

Preliminary Results 2005

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for the year ended 31 December 2005

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.

All comparisons in this presentation are relative to 2004 pro-forma IFRS figures

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Eugene Sheehy
Group Chief Executive

Basic earnings per share	151.0 c	
- adjusted basic *	145.9 c	↑ 15%
Positive income / cost gap		5%
Cost / income ratio		↓ 2.5%
Impaired loans		1%
Dividend		↑ 10%
Return on equity		20.6%
Tier 1 capital ratio		7.2%

* Excludes (i) profit on new bankcentre development and (ii) hedge volatility under IFRS

Profit before tax

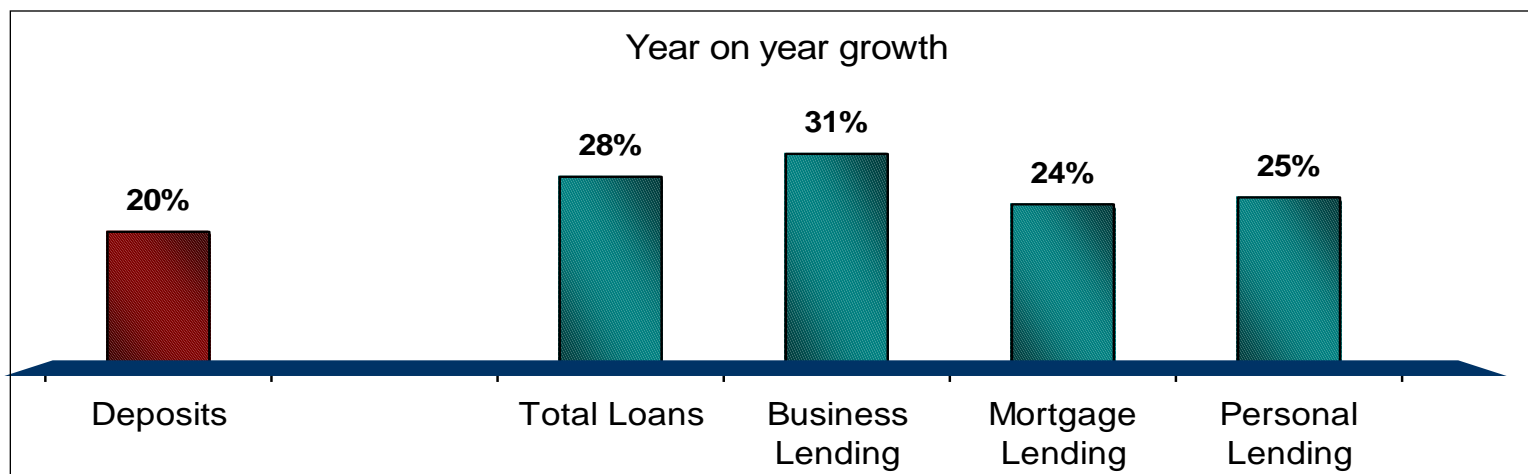
■ AIB Bank Republic of Ireland	€779m	↑ 24%
■ AIB GB & NI	€322m	↑ 18%
■ Capital Markets	€403m	↑ 27%
■ Poland	€132m	↑ 13%
■ M&T	€148m*	↑ 16%

* after tax figure



AIB Bank Republic of Ireland ↑ 24%

- Underlying profit ↑ 15% (pre 2004 investigation charge)
- Cost / income ratio ↓ 51.3% (52.7% in 2004)
- Reinforcing our no. 1 position in Irish banking



- Customer demand creating abundance of opportunities
 - Uncompromising on quality
 - Net ↑ 500 people in 2005, over 300 vacancies now
 - Competition effect in line with expectations

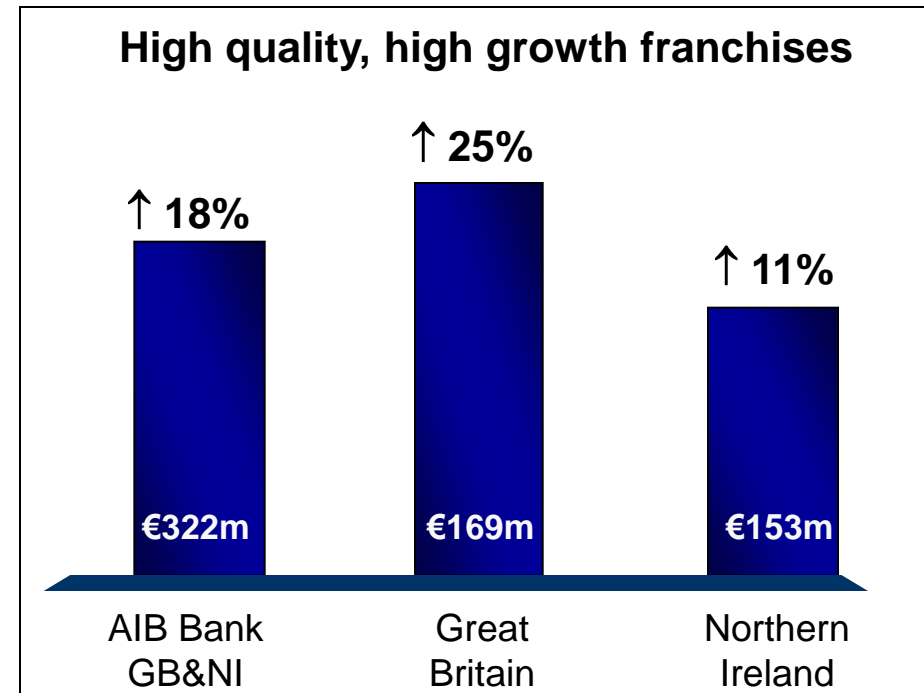


AIB Bank Great Britain & Northern Ireland ↑ 18%

- Cost / income ratio ↓ 48.7% (51.5% in 2004)

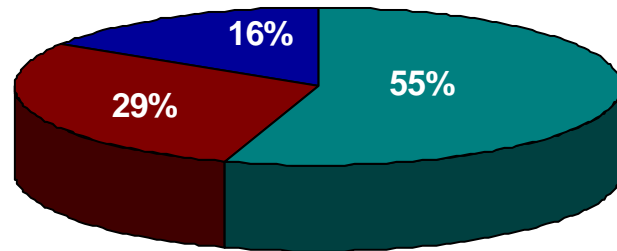
GB

- Selective business sector focus driving outperformance
 - Loans ↑ 31%, deposits ↑ 21%
 - Market share gains in:
 - private education
 - legal & accounting
 - healthcare
 - hotels
- People acquisition a high priority
 - Almost 50% ↑ in business developers since 2003



