



AIB Group

Preliminary Results 2002



Forward looking statement

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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A large, semi-transparent blue stylized bird logo is centered in the background. The bird is facing left and holding a branch with leaves in its beak. The logo is composed of solid blue shapes.

Michael Buckley
Group Chief Executive

Operating profit before provisions **↑ 10%**

Underlying Earnings per Share* **↑ 7%**

Return on Equity **22.4%**

Profit before taxation €1,375m **↑ 1%**

Profit attributable €1,037m **↑ 4%**

Dividend per share **↑ 12%**

** before goodwill amortisation and restructuring costs*

Growth, productivity and resilience



Relentless focus on key themes

- Productivity
- Asset quality
- Distinctive customer proposition
- Corporate governance and risk management

- Income growing at a faster rate than costs:

	<u>2001</u>	<u>2002</u>
Income*	+8%	+6%
Costs*	+10%	+4%

- Tangible cost / income ratio ↓ from 59.0% to 57.8%

* excludes the impact of currency movements and integration costs

- Non-performing loans ↓ 1.8% (*2% in 2001*)
 - Criticised advances / total advances reduced
 - Retail & commercial NPLs / total advances stable
 - Some deterioration in corporate grading profile
- Strong provision cover
 - Total provisions / NPLs 87%
 - General provisions / advances 0.8%

- Strong correlation between exposure size and borrower quality in corporate portfolios

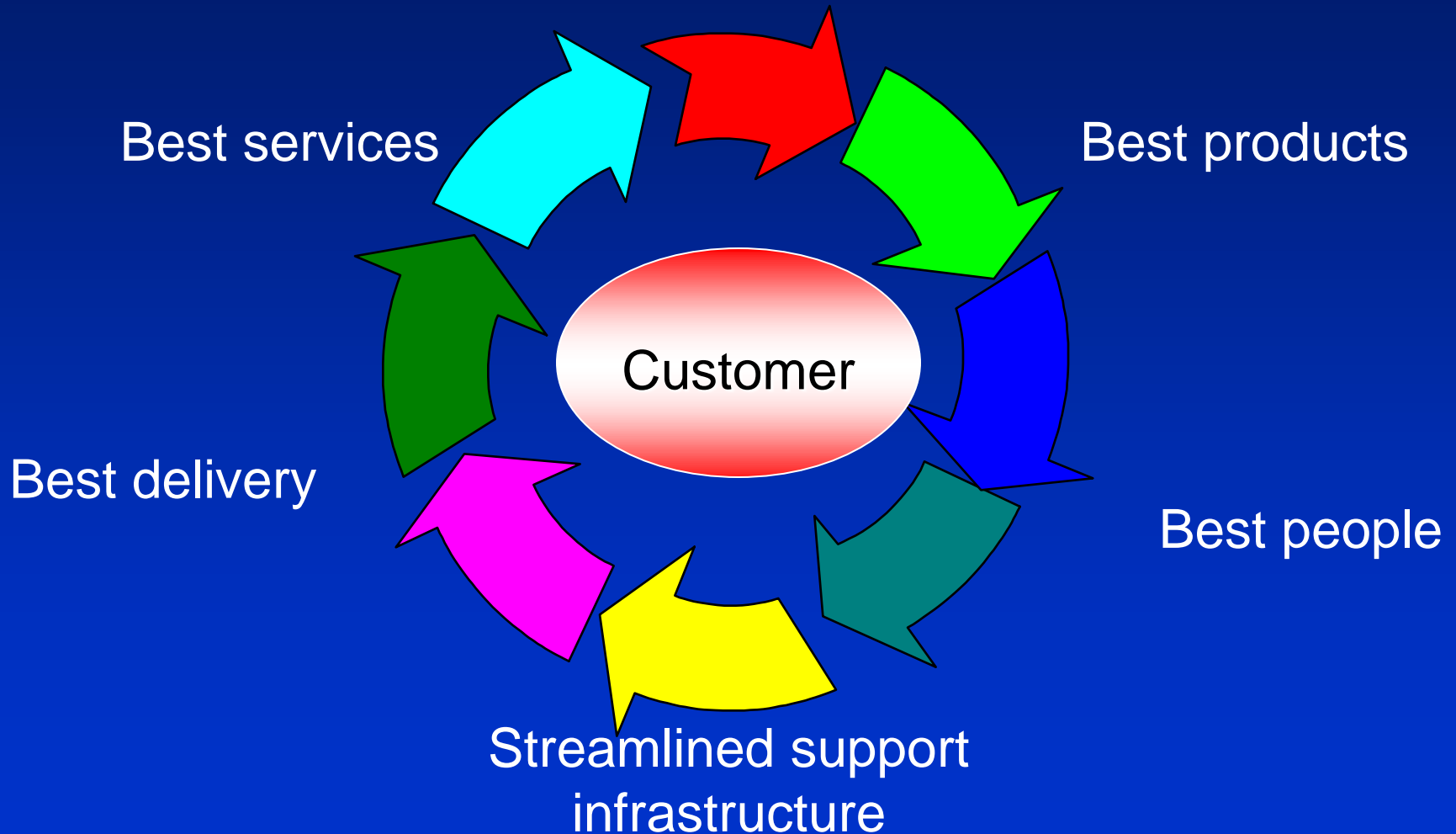
- Well diversified:

