# Highlights - AIB Group interim results 2007

| | | |
|---|---|---|
| Basic earnings per share | EUR | 114.7c |
| less profit on disposal/development of property[(1)] | EUR | (8.3c) |
| adjust for hedge volatility[(2)] | EUR | 2.4c |
| **Adjusted basic earnings per share** | **EUR** | **108.8c up 16%[(3)]** |

Divisional operating profit performance[(4)]

- AIB Bank ROI up 17%
- Capital Markets up 12%
- AIB Bank UK up 19%
- Poland up 37%
- M&T contribution up 1%

Income/cost gap +4%

Cost income ratio down 1.2% to 51.2%

Bad debt provision charge of 0.04%

Return on equity 23.8%

Tier 1 capital ratio 7.6%

Interim dividend of EUR 27.8c, up 10%

**AIB Group Chief Executive Eugene Sheehy said:**

*'Our business has performed strongly in the first half of 2007. Customer demand continues to drive high quality growth and this demand is well spread across our Irish and international franchises. I am confident that we will continue to grow our business and achieve excellent returns for our stakeholders. My confidence is based on our top class people operating in attractive economies and markets where we are delivering a compelling combination of good value products and services through our customers' chosen channels.'*

(1) *Includes profit on new Bankcentre development (construction contract income; € 44 million before tax, € 38 million after tax) and profit on sale of 16 branches in the Republic of Ireland (€ 41 million before tax, € 35 million after tax).*

(2) *The impact of interest rate hedge volatility (hedging ineffectiveness and derivative volatility) was a decrease of € 25 million to profit before taxation for the half-year (€ 21 million after tax).*

(3) *A 16% increase compared with EUR 94.2c for the half-year to June 2006. The EUR 94.2c in 2006 excludes the profit on disposal of Ark Life discontinued operation (€ 128 million after tax), the transfer by Ark Life of the management of certain investment contracts to Aviva as part of the disposal of Ark Life (€ 26 million after tax), the profit on the new Bankcentre development (€ 34 million before tax, € 29 million after tax), part of the profit on the disposal of the existing Bankcentre (€ 89 million before tax, € 66 million after tax) and the impact of interest rate hedge volatility (hedging ineffectiveness and derivative volatility) in the half-year to June 2006 (a decrease of € 19 million to profit before tax, € 15 million after tax).*

(4) *Operating profit excludes profit from disposal of property/businesses, construction contract income and associated undertakings. The percentage increase excludes the impact of exchange rate movements on the translation of foreign locations' profit.*

## Allied Irish Banks, p.l.c.

**Dividend**

The Board has declared an interim dividend of EUR 27.8c per share, an increase of 10% on the half-year ended 30 June 2006. The dividend will be paid on 25 September 2007 to shareholders on the Company's register of members at the close of business on 10 August 2007.

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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 and 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 2007*

| | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| **Results** | | | |
| Total operating income | **2,417** | 2,076 | 4,326 |
| Operating profit | **1,150** | 976 | 1,908 |
| Profit before taxation - continuing operations | **1,318** | 1,214 | 2,615 |
| Profit attributable to equity holders of the parent | **1,041** | 1,089 | 2,185 |
| **Per € 0.32 ordinary share** | | | |
| Earnings – basic *(note 12(a))* | **114.7c** | 121.2c | 246.8c |
| Earnings – diluted *(note 12(b))* | **113.8c** | 120.1c | 244.6c |
| Dividend | **27.8c** | 25.3c | 71.8c |
| Dividend payout | **24%** | 21% | 29% |
| Net assets | **€10.12** | €8.51 | €9.28 |
| **Performance measures** | | | |
| Return on average total assets | **1.34%** | 1.67% | 1.63% |
| Return on average ordinary shareholders' equity | **23.8%** | 30.4% | 29.0% |
| **Balance sheet** | | | |
| Total assets | **177,216** | 144,073 | 158,526 |
| Ordinary shareholders' equity | **8,889** | 7,413 | 8,108 |
| Loans and receivables to banks and customers | **135,038** | 105,594 | 120,015 |
| Deposits[2] | **154,001** | 123,349 | 136,839 |
| **Capital ratios[1]** | | | |
| Tier 1 capital | **7.6%** | 8.0% | 8.2% |
| Total capital | **10.4%** | 11.1% | 11.1% |

[1] *The interim dividend has been deducted in arriving at the capital ratios for June 2007 and June 2006. The final dividend was not taken into account in the calculation of the Tier 1 and Total capital ratios at 31 December 2006. The Financial Regulator has issued a requirement that a Prudential Filter be applied to proposed final dividends with effect from July 2007. If applied at 31 December 2006, the Tier 1 and Total capital ratios would be 7.9% and 10.8% respectively.*

[2] *Deposits by banks, customer accounts and debt securities in issue.*

**Allied Irish Banks, p.l.c.**
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Registered number 24173

# Consolidated interim income statement *(unaudited)*

*for the half-year ended 30 June 2007*

| | Notes | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|---|
| Interest and similar income | 2 | **4,354** | 3,130 | 6,928 |
| Interest expense and similar charges | 3 | **2,687** | 1,701 | 3,929 |
| **Net interest income** | | **1,667** | 1,429 | 2,999 |
| Dividend income | 4 | **22** | 19 | 23 |
| Fee and commission income | | **713** | 598 | 1,235 |
| Fee and commission expense | | **(94)** | (76) | (161) |
| Net trading income | 5 | **75** | 79 | 173 |
| Other operating income | 6 | **34** | 27 | 57 |
| **Other income** | | **750** | 647 | 1,327 |
| **Total operating income** | | **2,417** | 2,076 | 4,326 |
| Administrative expenses | 7 | **1,167** | 1,018 | 2,174 |
| Amortisation/impairment of intangible assets | | **28** | 27 | 53 |
| Depreciation of property, plant and equipment | | **42** | 43 | 87 |
| **Total operating expenses** | | **1,237** | 1,088 | 2,314 |
| **Operating profit before provisions** | | **1,180** | 988 | 2,012 |
| Provisions for impairment of loans and receivables | 16 | **25** | 12 | 118 |
| Provisions for liabilities and commitments | | **4** | - | (15) |
| Amounts written off financial investments available for sale | | **1** | - | 1 |
| **Operating profit** | | **1,150** | 976 | 1,908 |
| Associated undertakings | | **81** | 88 | 167 |
| Profit on disposal of property | 8 | **41** | 90 | 365 |
| Construction contract income | 9 | **44** | 34 | 96 |
| Profit on disposal of businesses | 10 | **2** | 26 | 79 |
| **Profit before taxation – continuing operations** | | **1,318** | 1,214 | 2,615 |
| Income tax expense - continuing operations | 11 | **239** | 221 | 433 |
| **Profit after taxation – continuing operations** | | **1,079** | 993 | 2,182 |
| Discontinued operation, net of taxation | | **-** | 132 | 116 |
| **Profit for the period** | | **1,079** | 1,125 | 2,298 |
| Attributable to: | | | | |
| Equity holders of the parent | | **1,041** | 1,089 | 2,185 |
| Minority interests in subsidiaries | | **38** | 36 | 113 |
| | | **1,079** | 1,125 | 2,298 |
| **Basic earnings per share – continuing operations** | 12(c) | **114.7c** | 105.9c | 233.5c |
| **Basic earnings per share – discontinued operations** | | **-** | 15.3c | 13.3c |
| **Total** | 12(a) | **114.7c** | 121.2c | 246.8c |
| **Diluted earnings per share – continuing operations** | 12(d) | **113.8c** | 105.0c | 231.4c |
| **Diluted earnings per share – discontinued operations** | | **-** | 15.1c | 13.2c |
| **Total** | 12(b) | **113.8c** | 120.1c | 244.6c |

# Consolidated interim balance sheet *(unaudited)*

*30 June 2007*

| | Notes | **30 June 2007 € m** | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances at central banks | | **613** | 989 | 618 |
| Treasury bills and other eligible bills | | **370** | 196 | 129 |
| Items in course of collection | | **855** | 527 | 927 |
| Trading portfolio financial assets | 14 | **9,470** | 8,953 | 10,820 |
| Derivative financial instruments | 22 | **3,023** | 2,890 | 2,239 |
| Loans and receivables to banks | | **14,821** | 12,900 | 9,932 |
| Loans and receivables to customers | 15 | **120,217** | 107,115 | 95,662 |
| Financial investments available for sale | 18 | **22,233** | 19,665 | 18,664 |
| Interests in associated undertakings | | **1,772** | 1,792 | 1,846 |
| Intangible assets and goodwill | | **578** | 550 | 516 |
| Property, plant and equipment | | **587** | 593 | 625 |
| Other assets | | **1,428** | 1,117 | 1,005 |
| Current taxation | | **15** | 17 | 8 |
| Deferred taxation | | **181** | 256 | 224 |
| Prepayments and accrued income | | **1,031** | 927 | 807 |
| Assets classified as held for sale | | **22** | 39 | 51 |
| **Total assets** | | **177,216** | 158,526 | 144,073 |
| **Liabilities** | | | | |
| Deposits by banks | | **39,797** | 33,433 | 34,318 |
| Customer accounts | 19 | **79,023** | 74,875 | 66,564 |
| Trading portfolio financial liabilities | | **493** | 191 | 255 |
| Derivative financial instruments | 22 | **3,151** | 2,531 | 1,992 |
| Debt securities in issue | | **35,181** | 28,531 | 22,467 |
| Current taxation | | **220** | 112 | 242 |
| Other liabilities | | **2,123** | 1,757 | 2,590 |
| Accruals and deferred income | | **1,343** | 1,410 | 1,020 |
| Retirement benefit liabilities | | **252** | 937 | 644 |
| Provisions for liabilities and commitments | | **98** | 93 | 133 |
| Deferred taxation | | **–** | – | 9 |
| Subordinated liabilities and other capital instruments | 21 | **4,841** | 4,744 | 4,693 |
| **Total liabilities** | | **166,522** | 148,614 | 134,927 |
| **Shareholders' equity** | | | | |
| Share capital | | **294** | 294 | 294 |
| Share premium account | | **1,693** | 1,693 | 1,693 |
| Other equity interests | | **497** | 497 | 497 |
| Reserves | | **152** | 543 | 519 |
| Profit and loss account | | **6,750** | 5,578 | 4,907 |
| Shareholders' equity | | **9,386** | 8,605 | 7,910 |
| Minority interests in subsidiaries | | **1,308** | 1,307 | 1,236 |
| Total shareholders' equity including minority interests | | **10,694** | 9,912 | 9,146 |
| **Total liabilities, shareholders' equity and minority interests** | | **177,216** | 158,526 | 144,073 |