NI

- Good performance in a lower growth environment
 - Loans ↑ 25%, deposits ↑ 12%
 - Strong focus on cost management



- Corporate Banking
- Treasury
- Investment Banking / Allied Irish America

- Cost / income ratio ↓ 47.5% (54.4% in 2004)
- Outstanding performance in Corporate Banking ↑ 33%
 - Loans ↑ 29%
 - Solid profit growth in premium Irish franchise
 - > 70% profit from international franchises
 - Harvesting carefully planned skills transfer
 - Strong growth in U.K., New York, structured / acquisition finance and debt management
- Robust treasury performance ↑ 2%
 - Strong customer business
 - Low risk positions; trading profits not a material % of AIB
- Investment Banking at centre of Irish corporate activity ↑ 22%

- Underlying profit ↑ 29% (pre disposal of business in 2004)
- Cost / income ratio ↓ to 65.7% (67.4% in 2004)
- Performance driven by:
 - Non interest income ↑ 10%
 - Tight cost management ↑ 3%
 - Further provision reductions ↓ 54%
- Early signs of loan book momentum
 - ↑ 4% following flat H1
 - Personal cash loans ↑ 80%
 - Maintaining risk discipline
- Top tier mutual funds provider; income ↑ 115%, market share 12.6%

- Strong management driving performance in challenging environment
 - Cost management offsetting slow income growth
 - Cost / income ratio ↓ 51.2% (53.5% in 2004)
 - Further reduction in non performing loans and provisions
- US yield curve movements not a material factor

Operations – single enterprise approach

Major investment programme underway

- Core business banking and payment system
 - Vendor agreement signed
 - Cross divisional application: staged roll out over 2 years
- Core retail banking system; implementation 2007 - 2008
- 2 new data centres – capacity & risk benefits
- Home mortgages - improvement in response times



GDP %	2005 (e)	2006 (f)
Ireland	4.5	5.0
UK	1.8	2.4
USA	3.5	3.4
Poland	3.2	4.0
Eurozone	1.4	2.1

Growing our presence in competitive markets

- Ireland
 - Over 70,000 more customers than in 2004; increases in both business and personal sectors
 - Improving trend in customer satisfaction

- Great Britain
 - Continuing migration from small to mid-market customers
 - Consistent customer satisfaction underpins “best business bank” status

- Poland
 - Over 100,000 more customers than in 2004
 - Customer recruitment spread over key sectors and products

- Rest of World
 - Leveraging competencies developed in Capital Markets
 - Selective international expansion

- Double digit earnings momentum
- Income growing faster than costs
- Strong asset quality
- Robust capital and funding
- Developing enterprise wide operating solutions

High quality, sustainable growth



John O'Donnell

Group Finance Director

2004	€m	2005	Ccy Change %
3,220	Total operating income	3,647	12
1,868 *	Total operating expenses	2,011	7
	Group operating profit before provisions		
1,352		1,636	20
133	Total provisions	143	4
1,219	Group operating profit	1,493	22
1,377	Group profit before tax	1,706	23
127.1c	EPS - total	151c	19
	EPS excl. Bankcentre / volatility	145.9c	15

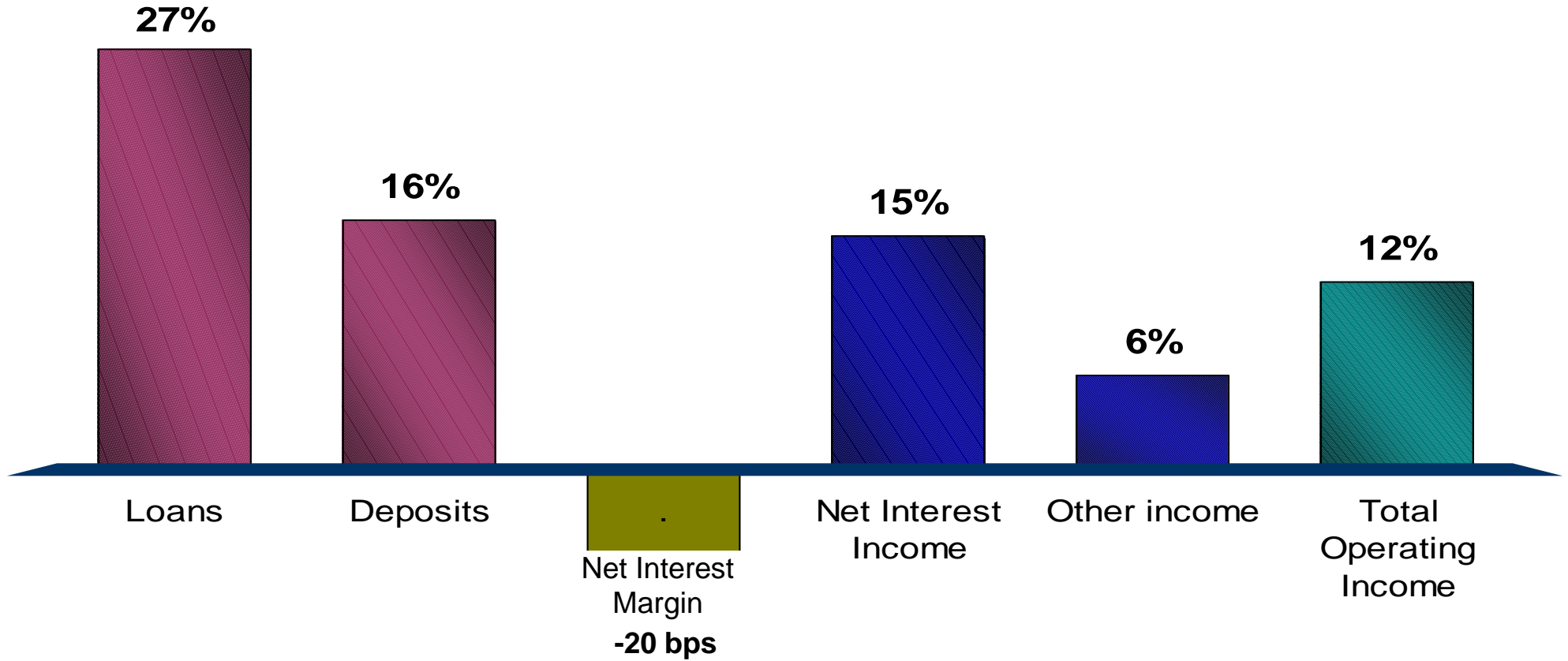
■ Effective tax rate 18.7%

* Includes €9m restructuring cost

	c.
Basic earnings per share	151.0
- Profit on new Bankcentre development	(4.4)
- Hedge volatility under IFRS	(0.7)
	<hr/>
Basic earnings per share – adjusted	145.9