	<u>% of loan book</u>
- telecoms	1.7
- technology	0.5
- energy	1.6

- Dynamic grading enables early action

Single Group-wide strategic model

Turning a distinctive customer proposition into superior profit growth





AIB Bank Republic of Ireland ↑ 5%

Banking business ↑ 11%, Ark Life ↓ 4%*

- Cost / income ratio unchanged at 51%
- Strong volume growth in banking business
 - Loans ↑ €3.6bn, +20%
 - Home mortgages +31%, other retail & commercial +16%, reflects clear gains in market share
 - Average deposits +11%, increasing momentum in H2
- Momentum continuing into 2003
 - Significant business pipeline and activity levels
 - January home mortgage drawdowns up 97% on 2002

* excludes changes in embedded value, discount rate and exceptional items

- Annual premium equivalent (APE) sales ↓ 11%
- Under-performance in 2002 reflects changed environment
- Regular savings market significantly changed by SSIAs.
- Business model realignment underway
 - Best in class service through integration of distribution and development of advisory capacity.
 - Best in class product through open architecture.
 - Targeting pensions, building on protection.

Growth %	2002 (e)	2003 (f)
GDP	6.0	3.5
GNP	2.0	2.8
Unemployment rate	4.5	5.2

Source: AIB Group Chief Economist

Implications for AIB:

- Reasonable levels of indebtedness (% of GDP)

<u>Dec 02</u>	<u>Ireland*</u>	<u>U.K.*</u>
Private sector	94**	127
Home mortgages	34	
Total personal	44	

- Positive demographic trends

- Numbers at work have grown by over 50% in last decade
- Maturing profile increases financial services needs

** source: AIB Group Chief Economist, ** excludes lending to IFSC entities*

Positive customer response translating into increased revenues



AIB Bank Great Britain & Northern Ireland ↑ 8%

- Cost / income ratio down from 52% to 50%
- Buoyant volume growth
 - Loans +23%, deposits +13%
- Investment in people, channels and capability
 - Targeting market segments of choice in G.B.
 - Leveraging Rol experience in N.I. retail & commercial markets
- Strong credit quality, provisions mainly general

Independently voted '*Best Business Bank*' for 5th consecutive time

Allfirst...

- Business stabilised post fraud
- Operating profit before provisions ↑ 4%
- Impact of provisions / one-off items
- M&T integration plans well advanced

Allied Irish America...

- Good profit growth continues

USA Division....

