Highlights – AIB Group Annual Results 2002

Adjusted earnings per share EUR 123.0c, up 6% over 2001 market base(1) of EUR 116.0c

Attributable profit € 1,037m, up 4%(2)

Return on equity 22.4%

Tier 1 capital ratio 6.9%

Total dividend of EUR 49.06c, up 12%

Income/Costs gap + 2%(3)

Operating profit before provisions up 10%(2)

Credit provision charge equals 0.37% of average loans

Other provisions increased to € 57m

Divisional operating profit before provisions

- AIB Bank ROI up 5%
  - *Banking operations up 11%*
  - *Ark Life down 32%*
- USA up 4%
- AIB Bank GB & NI up 9%
- Capital Markets up 14%
- Poland up 36%(3)

AIB Group Chief Executive Michael Buckley said: '2002 was a year of slowing economies and difficult financial markets. AIB also had to deal with the foreign exchange trading fraud in Allfirst. The 6% growth in adjusted earnings per share represents a strong performance in these circumstances. Strong growth in customer revenues was combined with our longstanding prudent approach to risk assessment.

'Business volume growth in Ireland, Britain and Northern Ireland was very buoyant with significant market share gains. Our operating and credit risk management performance in Poland was good in a challenging business environment. The Allfirst business remains stable as we finalise the transition to M&T Bank. We look forward to another strong underlying profit performance in 2003.'

Footnotes (1) to (3) are outlined overleaf

Forward-Looking Statements

A number of statements we make in this document will not be based on historical fact, but will be 'forward-looking' statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected in the 'forward-looking' statements. Factors that could cause actual results to differ materially from those in the 'forward-looking' statements include, but are not limited to, global, national, regional economic conditions, levels of market interest rates, credit or other risks of lending and investment activities, competitive and regulatory factors and technology change.

Adjusted earnings per share

The 2001 results included the profit from the sale of AIB's interest in Keppel Capital Holdings Ltd ('KCH'), Poland restructuring costs, an additional unallocated credit provision. The following table shows the impact of the above items on the 2001 adjusted earnings per share as a base for 2002 comparison with 2001.

Adjusted earnings per share	**Year 2002**	Year 2001 before exceptional[4]	*% Change*
As reported	**123.0c**	119.4c	*3*
Profit from the sale of AIB's interest in KCH	–	10.8c	
Poland restructuring costs	–	(2.3c)	
Additional unallocated credit provision	–	(5.1c)	
Net impact on adjusted earnings per share	–	3.4c	
Underlying	**123.0c**	116.0c	*6*

Footnotes (1) to (3) relate to performance highlights on the previous page

(1) 2001 adjusted to exclude the exceptional item (exceptional foreign exchange dealing losses – see note 6(b) for further details), the profit from the sale of AIB's interest in KCH, Poland restructuring costs and the additional unallocated credit provision.

(2) Excluding the exceptional item in 2001.

(3) Excluding restructuring and integration costs in continuing businesses.

(4) Exceptional foreign exchange dealing losses (see note 6(b)).

Allied Irish Banks, p.l.c.

Allied Irish Banks, p.l.c. (AIB Group) today announced its results for the year ended 31 December 2002.

Profit attributable to ordinary shareholders amounted to € 1,037 million, a 114% increase over the year ended 31 December 2001. Profit attributable to ordinary shareholders in 2001 was reduced by exceptional foreign exchange dealing losses of € 513 million after taxation. Basic earnings per share for the year amounted to EUR 119.4c, an increase of 112%. Adjusted earnings per share, which excludes goodwill amortisation and the exceptional item in 2001, increased by 3% to EUR 123.0c.

Dividend

The Board is recommending a final dividend payable on 25 April 2003 of EUR 31.81c per share to shareholders on the Company's register of members at the close of business on 28 February 2003. The final dividend, together with the interim dividend of EUR 17.25c per share, amounts to a total dividend of EUR 49.06c per share, an increase of 12% on 2001.