# Condensed interim statement of cash flows *(unaudited)*

*for the half-year ended 30 June 2007*

| Consolidated statement of cash flows | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| **Net cash flows from operating activities** | **5,066** | 4,731 | 8,645 |
| **Investing activities** | | | |
| Net increase in financial investments available for sale | **(2,420)** | (2,041) | (2,477) |
| Additions to property, plant and equipment | **(40)** | (66) | (144) |
| Additions to intangible assets | **(52)** | (28) | (87) |
| Disposal of property, plant and equipment | **57** | 142 | 489 |
| Investment in associated undertakings | **(3)** | – | – |
| Disposal of investment in subsidiaries and businesses | **2** | 189 | 268 |
| Dividends received from associated undertakings | **27** | 29 | 44 |
| **Cash flows from investing activities** | **(2,429)** | (1,775) | (1,907) |
| **Financing activities** | | | |
| Re-issue of treasury shares | **45** | 35 | 48 |
| Issue of perpetual preferred securities | **–** | 1,004 | 1,008 |
| Issue of subordinated liabilities | **128** | – | – |
| Interest paid on subordinated liabilities | **(121)** | (70) | (196) |
| Equity dividends paid on ordinary shares | **(406)** | (368) | (587) |
| Dividends paid on other equity interests | **(38)** | (38) | (38) |
| Dividends paid to minority interests | **(34)** | (35) | (82) |
| **Cash flows from financing activities** | **(426)** | 528 | 153 |
| **Net increase in cash and cash equivalents** | **2,211** | 3,484 | 6,891 |
| **Analysis of changes in cash** | | | |
| At beginning of period | **14,355** | 7,670 | 7,670 |
| Net cash inflow before the effect of exchange translation adjustments | **2,211** | 3,484 | 6,891 |
| Effect of exchange translation adjustments | **(39)** | (180) | (206) |
| At end of period | **16,527** | 10,974 | 14,355 |

# Consolidated interim statement of recognised income and expense *(unaudited)*

| | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Foreign exchange translation differences | **(24)** | (168) | (149) |
| Net change in cash flow hedges, net of tax | **(258)** | (259) | (283) |
| Net change in fair value of available for sale securities, net of tax | **(138)** | (136) | (13) |
| Net actuarial gains in retirement benefit schemes, net of tax | **565** | 492 | 200 |
| Other recognised losses in associated undertakings | **(55)** | (35) | (47) |
| **Income and expense recognised** | **90** | (106) | (292) |
| Profit for the period | **1,079** | 1,125 | 2,298 |
| **Total recognised income and expense for the period** | **1,169** | 1,019 | 2,006 |
| **Attributable to:** | | | |
| Equity holders of the parent | **1,134** | 983 | 1,859 |
| Minority interests in subsidiaries | **35** | 36 | 147 |
| **Total recognised income and expense for the period** | **1,169** | 1,019 | 2,006 |

# Condensed consolidated interim reconciliation of movements in shareholders' equity *(unaudited)*

| | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Profit attributable to equity holders of the parent | **1,041** | 1,089 | 2,185 |
| Dividends on ordinary shares | **(406)** | (368) | (587) |
| Dividends on other equity interests | **(38)** | (38) | (38) |
| Share based payments | **15** | 17 | 30 |
| Net actuarial gains recognised in retirement benefit schemes | **565** | 492 | 200 |
| Other recognised losses relating to the period | **(417)** | (559) | (471) |
| Other recognised losses in associated undertakings | **(55)** | (35) | (47) |
| Ordinary shares reissued | **78** | 60 | 87 |
| Net movement in own shares | **(2)** | 83 | 77 |
| Net additions to shareholders' equity | **781** | 741 | 1,436 |
| Opening shareholders' equity | **8,605** | 7,169 | 7,169 |
| Closing shareholders' equity | **9,386** | 7,910 | 8,605 |
| Shareholders' equity: | | | |
| Ordinary shareholders' equity | **8,889** | 7,413 | 8,108 |
| Other equity interests | **497** | 497 | 497 |
| | **9,386** | 7,910 | 8,605 |

**Earnings per share**

The table below shows the basic earnings per share excluding profit on disposal/development of property[1], profit on disposal of business[2] and adjusting for hedge volatility[3].

| Earnings per share | Half-year June 2007 | Half-year June 2006 | % change 2007 v 2006 |
|---|---|---|---|
| Basic - continuing operations | **114.7c** | 105.9c | *8* |
| Basic - discontinued operations | **-** | 15.3c | - |
| Basic - total | **114.7c** | 121.2c | *-5* |
| less profit on disposal/development of property[1] | **(8.3c)** | (11.0c) | - |
| less profit on disposal of business[2] | **-** | (17.7c) | - |
| adjust for hedge volatility[3] | **2.4c** | 1.7c | - |
| **Adjusted basic earnings per share** | **108.8c** | 94.2c | *16* |

**Rates of Exchange**

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 2007 | Average accounting rates half-year June 2006 | Average effective rates half-year June 2007 | Average effective rates half-year June 2006 |
|---|---|---|---|---|
| US dollar | **1.33** | 1.23 | **1.32** | 1.20 |
| Sterling | **0.67** | 0.69 | **0.67** | 0.69 |
| Polish zloty | **3.84** | 3.90 | **3.87** | 3.86 |

(1) *Half-year to June 2007 includes profit on new Bankcentre development (construction contract income; € 44 million before tax, € 38 million after tax) and profit on sale of 16 branches in the Republic of Ireland (€ 41 million before tax, € 35 million after tax). Half-year to June 2006 includes the profit on the new Bankcentre development (€ 34 million before tax, € 29 million after tax) and part of the profit on the disposal of the existing Bankcentre (€ 89 million before tax, € 66 million after tax).*

(2) *Profit on disposal of Ark Life discontinued operation (€ 128 million after tax) and the transfer by Ark Life of the management of certain investment contracts to Aviva as part of the disposal of Ark Life (€ 26 million after tax).*

(3) *The impact of interest rate hedge volatility (hedging ineffectiveness and derivative volatility) was a decrease of € 25 million to profit before taxation (€ 21 million after tax) in the half-year to June 2007. The impact of interest rate hedge volatility (hedging ineffectiveness and derivative volatility) was a decrease of € 19 million to profit before taxation (€ 15 million after tax) in the half-year to June 2006.*

# Commentary on results

**Basis of preparation**

***The following commentary is on a continuing operations basis. The growth percentages are shown on an underlying basis, adjusted for the impact of exchange rate movements on the translation of foreign locations' profit and excluding interest rate hedge volatility (hedging ineffectiveness and derivative volatility).***

***Continued strong growth in operating income, up 17%***

**Total operating income**

Total income increased by 17% to € 2,417 million.

| **Total operating income** | **Half-year June 2007 € m** | Half-year June 2006 € m | *Underlying % change 2007 v 2006* |
|---|---|---|---|
| Net interest income | **1,667** | 1,429 | *16* |
| Other income | **750** | 647 | *19* |
| Total operating income | **2,417** | 2,076 | *17* |

**Net interest income**

Net interest income increased by 16% to € 1,667 million in the half-year to June 2007. The key drivers of the increase were strong loan growth in the Republic of Ireland and Poland and strong loan and deposit growth in the UK. Loans to customers increased by 12% and customer accounts increased by 3% on a constant currency basis since 31 December 2006 (details of loan and deposit growth by division are contained on page 14 of this release).

| **Average interest earning assets** | **Half-year June 2007 € m** | Half-year June 2006 € m | *% change*[1] *2007 v 2006* |
|---|---|---|---|
| Average interest earning assets | **152,738** | 126,030 | *21* |

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

| **Net interest margin** | **Half-year June 2007 %** | Half-year June 2006 % | *Basis point change* |
|---|---|---|---|
| Group net interest margin | **2.20** | 2.29 | *-9* |

The domestic and foreign margins for the half-year to June 2007 are reported on page 38 of this release.

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 statutory accounts, the analysis of net interest margin trends is best explained by analysing business factors as follows:

The Group net interest margin amounted to 2.20%, a decrease of 9 basis points compared with the half-year to June 2006. The underlying business margin decreased by 9 basis points while the level of growth in treasury assets had a neutral impact.

The margin reduction was due to a combination of the following factors:

(a) loans increasing at a faster rate than deposits.

(b) a changing mix of products where stronger volume growth has been achieved in lower margin products; corporate loans, home loans and prime rate advances on the lending side and term deposits and other lower margin products on the deposit side.

(c) competitive pressures on loan and deposit pricing.

The margin reduction continues to be impacted by average loans increasing at a greater rate than average deposits compared with 2006. While this strong lending growth generated good incremental profit, the funding impact resulted in a reduction in the overall net interest margin calculation when net interest income is expressed as a percentage of average interest earning assets.

While it is difficult to disaggregate trends in product margins between mix and competitive factors, competitive pricing behaviour did impact loan and deposit margins.

The Group's new business lending is priced to meet the required return on capital.

***Investment banking and asset management fees up 47%***

***Banking fees and commissions up 10%***

**Other income**

Other income was up 19% to € 750 million compared with the half-year to June 2006.

| **Other income** | **Half-year June 2007 € m** | Half-year June 2006 € m | *Underlying % change 2007 v 2006* |
|---|---|---|---|
| Dividend income | **22** | 19 | *16* |
| *Banking fees and commissions* | **503** | 457 | *10* |
| *Investment banking and asset management fees* | **210** | 141 | *47* |
| Fee and commission income | **713** | 598 | *19* |
| Less: Fee and commission expense | **(94)** | (76) | *23* |
| *Trading income* | **98** | 81 | *17* |
| *Currency hedging profits* | **2** | 17 | - |
| *Interest rate hedge volatility* | **(25)** | (19) | - |
| Net trading income | **75** | 79 | *17* |
| Other operating income | **34** | 27 | *18* |
| Total other income | **750** | 647 | *19* |

Dividend income increased by 16% mainly reflecting growth in dividends from investments held by the Polish business.

Total fee and commission income increased by 19%, reflecting increased business and transaction volumes in AIB Bank Republic of Ireland and Corporate Banking and good growth in credit card revenue in Ireland.

Investment banking and asset management fees increased by 47% driven by particularly strong performances in Asset Management in Poland and BZWBK's brokerage operation and very good growth in Goodbody Stockbrokers.

Trading income increased reflecting profits from trading portfolio financial assets. Trading income excludes interest payable and receivable arising from these activities, which is included in net interest income. Accordingly, the above trading income does not reflect the full extent of trading activities, which are largely in Global Treasury. Interest income in Global Treasury decreased relative to 2006.

Other income as a percentage of total income was 31.0% compared with 31.2% for the half-year to June 2006.

***Investment for long-term growth and development***

***Declining cost income ratio trend continues - cost income ratio down 1.2% to 51.2%***

***Income/cost gap +4%***

**Total operating expenses**

Operating expenses increased by 13% compared with half-year to June 2006.

| **Operating expenses** | **Half-year June 2007 € m** | Half-year June 2006 € m | *Underlying % change 2007 v 2006* |
|---|---|---|---|
| Personnel expenses | **799** | 699 | *14* |
| General and administrative expenses | **368** | 319 | *15* |
| Depreciation[1]/amortisation[2] | **70** | 70 | *1* |
| Total operating expenses | **1,237** | 1,088 | *13* |

Operating expenses increased by 13% reflecting increases in business activity and volumes. The increase in costs reflects normal inflationary increases and continuing investment in various programmes to develop capabilities to benefit from the ongoing business opportunities and to position the business for long-term growth and development. This has included investment in people, locations and the continuation of our programme to build common operating systems in line with our single enterprise agenda which will support a resilient risk, compliance and corporate governance framework. Excluding costs arising to meet expanding regulatory demands and costs relating to investment in our risk, compliance and corporate governance framework, and performance related remuneration resulting from very strong revenue growth, the increase in costs was 10%.

Personnel expenses were up 14% due to a higher level of variable performance related remuneration linked to the strong profit performance, normal salary increases and investment in developing our operating systems.

