

Preliminary Results 2004

# Preliminary Results

for the year ended 31 December 2004

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.

visit [www.aibgroup.com/investorrelations](http://www.aibgroup.com/investorrelations)



**Michael Buckley**  
Group Chief Executive

Adjusted earnings per share	↑ 22%
-----------------------------	-------

vs 118c base 2003\*

↑ 13%

Tangible cost / income ratio	↓ 2%
------------------------------	------

Dividend	↑ 10%
----------	-------

Tangible return on equity	29.6%
---------------------------	-------

*\* excludes M&T / Poland restructuring charges and early retirement programme*

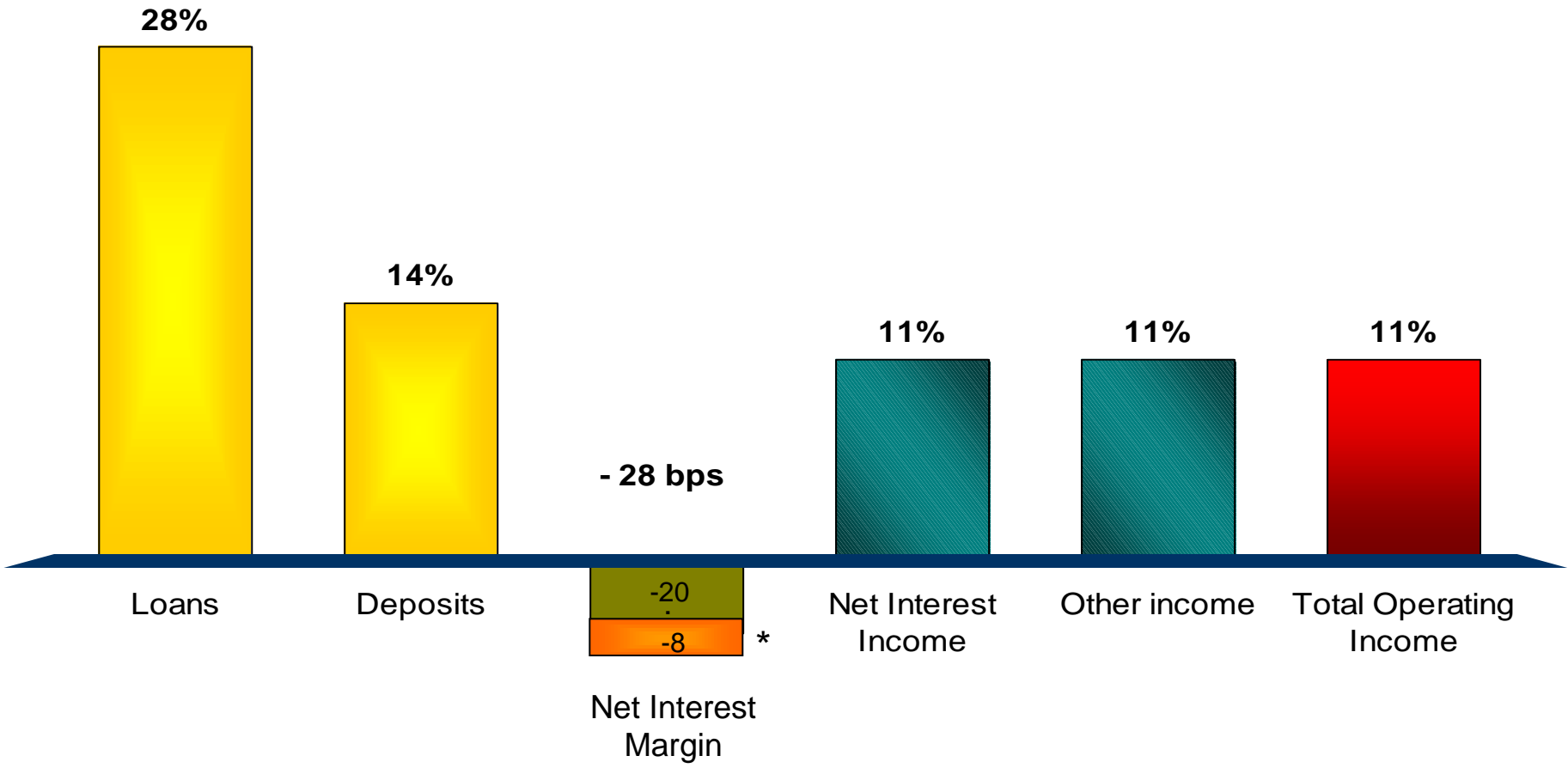


# Strong performance built on firm foundations

- Gaining share in high growth markets
- Improving productivity
  - income growing faster than costs, reducing cost / income ratio
- High quality asset portfolios
- Strong capital ratios
  - Tier 1 7.9%
  - Total capital 10.7%



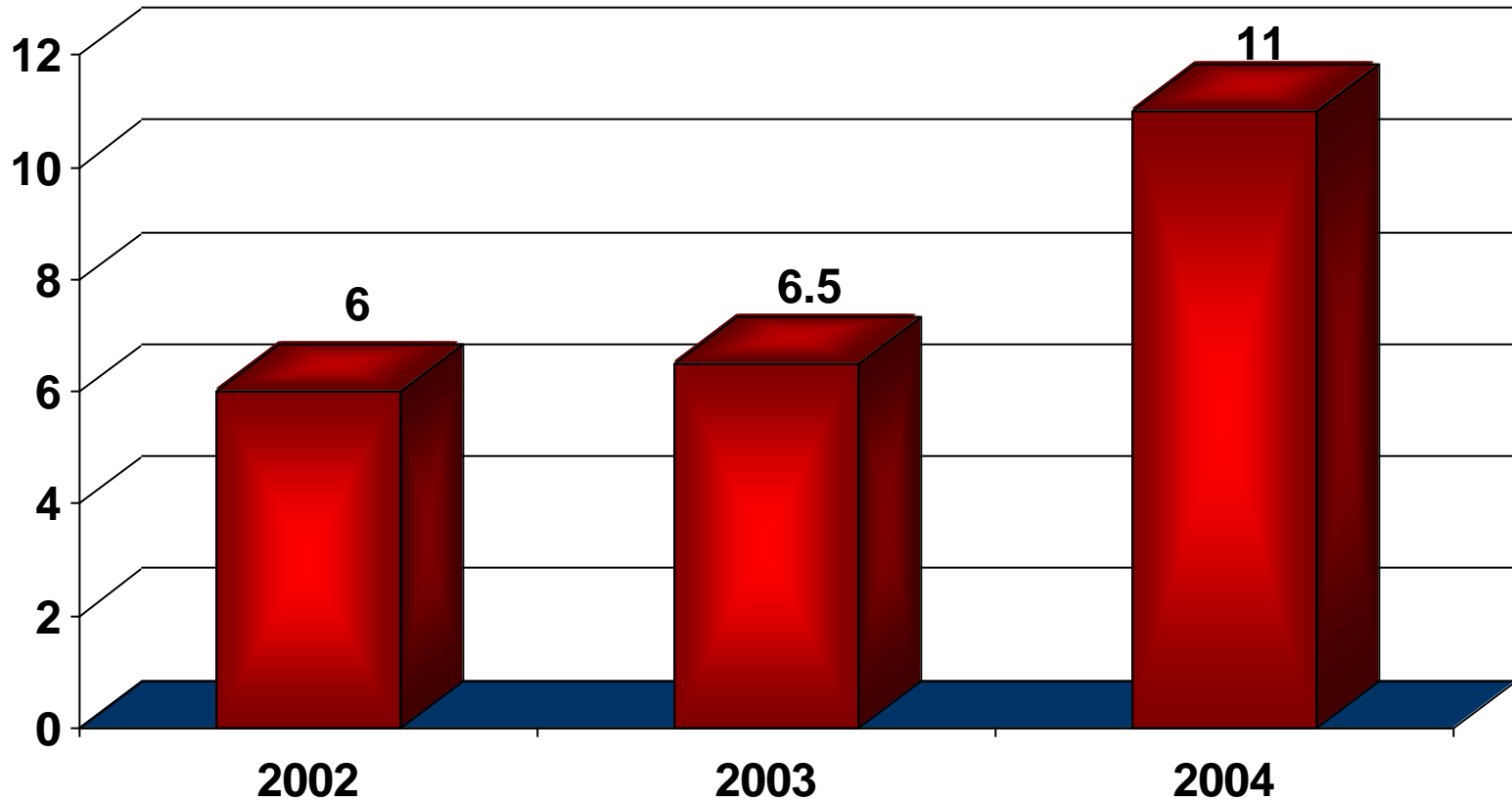
# Income - successfully managing the components