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

Financial highlights

for the year ended 31 December 2002

	2002	2001 Restated[1]	2000
	€ m	€ m	€ m
Results			
Total operating income	**3,930**	3,751[2]	3,397[2]
Group profit before taxation	**1,375**	1,366[2]	1,274[2]
Profit attributable	**1,037**	484	784
Profit retained	**563**	41	379
Per € 0.32 ordinary share			
Earnings – basic	**119.4c**	56.2c	91.6c
Earnings – adjusted *(note 13)*	**123.0c**	119.4c	106.7c
Earnings – diluted	**118.2c**	55.9c	91.0c
Dividend	**49.06c**	43.80c	38.75c
Dividend cover – times	**2.4**	1.3	2.3
Net assets	**494c**	551c	566c
Performance measures			
Return on average total assets	**1.24%**	1.23%[2]	1.26%[2]
Return on average ordinary shareholders' equity	**22.4%**	19.4%[2]	18.7%[2]
Balance sheet			
Total assets	**86,049**	89,359	80,543
Shareholders' funds: equity interests	**4,408**	4,851	4,944
Total loans	**58,483**	57,445	50,239
Total deposits	**72,190**	72,813	65,210
Capital ratios			
Tier 1 capital	**6.9%**	6.5%	6.3%
Total capital	**10.1%**	10.1%	10.8%

(1)*The results for the year ended 31 December 2001 have been restated to reflect the implementation of UITF Abstract 33 - Obligations in Capital Instruments.*

(2)*Adjusted to exclude the exceptional foreign exchange dealing losses in 2001 (note 6(b)) and the impact of the deposit interest retention tax settlement in 2000 (note 5).*

Consolidated profit and loss account

for the year ended 31 December 2002

	Notes	**2002** **€ m**	2001 Restated[1] € m	2000 € m
Interest receivable:				
Interest receivable and similar income arising from				
debt securities and other fixed income securities		**946**	1,198	1,140
Other interest receivable and similar income	3	**3,807**	4,148	3,987
Less: interest payable	4	**(2,402)**	(3,088)	(3,105)
Deposit interest retention tax	5	**–**	–	(113)
Net interest income		**2,351**	2,258	1,909
Other finance income	10	**62**	67	71
Dividend income		**14**	11	6
Fees and commissions receivable		**1,301**	1,258	1,101
Less: fees and commissions payable		**(138)**	(128)	(108)
Dealing profits	6(a)	**77**	92	103
Exceptional foreign exchange dealing losses	6(b)	**–**	(789)	–
Other operating income	7	**263**	193	202
Other income		**1,517**	637	1,304
Total operating income		**3,930**	2,962	3,284
Before exceptional items		**3,930**	3,751	3,397
Exceptional foreign exchange dealing losses	6(b)	**–**	(789)	–
Deposit interest retention tax	5	**–**	–	(113)
Administrative expenses:				
Staff and other administrative expenses	8(a)	**2,098**	2,051	1,826
Restructuring and integration costs in continuing businesses	8(b)	**13**	38	–
		2,111	2,089	1,826
Depreciation and amortisation		**207**	195	171
Total operating expenses		**2,318**	2,284	1,997
Group operating profit before provisions		**1,612**	678	1,287
Before exceptional items		**1,612**	1,467	1,400
Exceptional foreign exchange dealing losses	6(b)	**–**	(789)	–
Deposit interest retention tax	5	**–**	–	(113)
Provisions for bad and doubtful debts	15	**194**	179	133
Provisions for contingent liabilities and commitments		**2**	19	2
Amounts written off/(written back) fixed asset investments	9	**55**	6	(1)
Group operating profit – continuing activities		**1,361**	474	1,153
Before exceptional items		**1,361**	1,263	1,266
Exceptional foreign exchange dealing losses	6(b)	**–**	(789)	–
Deposit interest retention tax	5	**–**	–	(113)
Income from associated undertakings		**9**	4	3
Profit on disposal of property		**5**	6	5
Profit on disposal of business	11	**–**	93	–
Group profit on ordinary activities before taxation *(carried forward)*		**1,375**	577	1,161
Before exceptional items		**1,375**	1,366	1,274
Exceptional foreign exchange dealing losses	6(b)	**–**	(789)	–
Deposit interest retention tax	5	**–**	–	(113)

Consolidated profit and loss account *(continued)*

for the year ended 31 December 2002

	Notes	**2002** €m	2001 Restated[1] €m	2000 €m
Group profit on ordinary activities before taxation *(brought forward)*		**1,375**	577	1,161
Taxation on ordinary activities	12	**306**	55	319
Group profit on ordinary activities after taxation		**1,069**	522	842
Equity and non-equity minority interests in subsidiaries		**24**	23	38
Dividends on non-equity shares		**8**	15	20
		32	38	58
Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.		**1,037**	484	784
Dividends on equity shares		**429**	380	335
Transfer to reserves		**45**	63	70
		474	443	405
Profit retained		**563**	41	379
Earnings per €0.32 ordinary share – basic	13(a)	**119.4c**	56.2c	91.6c
Earnings per €0.32 ordinary share – adjusted	13(b)	**123.0c**	119.4c	106.7c
Earnings per €0.32 ordinary share – diluted	13(c)	**118.2c**	55.9c	91.0c

