

*Preliminary Results 2007*



For the year ended 31 December 2007, 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. 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.



**Eugene Sheehy**

Group Chief Executive

Basic earnings per share	218.0c	
- basic adjusted *	205.9c	↑ 13% **
Positive income / cost gap		3%
Cost / income ratio		↓ 1.7%
Impaired loans		↓ 0.8%
Dividend		↑ 10%
Return on equity		21.8%
Tier 1 capital ratio		7.5%

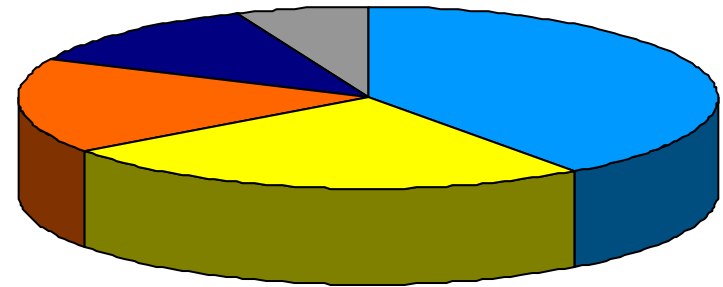
\* Basic earnings per share less profit on disposal / development of properties and hedge volatility

\*\* Relative to 2006 base figure of 182.8c

■ AIB Bank RoI	€1,075m	↑ 14%
■ Capital Markets	€530m	↑ 6%
■ AIB Bank UK	€452m	↑ 20%
■ Poland	€268m	↑ 29%
■ M&T*	€120m	↓ 7%

\* after tax contribution

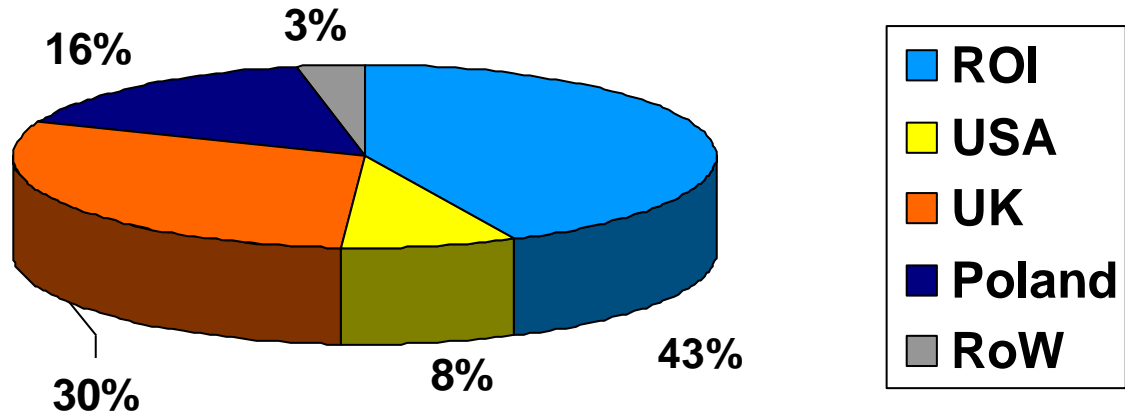
Operating profit by division



■ AIB Bank RoI	44%
■ Capital Markets	22%
■ AIB Bank UK	18%
■ Poland	11%
■ M&T	5%

# Domestic & international – a broad profit base

## Pre-tax profit by geography \*



\* Management estimate of continuing operations reflecting the geographic markets from which profit was generated. Does not include profit on disposal / development of properties and hedge volatility

GDP %	2007 (e)	2008 (f)
Ireland	5.5	2.5
UK	3.1	1.8
USA	2.2	1.3
Poland	6.4	5.5
Eurozone	2.7	1.5

- Growth slowing in 2008 following lengthy period of economic buoyancy
- Long term growth and stability are firmly underpinned
  - Growing population, labour force & employment
  - Rising real incomes & wealth effect, positive savings ratio
- House market correction now well advanced
  - More balanced & sustainable economic growth
  - Improving affordability, good “dormant” demand
- Slower growth but good demand underpinning commercial property
- Infrastructure at early stage of development / modernisation
  - Strong combination of private and public investment activity
  - Healthy public finances; debt / GDP c. 25% (14% net of National Pension Fund)
- Broad based economy; service sector, exports, manufacturing all performing well
  - Excluding housing, GDP growth > 5% in each of last 3 years



- Very strong and deep competitive position

- Consistent growth/maintenance of market share again in 2007

Business lending	↑ 25%	- gaining market share
Personal lending	↑ 11%	- gaining market share
Home Mortgages	↑ 14%	- maintaining market share
Deposits	↑ 3%	- gaining market share

- Significant Wealth Management opportunity

- On track to deliver €150M profit by 2010 (from €50m in 2006)
- Strong Private Banking performance; loans & deposits both up over 25%
- Investment and Protection APE ↑ 34%

- Continuing to improve efficiency; cost / income ratio 48% (49.6% in 2006)

- Solid asset quality, impaired loans 0.7% (0.6% in 2006)

- Heavy investment in our franchise throughout period of income buoyancy

- Well positioned to continue outperformance in tougher times

- Performance underlines customer demand driven nature of our business
  - Strong, sustainable, recurring income streams
  - Income write downs of €131m absorbed in unprecedented market conditions
- Strong focus on efficiency, cost / income ratio 47.1% (45.9% in 2006)
- Tougher market conditions present opportunities

## Corporate Banking

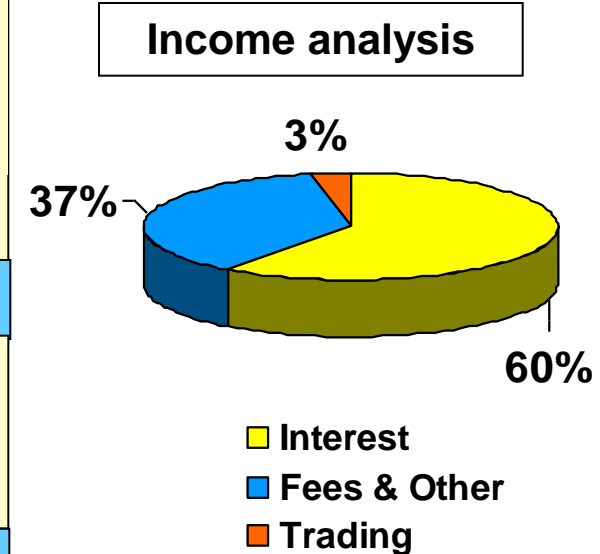
- c. 76% of division's profits (c. 79% earned internationally)
- Significant growth in business volumes – loans  $\uparrow$  30%
- Continued focus on carefully chosen market and sectors
- Conservative risk appetite, impaired loans 0.3% (0.6% 2006)

## Global Treasury

- Extremely difficult market conditions
- Strong performance in customer services, income  $\uparrow$  35%
- Highly controlled risk environment

## Investment Banking

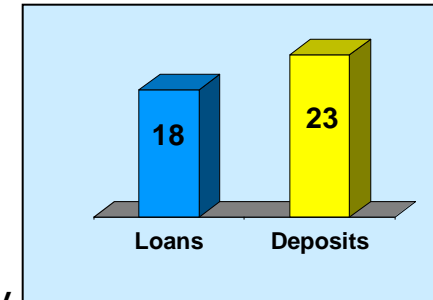
- Operating profit  $\uparrow$  50% pre sale of trade investment
- Asset management & stockbroking key contributors