General and administrative expenses were up 15% including costs associated with preparation for AIB's Basel II application to the Financial Regulator (IFSRA), costs relating to the building of common operating systems, rental costs arising from the sale and leaseback arrangements for the Bankcentre and Branch network and normal inflationary increases. Depreciation/amortisation increased by 1%.

Productivity improved with the cost income ratio reducing by 1.2% to 51.2% from 52.4% in the half-year to June 2006.

Cost growth is expected to moderate in the second half-year due to the non recurrence of the step up in regulatory driven and performance related remuneration costs incurred in the second half of 2006.

[1] *Depreciation of property, plant and equipment.*

[2] *Amortisation/impairment of intangible assets.*

***Provision charge low at 4 basis points reflecting strong asset quality***

***Reduction in impaired loans as a percentage of loans to 0.7%***

**Provisions**

Total provisions were € 30 million, up from € 12 million in the half-year to June 2006.

| **Provisions** | **Half-year June 2007 € m** | Half-year June 2006 € m |
|---|---|---|
| Provisions for impairment of loans and receivables | **25** | 12 |
| Provisions for liabilities and commitments | **4** | - |
| Amounts written off financial investments available for sale | **1** | - |
| Total provisions | **30** | 12 |

In the period, credit provision experience was particularly positive reflecting a continued benign credit environment and a strong level of provision write-backs.

The provision for impairment of loans and receivables was € 25 million compared with € 12 million in half-year to June 2006, representing a charge of 0.04% of average loans compared with 0.03% in June 2006. The 0.04% charge represents € 27 million in the incurred but not reported (IBNR) category and a net specific write-back of € 2 million. Impaired loans as a percentage of total customer loans decreased from 0.9% at 31 December 2006 to 0.7% at 30 June 2007 with the total provision coverage for impaired loans at 80%.

In AIB Bank Republic of Ireland asset quality continued to be strong. Impaired loans remained at 0.6% of total customer loans compared with 31 December 2006. The provision charge was 0.15% of average loans compared with 0.14% in June 2006. The quality across all sectors of the retail and commercial portfolios remains very good.

In Capital Markets there were net credit provision write-backs of € 22 million during the period, compared with net credit provision write-backs of € 37 million in the half-year to June 2006. The provision write-backs equated to 0.19% of average loans compared to write-backs of 0.39% in the half-year to June 2006. Impaired loans reduced to 0.3% from 0.6% of total customer loans at 31 December 2006.

In the UK division, the provision charge was 0.06% of average loans compared to 0.08% in June 2006. Impaired loans remained at 0.9% of total customer loans at 30 June 2007.

There were net credit provision write-backs in Poland in the half-year to June 2007. The provision charge decreased from 0.31% of average loans in the half-year to June 2006 to a write-back of 0.24% of average loans in the current half-year. Asset quality continued to improve with the ratio of impaired loans as a percentage of customer loans declining to 3.9% from 4.9% at 31 December 2006.

There were provisions for liabilities and commitments of € 4 million in the half-year to June 2007 and provisions for amounts written off financial investments of € 1 million during the period.

**Associated undertakings**

The profit in the half-year to June 2007 was € 81 million compared to € 88 million in the half-year to June 2006 and mainly reflects AIB's 24.5% average share of the income after taxation of M&T Bank Corporation and income after taxation from the joint venture in Life and Pensions with Hibernian. M&T's contribution of US$ 99 million was up 1% compared with the half-year to June 2006 contribution of US$ 98 million.

# Commentary on results

***The following commentary is in respect of the total Group.***

***Loans up 12%; deposits up 3%***

***Effective tax rate at 18.1%***

**Balance sheet**

Total assets amounted to € 177 billion at 30 June 2007 compared to € 159 billion at 31 December 2006. Adjusting for the impact of currency, total assets were up 12% and loans to customers were up 12% since 31 December 2006 while customer accounts increased by 3%. Risk weighted assets excluding currency factors increased by 10% to € 135 billion.

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

| *% change 30 June 2007 v 31 December 2006* | Risk weighted assets *% change* | Loans to customers *% change* | Customer accounts[1] *% change* |
|---|---|---|---|
| AIB Bank Republic of Ireland | 10 | 10 | – |
| Capital Markets | 7[2] | 18 | – |
| AIB Bank UK | 11 | 13 | 15 |
| Poland | 13 | 17 | 5 |
| AIB Group | 10 | 12 | 3 |

[1] *Excludes money market funds.*

[2] *The risk weighted asset growth of 7% is lower than the growth in loans to customers of 18% due to a lower capital requirement relating to trading book risks.*

**Assets under management**

Assets under management in the Group amounted to € 19 billion at 30 June 2007 compared with € 17 billion at 31 December 2006.

**Income tax expense**

The taxation charge was € 239 million compared with € 221 million in the half-year to June 2006. The effective tax rate was 18.1% compared with 18.2% in the half-year to June 2006. The taxation charge excludes taxation on share of results of associated undertakings. Share of results of associated undertakings is reported net of taxation in the Group profit before taxation. The effective tax rate is influenced by the geographic mix of profits, which are taxed at the rates applicable in the jurisdictions in which we operate.

# Commentary on results

***Return on equity 23.8%***

***Continued strong customer demand***

***Outlook - now expect low teen EPS growth in 2007***

**Return on equity and return on assets**

The return on average equity was 23.8% in the half-year to June 2007. The return on average assets was 1.34% in the half-year to June 2007. The return on equity and return on assets included the profit on the development of Bankcentre and from the sale of branches.

**Capital ratios**

A strong capital position was reflected in a Tier 1 ratio at 7.6% and a total capital ratio of 10.4%.

**Recent developments**

On 29 June 2007, AIB entered into an agreement to acquire AmCredit, the mortgage finance business of the Baltic-American Enterprise Fund ("BalAEF"). The business, which has a strong track record in mortgage lending, operates in Latvia, Lithuania and Estonia. It was established in 1997. BalAEF is a Delaware corporation chartered in 1994, pursuant to legislation enacted by the US Congress to promote private sector development in the Baltic States. The International Finance Corporation (the private sector arm of the World Bank Group) has played an important role in its development over the years. AmCredit, which has 13 outlets and 145 staff, will give AIB entry to three high growth markets underpinned by an experienced workforce, robust systems and processes and an established brand.

On 19 July 2007 M&T Bank and Partners Trust Financial Group announced that they have entered into a definitive agreement under which Partners Trust will merge into M&T in a transaction valued at approximately US$ 555 million. M&T has US$ 57.9 billion in assets, while Partners Trust has US$ 3.7 billion in assets. M&T will acquire 33 branch locations in Upstate New York and approximately US$ 2.3 billion in loans from Partners Trust.

**Outlook to December 2007**

Growth continues to be underpinned by strong customer demand that is well spread across all our principal franchises. Productivity is good and asset quality remains robust although the high level of net specific write-backs of provisions in the first half is not expected to recur in the second half of the year. Based on these factors we are now increasing our target for the full year 2007 to low teen percentage growth (previously low double-digit) in adjusted basic earnings per share compared with the 2006 base of EUR 182.8c.

**AIB Bank Republic of Ireland profit of € 534 million was up 18%**

***Strong business momentum, revenue growth of 16%***

***Income/cost gap at +4%***

***Cost income ratio decreases to 48.0%***

**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; Wealth Management and share of Hibernian Life Holdings Limited, AIB's venture with Hibernian Life & Pensions Limited.*

| **AIB Bank Republic of Ireland income statement** | **Half-year June 2007 € m** | Half-year June 2006 € m | *Underlying % change 2007 v 2006* |
|---|---|---|---|
| Net interest income | **868** | 745 | *17* |
| Other income | **238** | 212 | *12* |
| Total operating income | **1,106** | 957 | *16* |
| Personnel expenses | **353** | 317 | *11* |
| General and administrative expenses | **152** | 128 | *19* |
| Depreciation/amortisation | **26** | 28 | *-7* |
| Total operating expenses | **531** | 473 | *12* |
| Operating profit before provisions | **575** | 484 | *19* |
| Provisions for impairment of loans and receivables | **46** | 35 | *31* |
| Provisions for liabilities and commitments | **2** | - | - |
| Total provisions | **48** | 35 | *36* |
| Operating profit | **527** | 449 | *17* |
| Associated undertakings | **7** | 4 | *103* |
| Profit before taxation - continuing operations | **534** | 453 | *18* |

AIB Bank Republic of Ireland reported growth in profit before tax of 18% benefiting from the ongoing business opportunities afforded by a supportive economic environment. Operating income was up 16% and operating expenses were up 12% with the operating income/cost gap at +4%.

The strong profit growth reflects our commitment to developing our business and to competing aggressively to increase and protect market share across the franchise. AIB Bank continues to invest heavily in both front-line and back-office activities, whilst maintaining good operating leverage.

Loans increased by 10% and deposits were flat since 31 December 2006 (up 26% and 12% respectively since 30 June 2006). Loan demand remains good, with growth in business lending particularly strong. AIB also benefited from attractive pricing within our deposit product suite in the post-SSIA savings market.

Operating expenses increased by 12%. The key cost drivers were higher staff numbers reflecting growth in business activity, development of a refined business operating model, annual salary inflation, performance related costs, impact of the career framework pay structure introduced during 2006 and higher advertising spend. The strong operating performance resulted in a further reduction in the cost income ratio from 49.4% to 48.0%.

Asset quality remains strong with the provision charge for the half-year to June 2007 at 0.15% of average loans compared with 0.14% in the half-year to June 2006.

Retail Banking had another strong half-year with strong growth in business and personal lending. There was good growth in the mortgage book, against a backdrop of slowing demand in the mortgage market generally. Deposit income benefited from the higher interest rate environment and our strong market position. Wealth management continues to experience excellent growth. Private Banking is investing heavily in its business and has enjoyed significant growth in its assets under management. Sales of life and pensions through the bank channel has produced Annual Premium Equivalent ("APE") growth of 74% since the half-year to June 2006, whilst our investment in Hibernian Life Holdings has also produced good growth. Profit growth in AIB Card Services was also strong benefiting from buoyant growth in revenue and tight cost control. AIB Finance & Leasing reported good lending growth spread across all key market segments.

**Capital Markets operating profit was up 12%. Profit before taxation of € 333 million was up 3%[1].**

***Strong performance and continued business momentum in Corporate Banking***

***Robust performance in customer treasury business but weaker wholesale trading***

***Exceptional profit growth across key investment banking units***

***Income/cost gap at +4%***

**Capital Markets** *Corporate Banking, Global Treasury, and Investment Banking.*

| **Capital Markets income statement** | **Half-year June 2007 € m** | Half-year June 2006 € m | *Underlying % change 2007 v 2006* |
|---|---|---|---|
| Net interest income | **285** | 239 | *20* |
| Other income | **254** | 227 | *13* |
| Total operating income | **539** | 466 | *17* |
| Personnel expenses | **165** | 140 | *19* |
| General and administrative expenses | **55** | 56 | - |
| Depreciation/amortisation | **7** | 6 | *9* |
| Total operating expenses | **227** | 202 | *13* |
| Operating profit before provisions | **312** | 264 | *19* |
| Provisions for impairment of loans and receivables | **(22)** | (37) | *-41* |
| Provisions for liabilities and commitments | **2** | 3 | *-4* |
| Amounts written off financial investments available for sale | **1** | – | - |
| Total provisions | **(19)** | (34) | *-44* |
| Operating profit | **331** | 298 | *12* |
| Associated undertakings | **–** | 2 | - |
| Profit on disposal of businesses | **2** | 26 | *-93* |
| Profit before taxation | **333** | 326 | *3* |

Capital Markets profit before taxation of € 333 million was up 3%[1]. Operating profit before provisions of € 312 million grew by 19% on the half-year to June 2006, underpinned by continued growth in business volumes, strong customer relationships and the success of new product initiatives in key business areas. Operating profit was ahead by 12% since the half-year to June 2006, impacted by a lower level of credit provision write-backs than the comparative period in 2006.