Includes income reduction of €36m re investigation

\* 8bps relates to technical factor

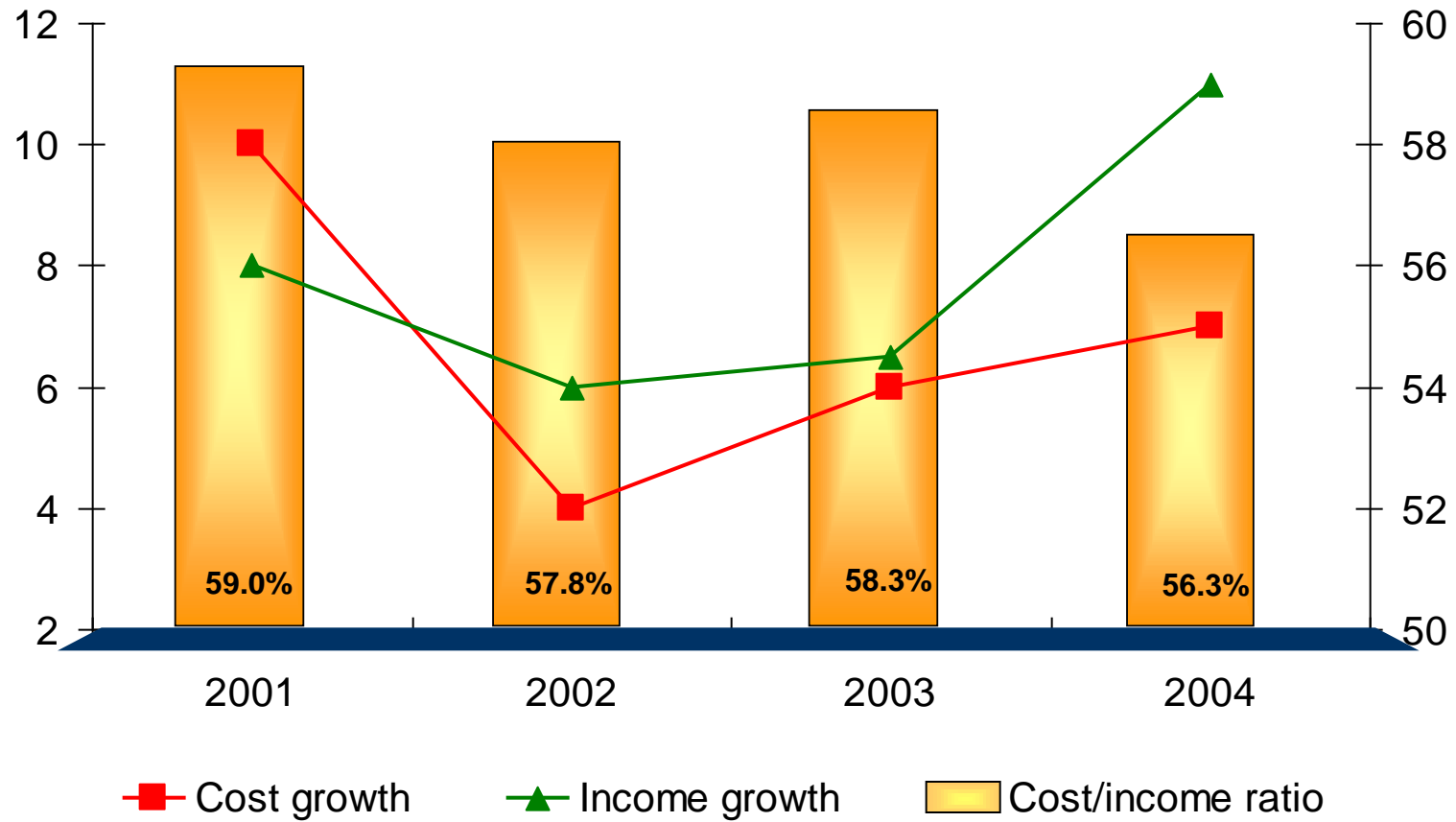
Income growth



- Costs ↑ 7%\*
  - Includes f.x. investigation charge, impact 1%
  - Industry wide regulatory costs pressures
- Income / cost growth gap +4%

