Highlights - AIB Group interim results 2004

Adjusted earnings per share EUR 64.4c, up 10% [(1)]

Divisional Profit Performance, up 13%

- AIB Bank ROI up 1%
  € 45m investigation related charges incurred
- AIB Bank GB & NI up 20%
- Capital Markets up 25%
- Poland up 163%

USA up 13%[(2)]

Income / Cost gap + 3%

Tangible cost income ratio down 1.7% to 56.0%

Net interest margin 2.46% down 34bp
(Business -26bp; Technical -8bp)[(3)]

Loans up 14%; deposits up 5% since 31 December 2003

Credit provision charge 0.20% of average loans

Tangible return on equity 28.6%

Interim dividend of EUR 20.9c, up 10%

AIB Group Chief Executive Michael Buckley said:

'The first six months of 2004 was a period of very strong operating performance for AIB. Very strong lending and deposit growth was achieved and we expect this trend to continue in the second half of 2004. Productivity improved considerably with a positive 3% income / cost growth gap and a decline of 1.7% in our tangible cost income ratio. Asset quality statistics further strengthened in the half-year. We continued to develop profitable business growth as evidenced by our 28.6% return on tangible equity.'

[(1)] The adjusted earnings per share of 58.4c (restated) in 2003 included an M&T restructuring charge of € 16 million. When adjusted to exclude the impact of this restructuring charge in 2003 (equates to 1.5c in adjusted earnings per share terms), the adjusted earnings per share increased by 7%.
[(2)] M&T half-year June 2004 contribution relative to Allfirst quarter March 2003 combined with M&T quarter June 2003 contribution.
[(3)] See page 9 for details.

Allied Irish Banks, p.l.c.

Dividend

The Board has declared an interim dividend of EUR 20.9c per share, an increase of 10% on the half-year ended 30 June 2003. The dividend will be paid on 24 September 2004 to shareholders on the Company's register of members at the close of business on 6 August 2004.

For further information please contact:

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This results announcement and a detailed informative presentation can be viewed on our internet site at www.aibgroup.com/investorrelations

Forward-Looking Statements

A number of statements we make in this document 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, 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.

Financial highlights *(unaudited)*

for the half-year ended 30 June 2004

	Half-year 30 June 2004 € m	Half-year 30 June 2003 Restated[1] € m	Year 31 December 2003 € m
Results			
Total operating income	**1,571**	1,681	3,176
Group profit before taxation	**699**	635	1,011
Profit attributable	**505**	441	677
Profit retained	**306**	262	174
Per € 0.32 ordinary share			
Earnings – basic	**59.6c**	50.5c	78.8c
Earnings – adjusted *(note 11(b))*	**64.4c**	58.4c	109.5c
Earnings – diluted	**59.4c**	50.2c	78.4c
Dividend	**20.9c**	19.0c	54.0c
Net assets	**652c**	605c	587c
Performance measures			
Return on average total assets	**1.22%**	1.17%	0.90%
Return on average ordinary shareholders' equity	**19.4%**	19.3%	14.5%
Return on average ordinary shareholders' equity - tangible[2]	**28.6%**	26.2%	20.0%
Balance sheet			
Total assets	**95,550**	76,023	80,960
Shareholders' funds: equity interests	**5,552**	5,103	4,942
Loans etc	**61,448**	49,842	53,326
Deposits etc	**79,270**	62,469	66,195
Capital ratios			
Tier 1 capital	**7.0%**	7.7%	7.1%
Total capital	**9.8%**	10.5%	10.4%

[1] The accounts for the half-year ended 30 June 2003 have been restated to reflect the implementation, in the full year accounts for 2003, of UITF Abstract 37 - Purchases and sales of own shares and UITF Abstract 38 - Accounting for ESOP Trusts *(note 1)*.

[2] Tangible shareholders' equity excludes capitalised goodwill of €1.4 billion at 30 June 2004 (30 June 2003: €1.5 billion; 31 December 2003: €1.4 billion). In addition, profit attributable has been adjusted to exclude goodwill amortisation of €40.8 million for the half-year ended 30 June 2004 (half-year ended 30 June 2003: €29.3 million; year ended 31 December 2003: €72.6 million) in arriving at the return on average ordinary shareholders' equity - tangible.

Allied Irish Banks, p.l.c.
Group Headquarters &
Registered Office
Bankcentre, Ballsbridge
Dublin 4, Ireland
Telephone (01) 6600311
Registered number 24173

Consolidated profit and loss account *(unaudited)*

for the half-year ended 30 June 2004

	Notes	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 Restated € m	Year 31 December 2003 € m
Interest receivable:				
Interest receivable and similar income arising from debt securities and other fixed income securities		**416**	363	712
Other interest receivable and similar income	4	**1,410**	1,505	2,898
Less: interest payable	5	**(849)**	(855)	(1,676)
Net interest income		**977**	1,013	1,934
Other finance income		**9**	5	12
Other income	6	**585**	663	1,230
Total operating income		**1,571**	1,681	3,176
Total operating expenses	8	**895**	992	1,960
Group operating profit before provisions		**676**	689	1,216
Provisions for bad and doubtful debts	13	**55**	76	152
Provisions for contingent liabilities and commitments		**8**	7	9
Amounts written off fixed asset investments		**–**	9	16
Group operating profit		**613**	597	1,039
Share of operating profits of associated undertakings		**98**	45	143
Share of restructuring and integration costs in associated undertaking		**–**	(16)	(20)
Amortisation of goodwill on acquisition of associated undertaking		**(26)**	(14)	(42)
Profit on disposal of property		**2**	18	32
Profit/(loss) on disposal of businesses	9	**12**	5	(141)
Group profit on ordinary activities before taxation		**699**	635	1,011
Taxation on ordinary activities	10	**175**	182	318
Group profit on ordinary activities after taxation		**524**	453	693
Equity and non-equity minority interests in subsidiaries		**17**	9	11
Dividends on non-equity shares		**2**	3	5
		19	12	16
Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.		**505**	441	677
Dividends on equity shares		**179**	157	452
Transfer to reserves		**20**	22	51
		199	179	503
Profit retained		**306**	262	174
Earnings per € 0.32 ordinary share – basic	11(a)	**59.6c**	50.5c	78.8c
Earnings per € 0.32 ordinary share – adjusted	11(b)	**64.4c**	58.4c	109.5c
Earnings per € 0.32 ordinary share – diluted	11(c)	**59.4c**	50.2c	78.4c

Consolidated balance sheet *(unaudited)*

30 June 2004

	Notes	**30 June 2004 € m**	30 June 2003 Restated € m	31 December 2003 € m
Assets				
Cash and balances at central banks		**599**	652	838
Items in course of collection		**625**	677	339
Central government bills and other eligible bills		**153**	299	45
Loans and advances to banks		**2,741**	3,368	2,633
Loans and advances to customers	12	**58,502**	46,247	50,490
Securitised assets – net		**205**	227	203
Debt securities	15	**23,974**	17,142	18,127
Equity shares		**178**	165	180
Interests in associated undertakings		**1,435**	1,479	1,361
Intangible fixed assets		**406**	438	420
Tangible fixed assets		**786**	846	792
Other assets		**1,471**	828	1,507
Deferred taxation		**179**	156	174
Prepayments and accrued income		**813**	696	636
Long-term assurance business attributable to shareholders	16	**426**	374	405
		92,493	73,594	78,150
Long-term assurance assets attributable to policyholders	16	**3,057**	2,429	2,810
		95,550	76,023	80,960
Liabilities				
Deposits by banks		**23,838**	16,511	18,094
Customer accounts	17	**48,606**	43,164	44,612
Debt securities in issue		**6,826**	2,794	3,489
Other liabilities		**3,628**	2,570	3,144
Accruals and deferred income		**732**	639	595
Pension liabilities		**448**	467	502
Provisions for liabilities and charges		**115**	61	87
Deferred taxation		**138**	175	142
Subordinated liabilities		**2,170**	1,670	2,130
Equity and non-equity minority interests in subsidiaries		**180**	166	158
Called up share capital		**298**	295	295
Share premium account		**1,892**	1,906	1,885
Reserves		**989**	974	951
Profit and loss account		**2,576**	2,144	2,007
Shareholders' funds including non-equity interests		**5,755**	5,319	5,138
		92,436	73,536	78,091
Long-term assurance liabilities to policyholders	16	**3,114**	2,487	2,869
		95,550	76,023	80,960

Consolidated cash flow statement *(unaudited)*

for the half-year ended 30 June 2004

	Notes	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 Restated € m	Year 31 December 2003 € m
Net cash inflow from operating activities		**4,341**	718	1,631
Dividends received from associated undertakings		**17**	13	33
Returns on investments and servicing of finance		**(53)**	(64)	(93)
Equity dividends paid		**(218)**	(217)	(378)
Taxation		**(140)**	(191)	(273)
Capital expenditure and financial investment		**(4,169)**	(71)	(1,049)
Acquisitions and disposals		**11**	(1,049)	(1,049)
Financing		**7**	(616)	(173)
Decrease in cash	18(a)	**(204)**	(1,477)	(1,351)