- Cost / income ratio down from 62% to 60%*

* excludes restructuring costs

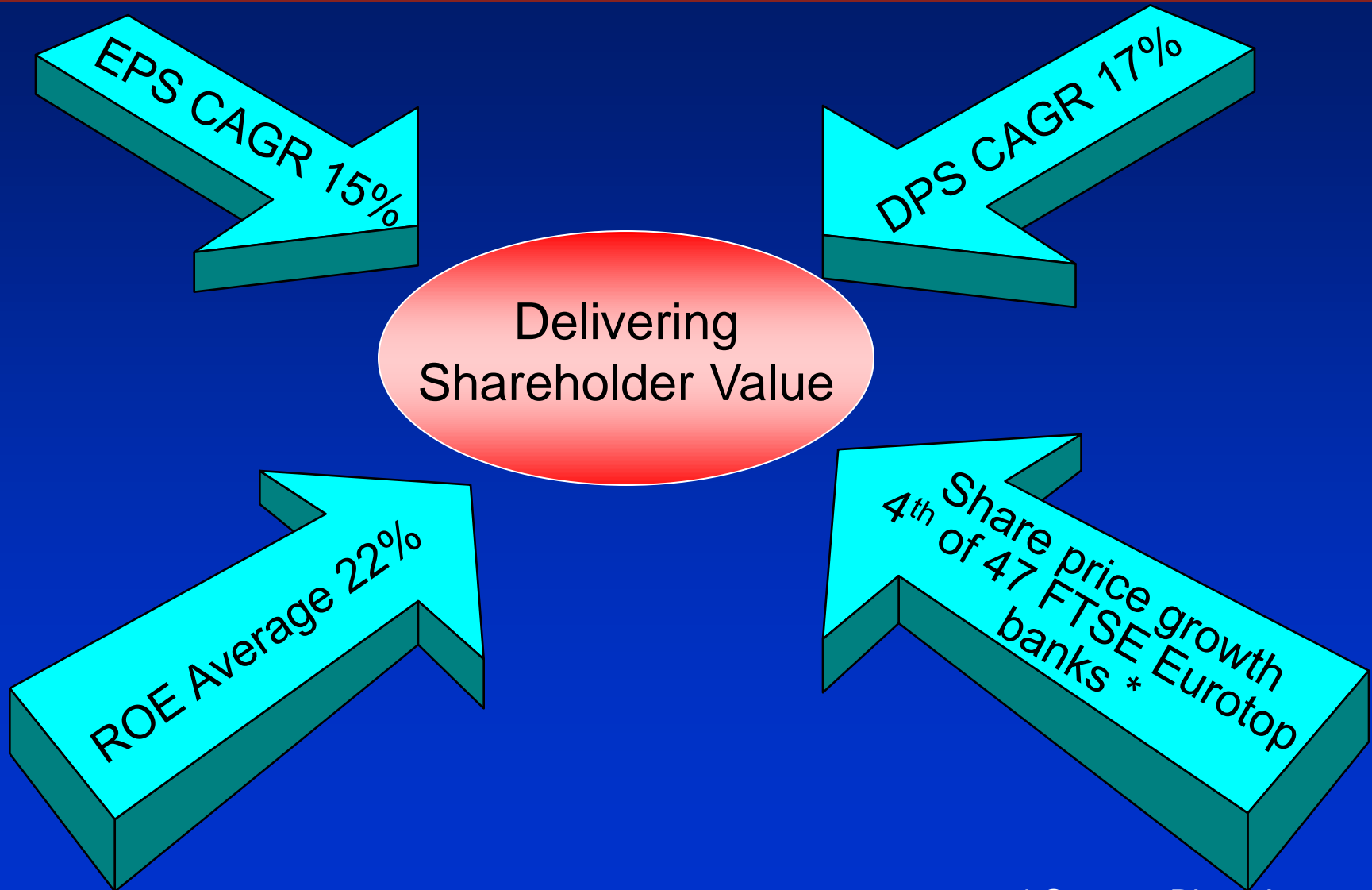
- Cost / income ratio down from 57% to 54%
- Strong corporate banking performance
 - Principal focus on mid-market
 - Recurring income extended
 - Careful selection of markets and niches
- Lower investment banking and asset management revenues
- Treasury performing well
 - Low risk limits / low utilisation
 - Interest rate management income growth / lower trading revenues

- Cost / income ratio down from 76%* to 71%
- Operating profit before provisions ↑ 36%*
- Measured lending growth, strong growth in non interest income
- Underlying provisions rate ↓ from 1.9% to 1.2% of average loans
- New branch banking model rollout virtually complete
 - Cost containment trend to continue
 - Enables delivery of distinctive customer proposition

* excludes integration costs in 2001

- In place
 - Group-wide risk management structure
 - Group-wide internal audit function
- Senior appointments deepen management capability
- Substantial progress in work programme implementing consultants recommendations

1997 - 2002



* Source: Bloomberg

- High productivity, growing revenues faster than costs
- Localised business development, centralised control
- Relentless development of distinctive customer proposition
- Compelling combination of resilience and growth

Consistent strategic agenda, wherever we operate



Gary Kennedy

*Group Director,
Finance & Enterprise Technology*

Change				
2001	€m		2002	%
3,751		Total operating income	3,930	5
2,284		Total operating expenses	2,318	1
<u> </u>		Group operating profit	<u> </u>	
1,467		before provisions	1,612	10
204		Total provisions	251	23
<u> </u>		Group operating profit on	<u> </u>	
1,263		continuing activities	1,361	8
<u>1,366</u> *		Group profit before tax	<u>1,375</u>	1

* includes profit on disposal of Keppel TatLee



2002 underlying results

2001:

Adjusted EPS 119.4c

One-off items:

- KCH profit	(10.8c)	
- Poland restructuring	2.3c	
- Additional unallocated provision	5.1c	<u>(3.4c)</u>

Base for 2002 comparison 116.0c

2002:

Adjusted EPS 123.0c ↑ 6%

Allfirst restructuring 1.0c
124.0c ↑ 7%

2001	€m	2002	Underlying Change %*
2,258	Net interest income	2,351	7
67	Other finance income	62	-7
<u>1,426</u>	Other income	<u>1,517</u>	6
<u><u>3,751</u></u>	Total operating income	<u><u>3,9306</u></u>	
39.8%	<i>Other income ratio</i>	40.2%	

- 15% increase in banking fees and commissions
- Challenging year for Ark Life - underlying operating profit down 4%