Corporate Banking continued its strong growth momentum with operating profit before provisions up 24% and profit before taxation up 12%. Key contributors to revenue growth were increased loan volumes in established markets, the introduction of significant new product initiatives in Ireland and overseas, additional income streams from new overseas markets and continued focus on customer relationship management. Corporate Banking continues to align specialist resources in new markets to the skills and experience of other business units in developing new structured product initiatives in line with customer demand. Loans grew by 18% while asset quality and margins continued to be actively managed against a backdrop of maintaining asset quality in an environment of increased competition and market volatility. Credit quality remains strong, reflected in continued write-backs of provisions for impairment of loans and receivables and in line with management's active approach to credit management.

Overall Global Treasury profit before taxation declined by 19% on 2006, positively impacted by robust customer treasury business in Ireland, Britain and Poland, and adversely offset by a weaker performance in wholesale treasury business. Customer treasury income benefited from increased customer numbers and generated strong income growth, particularly from foreign exchange and cash management. The performance of the wholesale treasury investment book was negatively impacted by increasing interest rates.

Investment Banking experienced exceptional growth, with profit before taxation up 48%. Strong growth in the asset management business continued, benefiting from increased volumes of new funds. In Ireland, stockbroking activities, structured product initiatives, corporate advisory services and financial outsourcing activities all contributed strongly to the exceptional level of growth.

Operating expenses increased by 13%, principally impacted by higher performance related costs, while the cost income ratio improved from 43.5% in 2006 to 42.2%. General and administrative costs were held at 2006 levels, reflecting management's continued focus on cost containment.

*[1] The half-year to June 2006 included € 26 million profit on disposal of business arising from the transfer by Ark Life of the management of certain investment contracts to Aviva, as part of the Ark Life disposal.*

**AIB Bank UK division profit was up 19% to € 223 million**

***Well managed growth in profit before taxation of 19%***

***Income/cost gap at +5%***

***Cost income ratio improves by 2.3% to 45.0%***

**AIB Bank UK** *Retail and commercial banking operations in Great Britain and Northern Ireland.*

| **AIB Bank UK income statement** | **Half-year June 2007 € m** | Half-year June 2006 € m | *Underlying % change 2007 v 2006* |
|---|---|---|---|
| Net interest income | **339** | 287 | *16* |
| Other income | **78** | 75 | *1* |
| Total operating income | **417** | 362 | *13* |
| Personnel expenses | **129** | 118 | *7* |
| General and administrative expenses | **53** | 48 | *9* |
| Depreciation/amortisation | **5** | 5 | *9* |
| Total operating expenses | **187** | 171 | *8* |
| Operating profit before provisions | **230** | 191 | *18* |
| Provisions for impairment of loans and receivables | **7** | 7 | *-16* |
| Provisions for liabilities and commitments | **-** | - | - |
| Amounts written off financial investments available for sale | **-** | - | - |
| Total provisions | **7** | 7 | *-16* |
| Operating profit | **223** | 184 | *19* |
| Profit on disposal of property | **-** | - | - |
| Profit before taxation | **223** | 184 | *19* |

AIB Bank UK reported strong business performance in the first half of 2007 with profit before taxation increasing by 19%, driven by well managed growth of loans and deposits. These increased by 13% and 15% respectively since 31 December 2006 (23% and 24% respectively since 30 June 2006), driving an increase of 16% in net interest income, with customer deposits continuing to grow strongly across both personal and business current accounts. Other income grew by 1%. The cost income ratio improved significantly from 47.3% to 45.0%, reflecting a balanced performance between strong revenue growth and controlled cost growth in an environment of increasing inflation. The provision charge decreased when compared against 2006, with the charge representing 0.06% of average loans, reflecting good credit quality within the lending portfolio.

Allied Irish Bank (GB), which focuses on business banking, reported strong profit growth of 17% to € 122 million in the first half of 2007. This was primarily driven by strong growth in net interest income and in particular growth in deposit volumes. Loans and deposits increased by 10% and 18% since 31 December 2006 (17% and 29% respectively since 30 June 2006). Costs increased by 9%, reflecting a combination of increasing investment in front line staff and the development of our operating systems, with the cost income ratio improving from 46.0% to 44.2%.

In Northern Ireland, First Trust Bank increased profit before tax to € 101 million representing 21% growth on the same period last year. Loans and deposits increased by 17% and 10% respectively since 31 December 2006 (32% and 17% respectively since 30 June 2006), with strong growth in business lending activity combined with significant growth in business and personal deposits. Costs increased by 6% reflecting the impact of increased investment in the development of our operating systems, with the cost income ratio improving significantly from 48.7% to 46.0%. First Trust Bank also launched a new personal current account " The Plus account", which can offer customers both credit interest and the opportunity of transaction free banking, which will strengthen the current account proposition in our target markets.

**Poland division profit was € 155 million, up 35% on the half-year to June 2006**

***Continued significant profit growth***

***Very strong demand for credit***

***Growth in mutual funds balances and income***

***Income/cost gap +5%***

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

| **Poland income statement** | **Half-year June 2007 € m** | Half-year June 2006 € m | *Underlying % change 2007 v 2006* |
|---|---|---|---|
| Net interest income | **139** | 112 | *22* |
| Other income | **192** | 160 | *19* |
| Total operating income | **331** | 272 | *20* |
| Personnel expenses | **101** | 79 | *25* |
| General and administrative expenses | **64** | 55 | *15* |
| Depreciation/amortisation | **17** | 22 | *-22* |
| Total operating expenses | **182** | 156 | *15* |
| Operating profit before provisions | **149** | 116 | *26* |
| Provisions for impairment of loans and receivables | **(6)** | 7 | - |
| Provisions for liabilities and commitments | **-** | (3) | - |
| Total provisions | **(6)** | 4 | - |
| Operating profit | **155** | 112 | *37* |
| Associated undertakings | **-** | 2 | - |
| Profit before taxation | **155** | 114 | *35* |

AIB Poland Division had an excellent performance in the first half-year with profit before taxation increasing by 35%. This reflects the strong growth momentum, increased business activity and diversification of income streams now evident in the division.

Total operating income increased by 20% with net interest income up by 22%. Demand for credit has been very strong with total loans increasing by 17% from 31 December 2006 (34% since 30 June 2006). Business lending growth of 16% since 31 December 2006 (30% since 30 June 2006) continues to be ahead of the market, while personal lending at 18% since 31 December 2006 (36% since 30 June 2006) continues to grow substantially. Mortgage demand in the market remains strong with the majority of the business being foreign exchange denominated facilities, a product sector in which BZWBK does not actively participate. Against this background, mortgage lending grew by a very satisfactory 16% since 31 December 2006 (33% since 30 June 2006). Customer deposits increased by 5% since 31 December 2006 (18% since 30 June 2006), with growth primarily in current accounts and in the business sector.

Other income increased by 19%. Success continued in the mutual funds business, where balances increased by 30% since 31 December 2006 (77% since 30 June 2006) in a more dynamic and competitive market. Asset management income increased by 69% supported primarily by management fees. The brokerage business continued to record increased turnover and related income, helped by the strong performance of the Warsaw Stock Exchange in the first half-year. Business momentum continued to increase income from foreign exchange, debit cards, dividends and fees, which together now comprise approximately 60% of other income.

Operating expenses increased by 15% reflecting increased business opportunity and the roll out of the expansion of the branch network. The staff costs increase was driven by increased employment levels, higher basic salaries and enhanced performance related pay. General and administrative expenses increased mainly due to increased IT maintenance and marketing expenditure.

Impaired loans as a percentage of total loans continued to decline with the ratio at 3.9% at 30 June 2007 compared with 4.9% at 31 December 2006. Exceptional recoveries, in a benign environment have led to overall net provision write-backs in the period. The credit provision write-back as a percentage of average loans was 0.24%, compared with a charge of 0.31% in the half-year to June 2006.

## 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 central services, the contribution from AIB's share of approximately 24.5% in M&T Bank Corporation ('M&T') and profit on disposal of property.*

| Group income statement | **Half-year June 2007 € m** | Half-year June 2006 € m |
|---|---|---|
| Net interest income | **36** | 46 |
| Other income/(loss) | **(12)** | (27) |
| Total operating income | **24** | 19 |
| Personnel expenses | **51** | 45 |
| General and administrative expenses | **44** | 32 |
| Depreciation/amortisation | **15** | 9 |
| Total operating expenses | **110** | 86 |
| Operating loss | **(86)** | (67) |
| Associated undertaking - M&T | **74** | 80 |
| Profit on disposal of property | **41** | 90 |
| Construction contract income | **44** | 34 |
| Profit before taxation | **73** | 137 |

Group reported profit before taxation of € 73 million for the half-year to June 2007 compared with a profit of € 137 million in the half-year to June 2006. The profit reported includes profit on disposal of property and construction contract income of € 85 million compared with € 124 million from these activities in 2006.

Total income increased from € 19 million in the half-year to 30 June 2006 to € 24 million in the half-year to 30 June 2007. Other income/(loss) includes hedging profits in relation to foreign currency translation hedging (€ 2 million in the half-year to June 2007 compared with € 17 million in the half-year to June 2006) and interest rate hedge volatility[1] (a decrease in other income of € 25 million in the half-year to June 2007 compared with a decrease of € 19 million in 2006).

Total operating expenses were higher due to increased compliance related spend, mainly on the preparation of AIB's Basel II application to the Financial Regulator and investment in systems and infrastructure to sustain the long-term development of the business in line with our single enterprise agenda. Performance related costs were higher in line with strong profit growth.

AIB's share of M&T after-tax profit in the half-year to June 2007 amounted to € 74 million. On a local currency basis M&T's contribution of US$ 99 million was up 1% relative to the half-year to June 2006 contribution of US$ 98 million. M&T reported its half-year results on 12 July 2007, showing net income (profit after tax) down 6% to US$ 390 million. US GAAP-basis diluted earnings per share was down 4% to US$ 3.51 from US$ 3.64 in the half-year to June 2006. Diluted net operating earnings per share, which excludes the amortisation of core deposit and other intangible assets and banking office acquisition-related expenses, was US$ 3.70, down 2% from US$ 3.79 in the half-year to June 2006.

Profit on disposal of property reflects profit on the sale of 16 branches in the Republic of Ireland (€ 41 million before tax, € 35 million after tax). Construction contract income of € 44 million (€ 38 million after tax) reflects the profit earned from the new development at Bankcentre, based on the stage of completion.

[1] *Hedging ineffectiveness and derivative volatility.*

# Basis of preparation

**Accounting policies**

There have been no significant changes to the accounting policies described on pages 47 to 61 in the 2006 annual report.

**Change in pension scheme assumptions**

As described on page 50 of the 2006 annual report, pension scheme liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. The discount rates used in the preparation of the accounts as at 30 June 2007 were 5.3% for the Irish scheme (31 December 2006: 4.7%) and 5.5% for the UK scheme (31 December 2006: 5.0%). The change in the discount rates, together with actuarial gains on assets, gave rise to an actuarial gain of € 565 million, net of tax, in the current period.