[1] *The figures for 2001 have been restated to reflect the interest cost of the Reserve Capital Instruments as interest expense rather than 'Dividends on non-equity shares' in accordance with UITF 33.*

Consolidated balance sheet

31 December 2002

	Notes	2002 € m	2001 € m
Assets			
Cash and balances at central banks		**1,176**	1,175
Items in course of collection		**1,171**	1,536
Central government bills and other eligible bills		**24**	49
Loans and advances to banks		**4,788**	6,047
Loans and advances to customers	14	**53,447**	51,216
Securitised assets		**1,002**	1,099
Less: non-returnable proceeds		**(754)**	(917)
		248	182
Debt securities	16	**18,204**	20,082
Equity shares		**246**	332
Interests in associated undertakings		**31**	10
Intangible fixed assets		**457**	495
Tangible fixed assets		**1,178**	1,305
Own shares		**176**	245
Other assets		**1,153**	1,260
Deferred taxation		**245**	417
Prepayments and accrued income		**927**	2,080
Pension assets	10	**–**	372
Long-term assurance business attributable to shareholders	17	**352**	304
		83,823	87,107
Long-term assurance assets attributable to policyholders	17	**2,226**	2,252
		86,049	89,359
Liabilities			
Deposits by banks		**16,137**	13,223
Customer accounts	18	**52,976**	54,557
Debt securities in issue		**3,077**	5,033
Other liabilities		**2,591**	3,272
Accruals and deferred income		**829**	2,159
Pension liabilities	10	**537**	117
Provisions for liabilities and charges		**60**	71
Deferred taxation		**527**	717
Subordinated liabilities		**2,172**	2,516
Equity and non-equity minority interests in subsidiaries		**274**	312
Share capital		**293**	291
Share premium account		**1,918**	1,926
Reserves		**490**	463
Profit and loss account		**1,942**	2,450
Shareholders' funds including non-equity interests		**4,643**	5,130
		83,823	87,107
Long-term assurance liabilities to policyholders	17	**2,226**	2,252
		86,049	89,359

Consolidated cash flow statement

for the year ended 31 December 2002

	2002	2001	2000
		Restated	
	€ m	€ m	€ m
Net cash (outflow)/inflow from operating activities	**(121)**	231	2,433
Dividends received from associated undertakings	**1**	4	–
Returns on investments and servicing of finance	**(138)**	(131)	(184)
Equity dividends paid	**(345)**	(334)	(228)
Taxation	**(280)**	(242)	(199)
Capital expenditure and financial investment	**1,379**	700	(3,004)
Acquisitions and disposals	**(5)**	(59)	2
Financing	**(129)**	208	164
Increase/(decrease) in cash	**362**	377	(1,016)

Reconciliation of Group operating profit to net cash (outflow)/inflow from operating activities	**2002**	2001 Restated	2000
	€ m	€ m	€ m
Group operating profit	**1,361**	474	1,153
Decrease/(increase) in prepayments and accrued income	**1,162**	(199)	(607)
(Decrease)/increase in accruals and deferred income	**(1,191)**	429	355
Provisions for bad and doubtful debts	**194**	179	133
Provisions for contingent liabilities and commitments	**2**	19	2
Amounts written off/(written back) fixed asset investments	**55**	6	(1)
Increase in other provisions	**16**	19	11
Depreciation and amortisation	**207**	202	171
Amortisation of own shares	**–**	2	1
Profit on disposal of business	**–**	93	–
Interest on subordinated liabilities	**83**	133	155
Interest on Reserve Capital Instruments	**38**	35	–
Profit on disposal of debt securities and equity shares	**(117)**	(21)	(23)
Averaged gains on debt securities held for hedging purposes	**(4)**	(24)	(16)
Profit on disposal of associated undertakings	**(1)**	(1)	(5)
Amortisation of discounts on debt securities held as financial fixed assets	**(15)**	(7)	(2)
Increase in long-term assurance business	**(48)**	(66)	(72)
Net cash inflow from trading activities	**1,742**	1,273	1,255
Net increase in deposits by banks	**3,975**	452	3,621
Net increase in customer accounts	**2,299**	4,647	4,854
Net increase in loans and advances to customers	**(6,129)**	(4,281)	(5,812)
Net decrease/(increase) in loans and advances to banks	**982**	(1,588)	(1,015)
Decrease in central government bills	**18**	274	445
Net increase in debt securities and equity shares held for trading purposes	**(1,180)**	(1,394)	(710)
Net decrease/(increase) in items in course of collection	**174**	(374)	(160)
Net (decrease)/increase in debt securities in issue	**(1,425)**	533	(266)
Net (decrease)/increase in notes in circulation	**(3)**	44	23
(Increase)/decrease in other assets	**(28)**	460	(595)
(Decrease)/increase in other liabilities	**(521)**	279	674
Effect of exchange translation and other adjustments	**(25)**	(94)	119
	(1,863)	(1,042)	1,178
Net cash (outflow)/inflow from operating activities	**(121)**	231	2,433