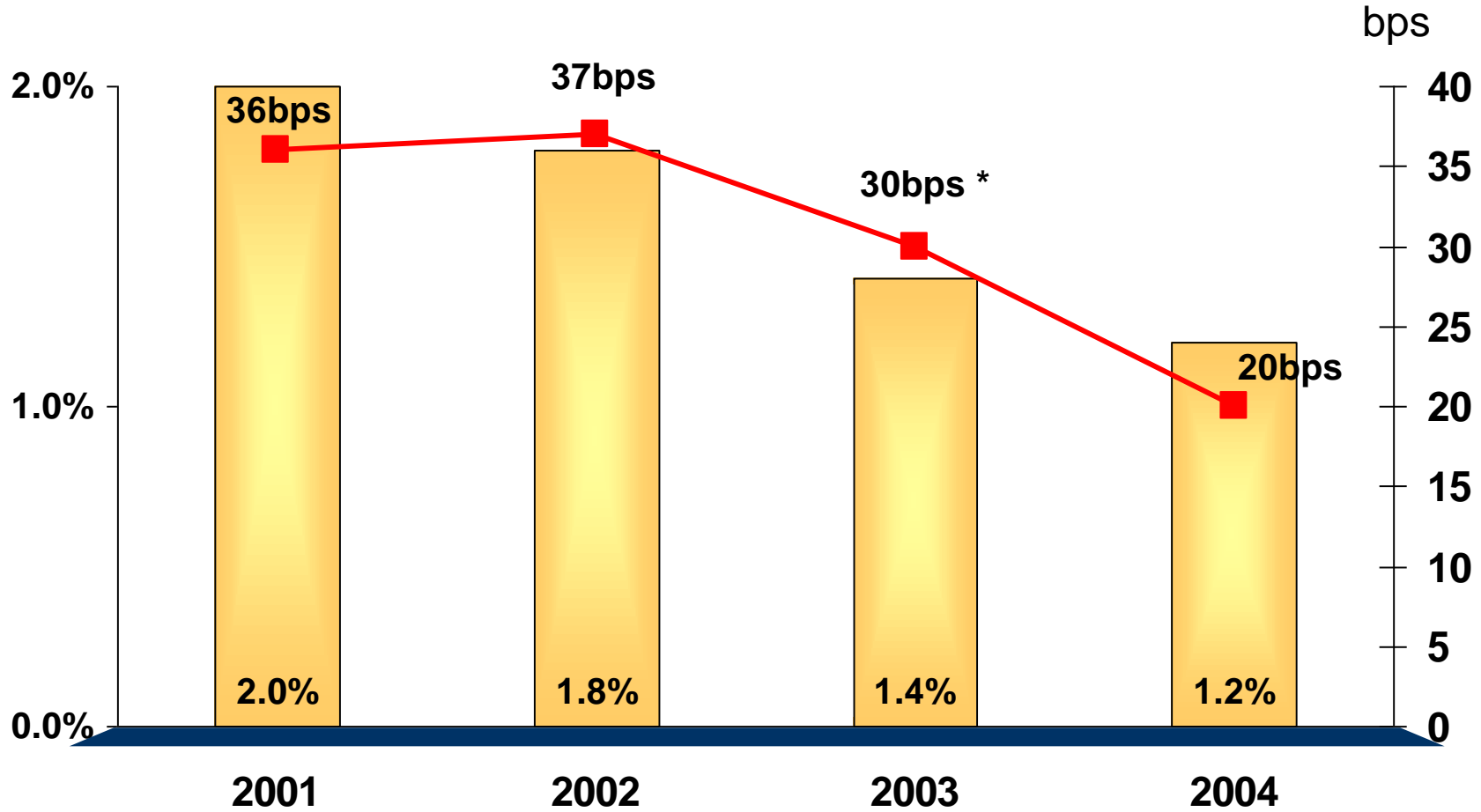


# Income / cost gap driving productivity



Dec 03		Dec 04	
1.4	Non-performing loans (NPLs)	%	1.2
6.7	Criticised loans / total loans	%	5.7
0.9	Gross new NPLs	%	0.7
94	Total provisions / NPLs	%	87
30	Bad debt charge	bps	20

General provision 2 times provision rate to December '04



NPLs
  Bad debt charge

\* continuing activities

- Preparations on track for host of new / increased industry wide requirements
- Working on repairs post charging investigation
- Enterprise wide compliance, risk management, finance and internal audit functions blueprint
  - facilitating simplification agenda
  - dual benefits of control and efficiency

GDP %	2004 (e)	2005 (f)
Ireland	5.5	5.5
UK	3.1	2.6
USA	4.4	3.5
Poland	5.4	5.0
Eurozone	1.8	1.8



# Profit momentum - strong, consistent and broad based

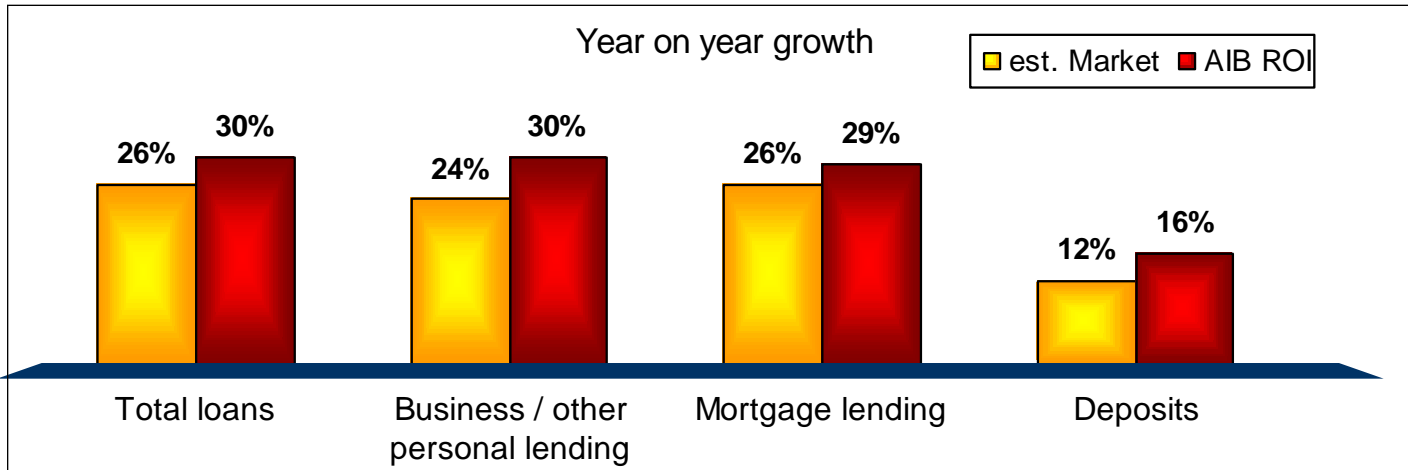
*constant currency*

■ AIB Bank Republic of Ireland	€695m	↑ 11% <sup>*</sup>
■ AIB GB & NI	€289m	↑ 16%
■ Capital Markets	€329m	↑ 30%
■ Poland	€80m	↑ 135%
■ M&T	€195m	↑ 15% <sup>**</sup>

<sup>\*</sup> *underlying (pre investigation charge) ↑ 19%*

<sup>\*\*</sup> *relative to Allfirst Q1 2003 and 9 months M&T contribution in 2003*

- Underlying\* profit ↑ 19%
- Fuelled by customer support
  - Loans ↑ 30%, deposits ↑ 16%
  - Growing share of a competitive market



- Income ↑ 11%, costs ↑ 6%, gap\* +5%
  - Cost / income ratio ↓ 50.4% (52% in 2003)
- Ark Life profit ↑ 18%, aided by lower discount rate

\* pre investigation charge



# AIB Bank Great Britain & Northern Ireland ↑ 16%

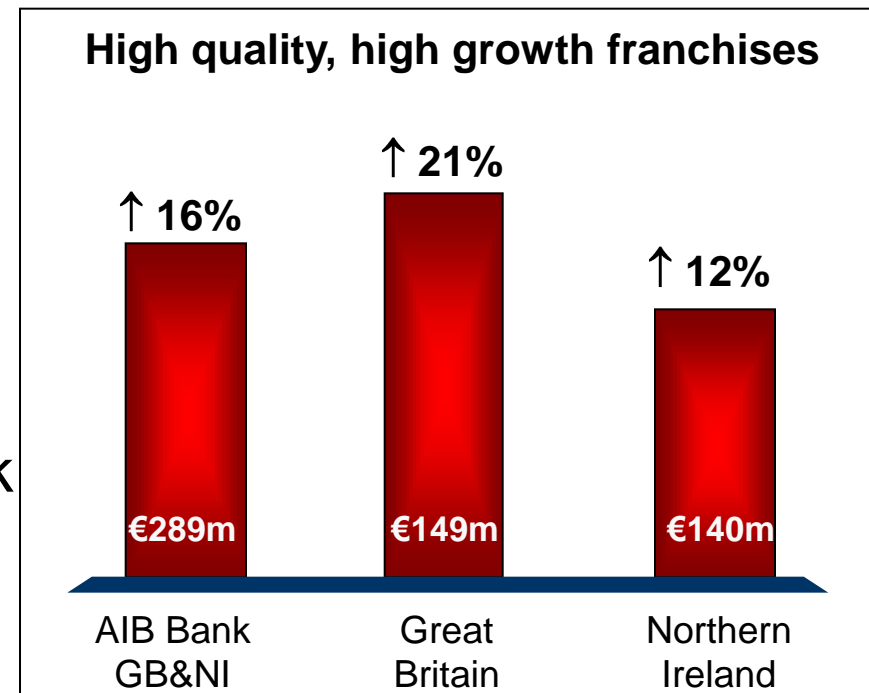
- Investing to sustain strong growth
  - Income ↑ 12%, costs ↑ 11%
  - Cost / income ratio ↓ 49.5% (49.8% in 2003)