**Prospective accounting changes**

The prospective accounting changes setting out accounting standards/amendments that apply with effect from 1 January 2007 to companies that report under IFRS, and their expected impact on the Group, are set out on page 62 of the 2006 annual report. These are updated below for recent developments.

IFRIC 10 - Interim Financial Reporting and Impairment. This interpretation, which was endorsed by the EU on 1 June 2007, clarifies that any impairment losses on goodwill and equity instruments in an interim period may not be reversed in subsequent interim periods. This IFRIC does not have a material impact on the Group.

The following accounting developments will impact companies that report under IFRS in future periods:-

IFRIC 11 - Group and Treasury Share Transactions (effective 1 January 2008). This interpretation deals with accounting for share based payments at subsidiary level hence it will not have an impact on AIB's consolidated accounts.

The EU Transparency Directive was transposed into Irish law on 13 June 2007 and will impact AIB's external reporting from 1 January 2008. The Directive seeks to enhance transparency in EU capital markets in order to improve investor protection and market efficiency. The Directive sets out publication deadlines and content requirements in relation to annual financial reports and half yearly financial reports.

The IASB announced on 1 July 2006 that it will not require the application of new IFRSs under development or major amendments to existing IFRSs before 1 January 2009. Delaying implementation of new standards until 2009 provides four years of stability in the IFRS platform of standards for those companies that adopted IFRSs in 2005. Companies will however, be permitted to adopt a new standard on a voluntary basis before its effective date. Interpretations and minor amendments to correct problems identified in practice are not subject to this 2009 delay.

| | | | | | | Half-year 30 June 2007 |
|---|---|---|---|---|---|---|
| **1 Segmental information** | **AIB Bank ROI € m** | **Capital Markets € m** | **AIB Bank UK € m** | **Poland € m** | **Group € m** | **Total € m** |
| **Operations by business segments**[1] | | | | | | |
| Net interest income | 868 | 285 | 339 | 139 | 36 | 1,667 |
| Other income | 238 | 254 | 78 | 192 | (12) | 750 |
| Total operating income | 1,106 | 539 | 417 | 331 | 24 | 2,417 |
| Administrative expenses | 505 | 220 | 182 | 165 | 95 | 1,167 |
| Amortisation/impairment of intangible assets | 9 | 3 | – | 9 | 7 | 28 |
| Depreciation of property, plant and equipment | 17 | 4 | 5 | 8 | 8 | 42 |
| Total operating expenses | 531 | 227 | 187 | 182 | 110 | 1,237 |
| **Operating profit/(loss) before provisions** | 575 | 312 | 230 | 149 | (86) | 1,180 |
| Provisions for impairment of loans and receivables | 46 | (22) | 7 | (6) | – | 25 |
| Provisions for liabilities and commitments | 2 | 2 | – | – | – | 4 |
| Amounts (written back)/written off financial investments available for sale | – | 1 | – | – | – | 1 |
| **Operating profit/(loss)** | 527 | 331 | 223 | 155 | (86) | 1,150 |
| Associated undertakings | 7 | – | – | – | 74 | 81 |
| Profit on disposal of property | – | – | – | – | 41 | 41 |
| Construction contract income | – | – | – | – | 44 | 44 |
| Profit on disposal of businesses | – | 2 | – | – | – | 2 |
| **Profit before taxation – continuing operations** | 534 | 333 | 223 | 155 | 73 | 1,318 |
| **Balance sheet** | | | | | | |
| Loans and receivables to customers | 66,160 | 24,206 | 24,269 | 5,457 | 125 | 120,217 |
| Total assets | 72,322 | 61,977 | 27,963 | 8,279 | 6,675 | 177,216 |
| Customer accounts | 40,680 | 16,279 | 15,466 | 6,598 | – | 79,023 |
| Total liabilities[2] | 48,224 | 83,573 | 16,563 | 7,565 | 10,597 | 166,522 |
| Total risk weighted assets | 58,592 | 42,248 | 24,720 | 6,527 | 3,209 | 135,296 |
| Ordinary shareholders' equity[2] | 3,849 | 2,776 | 1,624 | 429 | 211 | 8,889 |
| Capital expenditure | 40 | 13 | 4 | 8 | 27 | 92 |

| 1 Segmental information *(continued)* | AIB Bank ROI € m | Capital Markets € m | AIB Bank UK € m | Poland € m | Group € m | Total € m |
|---|---|---|---|---|---|---|
| | | | | | | Half-year 30 June 2006 |
| **Operations by business segments**[1] | | | | | | |
| Net interest income | 745 | 239 | 287 | 112 | 46 | 1,429 |
| Other income | 212 | 227 | 75 | 160 | (27) | 647 |
| Total operating income | 957 | 466 | 362 | 272 | 19 | 2,076 |
| Administrative expenses | 445 | 196 | 166 | 134 | 77 | 1,018 |
| Amortisation/impairment of intangible assets | 9 | 2 | – | 11 | 5 | 27 |
| Depreciation of property, plant and equipment | 19 | 4 | 5 | 11 | 4 | 43 |
| Total operating expenses | 473 | 202 | 171 | 156 | 86 | 1,088 |
| **Operating profit/(loss) before provisions** | 484 | 264 | 191 | 116 | (67) | 988 |
| Provisions for impairment of loans and receivables | 35 | (37) | 7 | 7 | – | 12 |
| Provisions for liabilities and commitments | – | 3 | – | (3) | – | – |
| Amounts (written back)/written off financial investments available for sale | – | – | – | – | – | – |
| **Operating profit/(loss)** | 449 | 298 | 184 | 112 | (67) | 976 |
| Associated undertakings | 4 | 2 | – | 2 | 80 | 88 |
| Profit on disposal of property | – | – | – | – | 90 | 90 |
| Construction contract income | – | – | – | – | 34 | 34 |
| Profit on disposal of businesses | – | 26 | – | – | – | 26 |
| **Profit before taxation – continuing operations** | 453 | 326 | 184 | 114 | 137 | 1,214 |
| **Discontinued operation – net of taxation** | 132 | – | – | – | – | 132 |
| **Balance sheet** | | | | | | |
| Loans and receivables to customers | 52,691 | 19,830 | 19,234 | 3,804 | 103 | 95,662 |
| Total assets | 58,261 | 50,134 | 21,851 | 7,702 | 6,125 | 144,073 |
| Customer accounts | 36,264 | 12,919 | 12,163 | 5,218 | – | 66,564 |
| Total liabilities[2] | 40,350 | 65,269 | 13,056 | 6,790 | 9,462 | 134,927 |
| Total risk weighted assets | 45,997 | 39,106 | 19,874 | 4,478 | 1,612 | 111,067 |
| Ordinary shareholders' equity[2] | 3,070 | 2,610 | 1,326 | 299 | 108 | 7,413 |
| Capital expenditure | 48 | 14 | 6 | 5 | 21 | 94 |

| 1 Segmental information *(continued)* | AIB Bank ROI € m | Capital Markets € m | AIB Bank UK € m | Poland € m | Group € m | Total € m |
|---|---|---|---|---|---|---|
| | | | | | | Year 31 December 2006 |
| **Operations by business segments**[1] | | | | | | |
| Net interest income | 1,581 | 490 | 593 | 236 | 99 | 2,999 |
| Other income | 434 | 464 | 154 | 302 | (27) | 1,327 |
| Total operating income | 2,015 | 954 | 747 | 538 | 72 | 4,326 |
| Administrative expenses | 945 | 425 | 332 | 290 | 182 | 2,174 |
| Amortisation/impairment of intangible assets | 17 | 4 | – | 21 | 11 | 53 |
| Depreciation of property, plant and equipment | 38 | 9 | 11 | 19 | 10 | 87 |
| Total operating expenses | 1,000 | 438 | 343 | 330 | 203 | 2,314 |
| **Operating profit/(loss) before provisions** | 1,015 | 516 | 404 | 208 | (131) | 2,012 |
| Provisions for impairment of loans and receivables | 78 | 5 | 26 | 9 | – | 118 |
| Provisions for liabilities and commitments | (4) | 1 | – | (2) | (10) | (15) |
| Amounts (written back)/written off financial investments available for sale | (1) | 2 | – | – | – | 1 |
| **Operating profit/(loss)** | 942 | 508 | 378 | 201 | (121) | 1,908 |
| Associated undertakings | 18 | 2 | – | 6 | 141 | 167 |
| Profit on disposal of property | 6 | – | 1 | – | 358 | 365 |
| Construction contract income | – | – | – | – | 96 | 96 |
| Profit on disposal of businesses | – | 79 | – | – | – | 79 |
| **Profit before taxation – continuing operations** | 966 | 589 | 379 | 207 | 474 | 2,615 |
| **Discontinued operation – net of taxation** | 116 | – | – | – | – | 116 |
| **Balance sheet** | | | | | | |
| Loans and receivables to customers | 60,018 | 20,808 | 21,606 | 4,573 | 110 | 107,115 |
| Total assets | 66,200 | 54,093 | 24,580 | 7,195 | 6,458 | 158,526 |
| Customer accounts | 40,841 | 14,285 | 13,546 | 6,203 | – | 74,875 |
| Total liabilities[2] | 46,253 | 71,666 | 14,555 | 6,939 | 9,201 | 148,614 |
| Total risk weighted assets | 53,307 | 39,764 | 22,334 | 5,698 | 1,931 | 123,034 |
| Ordinary shareholders' equity[2] | 3,513 | 2,620 | 1,472 | 376 | 127 | 8,108 |
| Capital expenditure | 104 | 24 | 15 | 24 | 64 | 231 |

| 1 Segmental information *(continued)* | Republic of Ireland € m | United Kingdom € m | Poland € m | United States of America € m | Rest of the world € m | Total € m |
|---|---|---|---|---|---|---|
| | | | | | | Half-year 30 June 2007 |
| **Operations by geographical segments**[3] | | | | | | |
| Net interest income | **1,037** | **440** | **155** | **27** | **8** | **1,667** |
| Other income | **461** | **38** | **217** | **28** | **6** | **750** |
| Total operating income | **1,498** | **478** | **372** | **55** | **14** | **2,417** |
| Administrative expenses | **752** | **223** | **167** | **19** | **6** | **1,167** |
| Amortisation/impairment of intangible assets | **18** | **–** | **10** | **–** | **–** | **28** |
| Depreciation of property, plant and equipment | **28** | **6** | **8** | **–** | **–** | **42** |
| Total operating expenses | **798** | **229** | **185** | **19** | **6** | **1,237** |
| **Operating profit before provisions** | **700** | **249** | **187** | **36** | **8** | **1,180** |
| Provisions for impairment of loans and receivables | **47** | **(16)** | **(6)** | **–** | **–** | **25** |
| Provisions for liabilities and commitments | **6** | **(2)** | **–** | **–** | **–** | **4** |
| Amounts written off financial investments available for sale | **1** | **–** | **–** | **–** | **–** | **1** |
| **Operating profit** | **646** | **267** | **193** | **36** | **8** | **1,150** |
| Associated undertakings | **7** | **–** | **–** | **74** | **–** | **81** |
| Profit on disposal of property | **41** | **–** | **–** | **–** | **–** | **41** |
| Construction contract income | **44** | **–** | **–** | **–** | **–** | **44** |
| Profit on disposal of businesses | **–** | **2** | **–** | **–** | **–** | **2** |
| **Profit before taxation – continuing operations** | **738** | **269** | **193** | **110** | **8** | **1,318** |
| **Balance sheet** | | | | | | |
| Loans and receivables to customers | **80,350** | **31,255** | **5,457** | **2,433** | **722** | **120,217** |
| Total assets | **124,227** | **37,052** | **9,771** | **5,404** | **762** | **177,216** |
| Customer accounts | **48,331** | **22,736** | **6,612** | **1,344** | **–** | **79,023** |
| Total liabilities[2] | **119,170** | **34,503** | **8,363** | **4,388** | **98** | **166,522** |
| Ordinary shareholders' equity[2] | **5,576** | **2,241** | **505** | **515** | **52** | **8,889** |
| Capital expenditure | **77** | **5** | **8** | **–** | **2** | **92** |