- Well managed, balanced growth
  - Continued efficiency gains, cost / income ratio 44.1% (45.9% in 2006)
  - Solid asset quality, impaired loans 1.1% (0.9% in 2006)

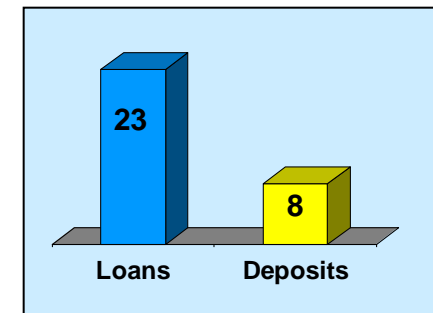
Great Britain PBT €249m  $\uparrow$  20%

- Driven by success in business banking in chosen mid-market sectors
- Deposits growing strongly across business markets and associated private banking
- Increased investment in front line people products and service delivery



Northern Ireland PBT €203m  $\uparrow$  20%

- Network reconfigured to sharpen focus on market opportunity
- Enhanced product suite – successful marketing initiatives



■ Strong well spread growth across sectors & product lines

- Business lending ↑ 32%
- Retail cash lending ↑ 47%
- Mortgages ↑ 43%
- Deposits ↑ 26%
- Mutual funds ↑ 32%
- Brokerage services income ↑ 41%

■ Business & personal banking momentum growing

■ Maintaining strong market positions in asset management and brokerage

■ Continued efficiency gains, cost / income ratio 60.4% (61.1% 2006); legal entity 53.2%

■ Further improvement in asset quality, impaired loans 2.8% (4.9% 2006)

■ Major investment programme; driving for 10% market share

- 1,100 people added in 2007, further front line recruitment in 2008
- 34 branches added in 2007, now opening 1 per week
- Further investment in corporate / SME business centres, banking and customer channels

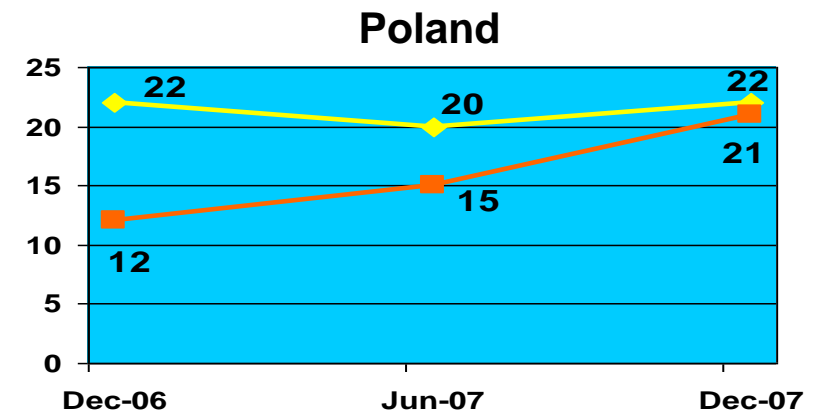
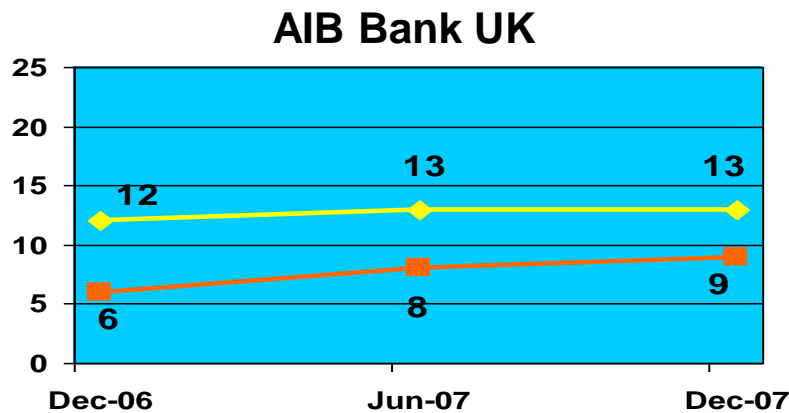
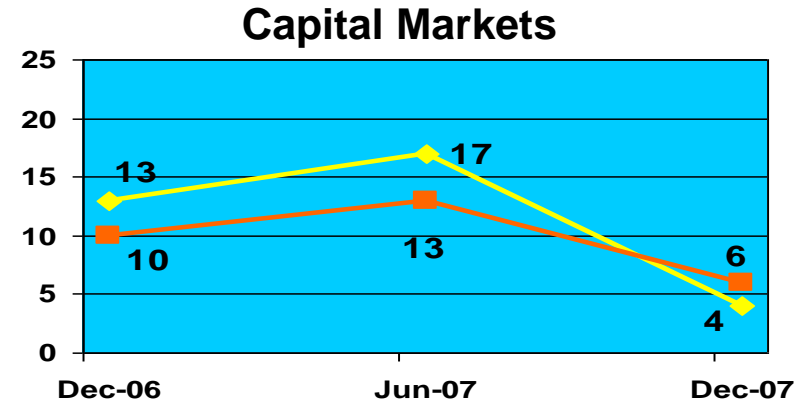
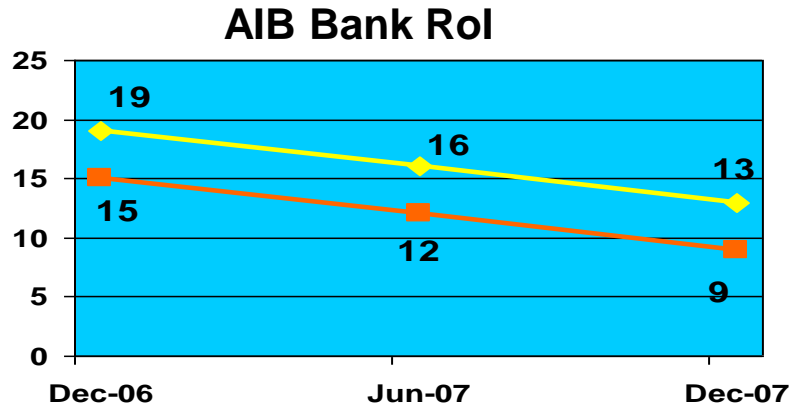


Our agenda November 2006		Status
Practical first steps	Datacentre Relocation	Completed
	One Network (VoIP)	Completed
	XP Desktops	Completed
	Infrastructure upgrades	Completed
Transforming to support future growth	Operating model consolidation	On target
	Wholesale Core Banking	On target
	Retail Core Banking	On target
	Credit decision and support	On target
Regulatory agenda	Basel II	Completed
	SOX	Completed
	SEPA	Completed
	EU Savings directive	Completed
	Anti Money Laundering	Completed
	Consumer Credit Act	Completed
Complaints Management	Completed	



- Key business benefits achieved / on target
- Past peak point of expenditure, costs now moderating

## “Jaws” Trends



■ Continuing to invest for growth

# Asset quality – key indicators remain strong

Dec 2006		Dec 2007	
0.9	Impaired loans (ILs)	%	0.8
4.9	Criticised loans / total loans	%	5.3
0.44	Gross new ILs	%	0.45
76	Total provisions / ILs	%	71
12	Bad debt charge	bps	9

