolios are probability of default (PD) and loss given default (LGD)

Non-retail IRB

- LGD: 45%, determined by regulator, conservative and not subject to change
- PD: driven by central tendencies of through the cycle experience, typically back to early 1990s, relatively low cyclicality, 1 year deterioration has modest effect

Retail IRB

- LGD: c. 30%, internally modelled, conservative and incorporates significant falls in house values
- PD: driven by central tendencies of through the cycle experience, typically back to early 1990s, relatively low cyclicality, 1 year deterioration has modest effect

- Loans in both IRB portfolios attract different PDs as they migrate through credit grades

Capital stress test – extreme scenario

		Scenario A	Scenario B
Credit downgrade per qtr to 12/2010		9%	9%
Loan growth % (yoy)	2008	9	9
	2009	5	0
	2010	5	0
	2011	5	0
Bad debt provision (bps of avg. loans)	2008	35	35
	2009	100	100
	2010	100	100
	2011	100	100
Tier 1 ratio	Dec 08	7.19	7.19
	Dec 09	6.88	7.08
	Dec 10	6.39	6.85
	Dec 11	6.23	6.78
Core Tier 1 ratio	Dec 08	5.34	5.34
	Dec 09	5.15	5.27
	Dec 10	4.76	5.08
	Dec 11	4.61	5.01

- Credit grade deterioration by 1 grade of 9% exposures each quarter between Jun '08 and Dec '10. Effect is to downgrade all IRB by 1 credit grade
- Bad debt provision charge assumed for all loan portfolios (IRB and standardised)
- Both scenarios incorporate dividend growth of 10% each year
- No asset disposals or management actions assumed

Conclusion: strong resilience even in extreme scenario

Summary & outlook

- H1 performance underlines quality & diversity of our business
- Active cost control aligned to slowing revenue growth
- Intense focus on credit portfolios in a deteriorating environment
- Strong and resilient capital and funding bases
- Targeting 2008 EPS in a 185c – 190c range *(relative to 205.9c in 2007)*

AIB

AIB Bank RoI profit statement

Jun 2007	€m	Jun 2008	Change %
868	Net interest income	870	-
238	Other income	239	1
1,106	Total operating income	1,109	-
531	Total operating expenses	518	(2)
575	Operating profit before provisions	591	3
48	Total provisions	89	86
527	Operating profit	502	(5)
7	Associated undertakings	(2)	-
-	Profit on disposal of property	6	-
-	Profit on disposal of business	68	-
534	Profit before taxation	574	7

Capital Markets profit statement

Jun 2007	€m	Jun 2008	Change %
285	Net interest income	421	55
254	Other income	101	(60)
539	Total operating income	522	-
227	Total operating expenses	209	(6)
312	Operating profit before provisions	313	4
(19)	Total Provisions	18	-
331	Operating profit	295	(7)
2	Profit on disposal of business	-	-
333	Profit before taxation	295	(8)

AIB Bank UK profit statement

Jun 2007	Stg£m	Jun 2008	Change %
229	Net interest income	238	4
52	Other income	51	(1)
281	Total operating income	289	3
127	Total operating expenses	120	(5)
154	Operating profit before provisions	169	10
4	Total Provisions	19	347
150	Operating profit	150	-
-	Associated undertaking	1	-
-	Profit on disposal of business	29	-
150	Profit before tax	180	20
223	Profit before tax €	233	20

Poland profit statement

Jun 2007	PLN m	Jun 2008	Change %
533	Net interest income	718	35
738	Other income	745	1
1,271	Total operating income	1,463	15
699	Total operating expenses	828	18
572	Operating profit before provisions	635	11
(24)	Total Provisions	20	-
596	Operating profit	615	3
-	Profit on disposal of property	3	-
596	Profit before tax	618	4
155	Profit before tax €	177	4

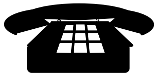
Group profit statement

Jun 2007	€m	Jun 2008
36	Net interest income	60
(12)	Other income	(40)
24	Total operating income	20
110	Total operating expenses	84
-	Total provisions	-
(86)	Operating loss	(64)
74	Share of results of associates – M&T	58
85	Profit on disposal/development of property	6
73	Profit before tax	-

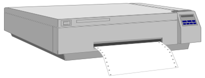
Contacts

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

Alan Kelly	*alan.j.kelly@aib.ie*	☎	+353-1-6412162
Rose O’Donovan	*rose.m.o’donovan@aib.ie*	☎	+353-1-6414191
Pat Clarke	*patricia.m.clarke@aib.ie*	☎	+353-1-6412381
Maura Hodnett	*maura.n.hodnett@aib.ie*	☎	+353-1-6413469



+353-1-660 0311



+353-1-641 2075

Visit our website www.aibgroup.com/investorrelations