Reconciliation of Group operating profit to net cash inflow from operating activities	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 Restated € m	Year 31 December 2003 € m
Group operating profit	**613**	597	1,039
Provisions for bad and doubtful debts	**55**	76	152
Provisions for contingent liabilities and commitments	**8**	7	9
Depreciation and amortisation	**76**	97	174
Interest on subordinated liabilities	**34**	26	47
Interest on reserve capital instruments	**19**	19	38
Profit on disposal of debt securities and equity shares	**(16)**	(35)	(40)
Profit on termination of off-balance sheet instruments	**(36)**	–	–
Amounts written off fixed asset investments	**–**	9	16
Increase in long-term assurance business	**(21)**	(23)	(53)
Other movements - net	**9**	97	(51)
Net cash inflow from trading activities	**741**	870	1,331
Net increase in deposits by banks	**5,419**	2,024	4,207
Net increase in customer accounts	**3,214**	2,775	5,729
Net increase in loans and advances to customers	**(7,126)**	(4,276)	(10,043)
Net (increase)/decrease in loans and advances to banks	**(39)**	148	591
Net increase in debt securities and equity shares held for trading purposes	**(1,386)**	(596)	(1,216)
Net increase in debt securities in issue	**3,146**	357	1,082
Effect of exchange translation and other adjustments	**171**	14	330
Other movements - net	**201**	(598)	(380)
	3,600	(152)	300
Net cash inflow from operating activities	**4,341**	718	1,631

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

	Half-year 30 June 2004 € m	Half-year 30 June 2003 Restated € m	Year 31 December 2003 € m
Group profit attributable to the ordinary shareholders	**505**	441	677
Gain recognised on disposal of Allfirst	**–**	489	489
Currency translation differences on foreign currency net investments	**124**	(253)	(457)
Actuarial gain/(loss) recognised in retirement benefit schemes	**55**	(22)	(50)
Actuarial (loss)/gain recognised in associated undertaking	**(3)**	–	8
Total recognised gains relating to the period	**681**	655	667

Reconciliation of movements in shareholders' funds *(unaudited)*

	Half-year 30 June 2004 € m	Half-year 30 June 2003 Restated € m	Year 31 December 2003 € m
Group profit attributable to the ordinary shareholders	**505**	441	677
Dividends on equity shares	**179**	157	452
	326	284	225
Gain recognised on disposal of Allfirst	**–**	489	489
Goodwill written back on disposals	**–**	908	1,043
Actuarial gain/(loss) recognised in retirement benefit schemes	**55**	(22)	(50)
Actuarial (loss)/gain recognised in associated undertaking	**(3)**	–	8
Other recognised gains/(losses) relating to the period	**132**	(279)	(491)
Ordinary share buyback	**–**	(750)	(812)
Ordinary shares issued in lieu of cash dividend	**79**	67	108
Other ordinary shares issued	**34**	58	62
Net movement in own shares	**(6)**	149	141
Net addition to shareholders' funds	**617**	904	723
Opening shareholders' funds	**5,138**	4,415	4,415
Closing shareholders' funds	**5,755**	5,319	5,138
Shareholders' funds:			
Equity interests	**5,552**	5,103	4,942
Non-equity interests	**203**	216	196
	5,755	5,319	5,138

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.

Commentary on results

Translation of foreign locations' profit

Approximately 50% of the Group's earnings arise in foreign locations and as a result movements in exchange rates can have an impact on earnings growth. The half-year to June 2004 US dollar and Polish zloty average accounting rates weakened, relative to the euro by 10% and 9% respectively and sterling strengthened relative to the euro by 1% when compared with the half-year to June 2003. These rate movements coupled with hedge profits of € 15 million in the half-year to June 2003 (loss of € 1 million in 2004) had a 4% negative impact on the adjusted earnings per share growth rate in the half-year to June 2004.

The following table shows the average accounting rates and average effective rates for both periods. The average effective rates include the impact of currency hedging activities.

	Average accounting rates half-year June 2004	Average accounting rates half-year June 2003	**Average effective rates half-year June 2004**	Average effective rates half-year June 2003
US dollar	**1.2279**	1.1051	**1.16**	0.98
Sterling	**0.6764**	0.6843	**0.70**	0.66
Polish zloty	**4.7232**	4.2776	**4.70**	4.14

The following commentary on profit and loss account headings covers continuing activities, which excludes Allfirst, and is based on underlying percentage growth adjusting for the impact of exchange rate movements on the translation of foreign locations' profit. Allfirst, which was merged with M&T Bank on 1 April 2003, is a discontinued activity.

Investigation related charges

AIB has provided € 45 million for investigation related charges and costs in the half-year to June 2004. An amount of € 6 million was charged to net interest income, € 30 million was charged to other income and there was € 9 million of costs included in other operating expenses. On 23 July 2004, AIB issued a separate statement in relation to the investigation.

"Total income up 8%"

"Group loans up 14%"

"Net interest margin - business margin down 26 basis points"

Total income

Total income at € 1,571 million was up 8%.

Total operating income	**Half-year June 2004 € m**	Half-year June 2003 € m	*Underlying % change 2004 v 2003*
Net interest income	**977**	919	*7*
Other finance income	**9**	7	*16*
Other income	**585**	557	*9*
Total operating income	**1,571**	1,483	*8*

Net interest income

Net interest income was up 7% to € 977 million or 8% excluding € 6 million of investigation related charges. Strong lending growth in AIB Bank Republic of Ireland, AIB Bank GB & NI and Corporate Banking were the main factors contributing to the increase. Loans to customers increased by 14% and customer accounts increased by 5% on a constant currency basis since December 2003 *(details of loan and deposit growth by division are contained on page 13 of this release).*

Average interest earning assets - continuing activities	**Half-year June 2004 € m**	Half-year June 2003 € m	*% Change[(1)] 2004 v 2003*
Average interest earning assets	**79,986**	66,204	*21*

[(1)] *This particular analysis is not adjusted for the impact of exchange rate movements.*

Net interest margin - continuing activities[(2)]	**Half-year June 2004 %**	Half-year June 2003 %	*Basis points Change*
Net interest margin	**2.46**	2.80	*-34*
Business margin			*-26*
Technical margin			*-8*

[(2)] *The net interest margin for total AIB Group for the half-year to June 2003 is included on page 34 of this release.*

AIB has introduced a new policy in respect of the investment of its capital funds which positions us for the introduction of International Financial Reporting Standards ('IFRS'). This action has increased our balance sheet debt securities with a corresponding reduction in off balance sheet derivatives, the effect of which has increased reported average interest earning assets with no impact on net interest income except for any reduction in yield. This technical factor reduced the reported net interest margin by 8 basis points.

Domestic and foreign margins - continuing activities	**Half-year June 2004 %**	Half-year June 2003 %	Half-year December 2003 %	Year 2003 %
Domestic	**2.20**	2.74	2.37	2.54
Foreign	**2.99**	2.90	3.05	2.98
Net interest margin - continuing activities	**2.46**	2.80	2.60	2.70

The domestic margin in the half-year June 2004, adjusted for the technical factor, was down 23 basis points compared with the domestic margin for the year to December 2003. The foreign margin in the half-year June 2004 increased by 1 basis point compared with the full year 2003 due to a higher margin in our treasury operations which more then offset a decline in margin in GB&NI and Poland divisions.

AIB Group manages its business divisionally on a product margin basis with funding and groupwide interest exposure centralised and managed by Global Treasury. While a domestic and foreign margin is calculated for the purpose of half-yearly statutory accounts, trends in these margins are not necessarily indicative of business trends. The full year 2003 domestic and foreign margins are more indicative of 2003 trends than the 2003 half-year trends. The analysis of net interest margin trends is best explained by analysing business factors as follows:

The Group net interest margin amounted to 2.46%, with the business margin reducing 26 basis points on 2003. The margin reduction was a continuation of trends evident in 2002 and 2003 with loans increasing at a stronger rate than deposits, a changing mix of products and the impact of low interest rates on deposit margins and capital income.

Average loans increased at over double the rate of deposits compared with 2003 and was the largest factor in the margin reduction. While this strong lending growth generated good incremental profit, the funding impact resulted in a reduction in the overall net interest margin when net interest income is expressed as a percentage of average earning assets.

Changes in product mix had a negative impact due to stronger volume growth in lower margin products. In the Republic of Ireland, there was strong growth in home mortgages, prime advances and term deposit products.

While it is difficult to disaggregate trends in product margins between mix and competitive factors, competitive pricing behaviour did have some impact on deposit margins in Ireland and the United Kingdom. Our new business lending continued to meet our targeted return on economic capital hurdles. The full year impact of ECB and Polish interest rate cuts in 2003 also had a negative impact on retail deposit margins.

