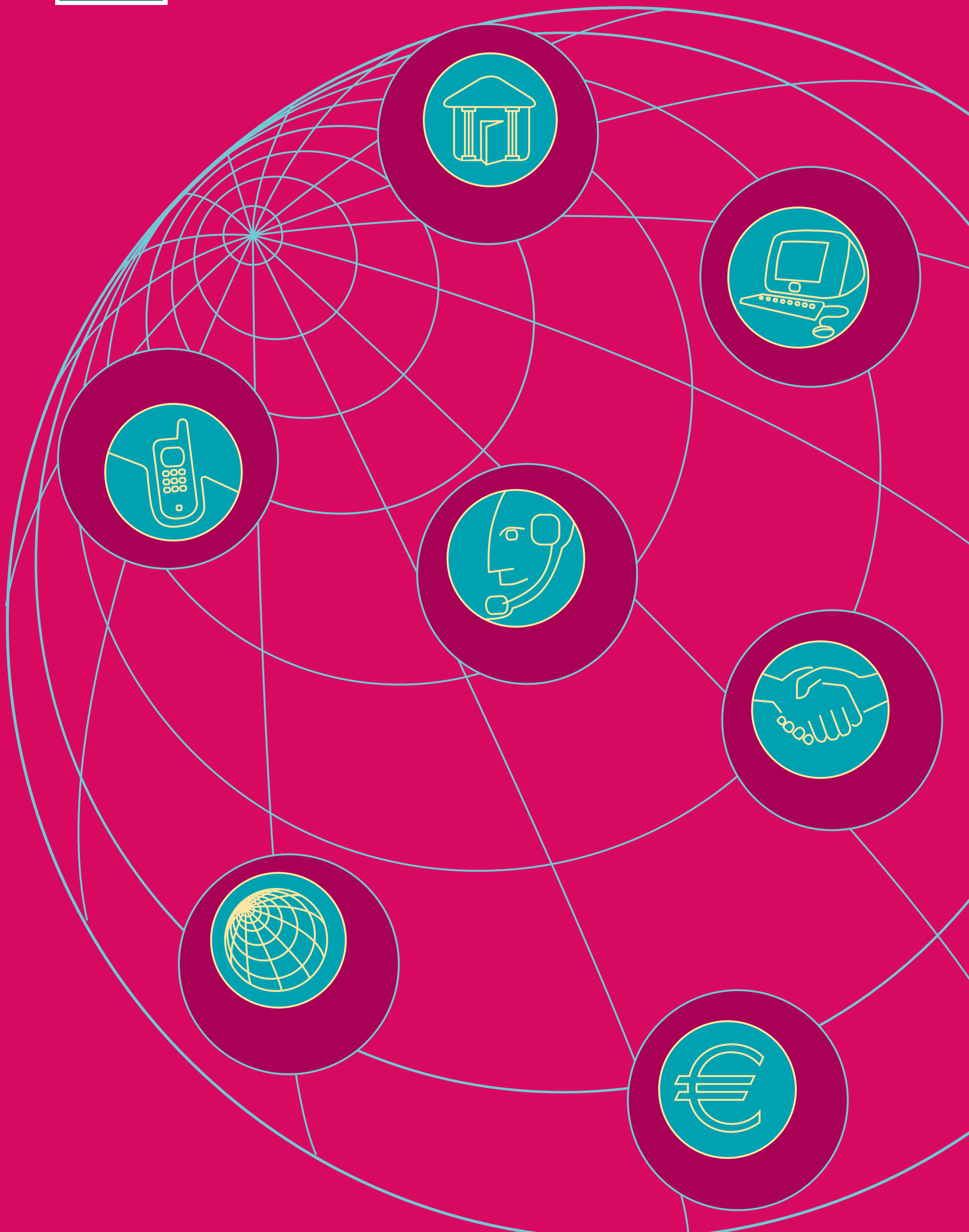
AIB

Interim Report 2001

for the half-year ended
30 June 2001



AIB Group
Bankcentre
Dublin 4

www.aibgroup.com

Financial highlights *(unaudited)*

for the half-year ended 30 June 2001

	Half-year 30 June 2001 € m	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Results			
Total operating income	**1,787**	1,596	3,326[1]
Group profit before taxation	**667**	609	1,251[1]
Profit attributable	**463**	414	762
Profit retained	**296**	268	357
Per € 0.32 ordinary share			
Earnings – basic	**53.8c**	48.5c	89.0c
Earnings – adjusted	**55.4c**	49.9c	104.0c
Earnings – diluted	**52.5c**	47.9c	88.1c
Dividend	**15.40c**	13.50c	38.75c
Net assets	**559c**	467c	492c
Performance measures			
Return on average total assets	**1.25%**	1.26%	1.25%[1]
Return on average ordinary shareholders' equity	**20.4%**	21.7%	21.6%[1]
Balance sheet			
Total assets	**87,895**	74,687	79,688
Shareholders' funds: equity interests	**4,914**	4,061	4,296
Loans etc	**54,944**	47,818	50,239
Deposits etc	**71,989**	61,563	65,210
Capital ratios			
Tier 1 capital	**7.4%**	6.5%	6.3%
Total capital	**11.8%**	11.3%	10.8%

[1] *Adjusted to exclude the impact of the deposit interest retention tax settlement.*

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Chairman's statement

Dear Shareholder,

The first half of 2001 saw AIB Group maintain a reputation for delivering consistently excellent results while continuing to invest substantial sums in the development of its franchises.

Pre-tax profit at € 667 million increased by 9% half-year on half-year. Profit attributable to ordinary shareholders went up by 12% to € 463 million. Basic earnings per share for the half-year was EUR 53.8c - an increase of 11%. An interim dividend of EUR 15.4c per share has been declared by the board - up 14% on the 2000 half-year. It will be posted on 27 September 2001 to shareholders on the company's register of members at close of business on 10 August 2001.

This performance was all the more significant for being achieved in economic conditions which were significantly less positive in all our marketplaces than in the same period last year. It is a tribute to the skills and energy of our staff.

AIB's retail operations in Ireland and Britain performed very well in the first six months, with both resources and deposits showing strong growth on last year's half-year figures. In AIB Capital Markets, Corporate Banking and our IFSC-related business enjoyed buoyant fee income.

Allfirst in America enjoyed robust growth in non-interest income in the half-year. Our US subsidiary has a stronger focus on direct retail, small business and middle market customers. The bank has already achieved good loan growth in these portfolios while at the same time reducing exposure to less attractive segments. This strategy combined with the slowing US economy has resulted in a small reduction in the size of the overall book. But Allfirst's asset quality has improved and margins have increased.

In May AIB purchased Community Counselling Service Co., Inc. – the world's largest fundraising consultancy firm in the not-for-profit sector. This is part of a significant expansion programme for AIB's specialist banking customers in the US in the church, education, community and charity sectors.

Growth in the Polish economy is sluggish and real interest rates remain high. We are, therefore, focussing on growing our deposit base rather than our loan books at present. The merger of Wielkopolski Bank Kredytowy and Bank Zachodni was completed successfully on 13 June. We continue to invest heavily in increasing the number of branches we have in Poland and in the creation of a new technology platform for this network. Both these projects are on schedule.

Credit quality in the group remained robust, although economic conditions in Poland are such that there has been no improvement in non-performing loans in Bank Zachodni WBK.

Michael Buckley succeeded Tom Mulcahy as Group Chief Executive on 22 June. A substantial reorganisation of AIB's overall management structure has already taken place with a view to improving focus on the key objectives of efficiency and the seizing of new opportunities in our marketplaces.

In July, AIB along with Keppel Corporation and Temasek Holdings, said it would sell its interest in Keppel Capital Holdings Ltd to Oversea-Chinese Banking Corporation Limited. This was to ensure the success of OCBC's bid for KCH. The agreement will realise a profit of approximately € 93 million for AIB. The Singapore Government had indicated its wish to see a consolidation of its domestic banking sector. In this context, we believe our action was both profitable and in the best long-term interest of AIB shareholders. We look forward to continuing strong commercial relationships with OCBC and other banks in the region.

A substantial operational challenge now facing AIB is the preparation for the switchover to euro notes and coins in Ireland in the New Year. From now until March next year, we will be concentrating on this issue. AIB is committed to helping customers through what will be a difficult transition period.

The next few months will be challenging in many ways. The economies in our key geographies are slowing. But low double digit annual growth in adjusted earnings per share remains our goal. AIB is on track to meet this target in 2001. We are convinced that we will continue to build on our strong competitive position in all of our markets.