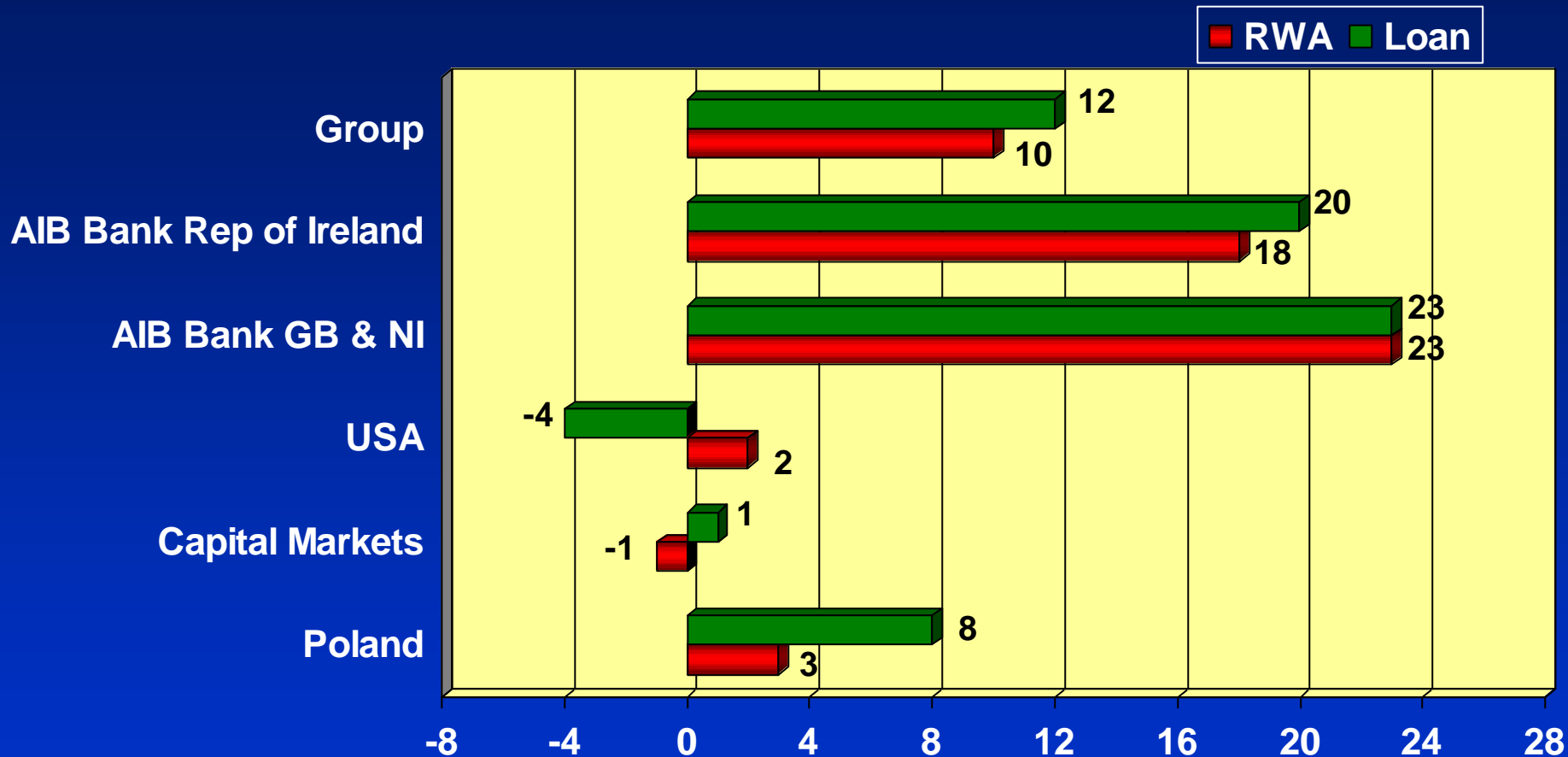
* excludes the impact of currency movements and acquisitions

€m	2001	2002
New business contribution	<u>65</u>	<u>60</u>
Operating profit	72	69
Embedded value impact	(3)	(32)
Change to discount rate	-	17
Other items	15	3
Income before tax	84	57