- Good relative performance; significantly affected by highly challenging US environment
- Maintaining conservative credit philosophy
  - \$127m write down of \$131m sub-prime exposure
  - Prudent approach to other residential real estate exposure, including Alt-A
  - Allowance for credit losses increased to 1.58% of loans
- Good loan growth in H2 with wider credit spread
- Market positions strengthened by acquisitions
  - Partners Trust & First Horizon
- Experienced management, resilient business model well prepared for tough times



High quality, well spread **Growth** .....

with further gains in **Efficiency** .....

on firm foundations underpinning our **Resilience** .....

in chosen markets and sectors creating earnings **Diversity**



**John O'Donnell**

Group Finance Director

Dec 2006	€m	Dec 2007	ccy change %
4,326	Total operating income	4,868	12
2,314	Total operating expenses	2,521	9
2,012	Group operating profit before provisions	2,347	17
104	Total provisions	99	-6
1,908	Group operating profit	2,248	18
2,615	Group profit before tax	2,508	15 *
246.8c	EPS – basic	218.0c	-12
182.8c	EPS – basic adjusted **	205.9c	13

\* not constant currency

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

■ Effective tax rate 17.6%

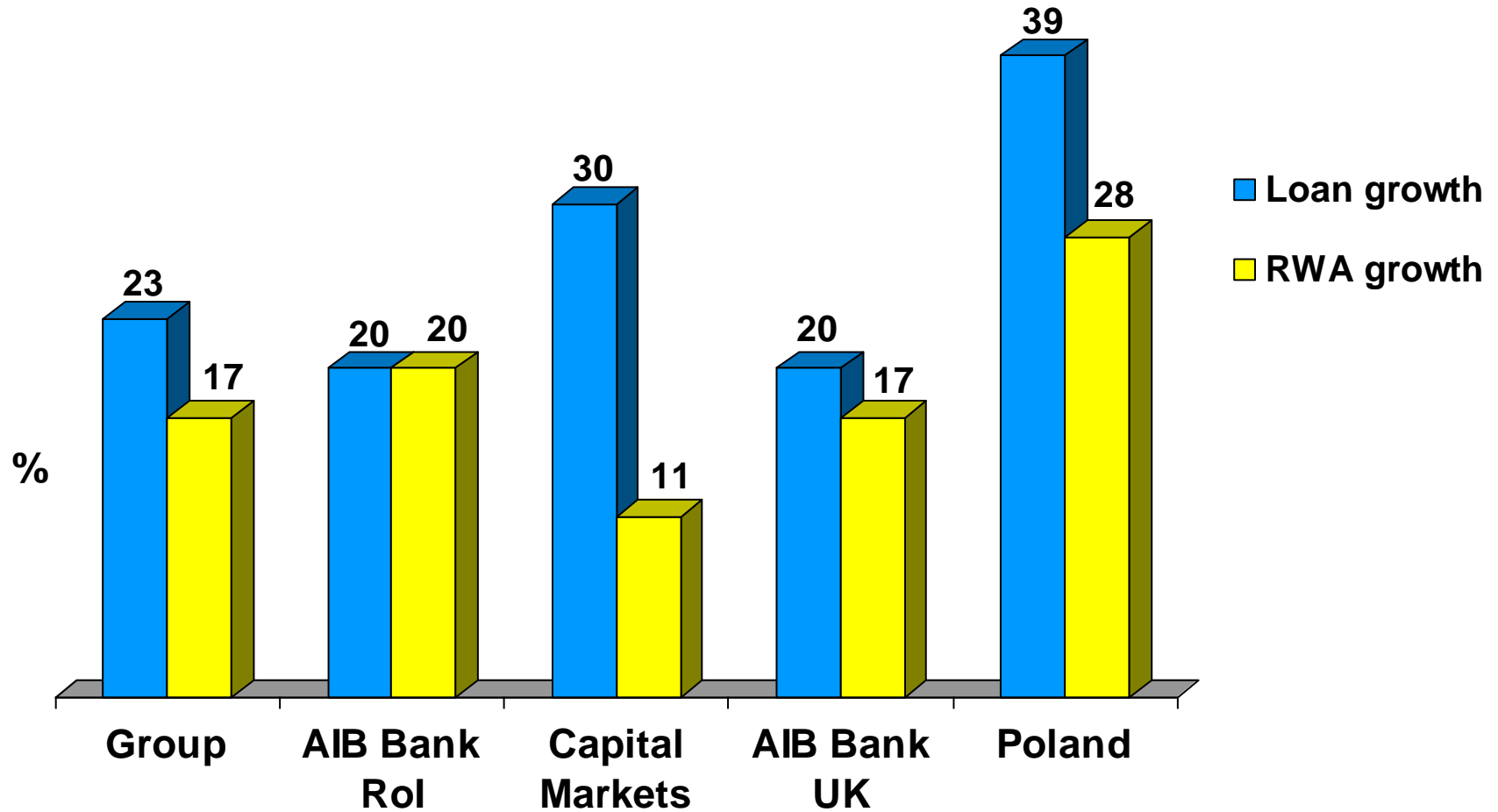
% vs Dec 2006

Basic earnings per share	218.0c	
Profit on disposal/development of property	(12.1c)	
Hedge volatility	-	
Adjusted basic EPS	<u>205.9c</u>	13

2006	2007	
\$177m	\$166m	-7%

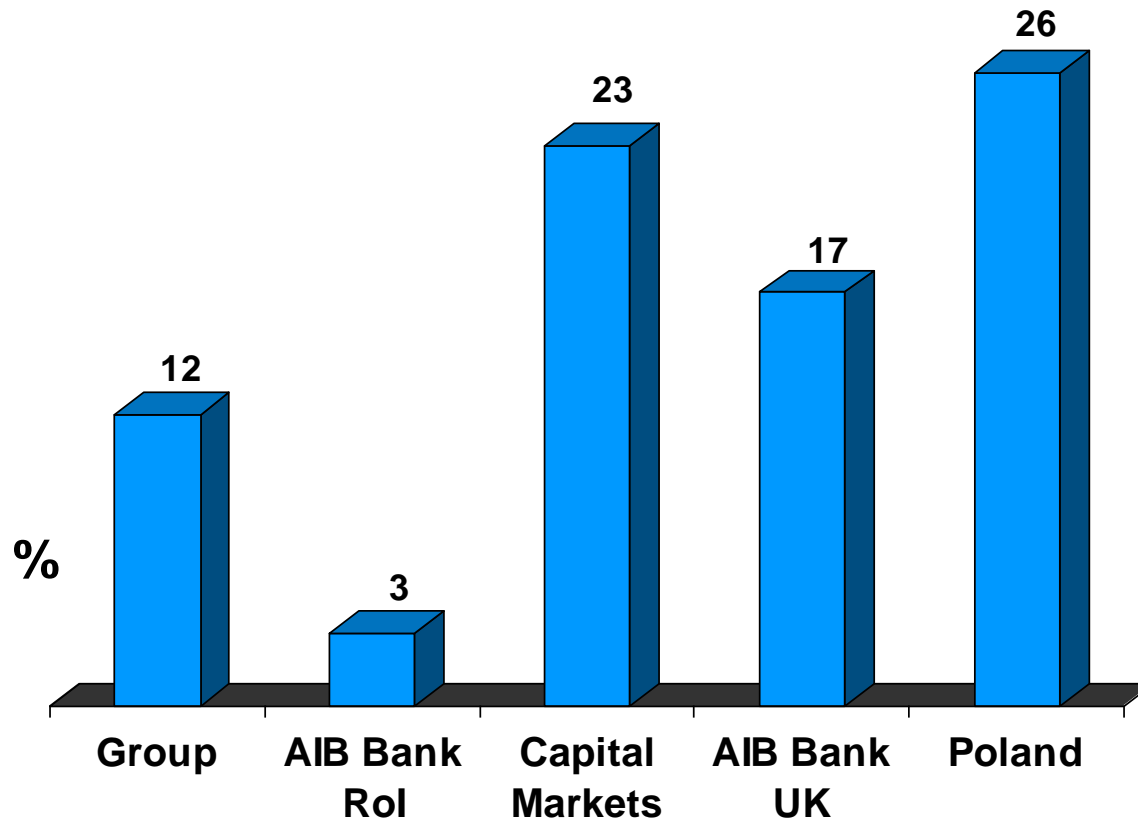
- M&T net income \$654m, down 22%
- Difference mainly due to reclassification of allocated / unallocated provisions in M&T in 2006 (\$22m effect)
- M&T contribution down 15% in euro terms due to currency effect