"Other income up 9% after incurring € 30 million of investigation related charges"

Other income

Other income was up 9% to € 585 million since the half-year to June 2003.

Other income	**Half-year June 2004 € m**	Half-year June 2003 € m	*Underlying % Change 2004 v 2003*
Dividend income	**17**	10	*77*
Banking fees and commissions	**406**	395	*5*
Asset management and investment banking fees	**80**	73	*12*
Fees and commissions receivable	**486**	468	*6*
Less: fees and commissions payable	**(63)**	(57)	*12*
Dealing profits	**41**	49	*-20*
Contribution of life assurance company	**24**	26	*-6*
Profit on termination of off-balance sheet instruments	**36**	–	–
Other	**45**	50	*-5*
Other operating income	**105**	76	*45*
Hedging profits	**(1)**	11	–
Total other income	**585**	557	*9*

Banking fees and commissions increased by 5%, or 13% excluding € 30 million of investigation related charges. The increase resulted from higher business volumes and strong growth in lending related fees particularly in our British and Corporate Banking operations. In Poland, there was good growth in branch fees and commissions and credit card income. Banking fees and commissions accounted for approximately 70% of other income in the period.

Investment banking revenues increased reflecting higher income in Goodbody Stockbrokers and AIB Corporate Finance. Asset Management revenues were lower due to the sale of the majority of management contracts of Govett to Gartmore Investment Management p.l.c. in November 2003.

Ark Life profit was € 24 million compared with € 26 million in 2003. While Annual Premium Equivalent (APE) sales were up 10%, within which there was a significant increase of 43% in new pension APE sales, overall product margins were lower reflecting the mix effect of strong growth in the lower margin Personal Retirement Savings Account sales.

Included in other income was a gain of € 36 million from closing out capital invested positions in January 2004 resulting from the introduction of a new policy in respect of the investment of AIB's capital funds.

The other income as a percentage of total income ratio for continuing activities reduced from 38.0% to 37.8%.

"Tangible cost income ratio down 1.7% to 56.0%"

"Additional investment in groupwide enablement"

"€ 9m investigation related costs incurred"

Total operating expenses

Operating expenses increased by 5% compared with the half-year to June 2003.

Operating expenses	**Half-year June 2004 € m**	Half-year June 2003 € m	*Underlying % Change 2004 v 2003*
Staff costs	**546**	533	*4*
Other costs	**273**	250	*11*
Depreciation and amortisation	**76**	88	*-11*
Total operating expenses	**895**	871	*5*

The 5% increase includes € 9 million of costs relating to the investigation. Excluding these costs the increase was 4% against a background of significantly higher business volumes.

Staff costs were up 4% reflecting normal salary increases and higher business activity levels partly offset by initial benefits from the early retirement programme provided for in 2003 and lower staff numbers in Poland. Other costs increased by 11%, or 8% excluding the investigation related costs, and included costs relating to investment in groupwide enablement which is facilitating AIB's preparation for IFRS and Basel II.

Depreciation and amortisation decreased by 11% reflecting lower depreciation in Poland following branch rationalisations, the sale of AIB's IFSC property in 2003 and lower capital expenditure in recent periods.

There was a substantial improvement in productivity, with the tangible cost income ratio for continuing activities reducing by 1.7% to 56.0%.

Commentary on results

"Provision charge lower at 20 basis points"

"Prudent provision cover"

"NPLs as a percentage of loans declining"

Provisions

Total provisions were € 63 million compared with € 82 million in the half-year to June 2003.

Provisions	**Half-year June 2004 € m**	Half-year June 2003 € m
Bad and doubtful debts	**55**	66
Contingent liabilities and commitments	**8**	7
Amounts written off fixed asset investments	**–**	9
Total provisions	**63**	82

The provision for bad and doubtful debts for the half-year to June 2004 was € 55 million compared with € 66 million in 2003.

The Group charge for bad and doubtful debts for the half-year amounted to 0.20% of average loans compared with a 0.29% charge in June 2003. Group non-performing loans as a percentage of total loans reduced to 1.3% from 1.4% at 31 December 2003. Total provision coverage for non-performing loans continued to be healthy at 91%. The general provision at € 301 million represented 0.5% of advances and 2.6 times the provision rate for the period.

AIB Bank Republic of Ireland asset quality continued to improve with non-performing loans reducing to 0.7% of loans in the period to 30 June 2004. The provision charge of 0.19% of average loans was down from 0.25% in the half-year to June 2003 with both the retail and commercial portfolios showing strong asset quality.

Provision experience was particularly good in AIB Bank GB & NI, where there was a net provision credit in the half-year. There was a modest increase in non-performing loans to 0.9% of loans from 0.8% at 31 December 2003.

In Capital Markets non-performing loans as a percentage of total loans reduced to 0.7% at 30 June 2004 from 0.8% at December 2003. The portfolio remained well diversified in terms of industry sector and geographic concentration and we maintained our prudent underwriting stance. The provision charge at 0.17% of average loans was significantly lower than previous periods.

The provision charge in Poland increased to 1.3% of loans from 1.0% in the half-year to June 2003 as a result of increased provisions in the corporate book. Asset quality across the portfolio improved considerably in the period. The downward trend in non-performing loans continued, with non-performing loans as a percentage of total loans declining to 10.5% from 10.9% at December 2003.

There were no net provisions for *amounts written off fixed asset investments* in the half-year.

Commentary on results

The following commentary is in respect of the total Group.

> *"Risk weighted assets up 13%"*
>
> *"Higher underlying effective tax rate"*
>
> *"Tangible return on equity at 28.6%"*

Balance sheet

Total assets amounted to € 96 billion at 30 June 2004 compared to € 81 billion at 31 December 2003. Adjusting for the impact of currency, total assets were up 16% since 31 December 2003 while loans to customers increased by 14% and customer accounts by 5%. Risk weighted assets excluding currency factors increased by 13% to € 72 billion.

***Risk weighted assets, loans to customers and customer accounts** (excluding money market funds and currency factors)*

% change June 2004 v December 2003	Risk weighted assets *% Change*	Loans to customers *% Change*	Customer accounts *% Change*
AIB Bank Republic of Ireland	12	14	7
AIB Bank GB & NI	13	11	12
Capital Markets	14	18	-6
Poland	10	4	–
AIB Group	13	14	5

The divisional commentary on pages 15 to 19 contains additional comments on key business trends in relation to loans to customers and customer accounts.

Assets under management/administration and custody

Assets under management in the Group amounted to € 13 billion and assets under administration and custody amounted to € 160 billion at 30 June 2004.

Taxation

The taxation charge was € 175 million, compared with € 182 million in June 2003. The effective tax rate was 25.1% compared with 28.6% (22.2% having adjusted for the taxation arising on the Allfirst/M&T transaction) in the half-year June 2003. The effective tax rate is influenced by the geographic mix of profits which are taxed at the rates applicable in the foreign jurisdictions.

Return on equity and return on assets

The tangible return on equity increased to 28.6% compared to 26.2% in the half-year to June 2003. The basic return on equity was 19.4% and the return on assets was 1.22%.

Capital ratios

The Group was strongly capitalised at 30 June 2004 with the Tier 1 ratio at 7.0% and the total capital ratio at 9.8%.

International Financial Reporting Standards

European companies whose securities are traded on a regulated market will be required by a regulation adopted by the European Commission to prepare their Group accounts for 2005 on the basis of 'adopted' International Financial Reporting Standards (IASs and IFRSs). A detailed description of the implications of IFRS for the Group is set out on pages 28 to 30 of the Annual Report and Accounts for 2003.

Whilst AIB intends to ensure full compliance with IFRS in 2005, the effect of these new standards cannot be fully predicted at this stage. This is due to the nature of the standards themselves and the ongoing uncertainty surrounding the eventual requirements of IAS 39 which have been the subject of considerable on-going debate and which together with IAS 32 have not yet been endorsed by the European Commission.

AIB has a groupwide programme underway which is tasked with, identifying differences with current Irish GAAP, ensuring accounting policies are amended, systems and processes are changed, and appropriate training is provided to ensure full compliance with IFRS in 2005.

Outlook

Adjusted earnings per share in 2003 amounted to EUR 109.5c. Adjusting for restructuring and early retirement costs gave a base of EUR 118.0c for 2003. Relative to this base we are targeting adjusted earnings per share in the range of EUR 123c to EUR 126c for 2004. The principal factors partly offsetting the operating strength of our business performance are the adverse currency translation impact of 4% after hedging, a higher effective tax rate due to the geographic mix of profits and higher Polish minority interests. These factors are anticipated to have a substantially reduced impact in 2005.