No capital adequacy issues

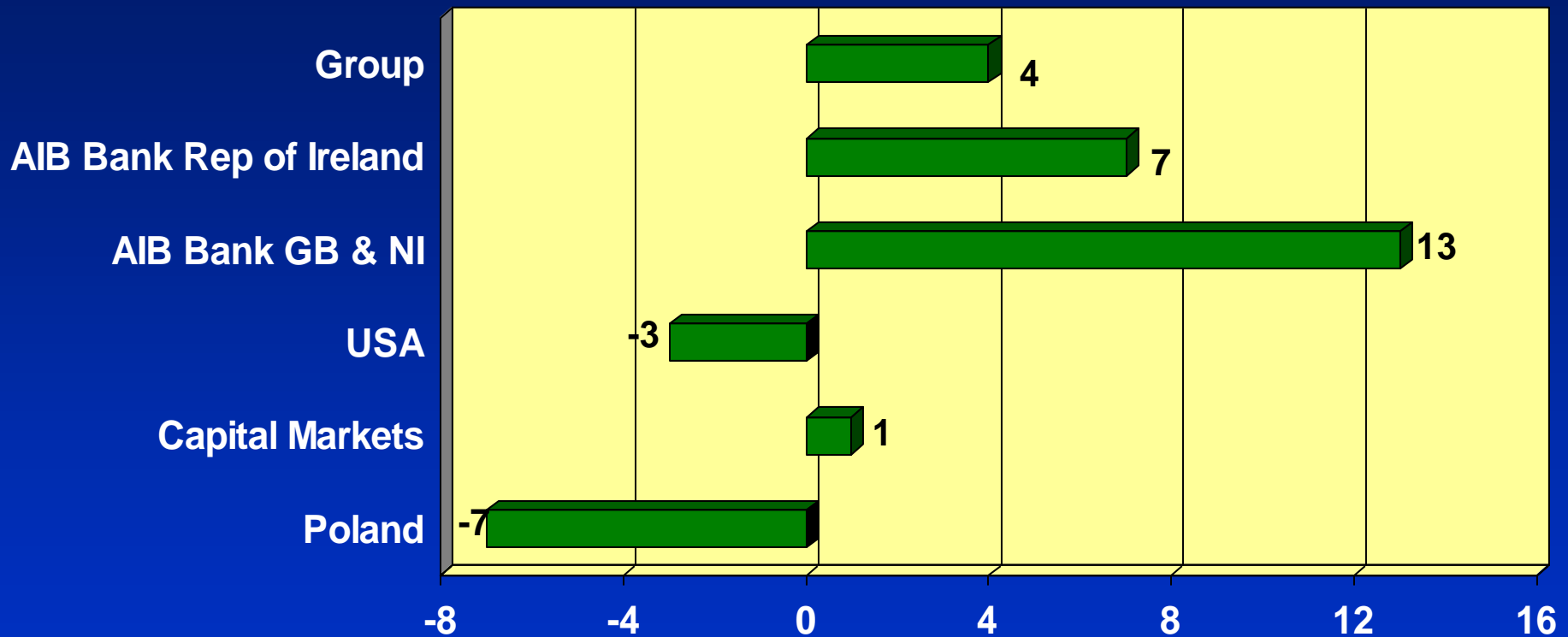


Risk weighted asset & loan growth *



- Allfirst direct retail & SME up 3%
- Capital Markets average loan growth 13%

* excludes the impact of currency movements



- Allfirst average core deposits up 1%
- Average deposits in Poland up 1%

* excludes the impact of currency movements

H1 2002	H2 2002	%	2002	2001	bps change
3.06	2.95	Group	3.00	2.99	1
2.78	2.69	Domestic	2.73	2.59	14
3.33	3.21	Foreign	3.27	3.34	-7

- Some attrition due to changes in product mix, margin effect of lower interest rates on deposits and non-interest bearing funds, and impact of loans increasing at a stronger rate than deposits.
- Offset by strong interest rate management performance in Global Treasury

2001	€m	2002	Underlying * Change %
1,348	Staff costs	1,391	4
703	Other costs	707	3
195	Depreciation & amortisation	207	8
<u>2,246</u>		<u>2,305</u>	4
38	Integration costs	13	
<u>2,284</u>	Operating expenses	<u>2,318</u>	3
<u>59.0%</u>	<i>Tangible cost / income ratio</i>	<u>57.8%</u>	

* excludes the impact of currency movements and acquisitions

€m	2001	2002
Bad and doubtful debts	179	194
Contingent liabilities & commitments	19	2
Investment provisions	6	55
Total Provisions	<u>204</u>	<u>251</u>



Bad debts provisions - underlying analysis

	2001	2002
	bps	bps
Bad and doubtful debts	36	37
Fair value adjustment	(10)	-
US specific case	-	(7)
Create unallocated	10	-
Release from unallocated	-	7
Underlying rate	<u><u>36</u></u>	<u><u>37</u></u>

2001	Average Loans %	€m	2002	Average Loans %
43	0.25	AIB Bank Rep Ire	52	0.26
19	0.25	AIB Bank GB & NI	22	0.26
37	0.28	USA	86	0.68
14	0.17	Capital Markets	33	0.37
16 [*]	0.47	Poland	41	1.22
<u>50</u>	-	Group	<u>(40)</u>	-
<u><u>179</u></u>	0.36	Total	<u><u>194</u></u>	0.37

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



Provisions for amounts written off fixed assets investments

- Driven by prudent and realistic view of investment values

	<u>€m</u>
Debt securities	19
Venture capital (Allfirst)	12
Technology sector	17
Telecom sector	2
Other sectors	5
Total	<u>55</u> <u>==</u>