Lochlann Quinn

Lochlann Quinn
Chairman
1 August 2001

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Results in detail

Summary profit and loss account

	Half-year June 2001 € m	Half-year June 2000 € m	% *Change*
Net interest income	**1,067**	985	*8*
Other income	**720**	611	*18*
Total operating income	**1,787**	1,596	*12*
Staff costs	**631**	545	*16*
Other costs	**338**	299	*13*
Depreciation and amortisation	**91**	80	*13*
Total operating expenses	**1,060**	924	*15*
Group operating profit before provisions	**727**	672	*8*
Provisions for bad and doubtful debts	**67**	70	*-5*
Other provisions	**(2)**	(1)	–
Total provisions	**65**	69	*-7*
Group operating profit - continuing activities	**662**	603	*10*
Income from associated undertakings	**2**	4	–
Profit on disposal of property	**3**	2	–
Group profit on ordinary activities before taxation	**667**	609	*9*
Taxation	**165**	167	*-2*
Group profit on ordinary activities after taxation	**502**	442	*14*
Minority interests and non-equity dividends	**39**	28	*37*
Group profit attributable	**463**	414	*12*

Group profit attributable to ordinary shareholders at € 463 million was up 12%. Adjusted earnings per share at EUR 55.4c per share which excludes goodwill amortisation (€ 13 million), and basic earnings per share of EUR 53.8c both increased by 11%.

Group operating profit – continuing activities was up 10% to € 662 million for the half-year to June 2001. Group profit on ordinary activities before taxation was up 9% to € 667 million and Group profit on ordinary activities after taxation was higher by 14% at € 502 million.

The following commentary on the profit and loss account and balance sheet headings is based on underlying percentage growth adjusting for the impact of currency movements.

Net interest income

Net interest income increased by 5% to € 1,067 million compared with the half-year to June 2000. Loans to customers and customer accounts increased by 4% and 3% respectively since December 2000.

Loans to customers and customer accounts *(excluding money market funds and currency factors)*

% change June 2001 v December 2000	Loans to customers *% Change*	Customer accounts *% Change*
Republic of Ireland	6	4
Northern Ireland	4	3
Britain	8	10
USA	-3	1
Poland	7	4
AIB Group	4	3

The divisional commentary contains additional comments on the key business trends in relation to loans to customers and customer accounts.

Net interest margin

Half-year June 2001 %	Half-year Dec 2000 %	*Basis Points Change*		**Half-year June 2001 %**	Half-year June 2000 %	*Basis Points Change*
2.67	2.76	*-9*	Domestic	**2.67**	2.73	*-6*
3.16	3.08	*+8*	Foreign	**3.16**	3.40	*-24*
2.93	2.94	*-1*	Total	**2.93**	3.10	*-17*

Average interest earning assets

Half-year June 2001 %	Half-year Dec 2000 %	*% Change*		**Half-year June 2001 %**	Half-year June 2000 %	*% Change*
33,258	31,420	*6*	Domestic	**33,258**	28,201	*18*
40,042	38,824	*3*	Foreign	**40,042**	35,572	*13*
73,300	70,244	*4*	Total	**73,300**	63,773	*15*

The net interest margin was 2.93%, a decrease of 17 basis points on the half-year to June 2000 and a decrease of 1 basis point on the half-year to December 2000. The margin in Allfirst increased due to higher loan margins and positioning for lower interest rates. This increase was more than offset by a reduction in the AIB Bank and Poland margins. In AIB Bank the decline reflected a change in the mix of loans and deposits whereas in Poland lower interest rates reduced deposit margins. The domestic margin benefited by 3 basis points from interest earned on the € 500 million of Tier 1 capital raised in February 2001 through the issue of Reserve Capital Instruments.

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Other income

Other income at € 720 million increased by 13% since the half-year to June 2000. This represented 40.2% of total income compared with 38.3% in 2000.

- Banking fees and commissions up 16%
- Contribution of life assurance company up 12%

Other income	**Half-year June 2001 € m**	Half-year June 2000 € m	*Underlying % Change 2001 v 2000*
Dividend income	**2**	2	–
Banking fees and commissions	**461**	385	*16*
Asset management fees	**94**	91	–
Investment banking fees	**45**	56	*–20*
Fees and commissions receivable	**600**	532	*9*
Less: fees and commissions payable	**(60)**	(57)	*–3*
Dealing profits	**79**	49	*43*
Contribution of life assurance company	**47**	42	*12*
Other	**52**	43	*16*
Other operating income	**99**	85	*10*
Total other income	**720**	611	*13*

The increase in banking fees and commissions reflects higher business volumes with strong growth in retail banking, corporate banking and credit card revenues. Asset management fees and investment banking fees were affected by the decline in equity markets in the current half-year which resulted in a fall in asset values and client volumes in the asset management and stockbroking businesses. Dealing profits increased due to higher profit from trading activities. Dealing profits reflects trading income and excludes interest payable and receivable arising from these activities. Ark Life profit was up 12% reflecting strong growth in new regular premium business including substantial growth in new regular pensions.

Total operating expenses

Operating expenses at € 1,060 million were up 11% compared with 2000.

Operating expenses	**Half-year June 2001 € m**	Half-year June 2000 € m	*Underlying % Change 2001 v 2000*
Staff costs	**631**	545	*12*
Other costs	**338**	299	*9*
Depreciation and amortisation	**91**	80	*9*
Total operating expenses	**1,060**	924	*11*

The costs relating to the merger of WBK and BZ in Poland are included in operating expenses. Excluding these expenses, costs increased by 10%. The increase was mainly attributable to increased business activity, the installation of a new branch technology platform in Poland, branch network expansion in Poland and investment costs in Allied Irish America to increase the number of representative offices and 'e-enable' the business. In the Republic of Ireland there were significant salary increases reflecting the Programme for Prosperity and Fairness and a one-off realignment of banking salaries.

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Asset quality

The provision for bad and doubtful debts in the half-year to June 2001 was € 67 million compared with € 70 million in 2000. The charge for the half-year represented 0.28% of average loans compared with a 0.34% charge for June 2000. Excluding Poland, the specific charge for the Group was 0.16% of average loans and the non-specific charge was 0.12% of average loans.

In Ireland asset quality remained strong with non-performing loans in AIB Bank Republic of Ireland amounting to 0.9% of loans.

In Allfirst provisions were lower and non-performing assets declined from US$ 108 million at 31 December 2000 to US$ 87 million at 30 June 2001, with coverage for non-performing loans increasing to 223%. Over 90% of Allfirst's balance sheet provisions, on a US GAAP* basis, were in non-specific categories.

In Poland, while actual provisions increased in the period, the overall charge at Group level was lower due to the partial use of provisions created on acquisition. Non-performing loans at 18% as a percentage of total loans remained at the same level as 31 December 2000.

Group non-performing loans as a percentage of total loans amounted to 1.9% or 0.8% excluding Poland, and coverage for non-performing loans remained strong at 99% (165% excluding Poland).

**United States Generally Accepted Accounting Principles*

Taxation

The taxation charge was € 165 million compared with € 167 million in 2000. The effective tax rate for the half-year was 24.7%, down from 27.5% in 2000. The reduction was due to the decline in the standard rate of Irish corporation tax from 24% in 2000 to 20% in 2001, a lower effective tax rate in Allfirst and other effects of the geographic and business mix of profits.

Return on equity and return on assets

The return on equity was 20.4% compared with 21.7% in 2000. The return on assets was 1.25% and the return on risk weighted assets, a measure of the efficient use of capital, was 1.61%. The equity base has increased by 14% since December 2000 due principally to profit retentions and translation of foreign currency reserves.

Balance sheet

Total assets at € 88 billion at 30 June 2001 were up € 8 billion since 31 December 2000, an increase of 5% on an underlying basis while loans to customers increased by 4% and customer accounts by 3%. The Polish zloty, US dollar and sterling strengthened against the Euro by 14%, 10% and 3% respectively resulting in reported balance sheet growth of 10%. Risk weighted assets increased by 10% to € 66 billion, 5% excluding currency factors.

Assets under management/administration and custody

Assets under management in the Group amounted to € 39 billion at 30 June 2001. Assets under administration and custody increased from € 214 billion at 31 December 2000 to € 260 billion at 30 June 2001. This strong growth of 21% reflects principally the success of the AIB joint venture with the Bank of New York which was established in 1997.

Capital ratios

The Group's capital ratios remained strong with the Tier 1 ratio at 7.4% up from 6.3% at 31 December 2000 and the total capital ratio at 11.8%. Tier 1 capital increased by € 1.1 billion to € 4.9 billion reflecting the issue of € 500 million 7.5% Step-up Callable Perpetual Reserve Capital Instruments on 5 February 2001, retained profit for the half-year of € 296 million and the impact of stronger US dollar, Polish zloty and sterling exchange rates. Tier 2 capital increased by € 203 million since December 2000 reflecting currency movements.

Cash flow

As reflected in the consolidated cash flow statement, there was a net increase in cash of € 320 million during the half-year ended 30 June 2001. Net cash inflow from operating activities was € 292 million. This cash inflow was offset by outflows of € 127 million for taxation, equity dividends of € 198 million and capital expenditure and financial investment of € 31 million. Financing, primarily the issue of the reserve capital instruments, generated a net cash inflow of € 513 million.