On a divisional basis profit is measured in euro and consequently includes the impact of currency movements. The underlying percentage change is reported in the divisional profit and loss accounts adjusting for the impact of exchange rate movements on the translation of foreign locations' profit. The profit segments by division have been restated to reflect the following:
(a) a change in the allocation of pension costs across business segments. Previously business segments accounted for the normalised pension contribution rate appropriate to individual pension schemes. The full impact of FRS 17 (Retirement Benefits) is now charged to each operating division. Each division now accounts for the full service cost, the expected return on pension scheme assets and the interest on pension scheme liabilities;
(b) the implementation of UITF 37 "Purchases and sales of own shares", Capital Markets other income reduced by € 1 million in the half-year to June 2003.

AIB Bank Republic of Ireland profit was up 1%

"Banking operations profit up 18%"

"Strong growth in loan volumes, up 14% since 31 December 2003"

"€ 45 million investigation related charges incurred"

AIB Bank Republic of Ireland *Retail and commercial banking operations in Republic of Ireland, 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 Republic of Ireland profit and loss account	**Half-year June 2004 € m**	Half-year June 2003 € m	*Underlying % Change*[(1)]
Net interest income	**547**	494	*11*
Other finance income	**10**	8	*13*
Other income	**172**	190	*-11*
Total operating income	**729**	692	*5*
Total operating expenses	**393**	357	*9*
Operating profit before provisions	**336**	335	–
Provisions	**28**	31	*-9*
Profit on ordinary activities before taxation	**308**	304	*1*

The profit growth of 1% was impacted by investigation related charges of € 45 million. The profit for the division increased by 16% before this charge.

The 16% increase included an 18% increase in banking operations profit. The strong performance reflected robust loan growth, good deposit growth, improved productivity and benign asset quality. Loans increased by 14% since 31 December 2003 including home mortgages up 13% and other loans up 15%. Customer deposits increased by 7% compared with 3% for the same period last year. Operating expenses were up 9% and included € 9 million of investigation related costs which increased the growth from 6.5% to 9%. The 6.5% increase reflects costs associated with higher business activity levels and normal salary increases. The cost income ratio increased from 51% to 54% and was impacted by the € 45 million investigation related charges, excluding which the ratio decreased to 50%.

Profit growth in AIB Card Services was particularly notable reflecting higher loan volumes, good fee income growth and a lower bad debt charge. Profit also increased in AIB Finance and Leasing as a result of strong growth in loan volumes and good cost management.

Ark Life reported profit of € 24 million compared with € 26 million in 2003. While Annual Premium Equivalent (APE) sales were up 10%, within which there was a very significant increase of 43% in new pensions APE sales, overall product margins were lower reflecting the mix effect of strong growth in the lower margin Personal Retirement Savings Account sales.

(1) Excludes currency movements and the impact of the transfer of the Ark Life sales force to AIB's payroll, on 1 April 2003 (resulted in higher payroll costs which were previously recorded as a deduction in other income as part of Ark Life profit).

AIB Bank GB & NI profit was up 20%

"Continuing strong profit growth"

"Loans up 11%, Deposits up 12% since 31 December 2003"

"Net bad debt recovery in the period"

AIB Bank GB & NI *Retail and commercial banking operations in Great Britain and Northern Ireland.*

AIB Bank GB & NI profit and loss account	**Half-year June 2004 € m**	Half-year June 2003 € m	*Underlying % Change*
Net interest income	**198**	177	*11*
Other finance income	**(3)**	(2)	–
Other income	**95**	82	*14*
Total operating income	**290**	257	*12*
Total operating expenses	**146**	131	*10*
Operating profit before provisions	**144**	126	*14*
Provisions	**(3)**	6	–
Operating profit	**147**	120	*21*
Profit on disposal of property	**1**	2	*-79*
Profit on ordinary activities before taxation	**148**	122	*20*

AIB Bank GB & NI continued its buoyant business performance in the half-year to June 2004 with profit increasing by 20% on 2003. Loans and deposits increased by 11% and 12% respectively since 31 December 2003. Other income was 14% higher mainly due to substantial growth in fees generated by new lendings. Operating costs increased by 10% reflecting investment in business expansion initiatives, but productivity improved with the cost income ratio reducing from 51% to 50%. Credit quality was very strong with a net bad debt recovery in the period.

AIB Bank GB, primarily a business banking franchise, reported exceptionally strong profit growth of 23% to € 77 million. Loans and deposits increased by 11% and 16% respectively since 31 December 2003. Lending growth was achieved in commercial property investment, professional and mid market corporate sectors. Deposit generation was particularly buoyant, influenced by considerable success in obtaining new business from professional firms.

First Trust Bank, a full retail banking operation in Northern Ireland, also reported very good profit growth of 17% to € 71 million. Loans and deposits were up 12% and 7% respectively since 31 December 2003 with strong growth in corporate and home mortgage lending. Costs were well managed resulting in an improvement in the cost income ratio. Automation of delivery channels and improving marketing and customer relationship systems are expected to further enhance productivity.

Capital Markets profit was up 25% on the half-year to June 2003

"Good growth in Corporate Banking profit"

"Strong operating performance in Global Treasury"

"Effective cost management across all business units"

Capital Markets *Global Treasury, Corporate Banking, Investment Banking and Allied Irish America ('AIA').*

Capital Markets profit and loss account	**Half-year June 2004 € m**	Half-year June 2003 € m	*Underlying % Change*
Net interest income	**173**	160	*9*
Other finance income	**1**	1	–
Other income	**188**	185	*4*
Total operating income	**362**	346	*6*
Total operating expenses	**187**	191	–
Operating profit before provisions	**175**	155	*14*
Provisions	**17**	28	*-40*
Operating profit	**158**	127	*26*
Share of operating profits of associated undertakings	**4**	4	–
Profit on ordinary activities before taxation	**162**	131	*25*

Profit before taxation increased by 25% reflecting a strong performance across all business areas.

Corporate Banking had a very substantial growth in profit of 58% on 2003. There were particularly good performances from international businesses, notably in acquisition and structured finance and geographically in Great Britain and USA. Loan growth amounted to 20% compared with December.

Global Treasury also achieved higher profit compared with 2003. Positioning in Wholesale Treasury anticipated the pickup in global markets resulting in a good trading performance and customer business performed well.

Profit in Investment Banking was higher with strong growth in stockbroking activities, equity trading and corporate finance fee income.

Allied Irish America profit was higher reflecting growth in the not-for-profit business and lower costs as a result of the rationalisation programme completed in the second half of 2003.

Operating expenses were in line with 2003, reflecting the Allied Irish America rationalisation, the disposal of Govett and good cost management within the operating businesses.

Provisions decreased as a result of strong credit quality and a significantly reduced level of equity write-downs compared to 2003.

Poland profit was € 38 million, up € 30 million or 163% on the half-year June 2003

"Substantial increase in Poland profit"

"Significant increase recorded in other income"

"Benefits of restructuring programme being realised"

Poland *Bank Zachodni WBK ('BZWBK'), in which AIB has a 70.5% shareholding, together with its subsidiaries and associates. BZWBK Wholesale Treasury and share of Investment Banking subsidiaries results are reported in Capital Markets division.*

Poland profit and loss account	**Half-year June 2004 € m**	Half-year June 2003 € m	*Underlying % Change*[1]
Net interest income	**81**	95	*-6*
Other income	**95**	82	*29*
Total operating income	**176**	177	*10*
Total operating expenses	**129**	156	*-10*
Operating profit before provisions	**47**	21	*93*
Provisions	**21**	16	*50*
Operating profit	**26**	5	*129*
Share of operating losses of associated undertakings	**(1)**	(1)	*9*
Profit on disposal of property	**1**	–	–
Profit on disposal of businesses	**12**	4	*226*
Profit on ordinary activities before taxation	**38**	8	*163*

In local currency terms profit increased by 163% on 2003. Net interest income reduced by 6% due mainly to the impact of lower interest rates on deposit margins offsetting loan growth. Demand for lending products increased with loans up 4% since 31 December 2003, reflecting growth in commercial leasing, mortgage and credit card portfolios.

Other income growth at 29% was due to particularly strong growth in current account fees, international payments, card fees, dividend income and asset management distribution fees.

Operating expenses decreased by 10% as the benefits of the 2003 restructuring programme were realised.

The increase in the provision charge was due to higher provisions in the corporate book. Asset quality across the portfolio improved considerably in the period. The downward trend in non-performing loans continued, with non-performing loans as a percentage of total loans declining to 10.5% from 10.9% at December 2003.

The profit on disposal of business relates to the sale in April 2004 of CardPoint, the merchant acquiring business responsible for card payment processing.