- Tax charge 3c lower than expected
 - Profit mix and reversal of prior year provisions
 - Principal cause of variance vs guidance

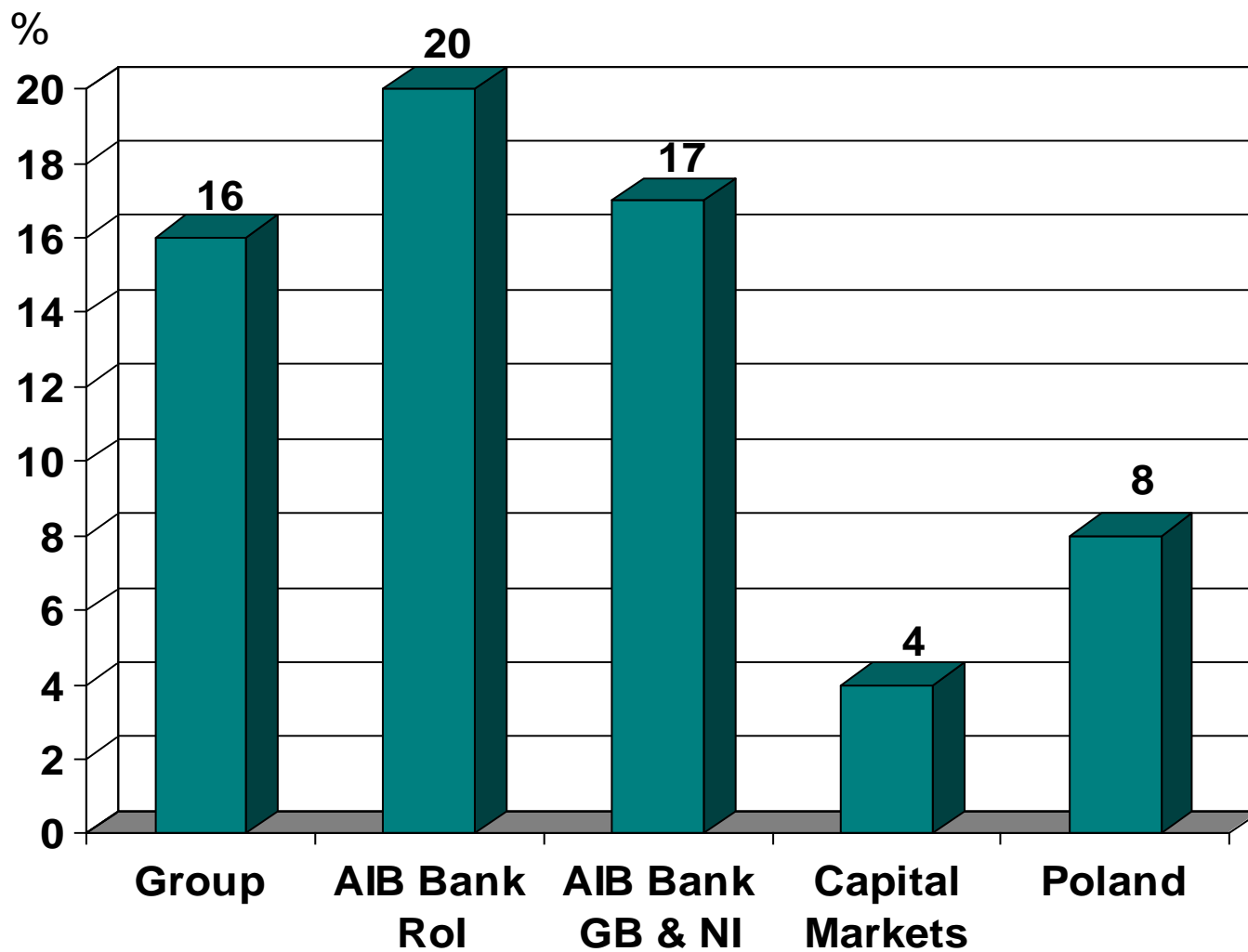
Buoyant customer demand driving income



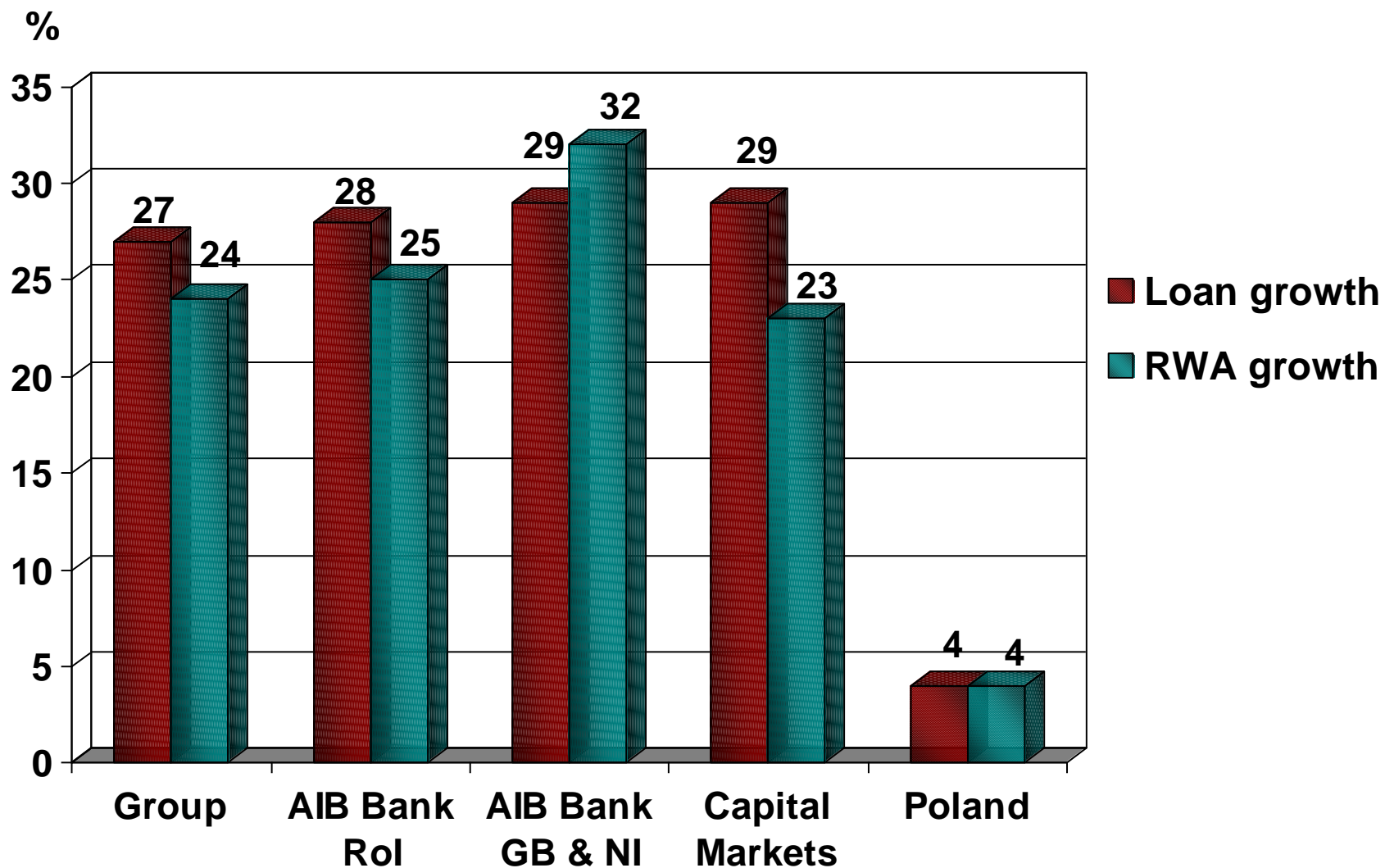
■ Organic growth

- best use of capital

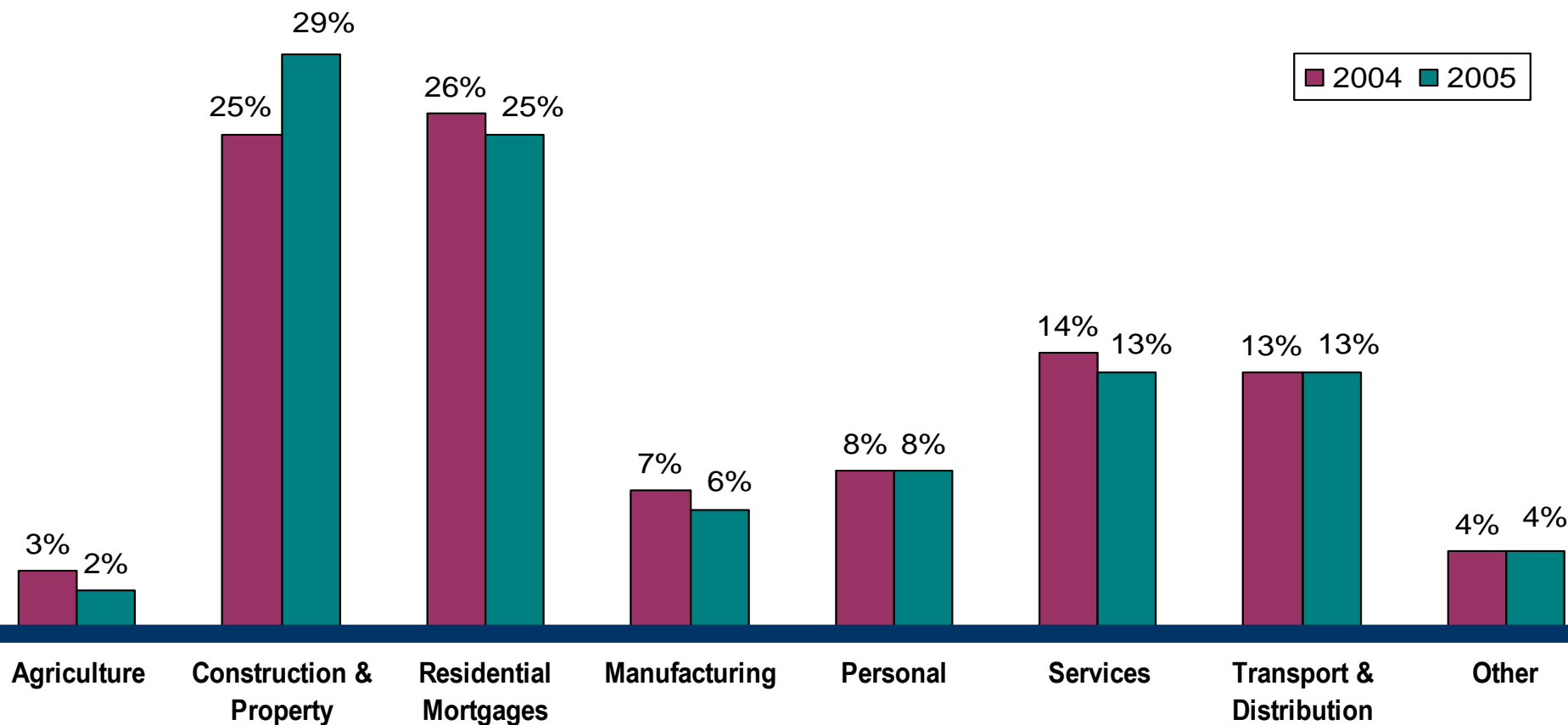
- solid capital and funding positions



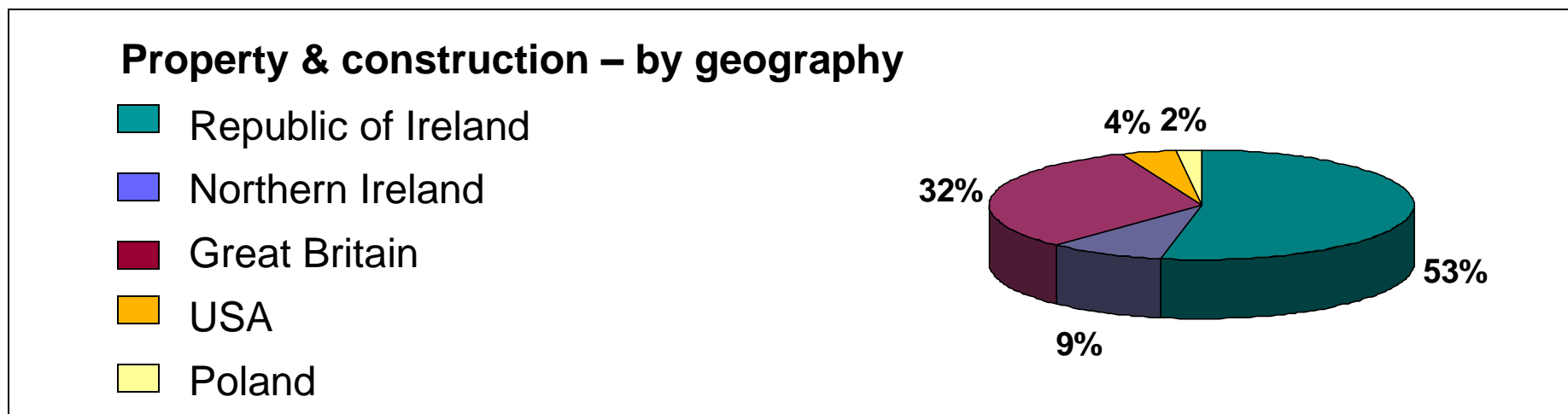
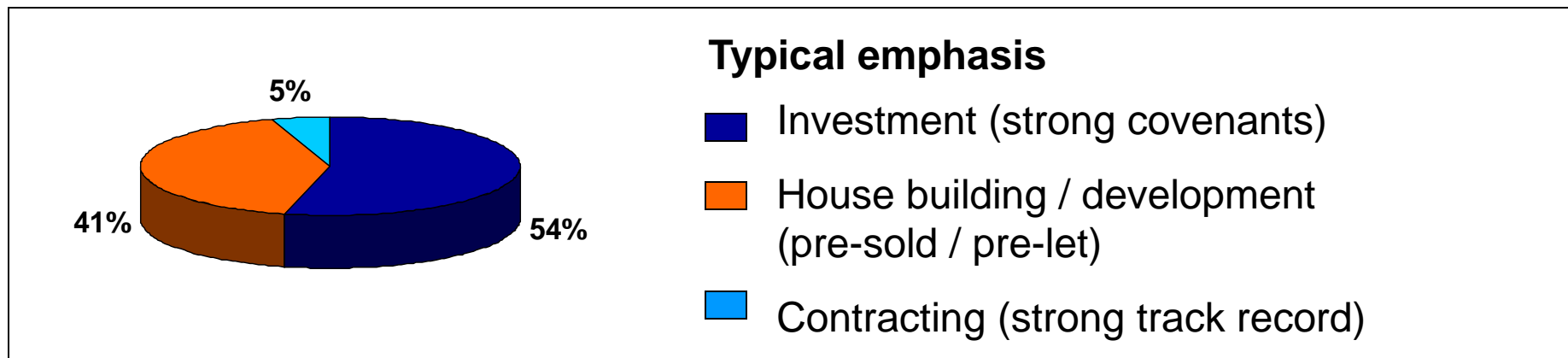
Loan and risk weighted asset growth



% of Group loan portfolio



Property & construction – robust quality