- Debt securities
 - 97% investment grade
 - Financial fixed assets (74%) book value < market value
 - Trading portfolio (26%) mark to market
- Equity shares
 - Well provisioned, book value < market value



Balance sheet

Dec 2001	€m Assets:	Dec 2002	Underlying * change %
51,216	Loans to customers	53,447	12
54,557	Customer accounts	52,976	4
89,359	Total assets	86,049	5

** excludes the impact of currency movements*

	Dec 2001	Dec 2002
Tier 1	6.5%	6.9%
Total	10.1%	10.1%

2002

- Global issue, impacting all providers of defined benefit pensions
- FRS 17 implemented - greater transparency
- Significant reduction in equity market values
 - Mark to market net pension liability €482m at Dec '02
 - Liability < 5% of market capitalisation
 - Pension assets total €2,200m
 - Balance sheet effect, no impact on '02 P&L / EPS

- No immediate funding implications
- Actuarial review H2 '03
- Anticipate increase in contribution rate for defined benefit pensions
- Review does not impact P&L / EPS

2003

- Reduced other finance income:
 - Decision not to increase yield on assets assumption €47m
 - Increased interest cost on liabilities €11m
 - P&L impact (equivalent to 3.5% of 2002 Group operating profit before provisions) €58m



Outlook for 2003 - exceptional / one-offs

A. USA: Transition from Allfirst to M&T

Q1

- lower Allfirst performance (securities gains in Q4 2002)
- profit on merger of Allfirst