| 1 Segmental information *(continued)* | Republic of Ireland € m | United Kingdom € m | Poland € m | United States of America € m | Rest of the world € m | Total € m |
|---|---|---|---|---|---|---|
| | | | | | | Half-year 30 June 2006 |
| **Operations by geographical segments**[3] | | | | | | |
| Net interest income | 891 | 381 | 126 | 26 | 5 | 1,429 |
| Other income | 310 | 113 | 188 | 31 | 5 | 647 |
| Total operating income | 1,201 | 494 | 314 | 57 | 10 | 2,076 |
| Administrative expenses | 642 | 213 | 137 | 21 | 5 | 1,018 |
| Amortisation/impairment of intangible assets | 15 | 1 | 11 | – | – | 27 |
| Depreciation of property, plant and equipment | 25 | 6 | 12 | – | – | 43 |
| Total operating expenses | 682 | 220 | 160 | 21 | 5 | 1,088 |
| **Operating profit before provisions** | 519 | 274 | 154 | 36 | 5 | 988 |
| Provisions for impairment of loans and receivables | 28 | (19) | 4 | (1) | – | 12 |
| Provisions for liabilities and commitments | – | – | – | – | – | – |
| Amounts written off financial investments available for sale | – | – | – | – | – | – |
| **Operating profit** | 491 | 293 | 150 | 37 | 5 | 976 |
| Associated undertakings | 6 | – | 2 | 80 | – | 88 |
| Profit on disposal of property | 90 | – | – | – | – | 90 |
| Construction contract income | 34 | – | – | – | – | 34 |
| Profit on disposal of businesses | 26 | – | – | – | – | 26 |
| **Profit before taxation – continuing operations** | 647 | 293 | 152 | 117 | 5 | 1,214 |
| **Discontinued operation – net of taxation** | 132 | – | – | – | – | 132 |
| **Balance sheet** | | | | | | |
| Loans and receivables to customers | 63,329 | 25,538 | 3,804 | 2,557 | 434 | 95,662 |
| Total assets | 99,707 | 30,907 | 7,721 | 5,299 | 439 | 144,073 |
| Customer accounts | 43,091 | 16,879 | 5,218 | 1,372 | 4 | 66,564 |
| Total liabilities[2] | 97,003 | 26,369 | 6,798 | 4,741 | 16 | 134,927 |
| Ordinary shareholders' equity[2] | 4,593 | 1,909 | 338 | 538 | 35 | 7,413 |
| Capital expenditure | 82 | 6 | 5 | 1 | – | 94 |

| 1 Segmental information *(continued)* | Republic of Ireland € m | United Kingdom € m | Poland € m | United States of America € m | Rest of the world € m | Total € m |
|---|---|---|---|---|---|---|
| | | | | | | Year 31 December 2006 |
| **Operations by geographical segments**[3] | | | | | | |
| Net interest income | 1,899 | 769 | 264 | 54 | 13 | 2,999 |
| Other income | 665 | 240 | 351 | 61 | 10 | 1,327 |
| Total operating income | 2,564 | 1,009 | 615 | 115 | 23 | 4,326 |
| Administrative expenses | 1,401 | 425 | 297 | 42 | 9 | 2,174 |
| Amortisation/impairment of intangible assets | 32 | 1 | 20 | – | – | 53 |
| Depreciation of property, plant and equipment | 54 | 12 | 20 | 1 | – | 87 |
| Total operating expenses | 1,487 | 438 | 337 | 43 | 9 | 2,314 |
| **Operating profit before provisions** | 1,077 | 571 | 278 | 72 | 14 | 2,012 |
| Provisions for impairment of loans and receivables | 70 | 41 | 9 | – | (2) | 118 |
| Provisions for liabilities and commitments | (14) | 1 | (2) | – | – | (15) |
| Amounts written off financial investments available for sale | 1 | – | – | – | – | 1 |
| **Operating profit** | 1,020 | 529 | 271 | 72 | 16 | 1,908 |
| Associated undertakings | 20 | – | 6 | 141 | – | 167 |
| Profit on disposal of property | 364 | 1 | – | – | – | 365 |
| Construction contract income | 96 | – | – | – | – | 96 |
| Profit on disposal of businesses | 77 | 1 | – | 1 | – | 79 |
| **Profit before taxation – continuing operations** | 1,577 | 531 | 277 | 214 | 16 | 2,615 |
| **Discontinued operation – net of taxation** | 116 | – | – | – | – | 116 |
| **Balance sheet** | | | | | | |
| Loans and receivables to customers | 70,886 | 28,546 | 4,578 | 2,454 | 651 | 107,115 |
| Total assets | 109,272 | 33,908 | 9,109 | 5,578 | 659 | 158,526 |
| Customer accounts | 47,559 | 20,072 | 6,214 | 1,026 | 4 | 74,875 |
| Total liabilities[2] | 104,609 | 31,932 | 7,812 | 4,202 | 59 | 148,614 |
| Ordinary shareholders' equity[2] | 5,164 | 2,022 | 398 | 478 | 46 | 8,108 |
| Capital expenditure | 192 | 15 | 24 | – | – | 231 |

(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 ordinary shareholders' equity or liabilities.

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

| 2 Interest and similar income | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Interest on loans and receivables to banks | **243** | 140 | 307 |
| Interest on loans and receivables to customers | **3,449** | 2,460 | 5,444 |
| Interest on trading portfolio financial assets | **180** | 181 | 380 |
| Interest on financial investments available for sale | **482** | 349 | 797 |
| | **4,354** | 3,130 | 6,928 |

| 3 Interest expense and similar charges | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Interest on deposits by banks | **741** | 495 | 1,163 |
| Interest on customer accounts | **1,082** | 692 | 1,597 |
| Interest on debt securities in issue | **739** | 424 | 955 |
| Interest on subordinated liabilities and other capital instruments | **125** | 90 | 214 |
| | **2,687** | 1,701 | 3,929 |

**4 Dividend income**

The dividend income relates to income from equity shares held as financial investments available for sale.

| 5 Net trading income | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Foreign exchange contracts | **37** | 61 | 101 |
| Profits less losses from trading portfolio financial assets | **40** | (4) | 60 |
| Interest rate contracts | **(11)** | 18 | 4 |
| Equity index contracts | **9** | 4 | 8 |
| | **75** | 79 | 173 |

| 6 Other operating income | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Profit/(loss) on disposal of available for sale debt securities | **3** | 1 | (4) |
| Profit on disposal of available for sale equity shares | **1** | 7 | 15 |
| Miscellaneous operating income | **30** | 19 | 46 |
| | **34** | 27 | 57 |

| 7 Administrative expenses | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Personnel expenses | | | |
| Wages & salaries | **579** | 501 | 1,074 |
| Share-based payment schemes | **27** | 23 | 57 |
| Retirement benefits | **81** | 77 | 144 |
| Social security costs | **71** | 60 | 119 |
| Other personnel expenses | **41** | 38 | 108 |
| | **799** | 699 | 1,502 |
| General and administrative expenses | **368** | 319 | 672 |
| | **1,167** | 1,018 | 2,174 |

**8 Profit on disposal of property**

2007

The sale of 16 branches as part of the sale and leaseback programme announced in 2006 gave rise to a profit on disposal of € 41m. The leases qualify as operating leases and the profit arising on these transactions is included in profit on disposal of property.

2006

The following table sets out the profit recognised on the sale of properties in 2006:

| | Profit recognised € m |
|---|---|
| Bankcentre Headquarters Building - Blocks A to D | 167 |
| Bankcentre Headquarters Building - Blocks E to H | 89 |
| Donnybrook House | 29 |
| 11 Branches | 73 |
| | 358 |

Blocks E to H of the Bankcentre Headquarters Building were disposed of in the first half of the year while the remaining disposals took place in the second half of the year. The profit on sale of additional properties which are not part of the sale and leaseback programme amounted to € 1m and € 7m respectively for the half year ended 30 June 2006 and year ended 31 December 2006.

| 9 Construction contract income | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Construction revenue | **82** | 62 | 171 |
| Construction expense | **(38)** | (28) | (75) |
| | **44** | 34 | 96 |

In 2005, AIB sold land at its Bankcentre headquarters to a syndicate of investors, the Serpentine Consortium. The consortium has outsourced the construction of a new development on the above land to Blogram Limited, a subsidiary of Allied Irish Banks, p.l.c. on a fixed price contract basis. The total consideration amounts to € 367.8m of which € 55.0m has been received. At 30 June 2007, € 278.2m was due from the consortium in respect of construction contracts in progress. This contract is due for completion in the last quarter of 2007.

Dohcar Limited, a subsidiary of Allied Irish Banks, p.l.c., has contracted with the Serpentine Consortium to lease the property on completion at an initial rent of € 16.1m per annum for a period of 30 years with a break clause at year 23. The nature of this transaction, which includes the sale of land, an agreement to construct a building and an agreement to lease the building represents a linked transaction and meets the definition under IFRS of a sale and leaseback. Because the significant income from the transaction arises from the construction contracts, the income is recognised in accordance with IAS 11, 'Construction Contracts'.

**10 Profit on disposal of businesses**

*2007*

The profit on disposal of business in 2007 of € 2m (tax charge of € 0.6m) relates to the final payment arising from the sale of the Govett business in 2003.