Statement of total recognised gains and losses

	2002 € m	2001 € m	2000 € m
Group profit attributable to the ordinary shareholders	**1,037**	484	784
Currency translation differences on foreign currency net investments	**(341)**	145	130
Actuarial loss recognised in retirement benefit schemes *(note 10)*	**(823)**	(402)	(201)
Prior year adjustment *(note 10(b))*	**–**	648	–
Total recognised (losses)/gains relating to the year	**(127)**	875	713

Reconciliation of movements in shareholders' funds

	2002 € m	2001 € m	2000 € m
Group profit attributable to the ordinary shareholders	**1,037**	484	784
Dividends on equity shares	**429**	380	335
	608	104	449
Other recognised (losses)/gains relating to the year	**(387)**	160	150
Actuarial loss recognised in retirement benefit schemes *(note 10)*	**(823)**	(402)	(201)
New ordinary share capital subscribed	**39**	37	27
Ordinary shares issued in lieu of cash dividend	**76**	23	78
Net (deduction from)/addition to shareholders' funds	**(487)**	(78)	503
Opening shareholders' funds	**5,130**	5,208	4,705
Closing shareholders' funds	**4,643**	5,130	5,208
Shareholders' funds:			
Equity interests	**4,408**	4,851	4,944
Non-equity interests	**235**	279	264
	4,643	5,130	5,208

Note of historical cost profits and losses

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

Commentary on results

Implementation of UITF Abstract 33 – Obligations in Capital Instruments *(see note 1 of this release)*

The Group has implemented UITF 33 in the accounts for the year ended 31 December 2002 and comparative periods have been restated. Implementation of the UITF results in AIB's € 500 million of Reserve Capital Instruments ('RCIs') being treated as subordinated liabilities rather than shareholders' funds. The related interest cost (2002: € 38 million; 2001: € 35 million) is now included in net interest income whereas previously the amount was shown as dividends on non-equity shares. This change in accounting treatment reduces pre-tax profit with no impact on earnings per share.

Summary profit and loss account

	Year 2002 € m	Year 2001 before exceptional € m	Exceptional Item[1] € m	Year 2001 as restated € m	% *Change excl. exceptional*
Net interest income	**2,351**	2,258	–	2,258	*4*
Other finance income	**62**	67	–	67	*-7*
Other income	**1,517**	1,426	(789)	637	*6*
Total operating income	**3,930**	3,751	(789)	2,962	*5*
Staff costs	**1,391**	1,348	–	1,348	*3*
Other costs	**707**	703	–	703	–
Restructuring and integration costs in continuing businesses	**13**	38	–	38	–
Depreciation and amortisation	**207**	195	–	195	*6*
Total operating expenses	**2,318**	2,284	–	2,284	*1*
Group operating profit before provisions	**1,612**	1,467	(789)	678	*10*
Provisions for bad and doubtful debts	**194**	179	–	179	*9*
Other provisions	**57**	25	–	25	–
Total provisions	**251**	204	–	204	*23*
Group operating profit - continuing activities	**1,361**	1,263	(789)	474	*8*
Income from associated undertakings	**9**	4	–	4	–
Profit on disposal of property	**5**	6	–	6	–
Profit on disposal of business	**–**	93	–	93	–
Group profit on ordinary activities before taxation	**1,375**	1,366	(789)	577	*1*
Taxation on ordinary activities	**306**	331	(276)	55	*-8*
Group profit on ordinary activities after taxation	**1,069**	1,035	(513)	522	*3*
Minority interests and non-equity dividends	**32**	38	–	38	*-18*
Group profit attributable to ordinary shareholders	**1,037**	997	(513)	484	*4*
Basic earnings per share	**119.4c**	–	–	56.2c	*112*
Adjusted earnings per share	**123.0c**	119.4c	(59.6c)	59.8c	*3*

Group operating profit before provisions was up 10% to € 1,612 million for the year December 2002.