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Euro

Significant investment has been made over a number of years in preparation for the introduction of euro notes and coins. Expenditure this year has amounted to € 5 million with total spend to date at € 21 million, principally related to systems development, communications and education programmes. It is estimated that further expenditure of € 35 million will be required to cover a range of incremental costs and to complete systems and other changes required.

Keppel Capital Holdings Ltd.

On 14 July 2001, AIB announced that it would support Oversea-Chinese Banking Corporation Limited in its offer to purchase Keppel Capital Holdings Ltd. ('KCH'). On completion of the transaction, the estimated financial impact for AIB from the sale of its interests in KCH would amount to a profit of € 93 million. In addition, the 1999 Singapore $351 million three year senior bonds with warrants will be fully redeemed at par on completion.

Outlook

Looking forward to the second half of 2001, the Group is confident in its ability to perform strongly due to our competitive advantages in our chosen markets and remains committed to a target of low double-digit earnings growth. Asset quality remained strong in Ireland, Britain and the USA in the first half. Underlying productivity continues to improve and the return on equity remains very satisfactory. The economic environment in Poland has deteriorated and as a consequence profit levels there will be lower in 2001 compared to 2000. The Group's ability to earn double-digit profit growth in less buoyant economic conditions is underpinned by the strength of its operations in Ireland, Britain and Northern Ireland.

On a divisional basis profit is measured in euro and consequently includes the impact of currency movements.

AIB Bank *Retail and commercial banking operations in Republic of Ireland, Northern Ireland, Britain, Channel Islands and Isle of Man; AIB Finance and Leasing; Card Services; and AIB's life and pensions subsidiary Ark Life Assurance Company.*

AIB Bank profit increased by 15% to € 372 million reflecting a strong performance in all key business units in the Republic of Ireland, Northern Ireland and Britain. Despite an 8% increase in costs, the divisional cost income ratio further improved from 52.8% to 51.5% reflecting higher levels of productivity.

AIB Bank profit and loss account	**Half-year June 2001 € m**	Half-year June 2000 € m	*% Change 2001 v 2000*
Net interest income	**569**	502	*13*
Other income	**259**	243	*7*
Total operating income	**828**	745	*11*
Total operating expenses	**426**	394	*8*
Operating profit before provisions	**402**	351	*15*
Provisions	**32**	28	*14*
Operating profit - continuing activities	**370**	323	*15*
Profit on disposal of property	**2**	–	–
Profit on ordinary activities before taxation	**372**	323	*15*

Banking operations in the Republic of Ireland produced a strong performance despite a reduction in GDP levels and the impact of the foot and mouth disease. Profit benefited from the strong growth in business volumes particularly in the second half of 2000 with growth in loans of 17% and customer accounts of 16% since June 2000. Loans increased by 7% since December 2000 with growth well spread across all economic sectors. There was a 9% increase in Home Mortgage lending since December. The asset quality of this book remains strong reflecting our prudent criteria for loan approval. Finance and leasing performed particularly well benefiting from higher margins and good growth in other income.

Costs increased as a result of growth in business activity levels, some one-off euro costs and salary increases reflecting the Programme for Prosperity and Fairness and a once-off realignment of banking salaries. Notwithstanding the increase in costs, productivity levels improved once again resulting in a reduction in the cost income ratio from 52% to less than 51% in the period.

Ark Life profit increased by 12% to € 47 million for the half-year to June 2001. This market was influenced by the introduction of Special Savings Incentive Accounts by the Irish Government on 1 May 2001 which affected savings trends in the period prior to 1 May 2001. New regular premium business was very strong with growth of 26% to € 72 million including particularly strong growth of 30% in new pensions business. Single premium product sales were up 9% to € 310 million for the half-year to June 2001. Annual Premium Equivalent (APE) sales were up 20% to € 103 million.

Britain and Northern Ireland experienced strong profit growth of 13% reflecting higher business volumes and cost containment. Deposit growth was particularly strong showing growth of 18% since June 2000 with loans up 11% in the same period. Continued higher efficiency was reflected in a reduction in the cost income ratio from 55% to 53% in the current half-year.

USA *includes Allfirst's banking operations in Maryland, Pennsylvania, Virginia, Washington DC, and AIB's own brand retail and corporate operations in New York, Philadelphia, Los Angeles, Chicago, San Francisco and Atlanta.*

USA profit was € 170 million, up 4% on the half-year to June 2000.

USA profit and loss account	**Half-year June 2001 € m**	Half-year June 2000 € m	*% Change 2001 v 2000*
Net interest income	**287**	261	*10*
Other income	**209**	171	*23*
Total operating income	**496**	432	*15*
Total operating expenses	**306**	253	*21*
Operating profit before provisions	**190**	179	*6*
Provisions	**20**	18	*9*
Operating profit - continuing activities	**170**	161	*6*
Income from associated undertakings	**–**	3	–
Profit on ordinary activities before taxation	**170**	164	*4*

Allfirst **-** In Group terms profit in US dollars was unchanged compared with 2000. Allfirst has separately reported, under US GAAP*, growth of 6% in net income to common shareholders.

Total revenue was up 5% including a 15 basis point increase in the net interest margin from 3.39% to 3.54%. Other income was up 10% reflecting growth of 18% in electronic banking income and an 11% increase in deposit service charges. Loan volumes reduced due to large corporate repayments, however there was a good increase in SME and mid-market lending. Costs were up 7% due to higher pension, healthcare and salary costs. Non-staff operating costs were maintained at the same level as last year. Asset quality remained strong with a decline of US$ 21 million in non-performing assets since 31 December 2000. The provision cover for non-performing loans improved to 223% from 191% at December.

Allied Irish America continued its investment programme to expand the number of representative offices and 'e-enable' the business to further develop the national franchise in the charity and church sectors commonly known as the not-for-profit sector. Excluding these costs there was a substantial increase in underlying profit growth. The San Francisco and Atlanta offices opened this year and are now part of a network of established offices including those in New York, Philadelphia, Los Angeles and Chicago. Risk weighted assets increased by 12% since December 2000 and 34% since June 2000 due to the strong growth in business volumes which was also reflected in a 59% increase in underlying fee income.

The New York based Community Counselling Service Co., Inc. ('CCS') was acquired by the Group on 17 May 2001. CCS is the largest consulting firm to the not-for-profit sector worldwide. CCS is engaged primarily in the design and direction of fundraising initiatives for national and international charities, religious organisations and educational institutions.

**United States Generally Accepted Accounting Principles*

Capital Markets *Corporate Banking, Investment Banking and Treasury & International*

Capital Markets profit at € 101 million was up 13%.

Capital Markets profit and loss account	Half-year June 2001 € m	Half-year June 2000 € m	% Change 2001 v 2000
Net interest income	**55**	79	*-31*
Other income	**186**	145	*29*
Total operating income	**241**	224	*8*
Total operating expenses	**134**	124	*8*
Operating profit before provisions	**107**	100	*7*
Provisions	**8**	11	*-32*
Operating profit - continuing activities	**99**	89	*12*
Income from associated undertakings	**2**	1	–
Profit on ordinary activities before taxation	**101**	90	*13*

Corporate Banking had a strong half-year with a substantial increase in profit. Loans were up 14% since December 2000 and fee income was particularly strong. Good growth was achieved in the domestic and international businesses through the proactive delivery of financing solutions and consulting services. In Britain the business continued to perform well, building on its success in the provision of arranging and underwriting services. The recently opened New York office is developing a presence in the structured corporate credit market.

Investment Banking profit was lower due to the decline in equity markets which resulted in a fall in asset values and client volumes in the Asset Management and Stockbroking businesses. New business volumes were buoyant in the International Financial Services and Custody/Funds Administration businesses.

***Treasury & International* –** Corporate Treasury and bond trading activities performed well and achieved good profit growth, offset by a lower performance in interest rate management activities.

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Poland *Bank Zachodni WBK ('BZWBK'), in which AIB has a 70.46% shareholding, together with its subsidiaries and associates.*

Poland profit was lower at € 26 million for the period.

Poland profit and loss account	**Half-year June 2001 € m**	Half-year June 2000 € m	*% Change 2001 v 2000*
Net interest income	**134**	122	*10*
Other income	**73**	69	*6*
Total operating income	**207**	191	*8*
Total operating expenses	**177**	136	*30*
Operating profit before provisions	**30**	55	*-46*
Provisions	**5**	12	*-59*
Operating profit - continuing activities	**25**	43	*-42*
Profit on disposal of property	**1**	2	–
Profit on ordinary activities before taxation	**26**	45	*-42*

The merger of WBK and BZ took effect on 13 June 2001. The new entity has adopted the name Bank Zachodni WBK ('BZWBK') and is Poland's fifth largest bank.