## GB

- Loans ↑ 33%, deposits ↑ 19%
- Actively recruiting high calibre people
- Selective targeting of new sectors & locations
- Mid-size firms / corporates “bank of choice”

## NI

- Loans ↑ 23%, deposits ↑ 10%
- Outperforming larger competitors





- Material productivity gains
  - Income ↑ 12%, costs ↑ 5%
  - Cost / income ratio ↓ 52% (57% in 2003)
- Outstanding momentum in Corporate Banking, ↑ 54%
  - High performing international / niche franchises, domestic market leader
  - Consistent, recurring customer demand, loans ↑ 32%
- Fine treasury performance ↑ 20%
  - Built on relationship base
  - Modest risk, good reward in global markets
- Much stronger Investment Banking performance

- Significant rebound on to solid growth platform
  - Successful restructuring complemented by early stage income revival
  - Income ↑ 8%, costs ↓ 9%
  - Cost / income ratio ↓ 67% (79% in 2003)
  - Strong focus on other income ↑ 13%
- Market share up in weak lending market, loans ↑ 6%
- Deposits ↑ 10% in higher rate environment
- Continuing improvement in best in class asset portfolio
- Poised for further growth
  - Well positioned business centres crucial

- Reported net operating income ↑ 16%
- Interest income boosted by commercial lending
- Costs well contained, cost / income ratio ↓ 50.6% in Q4 (53.9% Q4 2003)
- Significant reduction in NPLs, ↓ 0.45% (0.67% 2003)
- 2005 M&T guidance 10% - 13% growth in GAAP EPS
- M&T focused on organic growth agenda

*\* relative to Allfirst Q1 2003 and 9 months M&T contribution in 2003*

Underpins quality and potential of AIB's position

- Extending our no. 1 position in Ireland, record customer activity
- Best UK business bank, playing to our relationship strength
- Beginning to harvest potential of Polish franchise
- Selection of international / niche growth opportunities to leverage competencies
- M&T - highly valuable position, outstanding track record
- Future focus on:
  - improving operational efficiency and integrating across the enterprise
  - well controlled growth

Premium franchises, evolving single enterprise base



**Gary Kennedy**

Group Director,  
Finance & Enterprise Technology

- Driven by dynamic operating performance
- 4% currency translation impact absorbed
- Tax and technical benefits added 3c

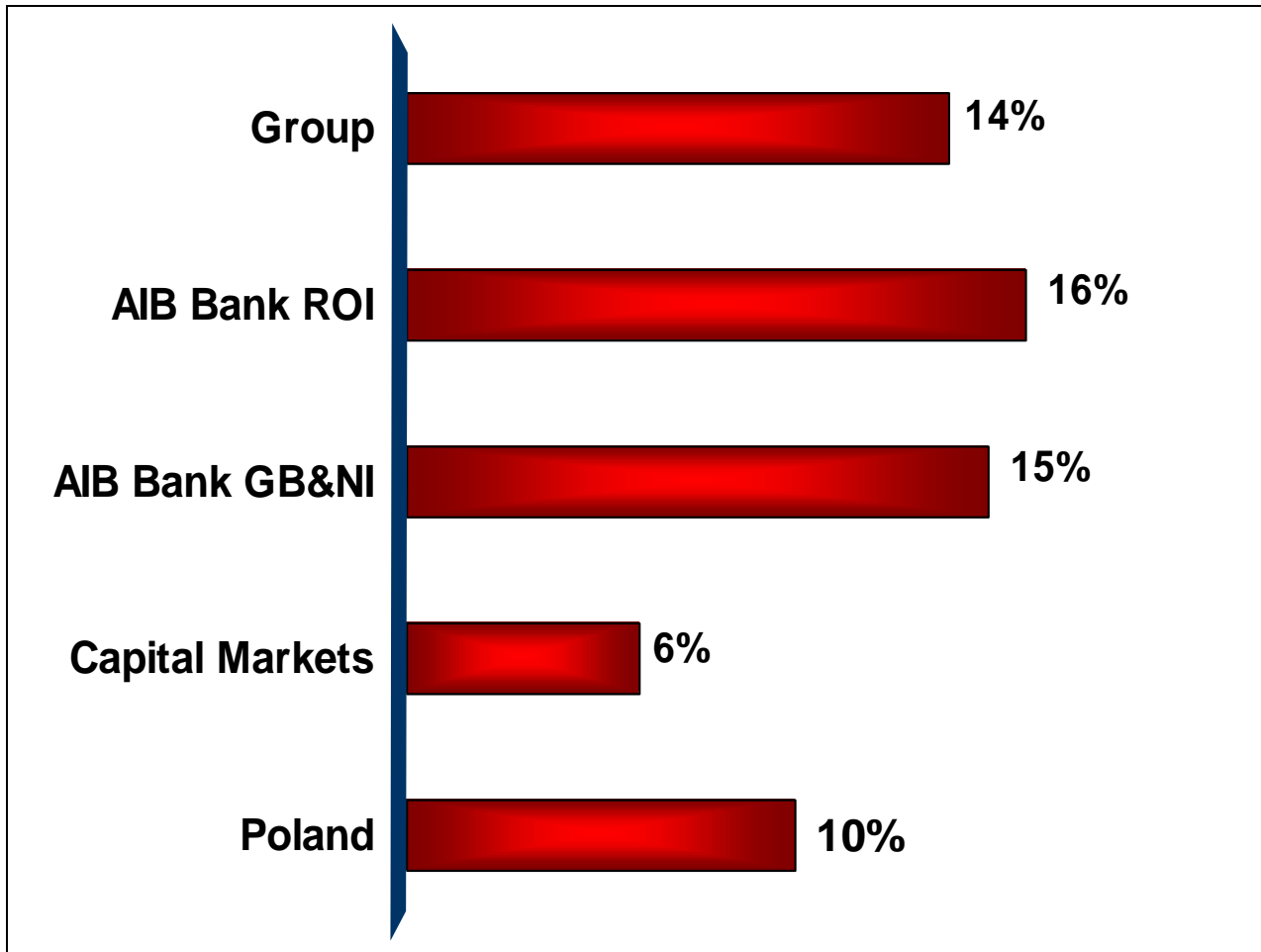
\* vs 118c base in 2003

2003	€m	2004	Underlying change %*
1,840	Net interest income	2,036	11
14	Other finance income	18	28
<u>1,124</u>	Other income	<u>1,210</u>	11
<u><u>2,978</u></u>	Total operating income	<u><u>3,264</u></u>	11
38.2%	<i>Other income ratio</i>	37.6%	

- Includes investigation related charge of €36m
- Banking fees & commissions up 9% \*\* (represents c.72% of other income)