Group profit attributable to ordinary shareholders amounted to € 1,037 million, up 114% or 4% excluding the exceptional item in 2001. Adjusted earnings per share[2] at EUR 123.0c per share showed an increase of 3% and basic earnings per share was up 112% to EUR 119.4c per share.

[1] Exceptional foreign exchange dealing losses (see note 6(b)).
[2] Adjusted earnings per share excludes goodwill amortisation in both years and the exceptional foreign exchange dealing losses in 2001 (see note 13(b)).

Commentary on results

Exchange Rates

The exchange rates used in the preparation of the accounts are set out on page 46 of this release. A significant proportion of the Group's earnings are denominated in currencies other than the euro. As a result movements in exchange rates can impact the reported value of the foreign currency earnings. The Group may choose to hedge all or part of its projected future foreign earnings thereby fixing a translation rate for the amount hedged. Although the US dollar, sterling and Polish zloty accounting rates weakened by 5%, 1% and 5% respectively, the impact on Group profit before taxation was not material when the outcome of hedging strategies is taken into account.

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

"Net interest income up 7%"

"Net interest margin remained stable"

"Group loans up 12%"

Net interest income

Net interest income at € 2,351 million increased by 7% compared with 2001 due to strong lending growth particularly in AIB Bank Republic of Ireland and AIB Bank GB & NI. Loans to customers increased by 12% and customer accounts increased by 4% *(details of loan and deposit growth by division are contained on page 16 of this release).*

Average interest earning assets

Half-year Dec 2002 € m	Half-year June 2002 € m	*% Change*		**Year 2002 € m**	Year 2001 € m	*% Change*
39,274	38,042	*3*	Domestic	**38,663**	35,417	*9*
38,424	40,771	*-6*	Foreign	**39,588**	40,176	*-1*
77,698	78,813	*-1*	Total	**78,251**	75,593	*4*

Net interest margin

Half-year Dec 2002 %	Half-year June 2002 %	*Basis Points Change*		**Year 2002 %**	Year 2001 %	*Basis Points Change*
2.69	2.78	*-9*	Domestic	**2.73**	2.59	*+14*
3.21	3.33	*-12*	Foreign	**3.27**	3.34	*-7*
2.95	3.06	*-11*	Total	**3.00**	2.99	*+1*

The net interest margin was 3.00%, a 1 basis point increase on 2001. A particularly strong interest rate management performance by Global Treasury was offset in margin terms by changes in product mix, the margin effect of lower interest rates on deposits and non-interest bearing funds and the impact of loans increasing at a stronger rate than deposits. All our principal markets experienced lower interest rates, the margin impact of this trend was alleviated by asset and liability and interest rate management activities.

Commentary on results

"15% increase in banking fees and commissions"

"Challenging year for Ark Life – operating profit down 4%"

Other income

Other income increased by 6% to € 1,517 million in 2002 and as a percentage of total operating income was 40.2% compared with 39.8% in 2001.

Other income	**Year 2002 € m**	Year 2001 € m	*Underlying % Change excl. exceptional*
Dividend income	**14**	11	*30*
Banking fees and commissions	**1,045**	962	*15*
Asset management fees	**158**	185	*-11*
Investment banking fees	**98**	111	*-11*
Fees and commissions receivable	**1,301**	1,258	*4*
Less: fees and commissions payable	**(138)**	(128)	*10*
Dealing profits	**77**	92	*-30*
Contribution of life assurance company	**57**	84	*-32*
Other	**206**	109	*106*
Other operating income *(see note 7 of this release)*	**263**	193	*43*
Total other income	**1,517**	1,426	*6*

Exceptional growth in banking fees and commissions resulted from increased volumes of business and significant loan growth. Corporate banking fees were buoyant with a substantial increase in income from arrangement fees and collateralised debt obligations. Retail banking fees were particularly strong in Poland with good growth in credit card revenues in the Republic of Ireland. In Allfirst, electronic banking income and deposit service charges also achieved strong increases over 2001.