Revenue growth of 8% was below expectations due to the slowdown in the Polish economy. At the beginning of 2001 GDP growth in Poland was forecast at 4%, this has now been revised to approximately 2%. Consequently, loan growth at 7% since December 2000 is lower than anticipated and the level of non-earning loans has not reduced. Both of these factors have negatively affected net interest income. On a constant currency basis costs increased by 18%. This increase included costs associated with the expansion of the franchise and merger costs. Investment has continued with 35 new branches opened and 43 new ATMs installed since December with further progress achieved in developing our new branch technology platform.

Provisions increased in the current half-year in BZWBK due to the combined impact on customers of high real interest rates and a slower economy. However, at Group level, the charge reduced to € 5 million because of the partial use of provisions which were created on acquisition.

Group *includes interest income earned on capital not allocated to divisions, the funding cost of the BZ acquisition, hedging costs in relation to the translation of foreign currency profits and central services costs.*

Group profit and loss account	**Half-year June 2001 € m**	Half-year June 2000 € m
Net interest income	**22**	21
Other income	**(7)**	(17)
Total operating income	**15**	4
Total operating expenses	**17**	17
Operating profit before provisions	**(2)**	(13)
Provisions	**–**	–
Profit on ordinary activities before taxation	**(2)**	(13)

Group reported a loss of € 2 million in the half-year to June 2001, compared with a loss of € 13 million in 2000. The reduced loss was primarily due to lower hedging costs.

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Consolidated profit and loss account *(unaudited)*

for the half-year ended 30 June 2001

	Notes	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Interest receivable:				
Interest receivable and similar income arising from				
debt securities and other fixed income securities		**617**	511	1,140
Other interest receivable and similar income	3	**2,089**	1,963	3,987
Less: interest payable	4	**(1,639)**	(1,489)	(3,105)
Deposit interest retention tax	5	**–**	–	(113)
Net interest income		**1,067**	985	1,909
Other income	6	**720**	611	1,304
Total operating income		**1,787**	1,596	3,213
Before exceptional item				3,326
Deposit interest retention tax	5			(113)
Total operating expenses	8	**1,060**	924	1,949
Group operating profit before provisions		**727**	672	1,264
Before exceptional item				1,377
Deposit interest retention tax	5			(113)
Provisions for bad and doubtful debts	12	**67**	70	133
Provisions for contingent liabilities and commitments		**(3)**	(2)	2
Amounts written off/(written back) fixed asset investments		**1**	1	(1)
Group operating profit – continuing activities		**662**	603	1,130
Before exceptional item				1,243
Deposit interest retention tax	5			(113)
Income from associated undertakings		**2**	4	3
Profit on disposal of property		**3**	2	5
Group profit on ordinary activities before taxation		**667**	609	1,138
Before exceptional item				1,251
Deposit interest retention tax	5			(113)
Taxation on ordinary activities	9	**165**	167	318
Group profit on ordinary activities after taxation		**502**	442	820
Equity and non-equity minority interests in subsidiaries		**15**	19	38
Dividends on non-equity shares		**24**	9	20
		39	28	58
Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.		**463**	414	762
Dividends on equity shares		**132**	116	335
Transfer to reserves		**35**	30	70
		167	146	405
Profit retained		**296**	268	357
Earnings per € 0.32 ordinary share – basic	10(a)	**53.8c**	48.5c	89.0c
Earnings per € 0.32 ordinary share – adjusted	10(b)	**55.4c**	49.9c	104.0c
Earnings per € 0.32 ordinary share – diluted	10(c)	**52.5c**	47.9c	88.1c

Consolidated balance sheet *(unaudited)*

30 June 2001

	Notes	**30 June 2001 € m**	30 June 2000 € m	31 December 2000 € m
Assets				
Cash and balances at central banks		**854**	796	938
Items in course of collection		**1,443**	1,260	1,116
Central government bills and other eligible bills		**459**	476	297
Loans and advances to banks		**5,101**	4,865	4,193
Loans and advances to customers	11	**49,636**	42,825	45,880
Securitised assets – net		**207**	128	166
Debt securities	14	**20,995**	17,141	18,986
Equity shares		**433**	339	412
Interests in associated undertakings		**10**	25	8
Intangible fixed assets		**495**	458	466
Tangible fixed assets		**1,302**	1,046	1,127
Own shares		**193**	127	177
Other assets		**2,478**	1,712	1,708
Prepayments and accrued income		**1,709**	1,314	1,835
Long-term assurance business attributable to shareholders	15	**276**	197	238
		85,591	72,709	77,547
Long-term assurance assets attributable to policyholders	15	**2,304**	1,978	2,141
		87,895	74,687	79,688
Liabilities				
Deposits by banks		**15,724**	11,302	12,478
Customer accounts	16	**52,479**	46,499	48,437
Debt securities in issue		**3,786**	3,762	4,295
Other liabilities		**3,014**	2,712	3,079
Accruals and deferred income		**1,614**	1,267	1,665
Provisions for liabilities and charges		**166**	128	155
Deferred taxation		**388**	270	357
Subordinated liabilities		**2,401**	2,206	2,249
Equity and non-equity minority interests in subsidiaries		**319**	245	272
Called up share capital		**291**	286	288
Share premium account		**1,932**	1,866	1,877
Reserves		**933**	361	401
Profit and loss account		**2,544**	1,805	1,994
Shareholders' funds		**5,700**	4,318	4,560
		85,591	72,709	77,547
Long-term assurance liabilities to policyholders	15	**2,304**	1,978	2,141
		87,895	74,687	79,688

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Consolidated cash flow statement *(unaudited)*

for the half-year ended 30 June 2001

	Notes	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Net cash inflow from operating activities		**292**	414	2,433
Returns on investments and servicing of finance		**(90)**	(80)	(184)
Equity dividends paid		**(198)**	(135)	(228)
Taxation		**(127)**	(163)	(199)
Capital expenditure and financial investment		**(31)**	(1,416)	(3,004)
Acquisitions and disposals		**(39)**	2	2
Financing		**513**	160	164
Increase/(decrease) in cash	18(a)	**320**	(1,218)	(1,016)
Reconciliation of Group operating profit to net cash inflow from operating activities				
Group operating profit		**662**	603	1,130
Provisions for bad and doubtful debts		**67**	70	133
Provisions for contingent liabilities and commitments		**(3)**	(2)	2
Depreciation and amortisation		**91**	80	171
Interest on subordinated liabilities		**75**	72	155
Profit on disposal of debt securities and equity shares		**(8)**	(3)	(23)
Amounts written off/(written back) fixed asset investments		**1**	1	(1)
Increase in long-term assurance business		**(38)**	(31)	(72)
Other movements - net		**61**	(149)	(263)
Net cash inflow from trading activities		**908**	641	1,232
Net increase in deposits by banks		**2,750**	2,565	3,621
Net increase in customer accounts		**1,697**	3,686	4,854
Net increase in loans and advances to customers		**(1,799)**	(3,240)	(5,812)
Net increase in loans and advances to banks		**(292)**	(1,847)	(1,015)
Net increase in debt securities and equity shares held for trading purposes		**(1,081)**	(535)	(710)
Net decrease in debt securities in issue		**(866)**	(705)	(266)
Effect of exchange translation and other adjustments		**46**	112	142
Other movements – net		**(1,071)**	(263)	387
		(616)	(227)	1,201
Net cash inflow from operating activities		**292**	414	2,433

Statement of total recognised gains and losses *(unaudited)*

	Half-year 30 June 2001 € m	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Group profit attributable to the ordinary shareholders	**463**	414	762
Currency translation differences on foreign currency net investments	**234**	36	113
Total recognised gains relating to the period	**697**	450	875

Reconciliation of movements in shareholders' funds

	Notes	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Group profit attributable to the ordinary shareholders		**463**	414	762
Dividends on equity shares		**(132)**	(116)	(335)
		331	298	427
Other recognised gains relating to the period		**260**	48	132
New ordinary share capital subscribed		**31**	23	27
Ordinary shares issued in lieu of cash dividend		**23**	53	78
Issue of reserve capital instruments	17	**495**	–	–
Net addition to shareholders' funds		**1,140**	422	664
Opening shareholders' funds		**4,560**	3,896	3,896
Closing shareholders' funds		**5,700**	4,318	4,560
Shareholders' funds:				
Equity interests		**4,914**	4,061	4,296
Non-equity interests		**786**	257	264
		5,700	4,318	4,560

Note of historical cost profits and losses

Reported profits on ordinary activities before taxation would not be materially different if presented on an unmodified historical cost basis.

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Notes to the accounts

1 Accounting policies and presentation of financial information

There are no changes to the accounting policies as set out on pages 39 to 41 of the Annual Report and Accounts for the year ended 31 December 2000.