[1] *Percentage growth excludes currency movements. As goodwill is a euro denominated asset, goodwill amortisation is excluded when calculating trends on a constant currency basis.*

Group

Group *includes interest income earned on capital not allocated to divisions, the funding cost of certain acquisitions, hedging in relation to the translation of foreign locations' profit, unallocated costs of enterprise technology and central services, and the contribution from AIB's share of approximately 22.5% in M&T Bank Corporation ('M&T').*

Group profit and loss account	**Half-year June 2004 € m**	Half-year June 2003 € m
Net interest income	**(22)**	–
Other finance income	**1**	–
Other income	**35**	21
Total operating income	**14**	21
Total operating expenses	**40**	32
Operating loss	**(26)**	(11)
Share of operating profits of associated undertaking - M&T	**95**	42
Share of restructuring and integration costs in associated undertaking - M&T	**–**	(16)
Amortisation of goodwill on acquisition of associated undertaking - M&T	**(26)**	(14)
Profit on disposal of property	**–**	16
Profit on disposal of business	**–**	1
Profit on ordinary activities before taxation	**43**	18

Group reported a profit of € 43 million for the half-year to 30 June 2004, compared with a profit of € 18 million in the half-year to 30 June 2003.

Net interest income reduced reflecting lower capital income in Group. Other income increased due to gains of € 36 million (€ 29 million net of loss of yield) made in relation to the aforementioned closing out of capital invested positions. Other income in 2003 included € 15 million hedging profits compared to a loss of € 1 million in 2004.

Operating expenses were higher reflecting additional investment in groupwide enablement which is facilitating AIB's preparation for IFRS and Basel 2.

In 2003 there was a profit of € 16 million from the sale of AIB's IFSC property.

AIB's share of M&T profit amounted to € 95 million, before goodwill amortisation, for the half-year to June 2004. M&T reported its results on 12 July 2004 showing strong earnings growth with GAAP–basis diluted earnings per share up 23% to US$ 2.83 from US$ 2.30 in 2003. Diluted net operating earnings, which excludes the amortisation of core deposit and other intangibles and merger related expenses, was US$ 3.03 up 11% from US$ 2.73.

1 Accounting policies and presentation of financial information

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

Change in accounting policies

There are no changes to the accounting policies as set out on pages 54 to 58 of the Annual Report and Accounts for the year ended 31 December 2003, except that in relation to the accounting for derivatives held to hedge the impact of fluctuations in interest rates on the income stream on the Group's capital funds. The Group's accounting policy for derivatives is set out on pages 57 and 58 of the 2003 Annual Report and Accounts.

Previously it was Group policy that, on early termination of all non-trading derivative transactions, any realised gain or loss was deferred and amortised to net interest income over the life of the original hedge, as long as the designated assets or liabilities remained. This policy has not been amended in respect of hedging positions generated from the Group's retail businesses and treasury operations. Non-trading derivatives held for hedging purposes are accounted for on an accruals basis. Upon early termination of derivative transactions, classified as hedges of the income stream on Group capital, any realised gain or loss is taken to profit and loss account as it arises. The change in accounting policy follows a revision in the Bank's policy with respect to the investment of its capital funds. The directors believe that the new accounting policy is more appropriate than the previous accounting policy in dealing with the financial impact of this revision.

The change in accounting policy had a positive impact of € 29m in the half-year ended 30 June 2004. The change in accounting policy has no impact on prior year reported numbers.

Changes in presentation of financial information

(a) Comparative amounts

UITF Abstract 37 'Purchases and sales of own shares' ('UITF 37') and UITF Abstract 38 'Accounting for Employee Share Option Plan ('ESOP') Trusts' ('UITF 38') were implemented in the preparation of the accounts for the year ended 31 December 2003. The requirements of these UITF's are described on page 54 of the 2003 Annual Report and Accounts. The application of UITF 37, has reduced profit before taxation for the half-year ended 30 June 2003 by € 0.7m and reduced long-term assurance assets attributable to policyholders and shareholders' funds at 30 June 2003 by € 58m. The application of UITF 38 reduced consolidated total assets and consolidated total shareholders' funds at 30 June 2003 by € 22m.

(b) Divisional restatements

The profit segments by division have been restated to reflect a change in the allocation of pension costs across business segments. Previously business segments accounted for the normalised pension contribution rate appropriate to individual pension schemes. The full impact of FRS 17 (retirement benefits) is now charged to each operating division. Each division now accounts for the full service cost, the expected return on pension scheme assets and the interest on pension scheme liabilities.

2 Acquisition of strategic stake in M&T Bank Corporation. Disposal of Allfirst Financial Inc.

The financial statements for the half-year ended 30 June 2003 and the year ended 31 December 2003 reflect the income and expenses of Allfirst for the period to 31 March 2003.

To facilitate comparisons to the half-year 30 June 2004 financial statements presented in this release, the consolidated profit and loss accounts for the half-year ended 30 June 2003 and the year ended 31 December 2003, split between continuing and discontinued activities (arising from the disposal of Allfirst Financial Inc. on 1 April 2003), have been presented in the Additional Financial Information section on page 35 of this release.

3 Segmental information	AIB Bank ROI € m	AIB Bank GB & NI € m	Capital Markets € m	Poland € m	Group € m	Total € m
						Half-year 30 June 2004
Operations by business segments[1]						
Net interest income	**547**	**198**	**173**	**81**	**(22)**	**977**
Other finance income	**10**	**(3)**	**1**	**–**	**1**	**9**
Other income	**172**	**95**	**188**	**95**	**35**	**585**
Total operating income	**729**	**290**	**362**	**176**	**14**	**1,571**
Total operating expenses	**393**	**146**	**187**	**129**	**40**	**895**
Provisions	**28**	**(3)**	**17**	**21**	**–**	**63**
Group operating profit/(loss)	**308**	**147**	**158**	**26**	**(26)**	**613**
Share of operating profits/(losses) of associated undertakings	**–**	**–**	**4**	**(1)**	**95**	**98**
Amortisation of goodwill on acquisition of associated undertaking	**–**	**–**	**–**	**–**	**(26)**	**(26)**
Profit on disposal of property	**–**	**1**	**–**	**1**	**–**	**2**
Profit on disposal of business	**–**	**–**	**–**	**12**	**–**	**12**
Group profit on ordinary activities before taxation	**308**	**148**	**162**	**38**	**43**	**699**
Balance sheet						
Total loans	**31,394**	**12,137**	**14,016**	**3,672**	**229**	**61,448**
Total deposits	**26,154**	**9,248**	**39,046**	**4,602**	**220**	**79,270**
Total assets	**38,335**	**13,567**	**32,720**	**5,922**	**5,006**	**95,550**
Total risk weighted assets	**27,043**	**11,923**	**28,695**	**3,688**	**797**	**72,146**
Net assets[2]	**2,081**	**918**	**2,208**	**284**	**61**	**5,552**

	AIB Bank ROI € m	AIB Bank GB & NI € m	Capital Markets € m	Poland € m	Group € m	Allfirst € m	Total € m
							Half-year 30 June 2003 Restated[3][4]
Operations by business segments[1]							
Net interest income	494	177	160	95	–	87	1,013
Other finance income	8	(2)	1	–	–	(2)	5
Other income	190	82	185	82	21	103	663
Total operating income	692	257	346	177	21	188	1,681
Total operating expenses	357	131	191	156	32	125	992
Provisions	31	6	28	16	–	11	92
Group operating profit/(loss)	304	120	127	5	(11)	52	597
Share of operating profits/(losses) of associated undertakings	–	–	4	(1)	42	–	45
Share of restructuring and integration costs in associated undertaking	–	–	–	–	(16)	–	(16)
Amortisation of goodwill on acquisition of associated undertaking	–	–	–	–	(14)	–	(14)
Profit on disposal of property	–	2	–	–	16	–	18
Profit on disposal of businesses	–	–	–	4	1	–	5
Group profit on ordinary activities before taxation	304	122	131	8	18	52	635
Balance sheet							
Total loans	24,192	9,352	12,664	3,257	377	–	49,842
Total deposits	23,106	7,769	26,889	4,518	187	–	62,469
Total assets	30,212	10,666	27,574	5,668	1,903	–	76,023
Total risk weighted assets	21,248	9,059	23,692	3,555	561	–	58,115
Net assets[2]	1,866	796	2,080	312	49	–	5,103