Asset management and investment banking revenues were lower due to a decline in asset values, reduced business volumes and the general impact of difficult equity markets. The restructuring of the AIB joint venture with Bank of New York impacted the trend as it is now reported as income from associated undertakings.

Dealing profits were lower as a result of a more difficult trading environment.

Ark Life profit was down 32% as difficult investment markets resulted in reduced customer demand for investment products. Declines in equity market values caused a € 32 million reduction in embedded values, which was partly offset by a benefit of € 17 million from lowering the discount rate used in the embedded value calculation from 12% to 10%. Operating profit in Ark Life was down 4%.

Other operating income includes securities gains of US$ 80 million resulting from a restructuring of the securities portfolio in Allfirst and a US$ 10 million provision for residual values in the auto lease portfolio.

"Tight cost management reflected in 4% growth"

"Tangible cost income ratio reduces by 1.2% to 57.8%"

Total operating expenses

Operating expenses excluding restructuring and integration costs at € 2,305 million were higher by 4% compared with 2001.

Operating expenses	**Year 2002 € m**	Year 2001 € m	*Underlying % Change 2002 v 2001*
Staff costs	**1,391**	1,348	*4*
Other costs	**707**	703	*3*
Depreciation and amortisation	**207**	195	*8*
Operating expenses before integration costs	**2,305**	2,246	*4*
Restructuring and integration costs in continuing businesses	**13**	38	–
Total operating expenses	**2,318**	2,284	*3*

Operating expense growth was lower than expectations with a 4% increase compared with a 10% increase in 2001. While business volumes increased substantially, tight cost management and cost saving initiatives improved productivity. In AIB Bank Republic of Ireland normal salary increases were partly offset by a cost savings programme in central supports, the cost income ratio remained at 51%. The Group continued to invest in our core businesses, major items being the opening of new offices and recruitment of experienced business and corporate bankers in Great Britain, expansion of Corporate Banking activities in New York and the implementation of a new technology platform in Poland. Realisation of integration benefits from the merger of WBK and Bank Zachodni in Poland was evident while expansion of the franchise continued. The Group's tangible cost income ratio, excluding restructuring and integration costs was 57.8%, down 1.2% compared with 2001, with notable reductions in Capital Markets, AIB Bank GB & NI and Poland.

Restructuring and integration costs in continuing businesses related to the Allfirst early retirement program in 2002 and Poland integration costs in 2001.

Commentary on results

"Downturn in the global corporate environment resulted in higher provisions but charge remains at indicated level of 0.37% of average loans"

"Strong quantum of provisions in the balance sheet – good provision cover"

"Other provisions increased substantially to € 57 million"

Provisions

Total provisions were € 251 million compared with € 204 million in 2001.

Provisions	Year 2002 € m	Year 2001 € m
Bad and doubtful debts	**194**	179
Contingent liabilities and commitments	**2**	19
Amounts written off fixed asset investments	**55**	6
Total provisions	**251**	204

The provision for bad and doubtful debts in the year to December 2002 was € 194 million compared with € 179 million in 2001. A provision of US$ 38 million was created in Allfirst in relation to one specific case and was offset by an identical release of € 40 million from the additional unallocated credit provision of € 50 million created at Group level in 2001. This € 50 million provision was created to provide an additional provision pool at Group level against the potential impact that the international macroeconomic downturn might have on asset quality.

Asset quality was strong in AIB Bank Republic of Ireland with non-performing loans remaining at 0.9% of loans at 31 December 2002. Retail and commercial portfolios benefited from careful positioning in the past in relation to risk assessment and sectoral exposures. While home mortgage lending was buoyant, loan quality was very high and prudent criteria continued to be applied. The average loan to value ratio for new business was 68% in 2002.

In AIB Bank GB & NI, asset quality further improved with non-performing loans reducing to 1.0% of loans, down from 1.3% in 2001. The bad debt charge reflected mainly general provisions with a small net specific charge.

In Allfirst, profit and loss provisions increased by US$ 49 million reflecting the above US$ 38 million provision. Non-performing loans amounted to US$ 112 million compared with US$ 77 million at 31 December 2001 reflecting deterioration in the corporate book. Provisions as a percentage of loans in Allfirst increased from 1.4% to 1.5% with coverage for non-performing loans amounting to 140%.