Year on Year to Dec 2007



■ Targeting loan growth of c. 10% in 2008

## Year on Year to Dec 2007



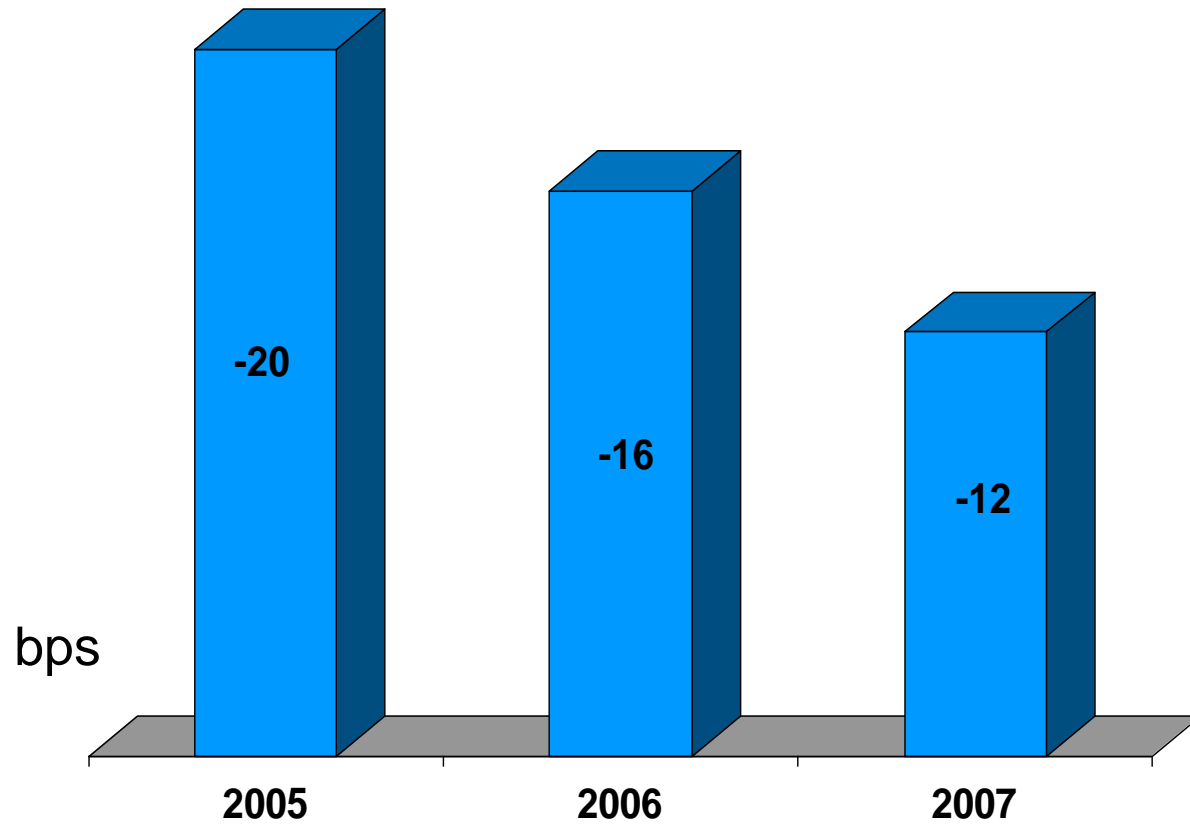
■ Targeting low / mid teens % growth in 2008

Dec 2006	Dec 2007	change
2.26%	2.14%	-12 bps

- Business factors affecting net interest margin; -12 bps
- Business factors include
  - Loans growing faster than deposits c. -10 bps
    - *Includes c. 1 bp effect of increased cost of funding*
  - Business mix & competition; unchanged factor c. -2 bps
    - *Product margins broadly stable / changing in line with expectations*
  - Re-investment of customer account funds; neutral effect 0 bp



# N.I.M. business factors attrition – a reducing trend



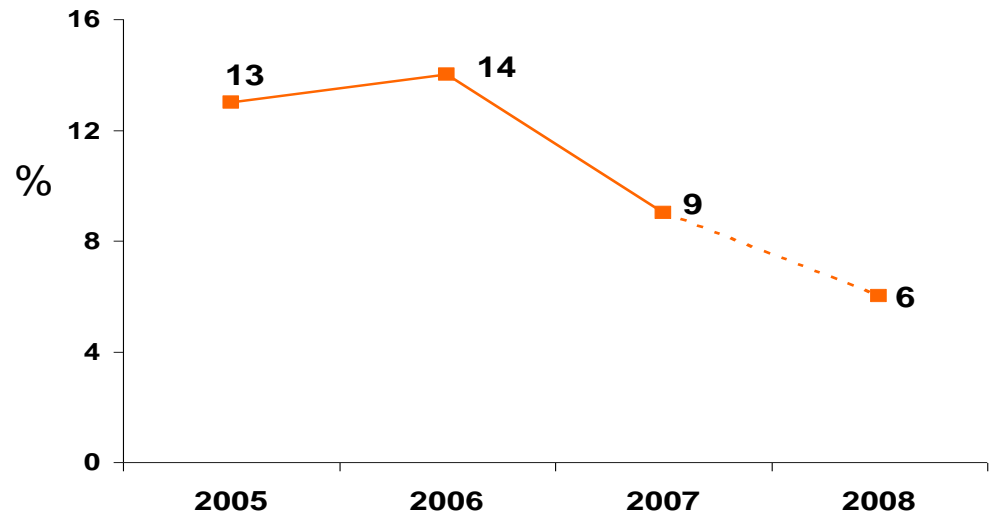
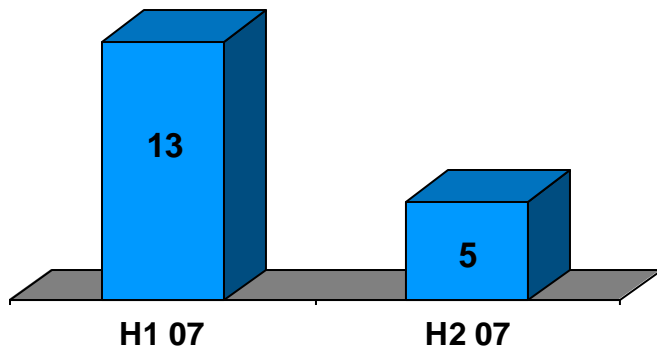
- 2008 business factor guidance: around -10 bps