3 Segmental information *(continued)*	AIB Bank ROI € m	AIB Bank GB & NI € m	Capital Markets € m	Poland € m	Group € m	Allfirst € m	Total € m
							Year 31 December 2003[3] Restated
Operations by business segments[1]							
Net interest income	1,016	364	312	175	(20)	87	1,934
Other finance income	17	(5)	2	–	–	(2)	12
Other income	389	165	362	173	38	103	1,230
Total operating income	1,422	524	676	348	18	188	3,176
Total operating expenses	787	276	394	308	70	125	1,960
Provisions	62	19	46	31	8	11	177
Group operating profit/(loss)	573	229	236	9	(60)	52	1,039
Share of operating profits/(losses) of associated undertakings	–	–	10	(3)	136	–	143
Share of restructuring and integration costs in associated undertaking	–	–	–	–	(20)	–	(20)
Amortisation of goodwill on acquisition of associated undertaking	–	–	–	–	(42)	–	(42)
Profit on disposal of property	13	2	–	–	17	–	32
(Loss)/profit on disposal of businesses	–	–	(146)	4	1	–	(141)
Group profit on ordinary activities before taxation	586	231	100	10	32	52	1,011
Balance sheet							
Total loans	27,428	10,353	12,404	2,939	202	–	53,326
Total deposits	24,572	7,881	29,318	4,222	202	–	66,195
Total assets	34,101	11,643	28,365	5,301	1,550	–	80,960
Total risk weighted assets	24,119	10,055	24,506	3,259	676	–	62,615
Net assets[2]	1,904	794	1,934	257	53	–	4,942

	Republic of Ireland € m	**United States of America € m**	**United Kingdom € m**	**Poland € m**	**Rest of the world € m**	**Total € m**
						Half-year 30 June 2004
Operations by geographical segments[5]						
Net interest income	**624**	**10**	**252**	**90**	**1**	**977**
Other finance income	**12**	**–**	**(3)**	**–**	**–**	**9**
Other income	**288**	**50**	**142**	**102**	**3**	**585**
Total operating income	**924**	**60**	**391**	**192**	**4**	**1,571**
Total operating expenses	**537**	**37**	**185**	**134**	**2**	**895**
Provisions	**37**	**(1)**	**7**	**20**	**–**	**63**
Group operating profit	**350**	**24**	**199**	**38**	**2**	**613**
Share of operating profits of associated undertakings	**3**	**95**	**–**	**–**	**–**	**98**
Amortisation of goodwill on acquisition of associated undertaking	**–**	**(26)**	**–**	**–**	**–**	**(26)**
Profit on disposal of property	**–**	**–**	**1**	**1**	**–**	**2**
Profit on disposal of business	**–**	**–**	**–**	**12**	**–**	**12**
Group profit on ordinary activities before taxation	**353**	**93**	**200**	**51**	**2**	**699**
Balance sheet						
Total loans	**39,308**	**1,324**	**17,090**	**3,672**	**54**	**61,448**
Total deposits	**55,366**	**1,220**	**18,082**	**4,602**	**–**	**79,270**
Total assets	**66,031**	**2,398**	**21,143**	**5,922**	**56**	**95,550**
Net assets[2]	**3,310**	**440**	**1,493**	**302**	**7**	**5,552**

3 Segmental information *(continued)*	Republic of Ireland € m	United States of America € m	United Kingdom € m	Poland € m	Rest of the world € m	Total € m
						Half-year 30 June 2003[4] Restated
Operations by geographical segments[5]						
Net interest income	576	108	226	103	–	1,013
Other finance income	10	(2)	(3)	–	–	5
Other income	271	159	137	95	1	663
Total operating income	857	265	360	198	1	1,681
Total operating expenses	481	169	180	161	1	992
Provisions	30	16	30	16	–	92
Group operating profit	346	80	150	21	–	597
Share of operating profits of associated undertakings	3	42	–	–	–	45
Share of restructuring and integration costs in associated undertakings	–	(16)	–	–	–	(16)
Amortisation of goodwill on acquisition of associated undertaking	–	(14)	–	–	–	(14)
Profit on disposal of property	16	–	2	–	–	18
Profit on disposal of businesses	1	–	–	4	–	5
Group profit on ordinary activities before taxation	366	92	152	25	–	635
Balance sheet						
Total loans	32,138	1,215	13,231	3,257	1	49,842
Total deposits	40,756	1,418	15,777	4,518	–	62,469
Total assets	49,499	2,269	18,580	5,674	1	76,023
Net assets[2]	2,997	437	1,356	312	1	5,103

	Republic of Ireland € m	United States of America € m	United Kingdom € m	Poland € m	Rest of the world € m	Total € m
						Year 31 December 2003
Operations by geographical segments[5]						
Net interest income	1,155	121	465	193	–	1,934
Other finance income	20	(2)	(6)	–	–	12
Other income	562	217	261	188	2	1,230
Total operating income	1,737	336	720	381	2	3,176
Total operating expenses	1,056	210	369	322	3	1,960
Provisions	68	20	58	31	–	177
Group operating profit/(loss)	613	106	293	28	(1)	1,039
Share of operating profits of associated undertakings	7	136	–	–	–	143
Share of restructuring and integration costs in associated undertakings	–	(20)	–	–	–	(20)
Amortisation of goodwill on acquisition of associated undertaking	–	(42)	–	–	–	(42)
Profit on disposal of property	30	–	2	–	–	32
Profit/(loss) on disposal of businesses	1	7	(153)	4	–	(141)
Group profit/(loss) on ordinary activities before taxation	651	187	142	32	(1)	1,011
Balance sheet						
Total loans	34,940	1,094	14,337	2,939	16	53,326
Total deposits	46,876	1,083	14,014	4,222	–	66,195
Total assets	54,667	2,101	18,880	5,295	17	80,960
Net assets[2]	2,979	369	1,316	278	–	4,942

3 Segmental information *(continued)*

[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 is 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 June 2003 and December 2003 amounts have been restated to reflect the divisional restatements as discussed in Note 1.

[4]The figures for June 2003 have been restated to reflect the implementation of UITF Abstract 37- Purchases and sales of own shares and UITF Abstract 38 - Accounting for ESOP Trusts.

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

4 Other interest receivable and similar income	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 € m	Year 31 December 2003 € m
Interest on loans and advances to banks	**40**	67	113
Interest on loans and advances to customers	**1,295**	1,362	2,622
Income from leasing and hire purchase contracts	**75**	76	163
	1,410	1,505	2,898

5 Interest payable	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 € m	Year 31 December 2003 € m
Interest on deposits by banks and customer accounts	**704**	761	1,490
Interest on debt securities in issue	**92**	49	101
Interest on subordinated liabilities	**34**	26	47
Interest on reserve capital instruments	**19**	19	38
	849	855	1,676

6 Other income	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 Restated € m	Year 31 December 2003 € m
Dividend income	**17**	11	16
Fees and commissions receivable	**486**	548	1,038
Less: fees and commissions payable	**(63)**	(64)	(125)
Dealing profits	**40**	68	135
Other operating income *(note 7)*	**105**	100	166
	585	663	1,230

7 Other operating income	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 € m	Year 31 December 2003 € m
Profit on disposal of debt securities held for investment purposes	**14**	31	37
Profit on termination of off-balance sheet instruments	**36**	–	–
Profit on disposal of equity shares	**2**	4	3
Contribution of life assurance company	**24**	26	60
Contribution from securitised assets	**1**	2	1
Mortgage origination and servicing income	**–**	2	2
Miscellaneous operating income	**28**	35	63
	105	100	166

8 Total operating expenses	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 € m	Year 31 December 2003 € m
Staff costs	**546**	607	1,157
Other administration expenses	**273**	288	552
Depreciation of tangible fixed assets	**61**	82	148
Amortisation of intangible assets	**15**	15	31
Restructuring costs[1]	**–**	–	72
	895	992	1,960

[1] A provision of € 10m was recorded in 2003 in respect of a BZWBK branch network restructuring programme. A provision of € 62m was made for an Early Retirement Package in 2003. Under this programme 251 staff in the Republic of Ireland and Northern Ireland exited the organisation on a non-replacement basis on 30 April 2004.

9 Profit/(loss) on disposal of businesses

The profit on disposal of business in 2004 of € 12m relates to the sale of BZWBK's subsidiary, CardPoint S.A. (tax charge € 2m).

The profit on disposal of businesses in the half-year ended 30 June 2003 of € 5m relates to the profit on disposal of Polsoft of € 4m (tax charge € 1m) and € 1m being the profit on disposal of Allfirst Financial Inc. recognised in the profit and loss account.

The loss on disposal of businesses in the year ended 31 December 2003 of € 141m relates to the loss on disposal of the Govett business of € 153m (tax credit € 1 million), offset by the profit on disposal of the AIB New York retail business of € 7m (tax charge € 3m), the profit on disposal of Polsoft of € 4m (tax charge € 1m) and € 1m being the profit on the disposal of Allfirst Financial Inc. recognised in the profit and loss account.

10 Taxation	**Half-year 30 June 2004 € m**	Half-year 30 June 2003 € m	Year 31 December 2003 € m
Allied Irish Banks, p.l.c. and subsidiaries			
Corporation tax in Republic of Ireland			
Current tax on income for the period[1]	**60**	105	173
Adjustments in respect of prior periods	**1**	(4)	4
	61	101	177
Double taxation relief	**(6)**	(41)	(49)
	55	60	128
Foreign tax			
Current tax on income for the period	**101**	117	210
Adjustments in respect of prior periods	**(8)**	1	–
	93	118	210
	148	178	338
Deferred taxation			
Origination and reversal of timing differences	**(4)**	(5)	(54)
Other	**–**	(2)	(5)
	(4)	(7)	(59)
Associated undertakings	**31**	11	39
	175	182	318
Effective tax rate	**25.1%**	28.6%	31.4%

[1] The June 2004 figure includes a charge of € 14.7m in relation to the Irish Government bank levy (30 June 2003: € 14.7m; 31 December 2003: € 29.5m).