■ Impaired loans - property & construction 0.4%, total loans 1.0%

- Primary focus on debt service ratio (repayment capacity)

New Business

<u>Consistent LTVs</u> (<i>% no's of drawdowns</i>)	<u>Dec 02</u>	<u>Dec 03</u>	<u>Dec 04</u>	<u>Dec 05</u>
< 75%	66	67	67	70
> 75% < 90%	26	25	24	17
> 90%	8	8	9	13
Total	100	100	100	100

<u>Strong arrears profile</u>	<u>Dec 02</u>	<u>Dec 03</u>	<u>Dec 04</u>	<u>Dec 05</u>
% total mortgage advances	0.8%	0.5%	0.5%	0.5%

2005	2004	bps change
2.38%	2.58%	-20

- Factors affecting net interest margin
 - Single biggest factor remains loans growing faster than deposits
 - Other factors include lower yields on re-investment of customer account funds, business mix and competition
- 2006 guidance: - 20 bps

Business mix – Republic of Ireland Division

- Deposits – mix change reduces margin; term deposits now 53% of total (43% in 2000)

	1998 % of loan book	2003 % of loan book	2005 % of loan book	7 yr. growth (%)
Branch loans	32	11	7	(6)
Home loans	29	34	34	+399
Market / other loans	39	55	59	+545
Total loans	<u>100</u>	<u>100</u>	<u>100</u>	<u>+326</u>