2002 was a more difficult year in the international corporate market and Capital Markets experienced higher provisions and non-performing loans. The provision charge amounted to 0.37% of average loans and reflected a prudent and cautious approach with an objective of early provision recognition. The portfolio remains well diversified in terms of industry sector and geographic concentration.

In Poland, the gross provision charge declined in 2002 from 1.9% of loans (before the use in 2001 of general provisions of € 47 million created on the acquisition of WBK and Bank Zachodni) to 1.2%. Including the use of general provisions in 2001, headline provisions increased by € 25 million in 2002. Non-performing loans as a percentage of total loans declined to 15% from 18% at 31 December 2001 mainly due to the write off of older non-performing loans which had been fully provided for. Excluding this factor the underlying ratio would have shown a small reduction compared with 2001.

The Group charge for the year represented 0.37% of average loans compared with a 0.36% charge, including the additional unallocated provision, in 2001. Group non-performing loans as a percentage of total loans amounted to 1.8% or 1.0% excluding Poland, and total provision coverage for non-performing loans was 87% (123% excluding Poland). We continued to maintain prudent provision cover. Total non-specific provisions amounted to € 427 million and specific provision cover for non-performing loans was strong at 44%.

The provision for contingent liabilities and commitments in the year to December 2002 was € 2 million compared with € 19 million in 2001. The 2001 provision was mainly in relation to one specific case.

The provision for amounts written off fixed asset investments in the year to December 2002 was € 55 million compared to € 6 million in 2001. The general deterioration in equity markets led to write-downs of € 36 million for a number of equity investments including € 17 million in the technology sector, € 2 million in telecoms and venture capital write-downs of € 12 million in Allfirst. The provision charge also included provisions of € 19 million related to debt security portfolios.

Commentary on results

"Strong ROE at 22.4%"
"Lower effective tax rate"

Taxation	**Year 2002**	Year 2001
Tax charge	**€ 306m**	€ 55m
Irish corporation tax rate	**16.0%**	20.0%
Effective tax rate - adjusted(1)	**22.3%**	24.2%

Reconciliation of statutory corporation tax rate	**%**	%
Corporation tax rate in Republic of Ireland	**16.0**	20.0
Effective tax rate on foreign income	**7.9**	6.9
Tax exempted income and income at a reduced rate	**(0.5)**	(2.5)
Other items	**(1.1)**	(0.2)
Effective tax rate - adjusted(1)	**22.3**	24.2

(1) *The adjusted effective tax rate has been presented to eliminate the effect of the exceptional foreign exchange losses in 2001.*

The taxation charge was € 306 million, compared with € 55 million, or € 331 million excluding the exceptional item in 2001. The effective tax rate was 22.3% compared with 24.2% in 2001. Both 2002 and 2001 benefited from one-off items. On an underlying basis the effective tax rate was 24.1% in 2002 and 25.9% in 2001. This underlying decrease was primarily due to the reduction in the standard rate of Irish corporation tax and changes in the geographic and business mix of profits.

Return on equity and return on assets

The return on equity was 22.4% benefiting from the strong attributable profit performance and the impact of the reduced value of pension assets on the equity base in line with FRS 17. The return on assets was 1.24% and the return on risk weighted assets, a measure of the efficient use of capital, was 1.56%.

Statement of total recognised gains and losses ('STRGL')

When the profit attributable of € 1,037 million is adjusted for the currency translation differences on foreign currency net investments, and the actuarial loss recognised in the retirement benefit schemes, the total recognised losses relating to the year amounted to € 127 million compared to a recognised gain of € 875 million in 2002. A recognised gain of € 648 million was included in 2001 relating to the first time recognition of FRS 17 in the accounts. Currency translation differences amounted to € 341 million negative compared to € 145 million positive in 2001. The currency translation difference relates to the change in value of the Group's net investment in foreign subsidiaries arising from the weakening of US dollar, sterling and Polish zloty against the euro. As outlined in the balance sheet discussion on page 16, the weakening of the currencies also reduced the euro value of the assets designated in those currencies. The objective of the Group's capital management activities is to neutralise the impact of currency movements on the capital ratios. The Group's net investment is held in the currency of those subsidiaries to protect the Group's capital ratios from fluctuations in exchange rates.