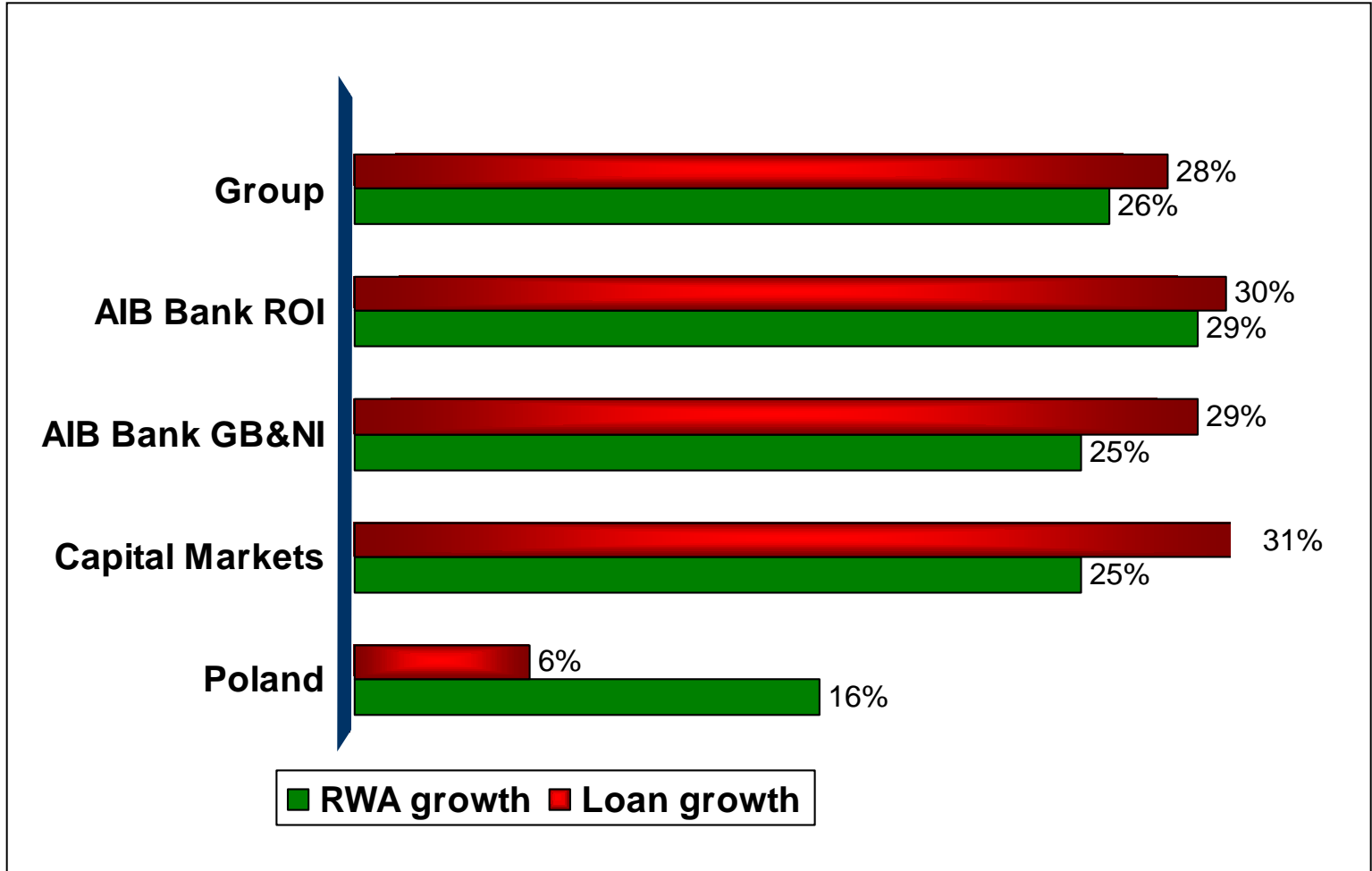
\* excludes the impact of currency movements

\*\* excluding investigation related charge of €24m



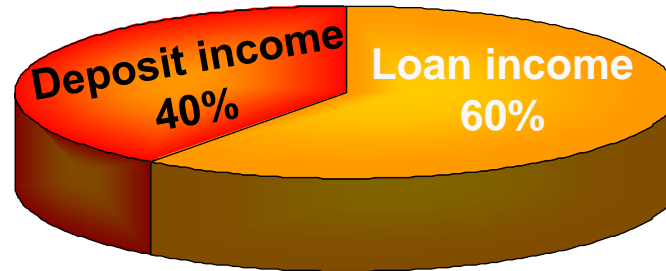
\* excludes the impact of currency movements