The currency used in these accounts is the euro which is denoted by 'EUR' or the symbol €.

						Half-year 30 June 2001
	AIB Bank division	**USA division**	**Capital Markets division**	**Poland division**	**Group**	**Total**
2 Segmental information	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**	**€ m**
Operations by business segments[1]						
Net interest income	**569**	**287**	**55**	**134**	**22**	**1,067**
Other income	**259**	**209**	**186**	**73**	**(7)**	**720**
Total operating income	**828**	**496**	**241**	**207**	**15**	**1,787**
Total operating expenses	**426**	**306**	**134**	**177**	**17**	**1,060**
Provisions	**32**	**20**	**8**	**5**	**–**	**65**
Group operating profit	**370**	**170**	**99**	**25**	**(2)**	**662**
Income from associated undertakings	**–**	**–**	**2**	**–**	**–**	**2**
Profit on disposal of property	**2**	**–**	**–**	**1**	**–**	**3**
Group profit on ordinary activities before taxation	**372**	**170**	**101**	**26**	**(2)**	**667**
Balance sheet						
Total loans	**24,868**	**14,093**	**11,591**	**4,280**	**112**	**54,944**
Total deposits	**26,731**	**17,024**	**22,198**	**5,945**	**91**	**71,989**
Total assets	**31,926**	**21,953**	**26,283**	**7,317**	**416**	**87,895**
Total risk weighted assets	**22,728**	**22,188**	**16,747**	**4,164**	**284**	**66,111**
Net assets[2]	**1,689**	**1,649**	**1,245**	**310**	**21**	**4,914**

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2 Segmental information (*continued*)	AIB Bank division € m	USA division € m	Capital Markets division € m	Poland division € m	Group € m	Half-year 30 June 2000 Total € m
Operations by business segments[1]						
Net interest income	502	261	79	122	21	985
Other income	243	171	145	69	(17)	611
Total operating income	745	432	224	191	4	1,596
Total operating expenses	394	253	124	136	17	924
Provisions	28	18	11	12	–	69
Group operating profit	323	161	89	43	(13)	603
Income from associated undertakings	–	3	1	–	–	4
Profit on disposal of property	–	–	–	2	–	2
Group profit on ordinary activities before taxation	323	164	90	45	(13)	609
Balance sheet						
Total loans	21,314	12,805	10,232	3,195	272	47,818
Total deposits	23,072	15,716	18,226	4,397	152	61,563
Total assets	27,297	19,515	21,779	5,536	560	74,687
Total risk weighted assets	20,015	19,117	12,696	3,063	277	55,168
Net assets[2]	1,473	1,407	935	225	21	4,061

	AIB Bank division € m	USA division € m	Capital Markets division € m	Poland division € m	Group € m	Year 31 December 2000 Total € m
Operations by business segments[1]						
Net interest income before exceptional item	1,056	537	127	252	50	2,022
Other income	508	381	304	153	(42)	1,304
Total operating income before exceptional item	1,564	918	431	405	8	3,326
Total operating expenses	816	543	260	295	35	1,949
Provisions	56	38	18	23	(1)	134
Group operating profit before exceptional item	692	337	153	87	(26)	1,243
Income from associated undertakings	–	–	3	–	–	3
Profit on disposal of property	4	–	–	1	–	5
Group profit on ordinary activities before exceptional item	696	337	156	88	(26)	1,251
Deposit interest retention tax						(113)
Group profit on ordinary activities before taxation						1,138
Balance sheet						
Total loans	23,112	12,995	10,386	3,645	101	50,239
Total deposits	25,019	15,941	19,271	4,897	82	65,210
Total assets	29,607	20,458	23,218	6,054	351	79,688
Total risk weighted assets	21,133	20,318	14,837	3,655	279	60,222
Net assets[2]	1,508	1,449	1,058	261	20	4,296

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Notes to the accounts

2 Segmental information *(continued)*	Republic of Ireland €m	United States of America €m	United Kingdom €m	Poland €m	Rest of the world €m	Half-year 30 June 2001 Total €m
Operations by geographical segments[3]						
Net interest income	**423**	**308**	**194**	**141**	**1**	**1,067**
Other income	**300**	**205**	**139**	**75**	**1**	**720**
Total operating income	**723**	**513**	**333**	**216**	**2**	**1,787**
Total operating expenses	**401**	**314**	**169**	**175**	**1**	**1,060**
Provisions	**26**	**23**	**11**	**5**	**–**	**65**
Group operating profit	**296**	**176**	**153**	**36**	**1**	**662**
Income from associated undertakings	**2**	**–**	**–**	**–**	**–**	**2**
Profit on disposal of property	**1**	**1**	**–**	**1**	**–**	**3**
Group profit on ordinary activities before taxation	**299**	**177**	**153**	**37**	**1**	**667**
Balance sheet						
Total loans	**25,296**	**14,140**	**11,225**	**4,280**	**3**	**54,944**
Total deposits	**30,784**	**19,398**	**15,862**	**5,945**	**–**	**71,989**
Total assets	**39,492**	**22,843**	**17,986**	**7,315**	**259**	**87,895**
Net assets[2]	**1,958**	**1,688**	**939**	**310**	**19**	**4,914**

	Republic of Ireland €m	United States of America €m	United Kingdom €m	Poland €m	Rest of the world €m	Half-year 30 June 2000 Total €m
Operations by geographical segments[3]						
Net interest income	381	277	198	128	1	985
Other income	265	158	116	68	4	611
Total operating income	646	435	314	196	5	1,596
Total operating expenses	365	258	165	134	2	924
Provisions	28	19	11	11	–	69
Group operating profit	253	158	138	51	3	603
Income from associated undertakings	1	3	–	–	–	4
Profit on disposal of property	–	–	–	2	–	2
Group profit on ordinary activities before taxation	254	161	138	53	3	609
Balance sheet						
Total loans	22,407	12,853	9,351	3,200	7	47,818
Total deposits	26,677	17,235	13,254	4,397	–	61,563
Total assets	34,801	18,765	15,333	5,541	247	74,687
Net assets[2]	1,653	1,418	747	226	17	4,061

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2 Segmental information *(continued)*	Republic of Ireland € m	United States of America € m	United Kingdom € m	Poland € m	Rest of the world € m	Year 31 December 2000 Total € m
Operations by geographical segments[3]						
Net interest income before exceptional item	791	568	392	269	2	2,022
Other income	570	336	243	151	4	1,304
Total operating income before exceptional item	1,361	904	635	420	6	3,326
Total operating expenses	770	557	327	292	3	1,949
Provisions	51	38	23	23	(1)	134
Group operating profit before exceptional item	540	309	285	105	4	1,243
Income from associated undertakings	3	–	–	–	–	3
Profit on disposal of property	3	–	1	1	–	5
Group profit on ordinary activities before exceptional item	546	309	286	106	4	1,251
Deposit interest retention tax						(113)
Group profit on ordinary activities before taxation						1,138
Balance sheet						
Total loans	24,027	13,018	9,545	3,645	4	50,239
Total deposits	29,055	17,585	13,672	4,897	1	65,210
Total assets	37,502	19,716	16,162	6,060	248	79,688
Net assets[2]	1,746	1,477	794	261	18	4,296

[1]The business segment information is based on management accounts information. Income on capital is allocated to the divisions on the basis of the capital required to support the level of risk weighted assets. Interest income earned on capital not allocated to divisions, the funding cost of the Bank Zachodni acquisition, hedging costs in relation to the translation of foreign currency profits and central services costs are reported in Group.

[2]The fungible nature of liabilities within the banking industry inevitably leads to allocations of liabilities to segments, some of which are necessarily subjective. Accordingly, the directors believe that the analysis of total assets is more meaningful than the analysis of net assets.

[3]The geographical distribution of profit before taxation is based primarily on the location of the office recording the transaction.

3 Other interest receivable and similar income	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Interest on loans and advances to banks	**119**	113	238
Interest on loans and advances to customers	**1,864**	1,752	3,544
Income from leasing and hire purchase contracts	**106**	98	205
	2,089	1,963	3,987

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Notes to the accounts

4 Interest payable	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Interest on deposits by banks and customer accounts	**1,464**	1,308	2,701
Interest on debt securities in issue	**100**	109	249
Interest on subordinated liabilities	**75**	72	155
	1,639	1,489	3,105

5 Deposit interest retention tax ('DIRT')

On 3 October 2000, AIB announced that it had reached a full and final settlement with the Irish Revenue Commissioners of IR£90.04m (€ 114.33m) in relation to DIRT, interest and penalties in Ireland for the period April 1986 to April 1999. The settlement included IR£1.08m (€ 1.37m) paid in prior years. Although AIB believe that it had an agreement with the Revenue Commissioners in 1991 in relation to DIRT, the Board considered that concluding this settlement was in the best interests of shareholders, customers and staff. As a result an exceptional charge of IR£88.96m (€ 112.96m) was reflected in the accounts for the year ended 31 December 2000.