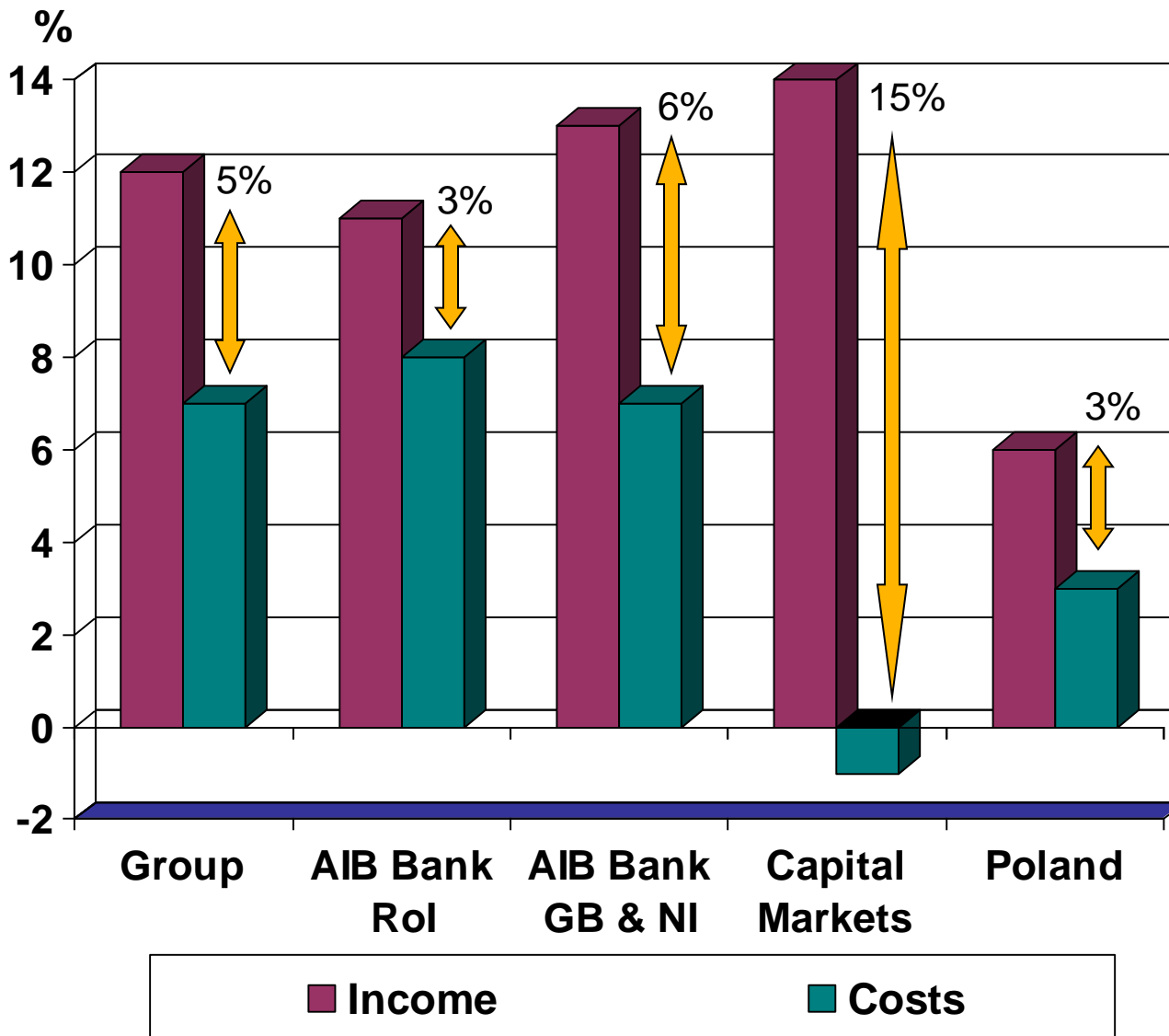
- Changed profile of branch & market / other loans reflects evolution of Irish economy & customers' financial strength
- Margin on branch loans 2-4% higher than other loan categories

2004	€m	2005	Underlying * change %
1,136	Staff costs	1,298	13
578	Other costs	583	-1
<u>145</u>	Depr. & amort.	<u>130</u>	-13
<u><u>1,859</u></u>	Operating expenses	<u><u>2,011</u></u>	7

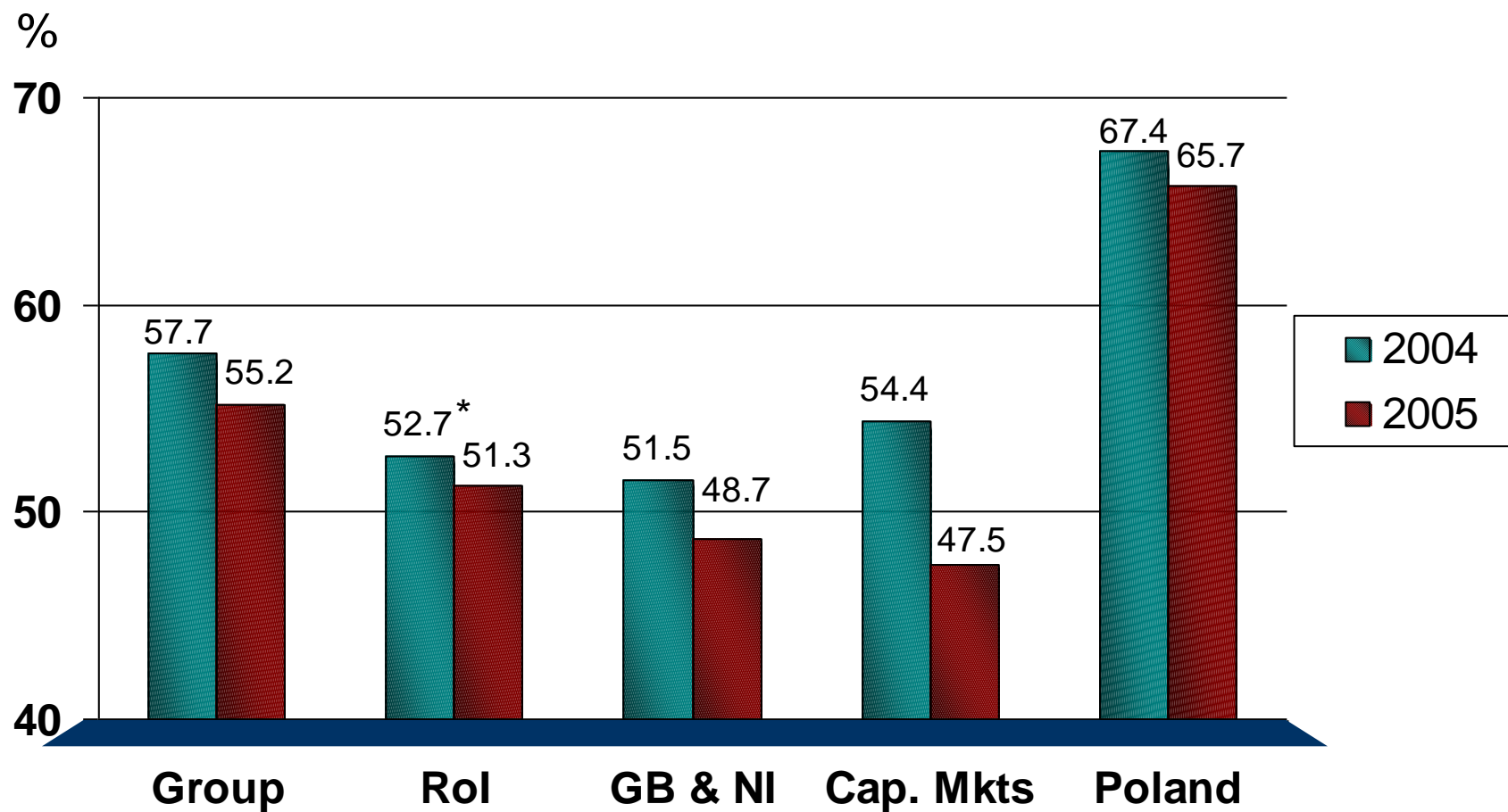
- “run rate” increase of + 5%
- Performance compensation + 1%
- Regulatory / compliance costs + 1%
- + 7%
- 2006 full year forecast + 7%