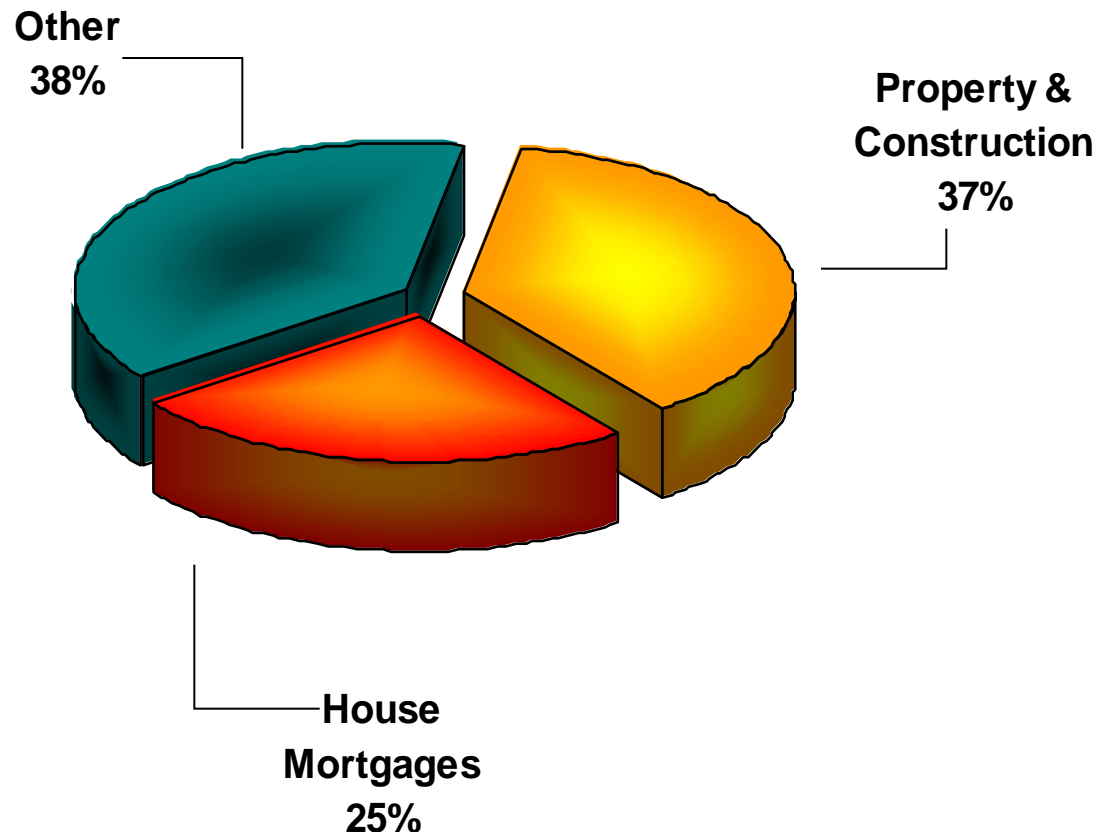


\* excludes the impact of currency movements

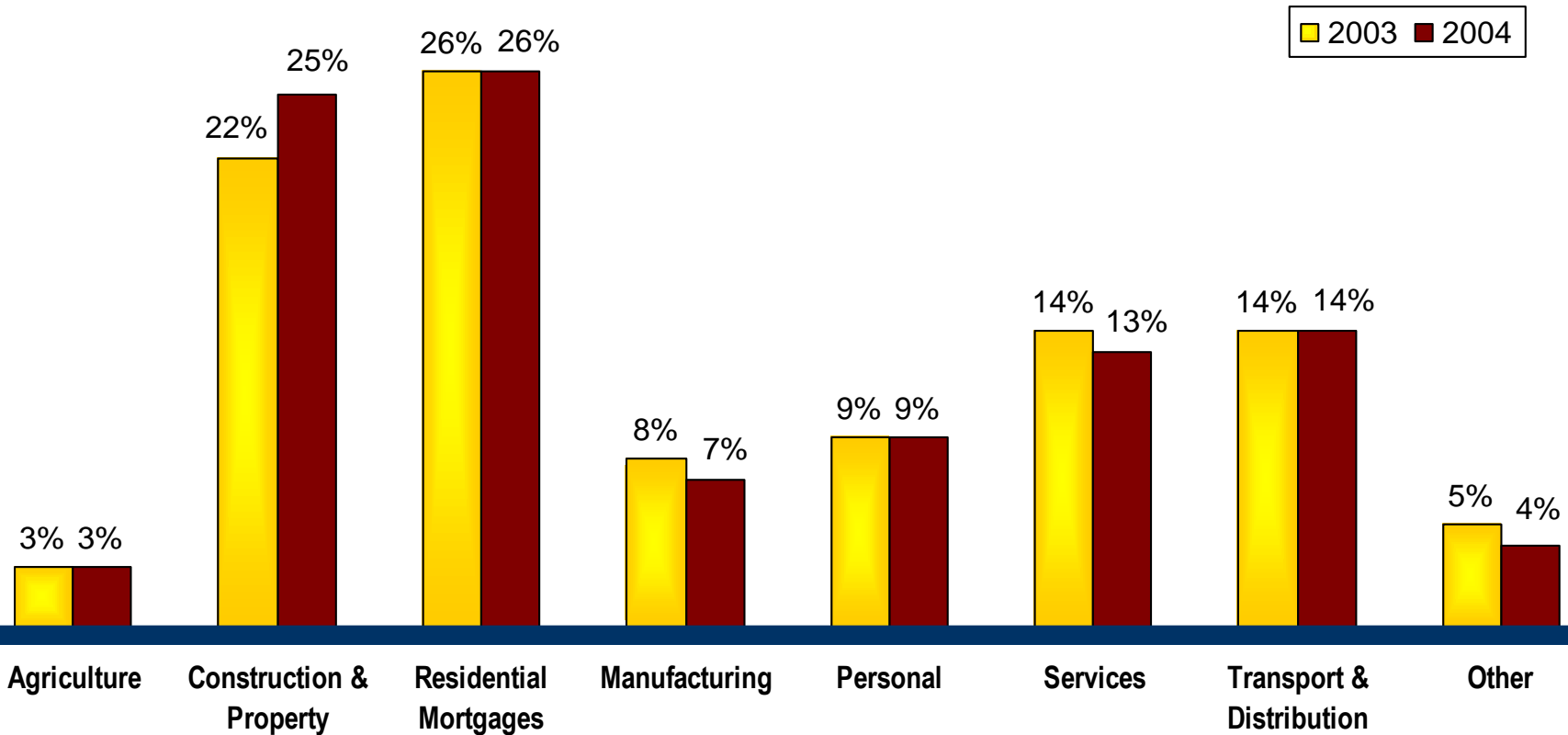
## Republic of Ireland Division



Loans ↑ 28%



% of Group loan portfolio



- Excellent credit quality
  - NPLs 0.5% v total NPLs 1.2%

	Typical emphasis	% of portfolios
investment	strong covenants	55
house building/development	pre-sold / pre-let	40
contracting	strong track records	5
		<hr/> 100

- Well diversified portfolio by:
  - type (commercial, retail, office & residential),
  - geography
  - and borrower

- Primary focus on debt service ratio (repayment capacity)

New Business				
<u>Consistent LTVs (% no's of drawdowns)</u>	<u>Dec 01</u>	<u>Dec 02</u>	<u>Dec 03</u>	<u>Dec 04</u>
< 75%	72	66	67	67
> 75% < 90%	22	26	25	24
> 90%	6	8	8	9
Total	100	100	100	100
<u>Strong arrears profile</u>	<u>Dec 01</u>	<u>Dec 02</u>	<u>Dec 03</u>	<u>Dec 04</u>
% total mortgage advances	0.9%	0.8%	0.5%	0.5%

	2004	2003	bps change
Continuing activities	2.42%	2.70%	-28

<u>Indicative breakdown of bps change</u>		
Funding effect of loans growing faster than deposits		-13
Other		-7
<i>Sub total</i>		<u>-20</u>
Technical change in reinvestment of capital		-8
Total		<u><u>-28</u></u>
2005 guidance		-20

	1998 % of loan book	2002 % of loan book	2003 % of loan book	2004 % of loan book
Branch loans	32	14	11	9
Home loans	29	31	34	34
Market / other loans	<u>39</u>	<u>55</u>	<u>55</u>	<u>57</u>
Total loans	<u><u>100</u></u>	<u><u>100</u></u>	<u><u>100</u></u>	<u><u>100</u></u>
Some adverse mix effect on deposit margins				

- Changed profile of branch & market / other loans reflects evolution of Irish economy & customers' financial strength
  - no material ongoing front book / back book issue
- Margin on branch loans 2-4% higher than other loan categories



2003	€m	2004	Underlying * change %
1,082	Staff costs	1,132	5
515	Other costs	581	13
170	Depr. & amort.	164	-3
<u>1,767</u>	Operating expenses	<u>1,877</u>	7
<u><u>58.3%</u></u>	<i>Tangible cost / income ratio</i>	<u><u>56.3%</u></u>	

- Includes f.x. investigation charge of €14m
- Continuing investment in single enterprise M.I.S., regulatory pressures
  - 1% incremental impact in 2004
  - to peak at c. 2.5% incremental impact in 2005

\* excludes restructuring costs and impact of currency movements

# Non-performing loans by Division

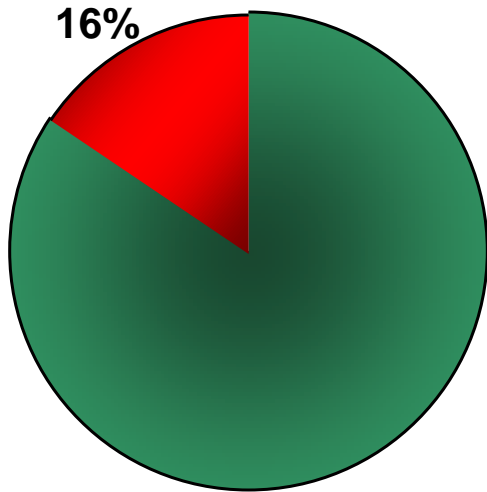
As at December 31, 2003				As at December 31, 2004		
NPLs	NPLs/ Actual Advances	Total Provisions/ NPLs		NPLs	NPLs/ Actual Advances	Total Provisions/ NPLs
€m	%	%		€m	%	%
209	0.8	109	AIB Bank ROI	221	0.6	104
84	0.8	148	AIB Bank GB & NI	139	1.0	91
82	0.8	149	Capital Markets	100	0.8	130
332	10.9	52	Poland	299	8.4	57
1,560			- €m - Pln m	1,218		
<u>707</u>	1.4	94	Total	<u>759</u>	1.2	87

Dec 2003	Average Loans %	€m	Dec 2004	Average Loans %
58	0.24	AIB Bank ROI	42	0.14
19	0.21	AIB Bank GB & NI	13	0.11
28	0.27	Capital Markets	32	0.27
32	1.03	Poland	29	0.91
5	-	Group	-	-
<u>142</u>	0.30	Total	<u>116</u>	0.20