11 Earnings per € 0.32 ordinary share	**Half-year 30 June 2004**	Half-year 30 June 2003 Restated	Year 31 December 2003
(a) Basic			
Group profit attributable to the ordinary shareholders[1]	**€ 505m**	€ 441m	€ 677m
Weighted average number of shares in issue during the period[1]	**847.0m**	873.6m	859.6m
Earnings per share	**EUR 59.6c**	EUR 50.5c	EUR 78.8c

[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.

	Earnings per € 0.32 ordinary share		
(b) Adjusted	**Half-year 30 June 2004**	Half-year 30 June 2003 Restated	Year 31 December 2003
		cent per € 0.32 share	
As reported	**59.6**	50.5	78.8
Adjustments			
Goodwill amortisation	**4.8**	3.4	8.4
Impact of Govett disposal on profit and loss account	**–**	–	17.6
Impact of Allfirst disposal on profit and loss account	**–**	4.5	4.7
	64.4	58.4	109.5

The adjusted earnings per share figure has been presented to eliminate the effect of the amortisation of goodwill in all periods and the impact of the Govett and Allfirst disposals in 2003.

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

(c) Diluted	**Half-year 30 June 2004**	Half-year 30 June 2003	Year 31 December 2003
	Number of shares (millions)		
Weighted average number of shares in issue during the period	**847.0**	873.6	859.6
Dilutive effect of options outstanding	**2.5**	6.2	4.7
Diluted	**849.5**	879.8	864.3

The weighted average number of ordinary shares reflects the dilutive effect of options outstanding under the employee share trusts, the Share Option Scheme and the AIA Stock Option Trust (from 1 April 2003).

12 Loans and advances to customers	**30 June 2004 € m**	30 June 2003 € m	31 December 2003 € m
Loans and advances to customers	**55,697**	43,798	47,828
Amounts receivable under finance leases	**1,709**	1,419	1,636
Amounts receivable under hire purchase contracts	**964**	860	873
Money market funds	**132**	170	153
	58,502	46,247	50,490

13 Provisions for bad and doubtful debts	**30 June 2004 € m**	30 June 2003 € m	31 December 2003 € m
At beginning of period	**664**	862	862
Exchange translation adjustments	**18**	(39)	(51)
Disposal of subsidiary	**–**	(135)	(135)
Charge against profit and loss account	**55**	76	152
Amounts written off	**(63)**	(92)	(182)
Recoveries of amounts written off in previous years	**3**	6	18
At end of period	**677**	678	664
At end of period			
Specific	**376**	365	348
General	**301**	313	316
	677	678	664
Amounts include:			
Loans and advances to banks	**2**	2	2
Loans and advances to customers	**675**	676	662
	677	678	664

14 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 2004 € m	30 June 2003 € m	31 December 2003 € 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	**251**	275	264
United Kingdom	**148**	101	111
Poland	**340**	424	332
USA	**2**	–	–
	741	800	707
Accruing loans which are contractually past due 90 days or more as to principal or interest[(2)]			
Republic of Ireland	**92**	78	95
United Kingdom	**11**	11	18
	103	89	113

[(1)]Total interest income that would have been recorded during the half-year ended 30 June 2004, had interest on non-accrual loans been included in income, amounted to € 6m for Republic of Ireland (31 December 2003: € 14m; 30 June 2003: € 8m), € 3m for United Kingdom (31 December 2003: € 4m; 30 June 2003: € 2m), zero for United States of America (31 December 2003: € 1m; 30 June 2003: € 1m) and € 7m for Poland (31 December 2003: € 17m; 30 June 2003: € 8m). Interest on non-accrual loans included in income for the half-year ended 30 June 2004 totalled € 9m (31 December 2003: € 21m; 30 June 2003: € 11m).

[(2)]Overdrafts generally have no fixed repayment schedule and, consequently, are only in some circumstances 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 table above. However, management's best estimate of loans, not included in the table 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, was zero at 30 June 2004 (31 December 2003: € 40m; 30 June 2003: € 30m).

15 Debt securities	**30 June 2004** Book amount € m	**30 June 2004** Market value € m	31 December 2003 Book amount € m	31 December 2003 Market value € m
Held as financial fixed assets				
Issued by public bodies:				
Government securities	**6,582**	**6,630**	5,237	5,346
Other public sector securities	**768**	**766**	562	569
Issued by other issuers:				
Bank and building society certificates of deposit	**736**	**734**	589	588
Other debt securities	**8,746**	**8,758**	6,057	6,122
	16,832	**16,888**	12,445	12,625
Held for trading purposes				
Issued by public bodies:				
Government securities	**821**		630	
Other public sector securities	**83**		85	
Issued by other issuers:				
Bank and building society certificates of deposit	**–**		–	
Other debt securities	**6,238**		4,967	
	7,142		5,682	
	23,974		18,127	

16 Long-term assurance business

Income from long-term assurance business included in the profit and loss account can be divided into those items comprising the operating profit of the business and other items as set out below.

Income from Ark Life's long-term assurance business	**30 June 2004 € m**	30 June 2003 € m	31 December 2003 € m
New business contribution	**19**	22	39
Contribution from existing business			
- expected return	**13**	12	24
- experience variances	**(1)**	(1)	(1)
Investment returns	**2**	2	4
Distribution costs	**(6)**	(12)	(15)
Operating profit	**27**	23	51
Other items:			
Change in value of future unit linked fees	**(1)**	–	3
Exceptional items	**(2)**	3	6
Income from long-term assurance business before tax	**24**	26	60
Attributable tax	**3**	3	8
Income from long-term assurance business after tax	**21**	23	52

16 Long-term assurance business *(continued)*

The assets and liabilities of Ark Life representing the value of the assurance business together with the policyholders' funds are:

	30 June 2004 € m	30 June 2003 € m	31 December 2003 € m
Investments	**3,248**	2,631	3,009
Value of investment in business	**169**	152	167
Other assets – net	**123**	78	98
	3,540	2,861	3,274
Long-term assurance liabilities to policyholders	**(3,114)**	(2,487)	(2,869)
Long-term assurance business attributable to shareholders	**426**	374	405
Represented by:			
Shares at cost	**19**	19	19
Reserves	**396**	346	376
Profit and loss account	**11**	9	10
	426	374	405

Presentation in the Group balance sheet

Under UITF 37, holdings of shares in Allied Irish Banks, p.l.c., (by the parent or subsidiary companies), for any reason, are deducted in arriving at shareholders' funds. At 30 June 2004, shares in AIB with a value of € 57m (31 December 2003: € 59m; 30 June 2003: € 58m) were held within the long-term business funds to meet the liabilities to policyholders.

Long-term assurance assets attributable to policyholders are presented in the Group balance sheet net of the carrying value of the shares in AIB held within the fund. Group shareholders' funds have been reduced by a similar amount.

17 Customer accounts	**30 June 2004 € m**	30 June 2003 € m	31 December 2003 € m
Current accounts	**16,026**	13,674	14,657
Deposits:			
Demand deposits	**7,102**	6,346	6,788
Time deposits	**20,645**	18,985	19,539
Money market funds	**4,833**	4,159	3,628
	48,606	43,164	44,612

18 Consolidated cash flow statement	30 June 2004 € m	30 June 2003 € m	31 December 2003 € m
(a) Analysis of changes in cash			
At beginning of period	**1,042**	2,731	2,731
Net cash outflow before the effect of exchange translation adjustments	**(204)**	(1,477)	(1,351)
Effect of exchange translation adjustments	**18**	(178)	(338)
At end of period	**856**	1,076	1,042

	30 June 2004 € m	30 June 2003 € m	31 December 2003 € m
(b) Analysis of cash			
Cash and balances at central banks	**599**	652	838
Loans and advances to banks (repayable on demand)	**257**	424	204
	856	1,076	1,042

19 Memorandum items: contingent liabilities and commitments	Contract amount 30 June 2004 € m	30 June 2003 € m	31 December 2003 € m
Contingent liabilities:			
Acceptances and endorsements	**11**	54	12
Guarantees and assets pledged as collateral security	**5,084**	4,326	4,157
Other contingent liabilities	**788**	695	722
	5,883	5,075	4,891
Commitments:			
Other commitments	**15,081**	12,351	13,932
	20,964	17,426	18,823

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 2004		30 June 2003		31 December 2003	
	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]	**148,121**	**951**	106,263	1,711	99,781	1,030
Exchange rate contracts[1]	**21,724**	**312**	20,025	370	15,565	501
Equity contracts[1]	**4,009**	**104**	3,149	35	2,445	73

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

19 Memorandum items: contingent liabilities and commitments *(continued)*

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.