* excludes impact of currency movements

Positive “jaws” in all franchises

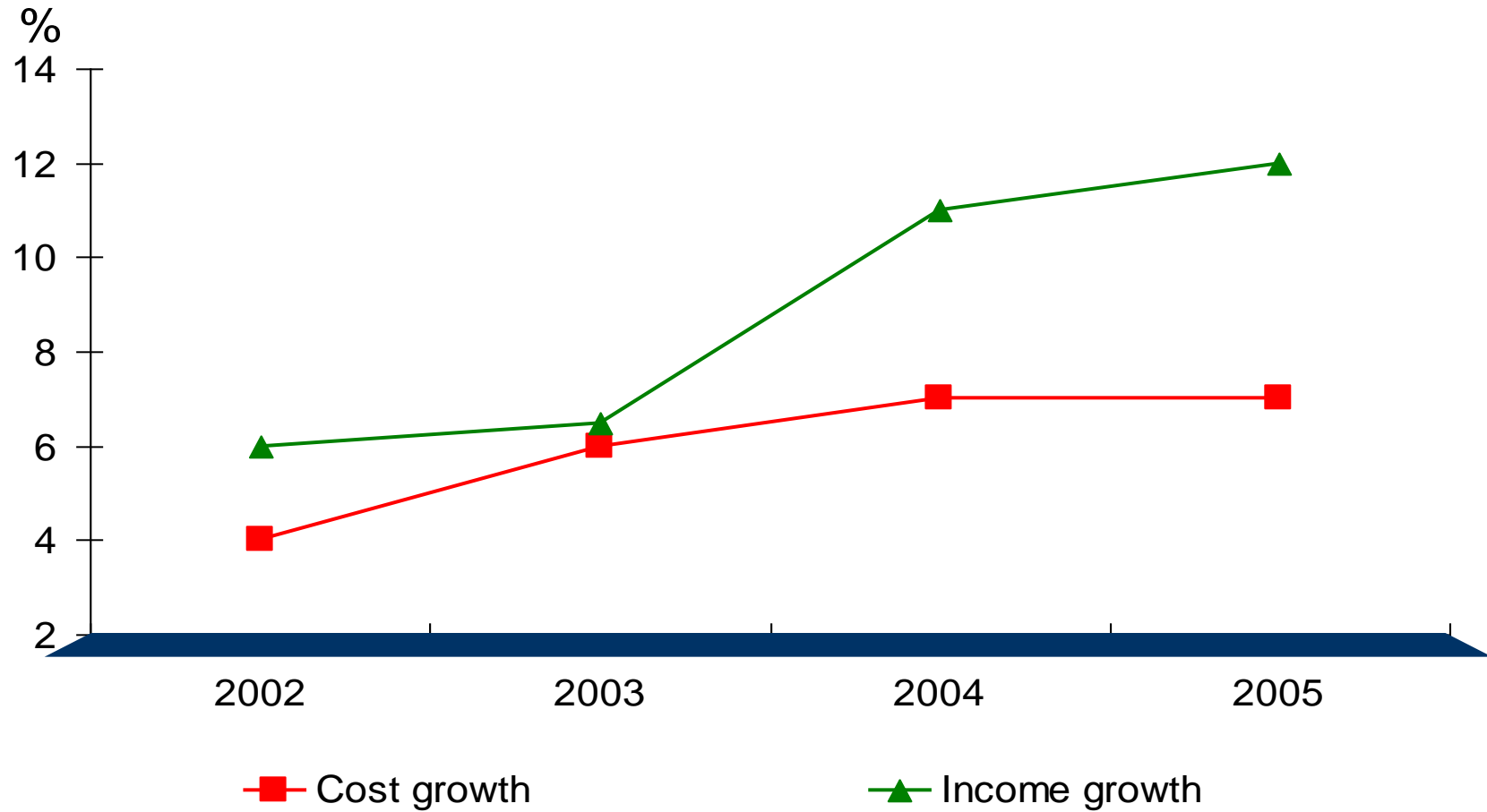


Cost / income ratio ↓ in all divisions



* excludes investigation related charges

Income / cost gap; a healthy relationship



2004		2005	
1.3	Impaired loans (ILs)	%	1.0
5.8	Criticised loans / total loans	%	5.1
0.7	Gross new ILs	%	0.4
73	Total provisions / ILs	%	78
20	Bad debt charge	bps	15

Impaired loans by Division

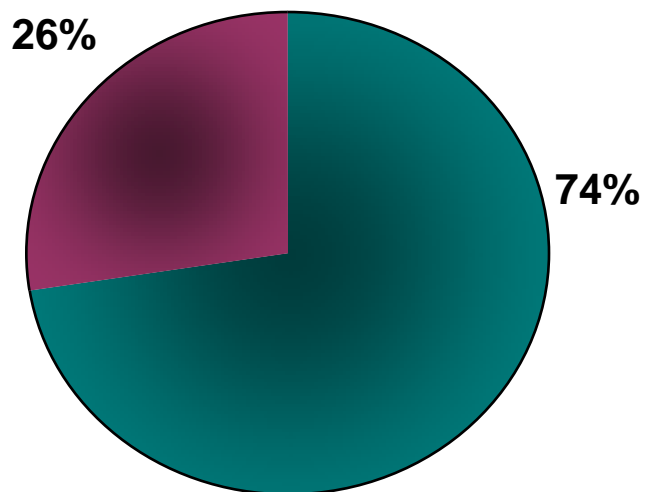
As at December 31, 2004				As at December 31, 2005		
ILs €m	ILs/ Actual Advances %	Total Provisions/ ILs %		ILs €m	ILs/ Actual Advances %	Total Provisions/ ILs %
295	0.8	83	AIB Bank ROI	308	0.7	84
148	1.1	76	AIB Bank GB & NI	166	0.9	75
100	0.8	79	Capital Markets	132	0.7	78
297	8.4	60	Poland	262	6.8	72
<u>840</u>	1.3	73	Total	<u>868</u>	1.0	78