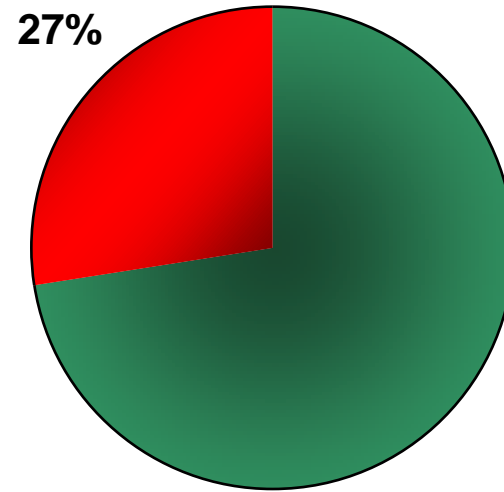
	2004
Total tier 1 capital	€6,220m
Total capital	€8,410m
Total risk weighted assets	€79 bn

- Lending must exceed:
  - EVA hurdle rates and
  - Return from alternative use of capital

**2003**



**2004**

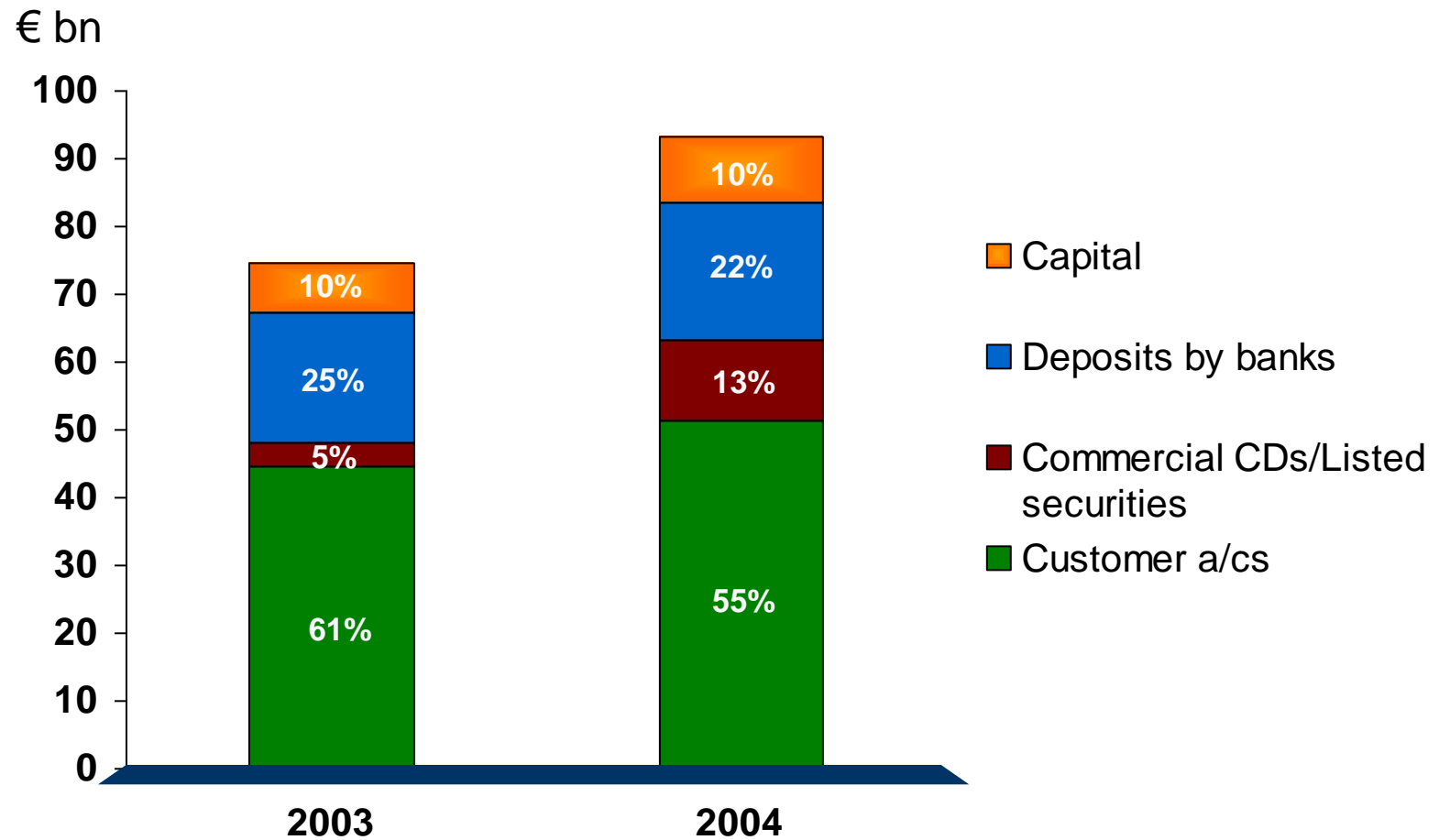


■ Equity ■ Preference Shares

Tier 1 Capital Ratio

7.1%

7.9%



- Strong sustainable performance throughout our business
  - Improving productivity
  - High quality loan portfolios
  - Prudent capital and funding
- Business pipelines underpin momentum
- Targeting 2005 adjusted EPS range 142c - 144c (Irish GAAP)