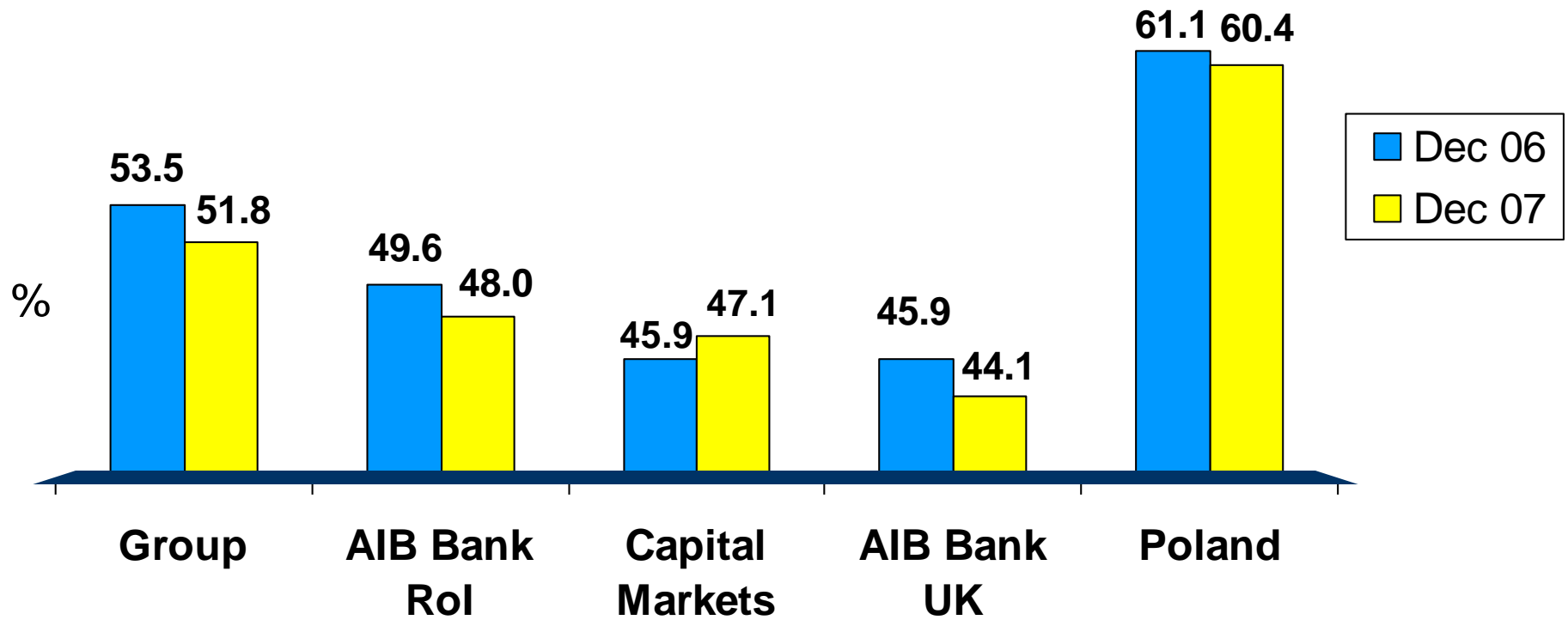
# Costs ↑ 9% – growth rate reducing

	Dec 2007	Underlying yoy change %
Staff costs	1,615	8
Other costs	761	13
Depreciation & amortisation	<u>145</u>	3
Operating expenses	<u><u>2,521</u></u>	9