6 Other income	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Dividend income	**2**	2	6
Fees and commissions receivable	**600**	532	1,101
Less: fees and commissions payable	**(60)**	(57)	(108)
Dealing profits	**79**	49	103
Other operating income *(note 7)*	**99**	85	202
	720	611	1,304

7 Other operating income	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Profit/(loss) on disposal of debt securities held for investment purposes	**12**	(2)	(1)
Profit on disposal of investments in associated undertakings	**–**	2	5
(Loss)/profit on disposal of equity shares	**(4)**	5	24
Contribution of life assurance company	**47**	42	95
Contribution from securitised assets	**3**	2	4
Miscellaneous operating income	**41**	36	75
	99	85	202

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8 Total operating expenses	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Staff costs	**631**	545	1,144
Other administration expenses	**338**	299	634
Depreciation of tangible fixed assets	**78**	68	145
Amortisation of intangible assets	**13**	12	26
	1,060	924	1,949

9 Taxation	**Half-year 30 June 2001 € m**	Half-year 30 June 2000 € m	Year 31 December 2000 € m
Allied Irish Banks, p.l.c. and subsidiaries			
Corporation tax in Republic of Ireland			
Current tax on income for the period	**41**	41	69
Adjustments in respect of prior periods	**(3)**	–	(1)
	38	41	68
Double taxation relief	**(8)**	(12)	(15)
	30	29	53
Foreign tax			
Current tax on income for the period	**126**	113	146
Adjustments in respect of prior periods	**1**	1	(5)
	127	114	141
	157	143	194
Deferred taxation	**8**	24	124
	165	167	318
Effective tax rate	**24.7%**	27.5%	26.3%[1]

[1]The effective tax rate for the year ended 31 December 2000 has been adjusted to eliminate the effect of the deposit interest retention tax settlement *(note 5)*.

10 Earnings per € 0.32 ordinary share	**Half-year 30 June 2001**	Half-year 30 June 2000	Year 31 December 2000
(a) Basic			
Group profit attributable to the ordinary shareholders[1]	**€ 463m**	€ 414m	€ 762m
Weighted average number of shares in issue during the period[1]	**860.4m**	853.7m	856.1m
Earnings per share	**EUR 53.8c**	EUR 48.5c	EUR 89.0c

[1]In accordance with FRS 14 – 'Earnings Per Share', dividends arising on shares held by the employee share trusts are excluded in arriving at profit before taxation and deducted from the aggregate of dividends paid and proposed. The shares held by the trusts are excluded from the calculation of weighted average number of shares in issue.

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Notes to the accounts

10 Earnings per € 0.32 ordinary share ***(continued)***

(b) Adjusted	**Earnings per € 0.32 ordinary share** **Half-year 30 June 2001**	Half-year 30 June 2000	Year 31 December 2000
	(cent per € 0.32 share)		
As reported	**53.8**	48.5	89.0
Adjustments			
Goodwill amortisation	**1.6**	1.4	3.0
Deposit interest retention tax	**–**	–	12.0
	55.4	49.9	104.0

The adjusted earnings per share figure has been presented to eliminate the effect of the amortisation of goodwill in June 2001, June 2000 and December 2000 and the deposit interest retention tax settlement in December 2000.

(c) Diluted	**Half-year 30 June 2001**	Half-year 30 June 2000	Year 31 December 2000
	Number of shares (millions)		
Weighted average number of shares in issue during the period	**860.4**	853.7	856.1
Dilutive effect of options outstanding	**20.6**	9.2	8.8
Diluted	**881.0**	862.9	864.9

The weighted average number of ordinary shares reflects the dilutive effect of options outstanding under the employee share trusts, the Executive Share Option Scheme and the Allfirst Stock Option Plan.

11 Loans and advances to customers	**30 June 2001 € m**	30 June 2000 € m	31 December 2000 € m
Loans and advances to customers	**45,674**	39,137	42,159
Amounts receivable under finance leases	**2,524**	2,443	2,446
Amounts receivable under hire purchase contracts	**906**	828	846
Money market funds	**532**	417	429
	49,636	42,825	45,880

12 Provisions for bad and doubtful debts	**30 June 2001 € m**	30 June 2000 € m	31 December 2000 € m
At beginning of period	**872**	771	771
Exchange translation adjustments	**65**	6	33
Acquisition of Group undertakings	**–**	–	35
Charge against profit and loss account	**67**	70	133
Amounts written off	**(49)**	(46)	(132)
Recoveries of amounts written off in previous years	**8**	9	32
At end of period	**963**	810	872
At end of period			
Specific	**518**	414	452
General	**445**	396	420
	963	810	872
Amounts include:			
Loans and advances to banks	**2**	3	3
Loans and advances to customers	**961**	807	869
	963	810	872

13 Risk elements in lending

Outside of the United States of America, the Group's loan control and review procedures generally do not include the classification of loans as non-accrual, accruing past due, restructured and potential problem loans, as defined by the US Securities and Exchange Commission ('SEC'). Management has, however, set out below the amount of loans, without giving effect to available security and before deduction of provisions, which would have been so classified had the SEC's classification been used.

	30 June 2001 € m	30 June 2000 € m	31 December 2000 € m
Loans accounted for on a non-accrual basis (including loans where interest is accrued but provisions have been made against it)(1)			
Republic of Ireland	**178**	146	162
United Kingdom	**99**	108	98
United States of America	**80**	62	85
Poland	**609**	480	523
Rest of the world	**3**	24	3
	969	820	871
Accruing loans which are contractually past due 90 days or more as to principal or interest(2)			
Republic of Ireland	**75**	59	79
United Kingdom	**38**	18	38
United States of America	**36**	36	36
	149	113	153
Other real estate and other assets owned	**21**	34	30

(1)Total interest income that would have been recorded during the half-year ended 30 June 2001, had interest on non-accrual loans been included in income, amounted to € 6m for Republic of Ireland (31 December 2000: € 12m; 30 June 2000: € 5m), € 4m for United Kingdom (31 December 2000: € 8m; 30 June 2000: € 4m), € 4m for United States of America (31 December 2000: € 7m; 30 June 2000: € 3m), € 58m for Poland (31 December 2000: € 95m; 30 June 2000: € 44m) and zero for Rest of the world (31 December 2000: zero; 30 June 2000: € 1m).

Notes to the accounts

13 Risk elements in lending ***(continued)***

Interest on non-accrual loans included in income for the half-year ended 30 June 2001 totalled € 25m (31 December 2000: € 42m; 30 June 2000: € 13m).

(2) Overdrafts generally have no fixed repayment schedule and, consequently, are not included in this category.

AIB Group generally expects that loans where known information about possible credit problems causes management to have serious doubts as to the ability of borrowers to comply with loan repayment terms would be included under its definition of non-performing and would therefore have been reported in the above table. However, management's best estimate of loans, not included above, that are current as to payment of principal and interest but concerning which AIB Group has serious doubts as to the ability of the borrower to comply with loan repayment terms totalled approximately € 145m at 30 June 2001 (31 December 2000: € 127m; 30 June 2000: € 85m).

	30 June 2001		31 December 2000	
14 Debt securities	**Book amount € m**	**Market value € m**	Book amount € m	Market value € m
Held as financial fixed assets				
Issued by public bodies:				
Government securities	**5,966**	**5,968**	6,113	6,102
Other public sector securities	**4,152**	**4,165**	4,001	3,995
Issued by other issuers:				
Bank and building society certificates of deposit	**184**	**184**	395	396
Other debt securities	**6,709**	**6,756**	6,136	6,168
	17,011	**17,073**	16,645	16,661
Held for trading purposes				
Issued by public bodies:				
Government securities	**446**		431	
Other public sector securities	**1,555**		904	
Issued by other issuers:				
Bank and building society certificates of deposit	**48**		46	
Other debt securities	**1,935**		960	
	3,984		2,341	
	20,995		18,986	

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15 Long-term assurance business

The assets and liabilities of Ark Life Assurance Company Limited (Ark Life) representing the value of the assurance business together with the policyholders' funds are:

	30 June 2001 € m	30 June 2000 € m	31 December 2000 € m
Investments	**2,381**	1,963	2,150
Value of investment in business	**166**	101	138
Other assets – net	**33**	111	91
	2,580	2,175	2,379
Long-term assurance liabilities to policyholders	**(2,304)**	(1,978)	(2,141)
Long-term assurance business attributable to shareholders	**276**	197	238
Represented by:			
Shares at cost	**19**	19	19
Reserves	**254**	179	218
Profit and loss account	**3**	(1)	1
	276	197	238

The increase in the value to the Group of Ark Life's long-term assurance and pensions business in force credited to the profit and loss account and included in other operating income amounted to € 47m after grossing-up for taxation (half-year ended 30 June 2000: € 42m; year ended 31 December 2000: € 95m).