Bad debt provisions by division

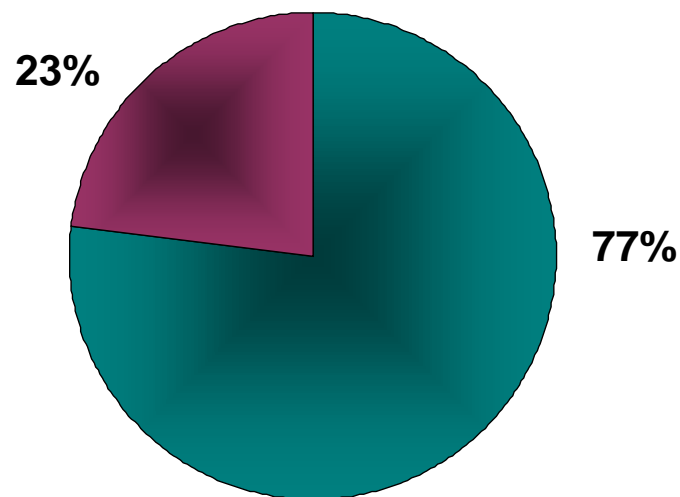
2004	Average Loans %	€m		2005	Average Loans %
42	0.14	AIB Bank ROI		45	0.11
13	0.11	AIB Bank GB & NI		20	0.13
32	0.27	Capital Markets		35	0.22
29	0.91	Poland		15	0.40
<u>116</u> *	0.20	Total		<u>115</u>	0.15

* €114m after IFRS adjustment

2004



2005

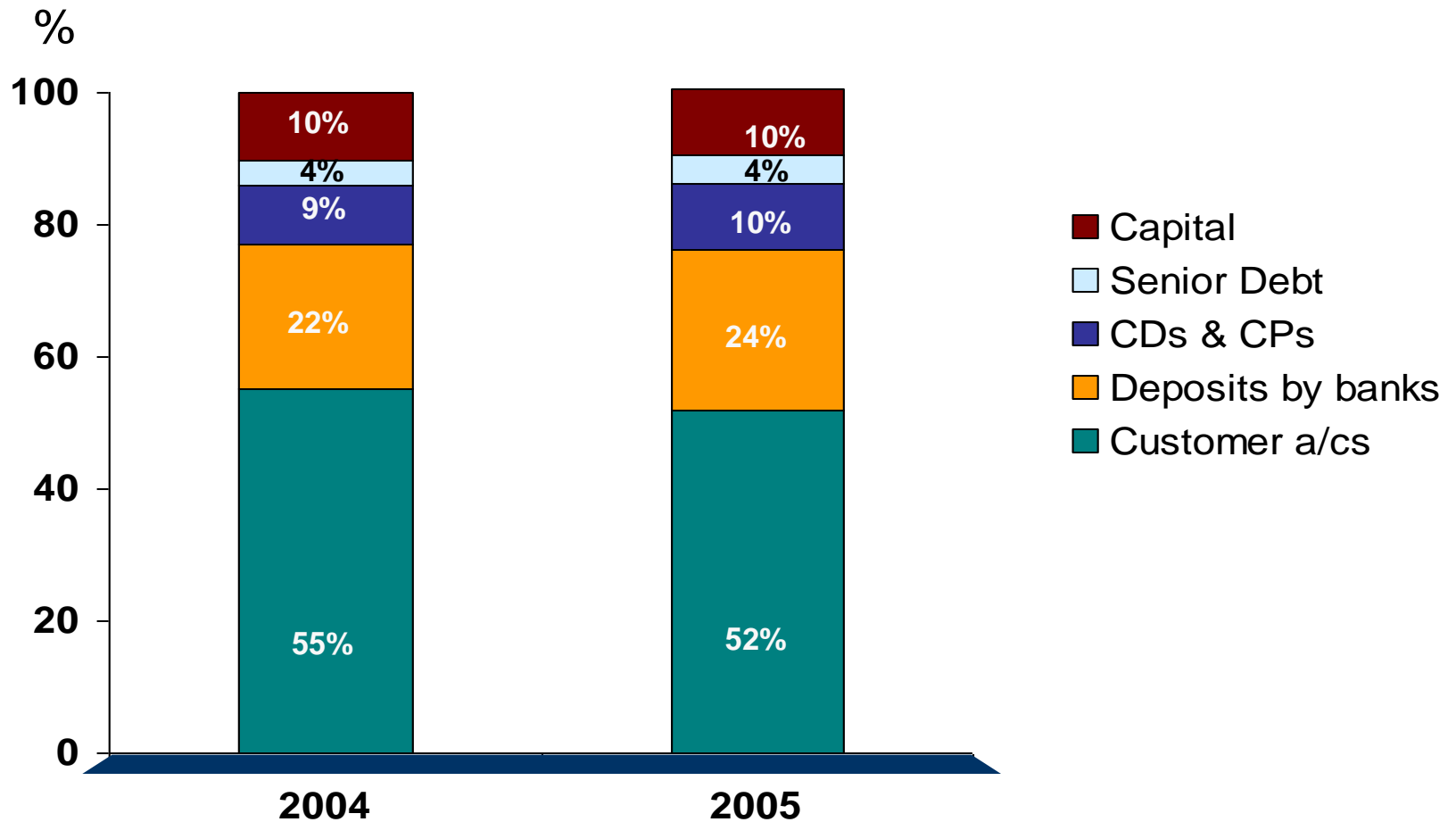


■ Equity ■ Preference Shares

Tier 1 Capital Ratio	8.2%*	7.2%
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* Tier 1 ratio as at 1 Jan '05

- Tier 1 target zone c. 7%
- Organic loan growth best use of our capital
 - Internal competition amongst business units
- Sufficient capital for planned loan growth
 - Internally generated from business and asset disposals
 - Suite of additional options
- Progressive dividend policy to be maintained



■ Plan to launch asset covered bond

- Strong 2005 performance in all franchises
- Business pipelines underpin momentum into 2006
- 2006 targets - customer demand to fuel income growth
 - cost growth of c. 7% to reflect controlled investment
 - income / cost growth $\geq +3\%$
 - impaired loans charge c. 20 bps



Low double digit growth in EPS
(on 2005 base of 145.9c)

Strong growth on solid foundations



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