- Heavy investment phase completed
- 2008 guidance +6%

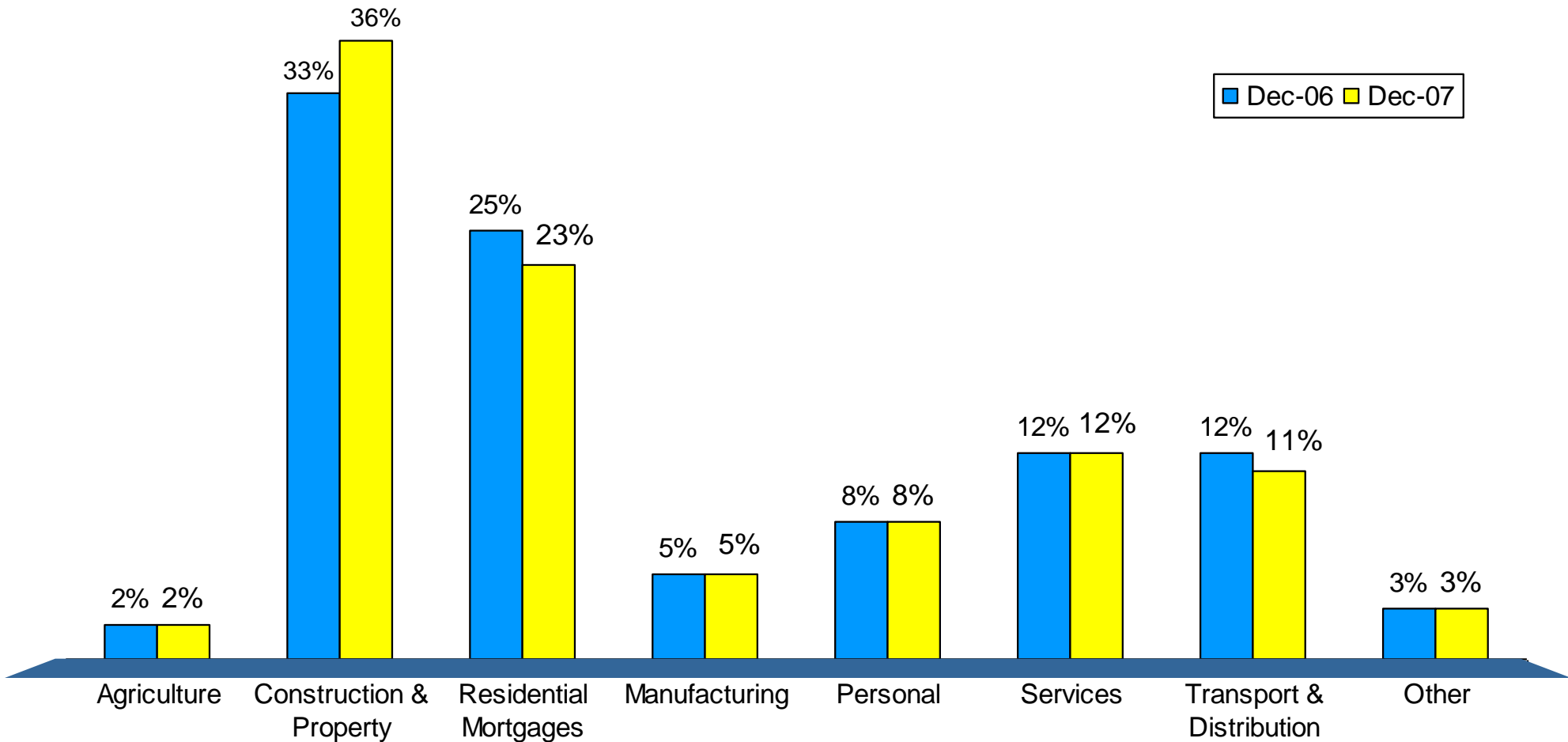
## Moderating trend to continue





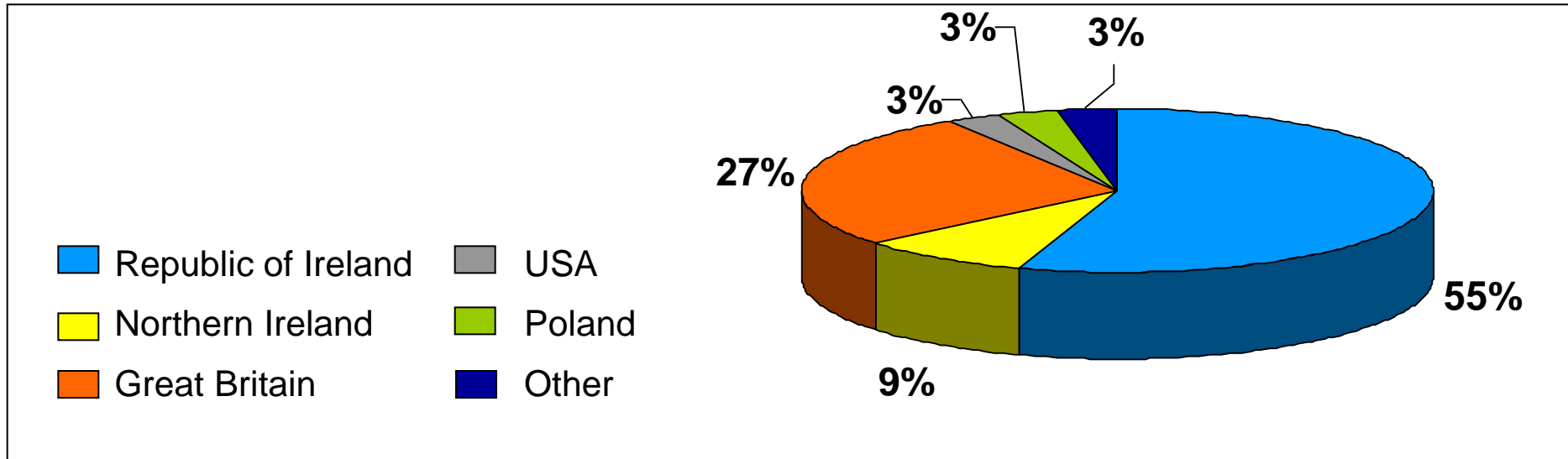
1. Loan portfolios by sector
2. Property & construction
3. Global dislocation effects
4. Impaired loans and credit provisions

## % of Group loan portfolio



- Impaired loans 0.6%, total loan book 0.8%

## Loan book diversified by geography



- Comprehensive monitoring and control actions in place

# Property & construction – sub sector diversity

%	ROI	*GB/NI	CM	*Poland	Group
<b>Commercial Investment</b>	34	33	78	47	41
<b>Residential Investment</b>	7	15	7	2	9
<b>Commercial Development</b>	22	14	8	21	18
<b>Residential Development</b>	34	32	6	25	29
<b>Contractors</b>	3	6	1	5	3
<b>Total</b>	100	100	100	100	100
<b>Balances €m</b>	27,804	10,054	6,696	1,857	46,410

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

<p>Commercial investment (34%)</p>	<ul style="list-style-type: none"> <li>■ Spread by sector, tenant &amp; covenant, retail 26%, office 33%, industrial 10%, mixed 33%</li> <li>■ c. 90% occupancy levels</li> <li>■ Typical Debt Service Cover 1.25X</li> <li>■ Bank risk determined primarily by cash flows, not changes in returns / capital values</li> <li>■ Average LTV 63%</li> </ul>
<p>Residential investment (7%)</p>	<ul style="list-style-type: none"> <li>■ Wide tenant spread, highly granular / small bite sizes, conservative approach to location, occupancy, repayment capacity and LTV (average 67%)</li> </ul>
<p>Contracting (3%)</p>	<ul style="list-style-type: none"> <li>■ Working capital for established players</li> </ul>

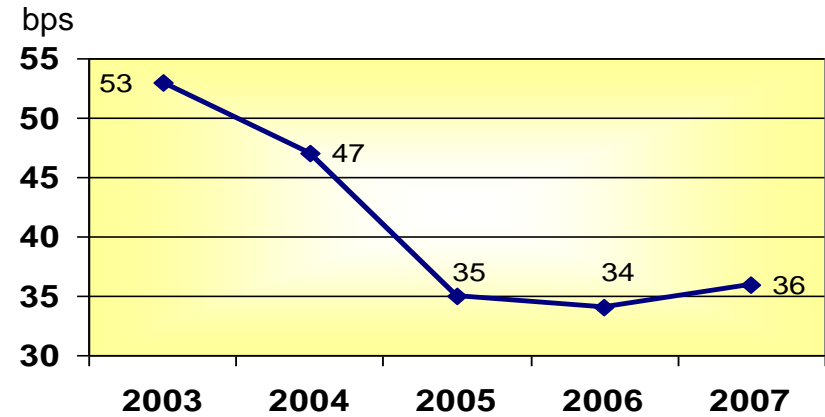
- Lower activity & returns expected; primary effect on income growth, not asset quality



<b>Commercial development (22%)</b>	<ul style="list-style-type: none"><li>■ Strong emphasis on pre-sales / pre-lets / recourse to independent cash flows</li><li>■ Average LTV 68%, on cost price, for proven developers in favourable locations</li><li>■ Low exposure to speculative development</li></ul>
<b>Residential development (34%)</b>	<ul style="list-style-type: none"><li>■ Significant deterioration in market conditions, major review completed in January</li><li>■ Finance typically phased / linked to pre-sales / recourse to independent cash flows, average LTV 65% on cost price</li><li>■ Review recognises increased risk; credit outlook assumes no near term improvement</li><li>■ Exposures strongly weighted to large developers in good locations; smaller developers in secondary locations most vulnerable</li><li>■ Loans &gt; €1m comprise 90% of book</li><li>■ 8% of book being actively managed to reduce probability of default &amp; potential loss given default</li><li>■ Realistic assessment of increased loss rates</li></ul>

- Investment finance c. 60%; well spread by sector, tenant and covenant
- Early mover on UK property
  - Minimal speculative development
  - Avoidance of more vulnerable sub sectors & locations
  - Average LTV of development book c. 75% of cost price
- Polish portfolio underpinned by strong activity, prudent policies and practices

- Very solid, resilient portfolio
  - Arrears profile remains low
- Primary emphasis on stress tested repayment capacity
  - Affordability set to improve



## New Business

<u>LTVs</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<i>(% no's of drawdowns)</i>			
< 75%	70	63	66
> 75% < 90%	17	22	20
> 90%	13	15	14
Total	100	100	100