16 Customer accounts	**30 June 2001 € m**	30 June 2000 € m	31 December 2000 € m
Current accounts	**13,935**	10,579	12,701
Deposits:			
Demand deposits	**10,731**	10,685	10,297
Time deposits	**23,130**	21,114	21,094
Money market funds	**4,683**	4,121	4,345
	52,479	46,499	48,437

17 Issue of reserve capital instruments

On 5 February 2001, the Group issued € 500 million 7.5% Step-up Callable Perpetual Reserve Capital Instruments (RCIs).

18 Consolidated cash flow statement	**30 June 2001 € m**	30 June 2000 € m	31 December 2000 € m
(a) Analysis of changes in cash			
At beginning of period	**2,222**	3,130	3,130
Net cash inflow/(outflow) before the effect of exchange translation adjustments	**320**	(1,218)	(1,016)
Effect of exchange translation adjustments	**84**	46	108
At end of period	**2,626**	1,958	2,222

Notes to the accounts

18 Consolidated cash flow statement *(continued)*	**30 June 2001 € m**	30 June 2000 € m	31 December 2000 € m
(b) Analysis of cash			
Cash and balances at central banks	**854**	796	938
Loans and advances to banks (repayable on demand)	**1,772**	1,162	1,284
	2,626	1,958	2,222

19 Group financial information for US investors

For convenience purposes this note contains translations of certain euro amounts into US dollars at the rate of € 1.00 to US$ 0.8480, the period end translation rate used in the preparation of the Group's financial statements. These translations should not be construed as representations that the euro amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated.

Summary of consolidated statement of income	**Half-year June 30 2001 US $ m**	**Half-year June 30 2001 € m**	Half-year June 30 2000 € m	Year December 31 2000 € m
Amounts in accordance with IR GAAP				
Net interest income before exceptional item	**905**	**1,067**	985	2,022
Deposit interest retention tax	**–**	**–**	–	(113)
Net interest income after exceptional item	**905**	**1,067**	985	1,909
Other income	**610**	**720**	611	1,304
Total operating income	**1,515**	**1,787**	1,596	3,213
Total operating expenses	**899**	**1,060**	924	1,949
Group operating profit before provisions	**616**	**727**	672	1,264
Provisions	**55**	**65**	69	134
Group operating profit – continuing activities	**561**	**662**	603	1,130
Income from associated undertakings	**2**	**2**	4	3
Profit on disposal of property	**3**	**3**	2	5
Group profit on ordinary activities before taxation	**566**	**667**	609	1,138
Taxation on ordinary activities	**140**	**165**	167	318
Group profit on ordinary activities after taxation	**426**	**502**	442	820
Group profit attributable to the ordinary stockholders of Allied Irish Banks, p.l.c.	**392**	**463**	414	762

19 Group financial information for US investors *(continued)*	**Half-year June 30 2001 US $**	**Half-year June 30 2001 €**	Half-year June 30 2000 €	Year December 31 2000 €
Per American Depositary Share ('ADS')				
Net income	**0.91**	**1.08**	0.97	1.78[1]
Dividend[2]	**0.27**	**0.32**	0.27	0.79
Net assets	**9.47**	**11.17**	9.33	9.84
Amounts in accordance with US GAAP				
Net income	**345m**	**407m**	382m	712m[3]
Net income attributable to ordinary stockholders	**337m**	**398m**	373m	692m[4]
Net income per ADS	**0.78**	**0.92**	0.87	1.62[5]
Net assets per ADS	**11.42**	**13.46**	11.18	11.99

[1]€ 2.02 when adjusted to exclude the impact of the deposit interest retention tax settlement.

[2]The actual dividend payable to US stockholders will depend on the €/US $ exchange rate prevailing.

[3]€ 815m when adjusted to exclude the impact of the deposit interest retention tax settlement.

[4]€ 795m when adjusted to exclude the impact of the deposit interest retention tax settlement.

[5]€ 1.86 when adjusted to exclude the impact of the deposit interest retention tax settlement.

Summary of consolidated balance sheet	**US $ m**	**€ m**	€ m	€ m
Amounts in accordance with IR GAAP				
Total assets	**74,536**	**87,895**	74,687	79,688
Ordinary stockholders' equity	**4,167**	**4,914**	4,061	4,296
Deposits etc	**61,046**	**71,989**	61,563	65,210
Loans etc	**46,592**	**54,944**	47,818	50,239
Amounts in accordance with US GAAP				
Total assets	**73,231**	**86,357**	73,383	78,198
Ordinary stockholders' equity	**5,023**	**5,923**	4,864	5,237

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Notes to the accounts

19 Group financial information for US investors *(continued)*

Adjustments to financial statements

The Group financial statements conform with accounting principles generally accepted in Ireland. The following tables provide the significant adjustments to the consolidated net income *(Group profit attributable to the stockholders of AIB)* and consolidated ordinary stockholders' equity, which would be required if accounting principles generally accepted in the United States (US GAAP) had been applied instead of those generally accepted in Ireland (IR GAAP).

Consolidated net income	Half-year June 30 2001	Half-year June 30 2000	Year December 31 2000
	(millions except per share amounts)		
Net income *(Group profit attributable to the stockholders of AIB)* as in the consolidated profit and loss account	**€ 463**	€ 414	€ 762
Adjustments in respect of:			
Long-term assurance policies	**(29)**	(35)	(70)
Goodwill	**(67)**	(38)	(78)
Premium on core deposit intangibles	**(4)**	(5)	(9)
Pension cost	**60**	52	122
Preference dividends	**9**	9	20
Securities held for hedging purposes	**(19)**	(20)	(25)
Derivatives hedging available-for-sale securities	**–**	–	(9)
Internal derivative trades	**15**	–	(6)
Post-retirement benefits	**–**	–	(1)
Internal use computer software	**5**	4	11
Derivatives FAS 133 transition adjustment[1]	**122**	–	–
Derivatives FAS 133 adjustment	**(145)**	–	–
Deferred tax effect of the above adjustments	**(3)**	1	(5)
Net income in accordance with US GAAP	**€ 407**	€ 382	€ 712
Net income attributable to ordinary stockholders of AIB in accordance with US GAAP	**€ 398**	€ 373	€ 692
Equivalent to	**US $ 337**		
Income per American Depositary Share (ADS*) in accordance with US GAAP	**€ 0.92**	€ 0.87	€ 1.62
Equivalent to	**US $ 0.78**		
Period-end exchange rate €/US $	**0.8480**		

**An American Depositary Share represents two ordinary shares of € 0.32 each.*

Comprehensive income	Half-year June 30 2001	Half-year June 30 2000	Year December 31 2000
		(millions)	
Net income in accordance with US GAAP	**€ 407**	€ 382	€ 712
Net movement in unrealized holding gain on investment securities arising during the period	**30**	38	110
Derivatives FAS 133 transition adjustment[1]	**41**	–	–
Exchange translation adjustments	**389**	104	220
Comprehensive income	**€ 867**	€ 524	€ 1,042

[1] Cumulative effect of the change in accounting principle for derivatives and hedging activities.

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19 Group financial information for US investors *(continued)*

Adjustments to financial statements *(continued)*

Consolidated ordinary stockholders' equity	**June 30 2001**	June 30 2000	December 31 2000
	(millions except per share amounts)		
Ordinary stockholders' equity as in the consolidated balance sheet	**€ 4,914**	€ 4,061	€ 4,296
Revaluation of property	**(210)**	(210)	(210)
Depreciation of freehold and long leasehold property	**(27)**	(27)	(27)
Goodwill	**1,171**	1,097	1,097
Core deposit intangibles	**24**	30	26
Dividends payable on ordinary shares	**136**	116	221
Preference dividend declared	**(1)**	–	–
Long-term assurance policies	**(173)**	(123)	(150)
Unrealised gains/(losses) not yet recognised on:			
Available-for-sale debt securities	**62**	(168)	16
Available-for-sale equity securities	**(1)**	–	(6)
Derivatives hedging available-for-sale securities	**–**	8	(63)
Securities held for hedging purposes	**7**	31	26
Internal derivative trades	**5**	(3)	(10)
Derivatives FAS 133 adjustment	**(32)**	–	–
Pension cost	**318**	187	256
Post-retirement benefits	**(5)**	(5)	(5)
Internal use computer software	**17**	4	11
Own shares	**(193)**	(127)	(177)
Deferred tax effect of the above adjustments	**(89)**	(7)	(64)
Ordinary stockholders' equity in accordance with US GAAP	**€ 5,923**	€ 4,864	€ 5,237
Equivalent to	**US $ 5,023**		
Ordinary stockholders' equity per ADS in accordance with US GAAP	**€ 13.46**	€ 11.18	€ 11.99
Equivalent to	**US $ 11.42**		
Ordinary stockholders' equity per ADS in accordance with IR GAAP	**€ 11.17**	€ 9.33	€ 9.84
Equivalent to	**US $ 9.47**		

Notes to the accounts

20 Memorandum items: contingent liabilities and commitments	Contract amount		
	30 June 2001 € m	30 June 2000 € m	31 December 2000 € m
Contingent liabilities:			
Acceptances and endorsements	**130**	195	147
Guarantees and assets pledged as collateral security	**4,642**	3,250	4,027
Other contingent liabilities	**1,160**	999	1,089
	5,932	4,444	5,263
Commitments:			
Commitments arising out of sale and option to resell transactions	**337**	220	257
Other commitments	**17,453**	14,363	15,855
	17,790	14,583	16,112
	23,722	19,027	21,375

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The following table presents the notional principal amount and gross replacement cost of interest rate, exchange rate and equity contracts.