Q2 - Q4

- share (22.5%) of M&T restructuring costs

B. Government levy: estimated €30m

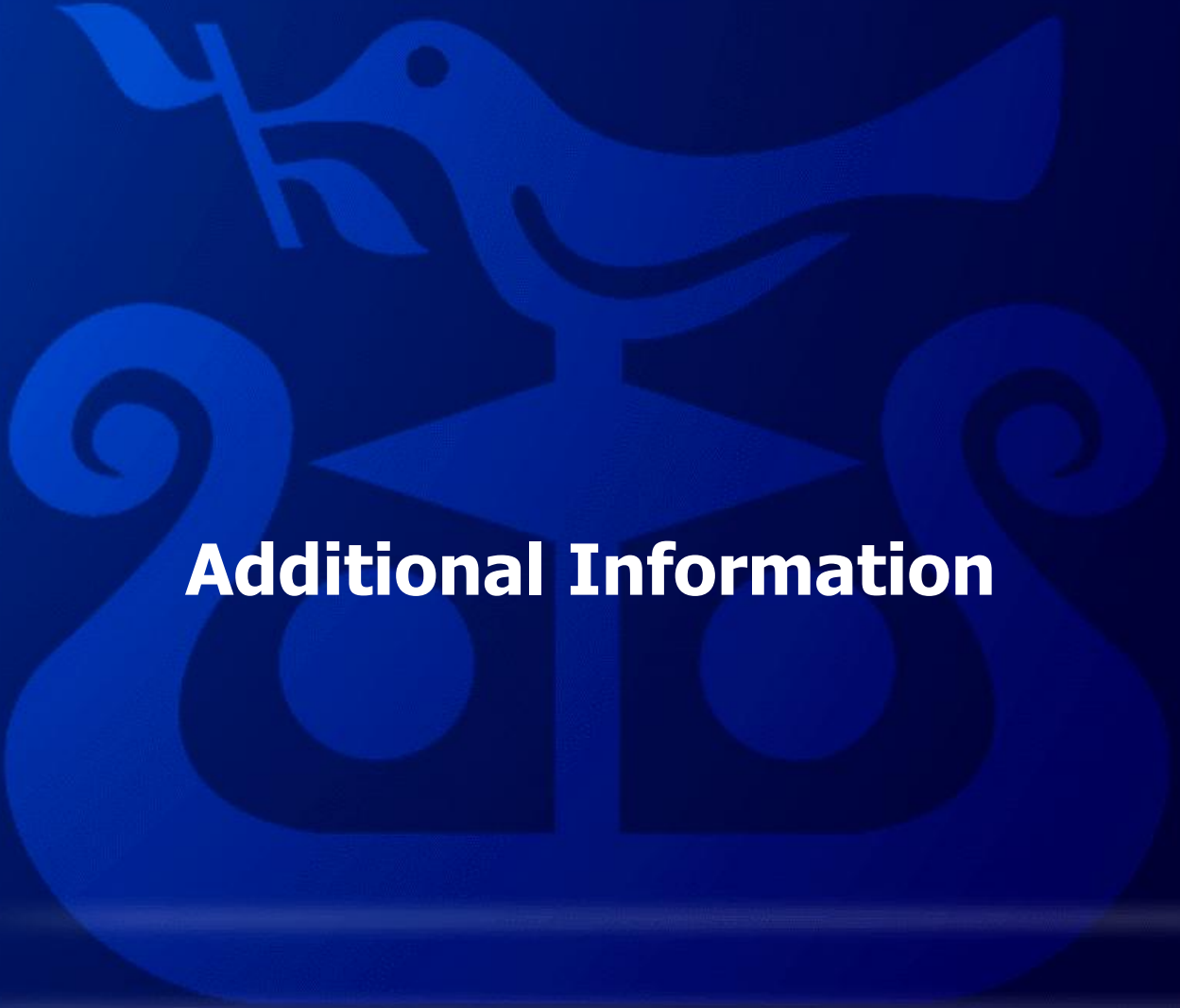
C. FRS 17: estimated €58m



Outlook for 2003 - underlying

- Strong volume growth
- Tight cost control
- Robust asset quality
- Good margin management
- Share (22.5%) of M&T attributable profit and share buyback
- Resilient balance sheet, strong capital ratios
- Focus on profit attributable and EPS

Mid single digit EPS growth



Additional Information



Performance by division

2001	€m	2002	Change %
562	AIB Bank Rep Ire	590	5
223	AIB Bank GB & NI	240	8
355	USA	308	-13
194	Capital Markets	209	8
36	Poland	61	71
(4)	Group	(33)	
<u>1,366</u>	Group profit before tax	<u>1,375</u>	1



AIB Bank Republic of Ireland profit statement

2001	€m	2002	Change %
843	Net interest income	921	9
43	Other finance income	40	-7
<u>359</u>	Other income	<u>353</u>	-2
1,245	Total income	1,314	6
<u>(641)</u>	Operating costs	<u>(677)</u>	6
604	Operating profit before prov.	637	5
<u>(44)</u>	Provisions	<u>(55)</u>	23
560	Operating profit	582	4
<u>2</u>	Profit on disposal of property	<u>8</u>	-
<u><u>562</u></u>	Profit before tax	<u><u>590</u></u>	5



AIB Bank GB & NI profit statement

2001	€m	2002	Change %
336	Net interest income	363	8
3	Other finance income	(1)	-
161	Other income	<u>166</u>	3
<u>500</u>	Total income	528	6
<u>(259)</u>	Operating costs	<u>(266)</u>	2
241	Operating profit before prov.	262	9
<u>(19)</u>	Provisions	<u>(22)</u>	18
222	Operating profit	240	8
<u>1</u>	Profit on disposal of property	<u>-</u>	-
<u><u>223</u></u>	Profit before tax	<u><u>240</u></u>	8

2001*	€m	2002	Change %
584	Net interest income	549	-6
2	Other finance income	(2)	-
<u>446</u>	Other income	<u>528</u>	18
1,032	Total income	1,075	4
(638)	Operating costs	(655)	3
-	Restructuring costs	(13)	
<u>394</u>	Operating profit before prov.	<u>407</u>	4
(39)	Provisions	(98)	154
<u>355</u>	Operating profit	<u>309</u>	-13
-	Loss on disposal of property	(1)	
<u><u>355</u></u>	Profit before tax	<u><u>308</u></u>	-13

* excludes Allfirst fraud



Capital Markets profit statement

2001	€m	2002	Change %
210	Net interest income	271	29
8	Other finance income	7	-11
305	Other income	282	-8
<u>523</u>	Total income	<u>560</u>	7
<u>(296)</u>	Operating costs	<u>(300)</u>	1
227	Operating profit before prov.	260	14
<u>(38)</u>	Provisions	<u>(60)</u>	56
189	Operating profit	200	6
<u>5</u>	Income from associates	<u>9</u>	91
<u><u>194</u></u>	Profit before tax	<u><u>209</u></u>	8

2001	€m	2002	Change %
275	Net interest income	272	-1
<u>163</u>	Other income	<u>188</u>	15
438	Total income	460	5
(358)	Operating costs	(351)	-2
<u>(38)</u>	Integration costs	-	
396	Total operating expenses	<u>(351)</u>	-11
<u>42</u>	Operating profit before prov.	109	160
<u>(9)</u>	Provisions	<u>(46)</u>	417
33	Operating profit	63	89
<u>3</u>	Property disposal	<u>(2)</u>	-
<u>36</u>	Profit before tax	<u>61</u>	71