- LTVs remain very conservative

# Global dislocation effects on treasury portfolios

- 2 top quality portfolios held for liquidity management purposes, all assets expected to redeem at par, av. life c. 2.9 years
- Trading portfolio c. €7.25bn
  - c. 99% rated “A” or better; principally comprises bank bonds, prime residential mortgage obligations (av. LTV 65%)
  - Ratings achieved on quality of underlying assets, not synthetic structuring
  - Mark to market valuation methodology highly transparent – quoted bid prices; non interest income reduction of €92m in H2 2007
- Financial investments available for sale portfolio c.€20.6bn
  - C. 98% investment grade; principally comprises government / bank bonds, prime residential mortgage obligations; same transparent mark to market valuation methodology as trading portfolio – quoted bid prices
  - Write down of €177m taken through equity account in 2007; no effect on regulatory capital
- No revaluation of own debt

# Global dislocation effects on corporate loans – CLOs / CDOs

Type	Amount	Comment
<b>CLO</b>	<b>c.€422m</b>	<ul style="list-style-type: none"> <li>■ Predominantly backed by senior secured corporate loans. No CDOs of ABS</li> <li>■ 96% investment grade; “AAA” €113m, “A” €32m, “BBB” €260m</li> <li>■ Highly granular, 28 deals, 75 – 200 loans in each</li> <li>■ No negative rating actions, 1 deal upgraded, all performing well</li> <li>■ Securities further protected by subordinate layers; range c. 8 – 25%</li> <li>■ Top tier managers</li> </ul>
<b>CLO/CDO</b>	<b>c.€50m</b>	<ul style="list-style-type: none"> <li>■ 1 subordinated investment invested in a transaction 88% backed by “AAA” tranches of senior secured corporate loans. Other 12% includes sub prime CDO of ABS (all originally “AAA” rated, some downgrade in February '08)</li> </ul>
<b>CDO</b>	<b>c.€73m</b>	<ul style="list-style-type: none"> <li>■ 2 transactions, 100% referenced to “AAA” European ABS (60% RMBS)</li> <li>■ Performing well, no down grades</li> </ul>
<b>CBO</b>	<b>c.€5m</b>	<ul style="list-style-type: none"> <li>■ “A” rated corporate bond, full repayment expected in 2008</li> </ul>
	<b>c.€550m</b>	

- All held to maturity
- €11m write down to income
- No exposures to SIVs, conduits

# Global dislocation effects on corporate loans – US sub-prime

Type	Vintage	Gross Amount*	Write down	Net*	Comment
ABS	2004	\$70m	-	\$70m	Referenced to investment grade tranches, 80% “AAA”
ABS	2005	\$160m	\$17m	\$143m	Single name RMBS, original investment in “A/BBB” tranches, \$55m downgraded
ABS	2006	\$57m	\$18m	\$39m	Single name RMBS, original investment in “A/BBB” tranches, \$57m downgraded
		<u>\$287m</u>	<u>\$35m</u>	<u>\$252m</u>	

\* At end January 2008

- 26 transactions, all held to maturity
- Monthly monitoring, forward looking stressed evaluation, no losses
- Above market average characteristics & performance
- No direct exposure to monoline insurers. Total indirect exposure c. €60m, of which c. €40m is in 2004 vintage above

- “Whole loans” \$188m \*
  - \$149m purchased in April 2007
  - \$58m purchased in July 2007
  - \$19m already repaid – loans reduce on a monthly basis
  
- c. 1,000 loans, average size \$190k purchased from top US originator
  - Extensive due diligence by AIB and our advisors (80% rejected)
  - Significantly more favourable profile than market norm (first lien, LTV, location, % full doc. owner occupancy)
  - Opportunistic purchase post onset of sub-prime crisis; price paid incorporates expectation of loss, no losses to date, monitored monthly
  - Delinquencies well below market average

\* At end January 2008

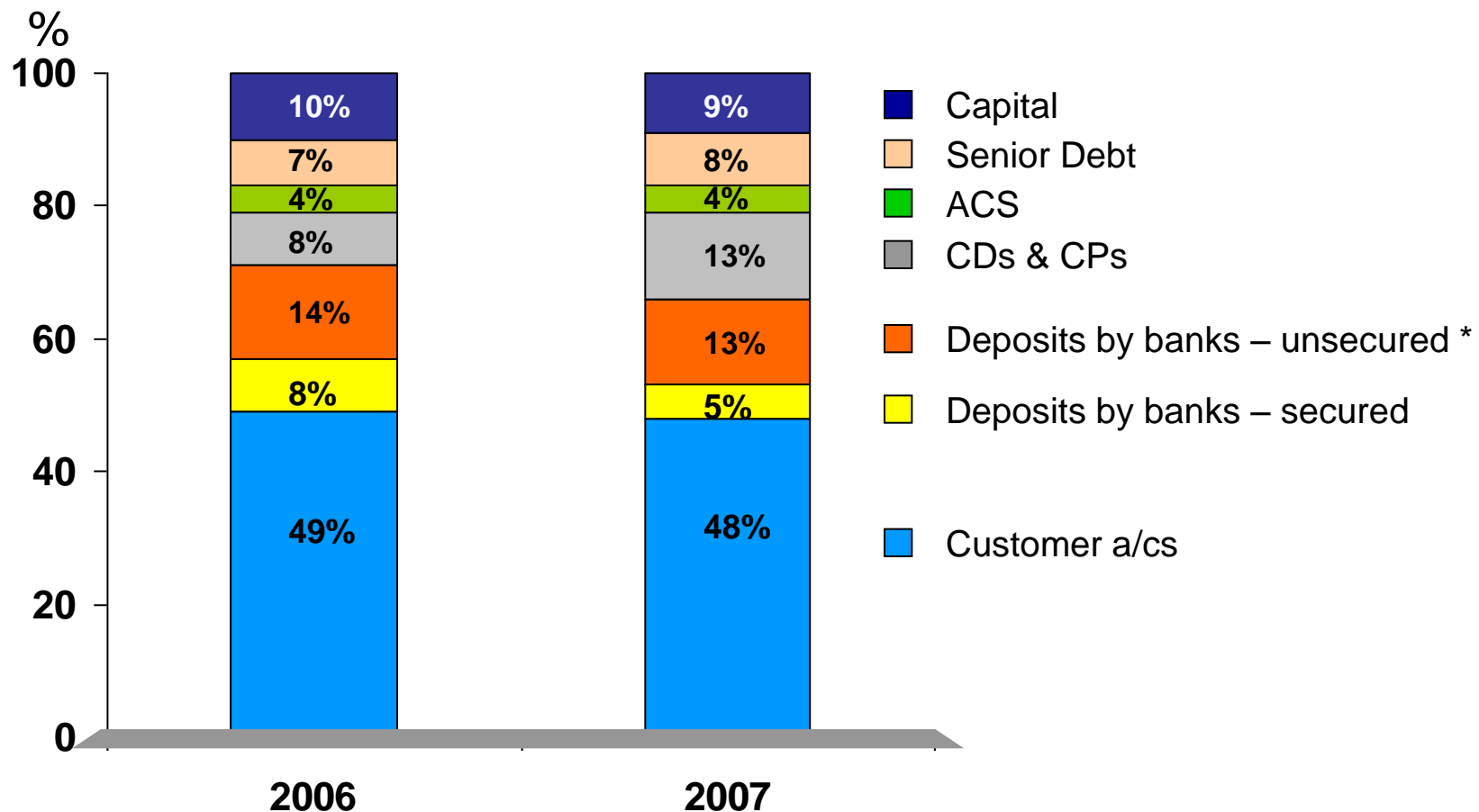
As at 31 December, 2006				As at 31 December, 2007		
ILs	ILs/ Actual	Total		ILs	ILs/ Actual	Total
€m	Advances	Provisions/ ILs		€m	Advances	Provisions/ ILs
	%	%			%	%
366	0.6	81	AIB Bank ROI	511	0.7	72
130	0.6	74	Capital Markets	77	0.3	96
205	0.9	71	AIB Bank UK	274	1.1	51
232	4.9	73	Poland	187	2.8	87
<u>933</u>	0.9	76	Total	<u>1,049</u>	0.8	71