*2006*

The profit on disposal of businesses in 2006 of € 79m includes profit relating to the transfer by Ark Life of investment management contracts in conjunction with the sale of Ark Life of € 26m (tax charge € nil); AIB's 50% stake in AIB/BNY Securities Services (Ireland) Ltd of € 51m (tax charge € nil); Ketchum Canada Inc. of € 1m (tax charge € nil), and the accrual of € 1m (tax charge € 0.3m) arising from the sale of the Govett business in 2003. Of the above profits, € 26m regarding the sale of Ark Life occurred in the first half of the year, while the remaining profits occurred in the second half of the year.

| **11 Income tax expense - continuing operations** | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Allied Irish Banks, p.l.c. and subsidiaries | | | |
| Corporation tax in Republic of Ireland | | | |
| Current tax on income for the period | **92** | 120 | 252 |
| Adjustments in respect of prior periods | **(3)** | – | 3 |
| | **89** | 120 | 255 |
| Double taxation relief | **(16)** | (14) | (23) |
| | **73** | 106 | 232 |
| Foreign tax | | | |
| Current tax on income for the period | **136** | 139 | 220 |
| Adjustments in respect of prior periods | **1** | (6) | (14) |
| | **137** | 133 | 206 |
| | **210** | 239 | 438 |
| Deferred taxation | | | |
| Origination and reversal of temporary differences | **28** | (18) | (5) |
| Other | **1** | – | – |
| | **29** | (18) | (5) |
| Total income tax expense - continuing operations | **239** | 221 | 433 |
| Effective income tax rate – continuing operations | **18.1%** | 18.2% | 16.6% |

| 12 Earnings per € 0.32 ordinary share | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| **(a) Basic** | | | |
| Profit attributable to equity holders of the parent | **1,041** | 1,089 | 2,185 |
| Distributions to other equity holders | **(38)** | (38) | (38) |
| Profit attributable to ordinary shareholders | **1,003** | 1,051 | 2,147 |
| Weighted average number of shares in issue during the period | **874.5m** | 868.0m | 870.1m |
| Earnings per share - basic | **EUR 114.7c** | EUR 121.2c | EUR 246.8c |

| (b) Diluted | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Profit attributable to ordinary shareholders *(note 12(a))* | **1,003** | 1,051 | 2,147 |
| Dilutive impact of potential ordinary shares in subsidiary and associated companies | **-** | (1) | (2) |
| Adjusted profit attributable to ordinary shareholders | **1,003** | 1,050 | 2,145 |
| | | | *Number of shares (millions)* |
| Weighted average number of shares in issue during the period | **874.5** | 868.0 | 870.1 |
| Dilutive effect of options outstanding | **6.5** | 6.6 | 7.0 |
| Potential weighted average number of shares | **881.0** | 874.6 | 877.1 |
| Earnings per share - diluted | **EUR 113.8c** | EUR 120.1c | EUR 244.6c |

| (c) Continuing operations - basic | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Profit attributable to ordinary shareholders *(note 12(a))* | **1,003** | 1,051 | 2,147 |
| Discontinued operations | **-** | 132 | 116 |
| Profit attributable to ordinary shareholders - continuing operations | **1,003** | 919 | 2,031 |
| Weighted average number of shares in issue during the period | **874.5m** | 868.0m | 870.1m |
| Earnings per share - basic | **EUR 114.7c** | EUR 105.9c | EUR 233.5c |

| (d) Continuing operations - diluted | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Profit attributable to ordinary shareholders - continuing operations *(note 12(c))* | **1,003** | 919 | 2,031 |
| Dilutive impact of potential ordinary shares in subsidiary and associated companies | **-** | (1) | (2) |
| Adjusted profit attributable to ordinary shareholders - continuing operations | **1,003** | 918 | 2,029 |
| | | | *Number of shares (millions)* |
| Weighted average number of shares in issue during the period | **874.5** | 868.0 | 870.1 |
| Dilutive effect of options outstanding | **6.5** | 6.6 | 7.0 |
| Potential weighted average number of shares | **881.0** | 874.6 | 877.1 |
| Earnings per share - diluted | **EUR 113.8c** | EUR 105.0c | EUR 231.4c |

| 13 Adjusted earnings per share | **Profit attributable** **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m | **Earnings per share** **Half-year 30 June 2007 cent** | Half-year 30 June 2006 cent | Year 31 December 2006 cent |
|---|---|---|---|---|---|---|
| **(a) Basic earnings per share** | | | | | | |
| As reported *(note 12(a))* | **1,003** | 1,051 | 2,147 | **114.7** | 121.2 | 246.8 |
| Adjustments: | | | | | | |
| Construction contract income | **(38)** | (29) | (82) | **(4.3)** | (3.4) | (9.4) |
| Hedge volatility[(1)] | **21** | 15 | 4 | **2.4** | 1.7 | 0.5 |
| Profit on disposal of property | **(35)** | (66) | (290) | **(4.0)** | (7.6) | (33.4) |
| Profit on disposal of businesses* | **-** | (154) | (189) | **-** | (17.7) | (21.7) |
| | **951** | 817 | 1,590 | **108.8** | 94.2 | 182.8 |

| | **Profit attributable** **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m | **Earnings per share** **Half-year 30 June 2007 cent** | Half-year 30 June 2006 cent | Year 31 December 2006 cent |
|---|---|---|---|---|---|---|
| **Diluted earnings per share** | | | | | | |
| As reported *(note 12(b))* | **1,003** | 1,050 | 2,145 | **113.8** | 120.1 | 244.6 |
| Adjustments: | | | | | | |
| Construction contract income | **(38)** | (29) | (82) | **(4.3)** | (3.3) | (9.3) |
| Hedge volatility[(1)] | **21** | 15 | 4 | **2.4** | 1.7 | 0.5 |
| Profit on disposal of property | **(35)** | (66) | (290) | **(4.0)** | (7.6) | (33.2) |
| Profit on disposal of businesses* | **-** | (154) | (189) | **-** | (17.6) | (21.5) |
| | **951** | 816 | 1,588 | **107.9** | 93.3 | 181.1 |

* *The 30 June 2006 and 31 December 2006 figures included € 128m and € 112m respectively in relation to Ark Life which is included within discontinued activities.*

| | **Profit attributable** **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m | **Earnings per share** **Half-year 30 June 2007 cent** | Half-year 30 June 2006 cent | Year 31 December 2006 cent |
|---|---|---|---|---|---|---|
| **(b) Basic earnings per share – continuing operations** | | | | | | |
| As reported *(note 12(c))* | **1,003** | 919 | 2,031 | **114.7** | 105.9 | 233.5 |
| Adjustments: | | | | | | |
| Construction contract income | **(38)** | (29) | (82) | **(4.3)** | (3.4) | (9.4) |
| Hedge volatility[(1)] | **21** | 15 | 4 | **2.4** | 1.7 | 0.5 |
| Profit on disposal of property | **(35)** | (66) | (290) | **(4.0)** | (7.6) | (33.4) |
| Profit on disposal of businesses | **-** | (26) | (77) | **-** | (2.9) | (8.8) |
| | **951** | 813 | 1,586 | **108.8** | 93.7 | 182.4 |

| | **Profit attributable** **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m | **Earnings per share** **Half-year 30 June 2007 cent** | Half-year 30 June 2006 cent | Year 31 December 2006 cent |
|---|---|---|---|---|---|---|
| **Diluted earnings per share – continuing operations** | | | | | | |
| As reported *(note 12(d))* | **1,003** | 918 | 2,029 | **113.8** | 105.0 | 231.4 |
| Adjustments: | | | | | | |
| Construction contract income | **(38)** | (29) | (82) | **(4.3)** | (3.3) | (9.3) |
| Hedge volatility[(1)] | **21** | 15 | 4 | **2.4** | 1.7 | 0.5 |
| Profit on disposal of property | **(35)** | (66) | (290) | **(4.0)** | (7.6) | (33.2) |
| Profit on disposal of businesses | **-** | (26) | (77) | **-** | (2.9) | (8.7) |
| | **951** | 812 | 1,584 | **107.9** | 92.9 | 180.7 |

[(1)] *Included in net trading income.*

**13 Adjusted earnings per share** ***(continued)***

Although not required under IFRS, adjusted earnings per share is presented to help understand the underlying performance of the Group. The adjustments in 2007 and 2006 are items that management believe do not reflect the underlying business performance. The adjustment in respect of profit on sale of property relates only to the profit on sale of properties that are subject to sale and leaseback arrangements *(note 8)*. The adjustments listed on the previous page are shown net of taxation.

| **14 Trading portfolio financial assets** | **30 June 2007 € m** | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|
| Loans and receivables to banks | **2** | 3 | 3 |
| Loans and receivables to customers | **17** | 25 | 18 |
| Debt securities: | | | |
| Government securities | **151** | 274 | 717 |
| Other public sector securities | **-** | - | 39 |
| Other debt securities[1] | **9,158** | 8,527 | 9,913 |
| | **9,309** | 8,801 | 10,669 |
| Equity shares | **142** | 124 | 130 |
| | **9,470** | 8,953 | 10,820 |

[1] Other debt securities include € 4,971m (December 2006: € 4,832m) of bank eurobonds and € 3,450m (December 2006: € 3,039m) of corporate collateralised mortgage obligations.

| **15 Loans and receivables to customers** | **30 June 2007 € m** | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|
| Loans and receivables | **115,966** | 103,651 | 92,306 |
| Amounts receivable under finance leases and hire purchase contracts | **3,397** | 3,003 | 2,923 |
| Unquoted securities | **1,565** | 1,166 | 1,073 |
| Provisions for impairment of loans and receivables *(note 16)* | **(711)** | (705) | (640) |
| | **120,217** | 107,115 | 95,662 |

| **16 Provisions for impairment of loans and receivables** | **30 June 2007 € m** | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|
| At beginning of period | **707** | 676 | 676 |
| Exchange translation adjustments | **(1)** | (1) | (14) |
| Charge against income statement | **25** | 118 | 12 |
| Amounts written off | **(25)** | (96) | (36) |
| Recoveries of amounts written off in previous years | **7** | 10 | 4 |
| At end of period | **713** | 707 | 642 |
| **At end of period:** | | | |
| Specific | **497** | 518 | 468 |
| IBNR | **216** | 189 | 174 |
| | **713** | 707 | 642 |
| **Amounts include:** | | | |
| Loans and receivables to banks | **2** | 2 | 2 |
| Loans and receivables to customers *(note 15)* | **711** | 705 | 640 |
| | **713** | 707 | 642 |

### 17 Risk elements in lending

Management has set out below the amount of loans, without giving effect to available security and before deduction of provisions, classified as (a) Impaired loans and (b) Accruing loans which are contractually past due 90 days or more as to principal or interest:

| | **30 June 2007 € m** | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|
| **Impaired loans**[(1)] | | | |
| Republic of Ireland | **403** | 396 | 332 |
| United Kingdom | **273** | 304 | 198 |
| Poland | **219** | 232 | 248 |
| Rest of world | **–** | 1 | 9 |
| | **895** | 933 | 787 |
| **Accruing loans which are contractually past due 90 days or more as to principal or interest**[(2)] | | | |
| Republic of Ireland | **177** | 142 | 158 |
| United Kingdom | **39** | 73 | 109 |
| | **216** | 215 | 267 |

[(1)]Total interest income that would have been recorded during the half-year ended 30 June 2007, had interest on gross impaired loans been included in income, amounted to € 12m for Republic of Ireland (31 December 2006: € 18m; 30 June 2006: € 9m), € 8m for United Kingdom (31 December 2006: € 12m; 30 June 2006: € 4m) and € 8m for Poland (31 December 2006: € 17m; 30 June 2006: € 9m). Interest on impaired loans (net of provisions) included in income for the half-year ended 30 June 2007 totalled € 10m (31 December 2006: € 21m; 30 June 2006: € 10m).