	30 June 2001		30 June 2000		31 December 2000	
	Notional principal amount € m	**Gross replacement cost € m**	Notional principal amount € m	Gross replacement cost € m	Notional principal amount € m	Gross replacement cost € m
Interest rate contracts[1]	**124,716**	**1,036**	149,150	768	130,945	875
Exchange rate contracts[1]	**25,675**	**556**	27,478	580	26,877	901
Equity contracts[1]	**3,036**	**219**	2,313	306	2,938	297

[1]Interest rate, exchange rate and equity contracts have been entered into for both hedging and trading purposes.

In respect of interest rate and exchange rate contracts, notional principal amounts are used to express the volume of these transactions. However, the amounts subject to risk are much lower in accordance with the terms of the contracts. Credit risk arises when market movements are such that the deal has positive value to the Group so that a cost would be incurred if the contract had to be replaced in the event of counterparty default. The sum of these positive values is known as gross replacement cost and does not reflect the netting of offsetting positions.

21 Strategic alliance with Keppel Capital Holdings Ltd.

On 14 July 2001, AIB Group announced that it supported the revised offer by Oversea-Chinese Banking Corporation Limited ('OCBC Bank') to purchase Keppel Capital Holdings Ltd. ('KCH'). On completion of the transaction, the estimated financial impact for AIB from the sale of its interests in KCH would amount to a profit of € 93m. In addition, the 1999 Singapore $ 351m 3 year senior bonds with warrants will be fully redeemed at par on completion.

22 Average balance sheets and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the half-year ended 30 June 2001 and the year ended 31 December 2000. The calculation of average balances include daily and monthly averages for reporting units. The average balances used are considered to be representative of the operations of the Group.

	Half-year ended 30 June 2001			Year ended 31 December 2000		
Assets	**Average balance € m**	**Interest € m**	**Average rate %**	Average balance € m	Interest € m	Average rate %
Placings with banks						
Domestic offices	**2,706**	**55**	**4.1**	2,410	114	4.7
Foreign offices	**1,892**	**64**	**6.8**	1,897	123	6.5
Loans to customers(1)						
Domestic offices	**20,478**	**697**	**6.9**	18,570	1,239	6.7
Foreign offices	**24,688**	**1,061**	**8.7**	22,772	2,056	9.0
Placings with banks and loans to customers(1)						
Domestic offices	**23,184**	**752**	**6.5**	20,980	1,353	6.4
Foreign offices	**26,580**	**1,125**	**8.5**	24,669	2,179	8.8
Funds sold						
Domestic offices	**–**	**–**	**–**	–	–	–
Foreign offices	**27**	**1**	**4.7**	75	5	6.4
Debt securities and government bills						
Domestic offices	**8,206**	**219**	**5.4**	7,100	398	5.6
Foreign offices	**11,956**	**415**	**7.0**	11,014	775	7.0
Instalment credit and finance lease receivables						
Domestic offices	**1,868**	**59**	**6.4**	1,739	109	6.3
Foreign offices	**1,479**	**47**	**6.4**	1,449	96	6.6
Total interest earning assets						
Domestic offices	**33,258**	**1,030**	**6.3**	29,819	1,860	6.2
Foreign offices	**40,042**	**1,588**	**8.0**	37,207	3,055	8.2
	73,300	**2,618**	**7.2**	67,026	4,915	7.3
Allowance for loan losses	**(920)**			(828)		
Non-interest earning assets	**8,466**			7,392		
Total assets	**80,846**	**2,618**	**6.5**	73,590	4,915	6.7
Percentage of assets applicable to foreign activities			**55.8**			56.0

(1)Loans to customers include money market funds. Non-accrual loans and loans classified as problem loans are also included within this caption.

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Notes to the accounts

22 Average balance sheets and interest rates *(continued)*

Liabilities and stockholders' equity	Half-year ended 30 June 2001 Average balance € m	Interest € m	Average rate %	Year ended 31 December 2000 Average balance € m	Interest € m	Average rate %
Interest bearing deposits and other						
short-term borrowings						
Domestic offices	**25,529**	**544**	**4.3**	22,797	944[1]	4.1[1]
Foreign offices	**31,791**	**891**	**5.7**	30,058	1,701	5.7
Funds purchased						
Domestic offices	**–**	**–**	**–**	–	–	–
Foreign offices	**1,721**	**41**	**4.8**	1,522	93	6.1
Subordinated liabilities						
Domestic offices	**1,529**	**47**	**6.2**	1,478	97	6.6
Foreign offices	**778**	**28**	**7.2**	750	58	7.7
Total interest bearing liabilities						
Domestic offices	**27,058**	**591**	**4.4**	24,275	1,041[1]	4.3[1]
Foreign offices	**34,290**	**960**	**5.6**	32,330	1,852	5.7
	61,348	**1,551**	**5.1**	56,605	2,893[1]	5.1[1]
Interest-free liabilities						
Current accounts	**9,428**			8,503		
Other liabilities	**4,561**			3,941		
Minority equity and non-equity interests	**294**			246		
Preference share capital	**247**			266		
Reserve capital instruments	**401**			–		
Ordinary stockholders' equity	**4,567**			4,029		
Total liabilities and stockholders' equity	**80,846**	**1,551**	**3.9**	73,590	2,893[1]	3.9[1]
Percentage of liabilities applicable to						
foreign activities			**54.8**			55.7

[1]The interest amount and the average rate have been presented to eliminate the effect of the deposit interest retention tax settlement *(note 5)*.

23 Review report

The interim accounts (unaudited) have been reviewed by the Group's auditors, PricewaterhouseCoopers, and their review report is set out on page 36. The profit retained for the half-year ended 30 June 2001 has been included in Tier 1 capital at 30 June 2001.

24 Approval of accounts

The interim accounts (unaudited) were approved by the board of directors on 31 July 2001.

Financial and other information

	Half-year 30 June 2001	Half-year 30 June 2000	Year 31 December 2000
Operating ratios			
Operating expenses/operating income	**59.4%**	57.9%	58.6%[1]
Tangible operating expenses[2]/operating income	**58.6%**	57.1%	57.8%[1]
Other income/operating income	**40.2%**	38.3%	39.2%[1]
Net interest margin			
Group	**2.93%**	3.10%	3.02%[3]
Domestic	**2.67%**	2.73%	2.75%[3]
Foreign	**3.16%**	3.40%	3.23%
Rates of exchange			
€/US $			
Closing	**0.8480**	0.9556	0.9305
Average	**0.8931**	0.9578	0.9259
€/Stg £			
Closing	**0.6031**	0.6323	0.6241
Average	**0.6198**	0.6104	0.6091
€/PLN			
Closing	**3.3696**	4.1835	3.8498
Average	**3.6111**	4.0861	4.0121

[1]Adjusted to exclude the impact of the deposit interest retention tax settlement ('DIRT'). Including DIRT, operating expenses/ operating income was 60.7%, tangible operating expenses/operating income was 59.8% and other income/operating income was 40.6%.
[2]Excludes amortisation of goodwill of € 13.4m (half-year 30 June 2000: € 12.4m; year 31 December 2000: € 26.3m).
[3]The Group and domestic net interest margins have been adjusted to exclude the impact of the deposit interest retention tax settlement.

Capital adequacy information	**€ m**	€ m	€ m
Total risk weighted assets	**66,111**	55,168	60,222
Capital			
Tier 1	**4,918**	3,569	3,814
Tier 2	**3,129**	2,824	2,926
	8,047	6,393	6,740
Supervisory deductions	**255**	178	214
Total	**7,792**	6,215	6,526

Review report of PricewaterhouseCoopers to Allied Irish Banks, p.l.c.

Introduction

We have been instructed by the Company to review the financial information set out on pages 14 to 34 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the board of directors. The Listing Rules of the Irish Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and, therefore, provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

PricewaterhouseCoopers
Chartered Accountants
Dublin
31 July 2001

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