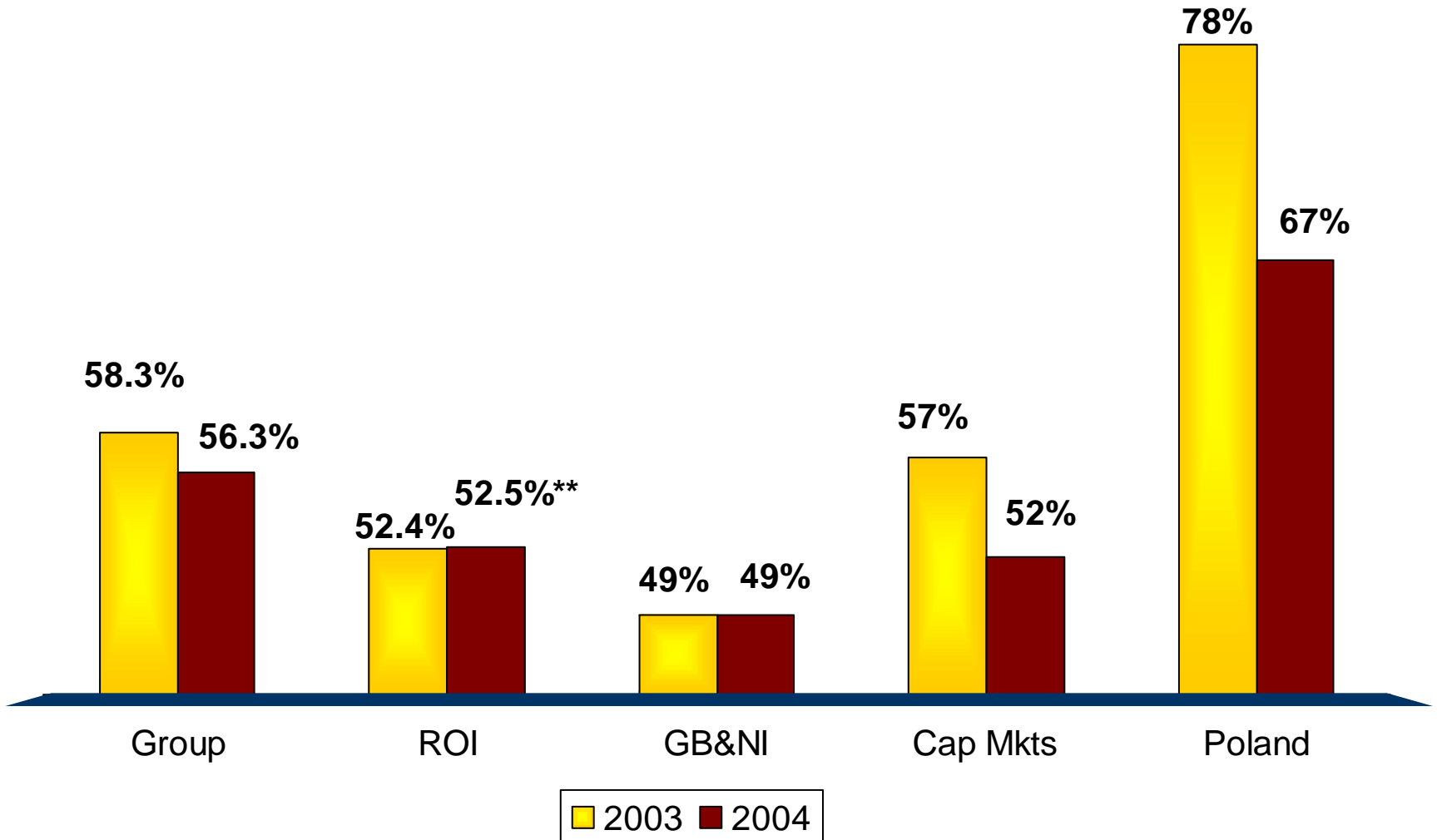


Additional Information



€m	2003	2004
Bad and doubtful debts	142	116
Contingent liabilities & commitments	9	20
Investment provisions	16	(1)
<b>Total Provisions</b>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
167	135	

# Tangible cost / income ratios\*



\* excludes goodwill

\*\* investigation related charges of €50m included

	2004 PLN	2004 €m	Underlying change %
BZWBK consolidated Polish GAAP	570	126	87**
BZ goodwill amortisation		(25)	
Other Group adjustments*		(21)	
Poland division		<u>80</u>	135**

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

\*\* excludes restructuring costs in 2003

31 Dec 2003	€m Assets:	31 Dec 2004	Underlying * change %
50,999	Loans to customers	65,441	28
40,984	Customer accounts	47,096	14
80,960	Total assets	102,240	26

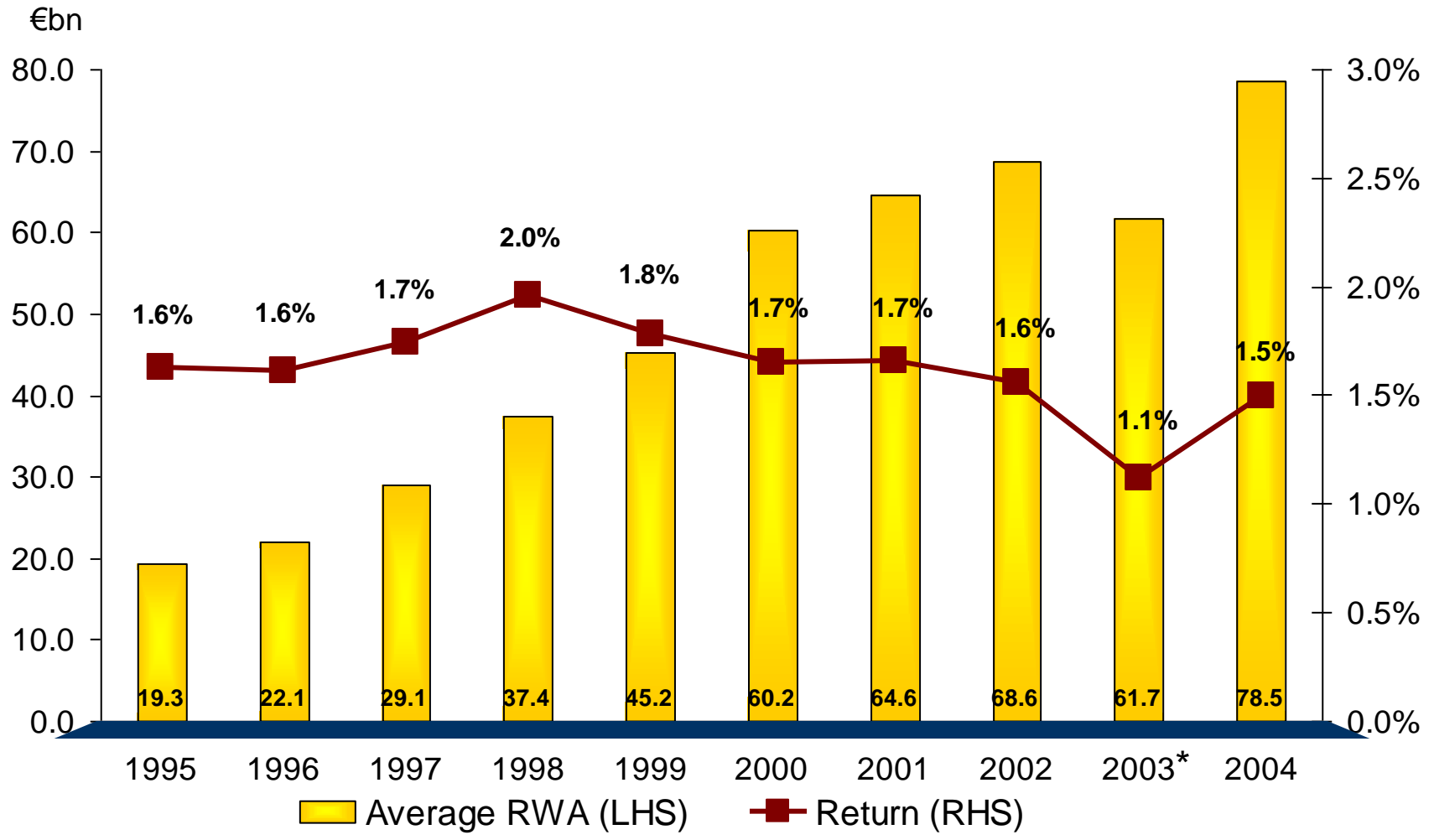
\* excludes the impact of currency movements

		Dec	
2003	Dec 2004		
	Tier 1	7.1%	7.9%
	Total	10.4%	10.7%

31 Dec 2003	€m	31 Dec 2004	Underlying Change %*
24,119	AIB Bank Rep Ire	31,194	29
10,055	AIB Bank GB & NI	12,531	25
24,506	Capital Markets	29,650	25
3,259	Poland	4,238	16
62,615	Total RWA	78,539	26

\* excludes the impact of currency movements

# Return on risk weighted assets



\* 2003 return on risk weighted assets, having absorbed loss on disposal of Govett, restructuring and early retirement costs and impact of Allfirst dividend withholding tax on Profit & Loss account



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

Alan Kelly	<i>alan.j.kelly@aib.ie</i>		+353-1-6412162
Maurice Tracey	<i>maurice.m.tracey@aib.ie</i>		+353-1-6414191
Pat Clarke	<i>patricia.m.clarke@aib.ie</i>		+353-1-6412381
Mary Gethings	<i>mary.gethings@aib.ie</i>		+353-1-6413469



+353-1-660 0311



+353-1-641 2075