20 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 2004 and the year ended 31 December 2003. 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 2004			Year ended 31 December 2003		
Assets	**Average balance € m**	**Interest € m**	**Average rate %**	Average balance € m	Interest € m	Average rate %
Placings with banks						
Domestic offices	**2,722**	**30**	**2.2**	3,138	85	2.7
Foreign offices	**922**	**10**	**2.0**	770	27	3.5
Loans to customers[1]						
Domestic offices	**32,928**	**726**	**4.4**	28,361	1,352	4.8
Foreign offices	**19,385**	**529**	**5.5**	18,642	1,012	5.4
Placings with banks and loans to customers[1]						
Domestic offices	**35,650**	**756**	**4.3**	31,499	1,437	4.6
Foreign offices	**20,307**	**539**	**5.3**	19,412	1,039	5.4
Funds sold						
Domestic offices	**–**	**–**	**–**	–	–	–
Foreign offices	**–**	**–**	**–**	288	4	1.3
Debt securities and government bills						
Domestic offices	**16,606**	**289**	**3.5**	11,278	397	3.5
Foreign offices	**4,830**	**127**	**5.3**	6,006	315	5.3
Instalment credit and finance lease receivables						
Domestic offices	**1,901**	**50**	**5.3**	1,902	108	5.7
Foreign offices	**692**	**25**	**7.3**	826	55	6.7
Total interest earning assets						
Domestic offices	**54,157**	**1,095**	**4.1**	44,679	1,942	4.3
Foreign offices	**25,829**	**691**	**5.4**	26,532	1,413	5.3
	79,986	**1,786**	**4.5**	71,211	3,355	4.7
Allowance for loan losses	**(670)**			(741)		
Non-interest earning assets	**6,957**			6,766		
Total assets	**86,273**	**1,786**	**4.2**	77,236	3,355	4.3
Percentage of assets applicable to foreign activities			**32.6**			37.9

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

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

Liabilities and stockholders' equity	Half-year ended 30 June 2004 Average balance € m	Interest € m	Average rate %	Year ended 31 December 2003 Average balance € m	Interest € m	Average rate %
Interest bearing deposits and other short-term borrowings						
Domestic offices	**47,121**	**450**	**1.9**	36,836	727	2.0
Foreign offices	**20,200**	**306**	**3.0**	21,230	606	2.9
Funds purchased						
Domestic offices	**–**	**–**	**–**	–	–	–
Foreign offices	**–**	**–**	**–**	264	3	1.2
Subordinated liabilities						
Domestic offices	**1,983**	**52**	**5.3**	1,682	78	4.7
Foreign offices	**167**	**1**	**1.2**	132	7	5.2
Total interest bearing liabilities						
Domestic offices	**49,104**	**502**	**2.1**	38,518	805	2.1
Foreign offices	**20,367**	**307**	**3.0**	21,626	616	2.8
	69,471	**809**	**2.3**	60,144	1,421	2.4
Interest-free liabilities						
Current accounts	**7,337**			7,798		
Other liabilities	**3,883**			4,219		
Minority equity and non-equity interests	**164**			191		
Preference share capital	**200**			215		
Ordinary stockholders' equity	**5,218**			4,669		
Total liabilities and stockholders' equity	**86,273**	**809**	**1.9**	77,236	1,421	1.8
Percentage of liabilities applicable to foreign activities			**29.8**			35.6

21 Review report

The interim results have been reviewed by the Group's auditors, KPMG, and their review report is set out on page 36. The profit retained for the half-year ended 30 June 2004 has been included in Tier 1 capital at 30 June 2004.

22 Approval

The interim results (unaudited) were approved by the board of directors on 26 July 2004.

Financial and other information

	Half-year 30 June 2004	Half-year 30 June 2003	Year 31 December 2003
Operating ratios			
Operating expenses[1]/operating income	**57.0%**	59.0%[2]	59.4%
Tangible operating expenses[3]/operating income	**56.0%**	58.1%[2]	58.5%
Other income[4]/operating income	**37.8%**	39.7%[2]	39.1%
Net interest margin			
Group	**2.46%**	2.83%	2.72%
Domestic	**2.20%**	2.74%	2.54%
Foreign	**2.99%**	2.95%	3.00%
Rates of exchange			
€/US $			
Closing	**1.2155**	1.1427	1.2630
Average	**1.2279**	1.1051	1.1346
€/Stg			
Closing	**0.6708**	0.6932	0.7048
Average	**0.6764**	0.6843	0.6901
€/PLN			
Closing	**4.5236**	4.4775	4.7019
Average	**4.7232**	4.2776	4.4157

[1]Excludes restructuring costs of € 72.4m in December 2003.

[2]The figures for the half-year 30 June 2003 have been restated to reflect the implementation of UITF Abstract 37 - Purchases and sales of own shares.

[3]Excludes amortisation of goodwill of € 15.2m (half-year 30 June 2003: € 15.5m; year 31 December 2003: € 30.8m) and restructuring costs of € 72.4m in December 2003.

[4]Other income includes other finance income.

Capital adequacy information	**€ m**	€ m	€ m
Total risk weighted assets	**72,146**	58,115	62,615
Capital			
Tier 1	**5,032**	4,499	4,451
Tier 2	**2,484**	1,956	2,439
	7,516	6,455	6,890
Supervisory deductions	**475**	361	389
Total	**7,041**	6,094	6,501

Additional financial information

The following consolidated profit and loss accounts for the half-year ended 30 June 2003 and the year ended 31 December 2003 have been presented to facilitate comparisons to the financial statements presented in this report.

	Half-year ended 30 June 2003 Restated			Year ended 31 December 2003		
	Continuing activities € m	Discontinued activities € m	Total € m	Continuing activities € m	Discontinued activities € m	Total € m
Interest receivable:						
Interest receivable and similar income arising from debt securities and other fixed income securities	351	12	**363**	700	12	**712**
Other interest receivable and similar income	1,380	125	**1,505**	2,773	125	**2,898**
Less: interest payable	(812)	(43)	**(855)**	(1,633)	(43)	**(1,676)**
Net interest income	919	94	**1,013**	1,840	94	**1,934**
Other finance income	7	(2)	**5**	14	(2)	**12**
Other income	557	106	**663**	1,124	106	**1,230**
Total operating income	1,483	198	**1,681**	2,978	198	**3,176**
Total operating expenses	871	121	**992**	1,839	121	**1,960**
Group operating profit before provisions	612	77	**689**	1,139	77	**1,216**
Provisions for bad and doubtful debts	66	10	**76**	142	10	**152**
Provisions for contingent liabilities and commitments	7	–	**7**	9	–	**9**
Amounts written off fixed asset investments	9	–	**9**	16	–	**16**
Group operating profit	530	67	**597**	972	67	**1,039**
Share of operating profits of associated undertakings	45	–	**45**	143	–	**143**
Share of restructuring and integration costs in associated undertaking	(16)	–	**(16)**	(20)	–	**(20)**
Amortisation of goodwill on acquisition of associated undertaking	(14)	–	**(14)**	(42)	–	**(42)**
Profit on disposal of property	18	–	**18**	32	–	**32**
Profit/(loss) on disposal of businesses	4	1	**5**	(142)	1	**(141)**
Group profit on ordinary activities before taxation	567	68	**635**	943	68	**1,011**
Taxation on ordinary activities	163	19	**182**	299	19	**318**
Group profit on ordinary activities after taxation	404	49	**453**	644	49	**693**
Equity and non-equity minority interests in subsidiaries	8	1	**9**	10	1	**11**
Dividends on non-equity shares	3	–	**3**	5	–	**5**
	11	1	**12**	15	1	**16**
Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.	393	48	**441**	629	48	**677**
Dividends on equity shares			**157**			**452**
Transfer to reserves			**22**			**51**
			179			**503**
Profit retained			**262**			**174**

Independent review report of KPMG to Allied Irish Banks, p.l.c.

Introduction

We have been instructed by the Company to review the financial information contained in its interim report for the six months ended 30 June 2004 which comprises a consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement, statement of total recognised gains and losses, reconciliation of movements in shareholders' funds and notes 1 to 22. We have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Irish Stock Exchange. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Irish Stock Exchange which 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 they are to be changed in the next annual accounts, in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in Ireland and the United Kingdom. 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 2004.

KPMG

Chartered Accountants
Dublin
26 July 2004

Notes:

a. The maintenance and integrity of the Allied Irish Banks, p.l.c. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occured to the financial information or review report since they were initially presented on the website.

b. Legislation in the Republic of Ireland governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.