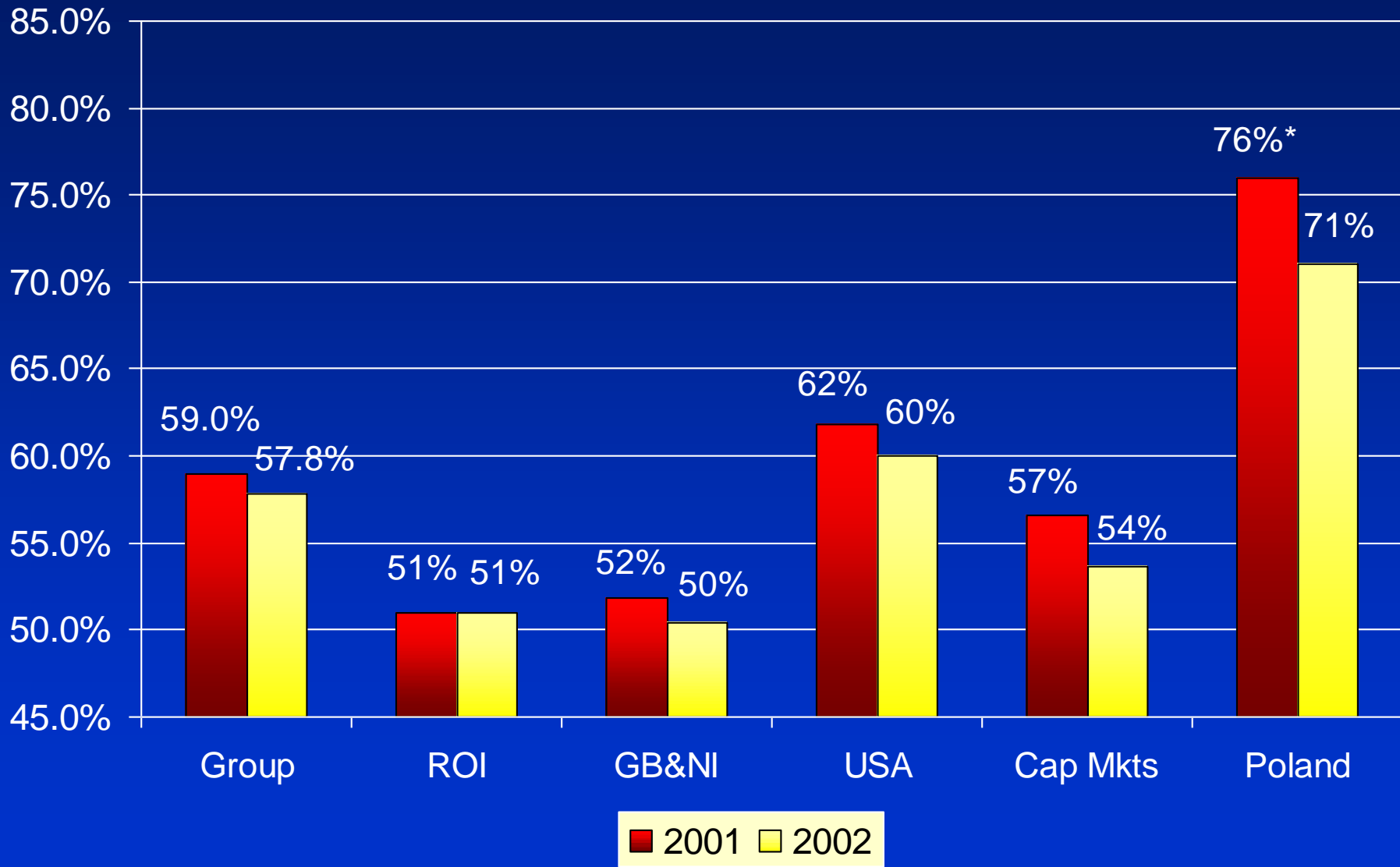
Poland Division relative to BZWBK

		2002
	PLN	€m
BZWBK consolidated Polish GAAP	389	101
BZ Goodwill amortisation		(25)
Other adjustments *		(15)
Poland division		<u>61</u>

* includes capital adjustment and alignment with Group accounting policies



Tangible cost / income ratios



* excludes integration costs

31 Dec 2001	€m		31 Dec 2002	Underlying Change %*
15,987	AIB Bank	Rep Ire	18,821	18
7,542	AIB Bank	GB & NI	8,666	23
22,403	USA		19,234	2
18,821	Capital Markets		18,599	-1
4,105	Poland		3,662	3
-	Group		257	-
<u>68,858</u>			<u>69,239</u>	10

* excludes the impact of currency movements

Return on risk weighted assets



%	2001	2002
NPLs / loans	2.0	1.8
Bad debts charge / average loans	0.36	0.37
Provisions / NPLs	97	87

- Reduction in NPLs influenced by accelerated write-off of Polish NPLs
- Strong provision / NPL cover, reduction reflects partial use of group general unallocated provision



Non-performing loans by division

As at December 31, 2001			As at December 31, 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	194	0.9	108
107	1.3	119	AIB Bank GB & NI	88	1.0	138
87	0.6	222	USA - €m	107	1.0	157
77			- US\$m	112		
34	0.4	251	Capital Markets	115	1.3	94
<u>390</u>	0.8	168	Sub-total	<u>505</u>	1.0	123
643	18.4	55	Poland - €m	486	14.8	50
2,249			- Pln m	1,954		
<u>1,033</u>	2.0	<u>97</u>	Total	<u>990</u>	1.8	<u>87</u>



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