- H2 increase in Rol includes c. €40m due to Basel II reclassification



Dec 2006	Average Loans %	€m		Dec 2007	Average Loans %
78	0.15	AIB Bank ROI		104	0.16
5	0.02	Capital Markets		(18)	(0.08)
26	0.13	AIB Bank UK		18	0.08
9	0.23	Poland		2	0.03
<u>1180.12</u>	Total		106	<u>0.09</u>	

- €36m write down to income re sub-prime / other exposures; “underlying” provision c. 0.12%
- 2008 guidance c. 20 bps

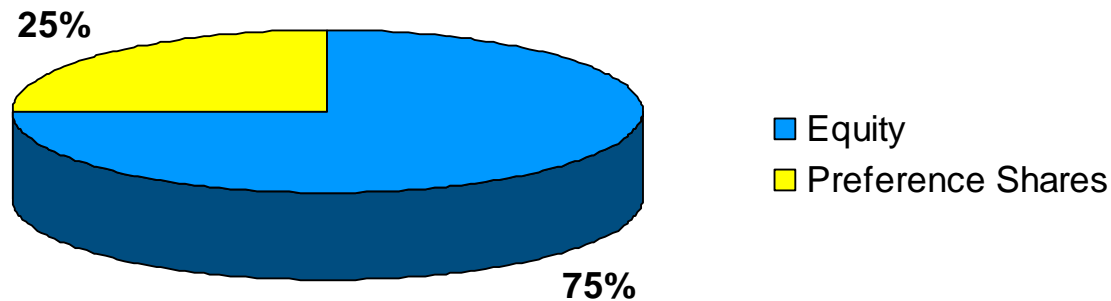


\* Deposits by banks unsecured when netted against “loans to banks” is 5% in 2006 and 8% in 2007

- Customer accounts (c. 2m customers) + funding that matures after H1 2008 = 94% of customer loans

- Heightened emphasis on customer deposits
  - €2.6bn increase in Q4 2007
  - Growing share in Irish retail market, c. 25%
  - Irish corporate banking balances up c. 25% in 2 months to December (Capital Markets)
  - 23% growth in GB business franchise in 2007
  - 26% growth in Poland in 2007; additional €500m equivalent in Dec 2007
  - Targeting international customer relationship base
  
- Funding well spread by product, currency and duration
  - Significant headroom across wide range of funding programmes
  - c. €31bn qualifying liquid assets; significant surplus over regulatory requirement
  - 78% of term funding has a remaining maturity > 1 year
  - c. €1bn of term funding matures in H1 2008, c. €5bn in H2
  - ACS issuance capacity c. €5bn
  - Increased funding costs not expected to have material 2008 profit impact

- Tier 1 capital ratio 7.5%



- Total capital ratio 10.1%
- No requirement for recourse to shareholders
- Continuing progressive dividend policy
- Basel II - Group approved for foundation level IRB (proforma tier 1 c. 7.6%)
  - standardised approach for certain portfolios
  - Poland, FIRB approach approved to apply capital treatment and postponed until conditions met; not earlier than 1/1/2009

- Premium positions in chosen markets
- Recurring and sustainable income from strong customer franchises
  - Consistently exceeds 95% of total profit
- Flexibility to align cost with income
  - Continuing to invest for growth
- Prudent lending policies and practices preserve good asset quality
  - Credit cost trends in line with our expectations
- Solid capital and funding positions
  - Business growth and shareholder distribution plans well supported
- Targeting low single digit % EPS growth in 2008



2006	€m	2007	Change %
1,581	Net interest income	1,777	12
<u>434</u>	Other income	<u>490</u>	13
2,015	Total operating income	2,267	13
1,000	Total operating expenses	1,088	9
<u>1,015</u>	Operating profit before provisions	<u>1,179</u>	16
<u>73</u>	Total Provisions	<u>104</u>	43
942	Operating profit	1,075	14
6	Profit on disposal of property	12	-
<u>18</u>	Associated Undertakings	<u>7</u>	-63
<u><u>966</u></u>	Profit before taxation	<u><u>1,094</u></u>	13

# Capital Markets profit statement

2006	€m	2007	Change %
490	Net interest income	586	21
<u>464</u>	Other income	<u>389</u>	-15
954	Total operating income	975	4
<u>438</u>	Total operating expenses	<u>460</u>	6
516	Operating profit before provisions	515	2
<u>8</u>	Total Provisions	<u>(15)</u>	-
508	Operating profit	530	6
2	Associated Undertakings	-	-
<u>79</u>	Profit on disposal of business	<u>2</u>	-
<u><u>589</u></u>	Profit before taxation	<u><u>532</u></u>	-8



2006	€m	2007	Change %
593	Net interest income	685	16
<u>154</u>	Other income	<u>156</u>	2
747	Total operating income	841	13
<u>343</u>	Total operating expenses	<u>371</u>	9
404	Operating profit before provisions	470	17
<u>26</u>	Total Provisions	<u>18</u>	-31
378	Operating profit	452	20
<u>1</u>	Profit on disposal of property	<u>-</u>	-
<u><u>379</u></u>	Profit before tax	<u><u>452</u></u>	20

2006	€m	2007	Change %
236	Net interest income	308	27
<u>302</u>	Other income	<u>371</u>	19
538	Total operating income	679	22
<u>330</u>	Total operating expenses	<u>410</u>	21
208	Operating profit before provisions	269	23
<u>7</u>	Total Provisions	<u>1</u>	-86
201	Operating profit	268	29
<u>6</u>	Associated undertakings	<u>1</u>	-91
<u><u>207</u></u>	Profit before tax	<u><u>269</u></u>	26

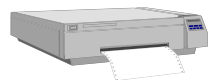
2006	€m	2007
99	Net interest income	62
<u>(27)</u>	Other income	<u>44</u>
72	Total operating income	106
203	Total operating expenses	192
<u>(10)</u>	Total provisions	<u>(9)</u>
(121)	Operating loss	(77)
141	Share of results of associates – M&T	120
358	Profit on disposal of property	64
-	Profit on disposal of business	(1)
<u>96</u>	Construction contract income	<u>55</u>
<u><u>474</u></u>	Profit before tax	<u><u>161</u></u>

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
Rose O'Donovan	<i>rose.m.o'donovan@aib.ie</i>		+353-1-6414191
Pat Clarke	<i>patricia.m.clarke@aib.ie</i>		+353-1-6412381
Karla Doyle	<i>karla.c.doyle@aib.ie</i>		+353-1-6413469



+353-1-660 0311



+353-1-641 2075

Visit our website [www.aibgroup.com/investorrelations](http://www.aibgroup.com/investorrelations)