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

| **18 Financial investments available for sale** | **30 June 2007 € m** | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|
| Debt securities: | | | |
| Government securities | **6,968** | 7,490 | 8,273 |
| Other public sector securities | **1,909** | 1,855 | 915 |
| Bank and building society certificates of deposit | **2,138** | 1,591 | 1,232 |
| Bank securities | **8,822** | 7,008 | 6,465 |
| Other debt securities | **2,064** | 1,428 | 1,607 |
| | **21,901** | 19,372 | 18,492 |
| Equity shares | **332** | 293 | 172 |
| | **22,233** | 19,665 | 18,664 |

| 19 Customer accounts | 30 June 2007 € m | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|
| Current accounts | **26,611** | 25,151 | 22,512 |
| Demand deposits | **9,843** | 8,924 | 8,372 |
| Time deposits | **33,536** | 33,831 | 29,764 |
| | **69,990** | 67,906 | 60,648 |
| Securities sold under agreements to repurchase | **1** | 1 | 3 |
| Other short-term borrowings | **9,032** | 6,968 | 5,913 |
| | **9,033** | 6,969 | 5,916 |
| | **79,023** | 74,875 | 66,564 |

| 20 Memorandum items: contingent liabilities and commitments | Contract amount 30 June 2007 € m | 31 December 2006 € m | 30 June 2006 € m |
|---|---|---|---|
| **Contingent liabilities:** | | | |
| Guarantees and assets pledged as collateral security: | | | |
| Guarantees and irrevocable letters of credit | **6,008** | 5,902 | 6,526 |
| Other contingent liabilities | **1,267** | 1,191 | 1,090 |
| | **7,275** | 7,093 | 7,616 |
| **Commitments:** | | | |
| Other commitments | **24,190** | 24,056 | 22,380 |
| | **31,465** | 31,149 | 29,996 |

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.

**21 Subordinated liabilities and other capital instruments**

In March 2007 and June 2007, Japanese Yen ('JPY') 15bn and JPY 5bn Callable Subordinated Step-up Fixed/Floating Rate Notes due March 2042 were issued respectively under the € 30bn Euro Medium Term Note Programme. Interest is payable semi-annually at a rate of 2.75% per annum, up to 8 March 2037 and thereafter at a rate of 0.78% per annum above 6 month JPY-LIBOR-BBA, payable semi-annually. Both the JPY 15bn and JPY 5bn Callable Subordinated Step-up Fixed/Floating Rate Notes are redeemable in whole but not in part on any interest payment date falling on or after 8 March 2037.

**22 Derivative financial instruments**

The following table presents the notional principal amount and fair value of interest rate, exchange rate, equity and credit derivative contracts for 2007 and 2006.

| | 30 June 2007 | | | 31 December 2006 | | |
|---|---|---|---|---|---|---|
| | Notional amount | Fair values | | Notional amount | Fair values | |
| | € m | Assets € m | Liabilities € m | € m | Assets € m | Liabilities € m |
| Interest rate contracts | **311,375** | **2,341** | **2,464** | 217,435 | 2,253 | 1,922 |
| Exchange rate contracts | **16,431** | **171** | **187** | 20,226 | 199 | 186 |
| Equity contracts | **6,694** | **511** | **499** | 6,485 | 438 | 423 |
| Credit derivatives | **780** | **–** | **1** | 570 | – | – |
| Total | **335,280** | **3,023** | **3,151** | 244,716 | 2,890 | 2,531 |

Interest rate contracts are entered into for both hedging and trading purposes. Exchange rate, equity and credit derivative contracts are entered into for trading purposes only.

**22 Derivative financial instruments** ***(continued)***

The Group uses the same credit control and risk management policies in undertaking off-balance sheet commitments as it does for on balance sheet lending including counterparty credit approval, limit setting and monitoring procedures. In addition, in relation to derivative instruments, the Group's exposure to market risk is controlled within the risk limits in the Group's Interest Rate Risk and Foreign Exchange Risk Policies and is further constrained by the risk parameters incorporated in the Group's Derivatives Policy as approved by the Board.

**23 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 2007 and year ended 31 December 2006. 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 2007** | | | Year ended 31 December 2006 | | |
|---|---|---|---|---|---|---|
| **Assets** | **Average balance €m** | **Interest €m** | **Average rate %** | Average balance € m | Interest €m | Average rate % |
| **Loans and receivables to banks** | | | | | | |
| Domestic offices | **8,147** | **192** | **4.8** | 4,930 | 191 | 3.9 |
| Foreign offices | **1,830** | **51** | **5.6** | 2,307 | 116 | 5.1 |
| **Loans and receivables to customers** | | | | | | |
| Domestic offices | **74,931** | **2,139** | **5.8** | 62,641 | 3,162 | 5.1 |
| Foreign offices | **38,626** | **1,331** | **6.9** | 33,133 | 2,177 | 6.6 |
| **Trading portfolio financial assets** | | | | | | |
| Domestic offices | **7,775** | **170** | **4.4** | 9,205 | 349 | 3.8 |
| Foreign offices | **1,093** | **10** | **1.8** | 1,316 | 31 | 2.3 |
| **Financial investments available for sale** | | | | | | |
| Domestic offices | **15,353** | **359** | **4.7** | 14,671 | 588 | 4.0 |
| Foreign offices | **4,983** | **123** | **5.0** | 4,339 | 209 | 4.8 |
| **Total interest earning assets** | | | | | | |
| Domestic offices | **106,206** | **2,860** | **5.4** | 91,447 | 4,290 | 4.7 |
| Foreign offices | **46,532** | **1,515** | **6.6** | 41,095 | 2,533 | 6.2 |
| **Net interest on swaps** | | **(23)** | | | 85 | |
| **Total average interest earning assets** | **152,738** | **4,352** | **5.7** | 132,542 | 6,908 | 5.2 |
| Non-interest earning assets | **9,762** | | | 8,827 | | |
| **Total average assets** | **162,500** | **4,352** | **5.4** | 141,369 | 6,908 | 4.9 |
| Percentage of assets applicable to foreign activities | | | **31.1** | | | 31.5 |

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

| | **Half-year ended 30 June 2007** | | | Year ended 31 December 2006 | | |
|---|---|---|---|---|---|---|
| **Liabilities and shareholders' equity** | **Average balance € m** | **Interest € m** | **Average rate %** | Average balance € m | Interest € m | Average rate % |
| **Due to banks** | | | | | | |
| Domestic offices | **29,113** | **683** | **4.7** | 28,375 | 1,067 | 3.8 |
| Foreign offices | **2,414** | **58** | **4.8** | 2,098 | 96 | 4.6 |
| **Due to customers** | | | | | | |
| Domestic offices | **37,352** | **540** | **2.9** | 36,101 | 809 | 2.2 |
| Foreign offices | **26,048** | **540** | **4.2** | 21,282 | 768 | 3.6 |
| **Other debt issued** | | | | | | |
| Domestic offices | **22,473** | **453** | **4.1** | 13,615 | 456 | 3.4 |
| Foreign offices | **10,602** | **286** | **5.4** | 10,144 | 499 | 4.9 |
| **Subordinated liabilities** | | | | | | |
| Domestic offices | **3,776** | **96** | **5.2** | 3,542 | 182 | 5.2 |
| Foreign offices | **1,013** | **29** | **5.8** | 551 | 32 | 5.8 |
| **Total interest earning liabilities** | | | | | | |
| Domestic offices | **92,714** | **1,772** | **3.9** | 81,633 | 2,514 | 3.1 |
| Foreign offices | **40,077** | **913** | **4.6** | 34,075 | 1,395 | 4.1 |
| **Total average interest earning liabilities** | **132,791** | **2,685** | **4.1** | 115,708 | 3,909 | 3.4 |
| Non interest earning liabilities | **21,208** | | | 18,263 | | |
| **Total liabilities** | **153,999** | **2,685** | **3.5** | 133,971 | 3,909 | 2.9 |
| Ordinary shareholders' equity | **8,501** | | | 7,398 | | |
| **Total average liabilities and shareholders' equity** | **162,500** | **2,685** | **3.3** | 141,369 | 3,909 | 2.8 |
| Percentage of liabilities applicable to foreign operations | | | **30.9** | | | 30.2 |

**24 Post-balance sheet events**

On 31 July 2007, subsequent to the interim balance sheet date, an interim dividend of EUR 27.8 cent per share was declared by the Board of Directors for payment on 25 September 2007. The interim dividend amounts to € 245 million and has not been recorded as a liability in the balance sheet.

**25 Approval of accounts**

The accounts were approved by the Board of Directors on 31 July 2007.

# Financial and other information

| | **Half-year 30 June 2007** | Half-year 30 June 2006 | Year 31 December 2006 |
|---|---|---|---|
| **Operating ratios** | | | |
| Operating expenses/operating income | **51.2%** | 52.4% | 53.5% |
| Other income/operating income | **31.0%** | 31.2% | 30.7% |
| Net interest margin: | | | |
| Group | **2.20%** | 2.29% | 2.26% |
| Domestic | **2.02%** | 2.04% | 2.04% |
| Foreign | **2.61%** | 2.84% | 2.77% |
| **Rates of exchange** | | | |
| €/US $ | | | |
| Closing | **1.3505** | 1.2713 | 1.3170 |
| Average | **1.3317** | 1.2287 | 1.2566 |
| €/Stg | | | |
| Closing | **0.6740** | 0.6921 | 0.6715 |
| Average | **0.6750** | 0.6883 | 0.6822 |
| €/PLN | | | |
| Closing | **3.7677** | 4.0546 | 3.8310 |
| Average | **3.8439** | 3.8991 | 3.8965 |

| **Capital adequacy information** | **Half-year 30 June 2007 € m** | Half-year 30 June 2006 € m | Year 31 December 2006 € m |
|---|---|---|---|
| Risk weighted assets | | | |
| Banking book: | | | |
| On balance sheet | **115,061** | 89,394 | 101,285 |
| Off-balance sheet | **12,451** | 13,203 | 13,033 |
| | **127,512** | 102,597 | 114,318 |
| Trading book: | | | |
| Market risks | **7,098** | 8,000 | 8,172 |
| Counterparty and settlement risks | **686** | 470 | 544 |
| | **7,784** | 8,470 | 8,716 |
| Total risk weighted assets | **135,296** | 111,067 | 123,034 |
| Capital | | | |
| Tier 1 | **10,264** | 8,913 | 10,116 |
| Tier 2 | **3,966** | 3,815 | 3,838 |
| | **14,230** | 12,728 | 13,954 |
| Supervisory deductions | **173** | 349 | 310 |
| Total | **14,057** | 12,379 | 13,644 |
| Capital ratios | | | |
| Tier 1 | **7.6%** | 8.0% | 8.2% |
| Total | **10.4%** | 11.1% | 11.1% |

The interim dividend has been deducted in arriving at the capital ratios for June 2007 and June 2006. The final dividend was not taken into account in the calculation of the Tier 1 and Total capital ratios at 31 December 2006. The Financial Regulator has issued a requirement that a Prudential Filter be applied to proposed final dividends with effect from July 2007. If applied at 31 December 2006, the Tier 1 and Total capital ratios would be 7.9% and 10.8% respectively.

Changes to supervisory rules during 2007 also require certain supervisory deductions to be 50% from Tier 1 and 50% from Tier 2. Applying these principles to previous periods would have reduced the reported Tier 1 capital ratio by 0.1%. The total capital ratio is not impacted by this change.

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

**Introduction**

We have been engaged by the company to review the financial information for the six months ended 30 June 2007, which comprises the statement of accounting policies, consolidated interim income statement, consolidated interim balance sheet, condensed interim statement of cash flows, consolidated interim statement of recognised income and expense, condensed consolidated interim reconciliation of movements in shareholders' equity and the related notes on pages 22 to 37. We have read the other information contained in the interim report and considered whether it contains 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 and the UK Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this review 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 review report, or for the conclusions we have reached.

**Directors' responsibilities**

This 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 this interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements 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 *Review of interim financial information* 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 is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) 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 2007.

KPMG

Chartered Accountants
Dublin
31 July 2007