The actuarial loss in retirement benefit schemes during 2002 charged to the STRGL, net of deferred tax, amounted to € 823 million. The decline in world-wide equity markets had a significant impact on the value of the Group's funded retirement benefit schemes and the actuarial loss arises mainly as a result of the difference between the actual return and the expected return on the pension scheme assets. The actuarial loss is determined by valuations prepared in accordance with FRS 17 which requires retirement benefit scheme assets and liabilities to be recorded at market values at the balance sheet date. These valuations are not indicative of the long-term funding position of the schemes which are formally assessed by way of triennial actuarial valuations. The actuarial loss recognised also included € 123 million from a reduction in the discount rates together with € 18 million from experienced gains and losses. The Group has recognised a net pension liability on funded schemes within shareholders' funds of € 482 million at December 2002. This compares to a net pension asset within shareholders' funds of € 314 million at December 2001.

The decline in value of the retirement benefit scheme assets will also impact the profit and loss account - other finance income, during 2003. During 2002, the value of the assets reduced by € 733 million, including the effect of exchange rate and other movements. As it is not considered appropriate to significantly adjust the assumptions on asset returns to compensate for the decline in the market value of the assets in 2002, the reduction in asset values will have a negative impact of approximately € 47 million on other finance income in 2003.

Commentary on results

"Group risk weighted assets up 10%"
"Tier 1 ratio increases to 6.9%"

Balance sheet

Total assets amounted to € 86 billion at 31 December 2002 compared to € 89 billion at 31 December 2001. The US dollar, sterling and the Polish zloty weakened against the euro by 16%, 6% and 13% respectively, resulting in a decline in the reported total balance sheet since 31 December 2001. Adjusting for the impact of currency, total assets were up 5% since 31 December 2001 while loans to customers increased by 12% and customer accounts by 4%. Risk weighted assets increased by 1% to € 69 billion, excluding currency factors there was an increase of 10%.

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

% change December 2002 v December 2001	Risk weighted assets *% Change*	Loans to customers *% Change*	Customer accounts *% Change*
AIB Bank Republic of Ireland	18	20	7
AIB Bank GB & NI	23	23	13
USA	2	-4	-3[1]
Capital Markets	-1	1	-2
Poland	3	8	-7[2]
AIB Group (excluding currency factors)	10	12	4

(1) Deposits at 31 December 2001 benefited from an exceptionally high level of short-term corporate deposits. Average core deposits for the year were up 1%.

(2) Combined deposits and mutual funds volumes were down 2%. The decrease mainly reflected the lower interest rate environment and the impact on the savings market of the introduction of a withholding tax on deposits, however average deposits were up 1%.

The divisional commentary on pages 19 to 24 contains additional comments on key business trends in relation to loans to customers and customer accounts.

Capital ratios

Group capital ratios strengthened in the year to 31 December 2002. Attributable profit growth resulted in positive capital generation with the Tier 1 ratio improving from 6.5% at 31 December 2001 to 6.9% at 31 December 2002. The total capital ratio remained strong at 10.1%. Tier 1 capital increased by € 0.3 billion to € 4.8 billion reflecting retained profits of € 0.6 billion partly offset by currency movements. Tier 2 capital decreased by € 0.2 billion since December 2001 largely as a result of currency movements.

Assets under management/administration and custody

Assets under management in the Group amounted to € 26 billion at 31 December 2002 and assets under administration and custody amounted to € 276 billion at 31 December 2002.

Commentary on half-year December 2002 performance

The second half-year profit on ordinary activities before taxation amounted to € 672 million compared with € 703 million in the first half. The second half-year was negatively impacted by the Allfirst restructuring costs and the reduction in embedded values in Ark Life. Excluding these items, profit was up 4% on a constant currency basis.

Net interest income of € 1,154 million was up 1% on the half-year to June 2002. The first half benefited from a very strong performance from interest rate management activities in Global Treasury. Other income increased by 8% to € 772 million particularly due to securities gains in Allfirst which were partly offset by Ark Life's performance. Operating expenses at € 1,173 million were broadly in line with expectations. The Group credit provision charge as a percentage of average loans was similar to the first half.

Commentary on results

Cash flow

As shown in the consolidated cash flow statement, there was a net increase in cash of € 362 million during the year ended 31 December 2002. Net cash outflow from operating activities was € 121 million. Cash outflows from financing were € 129 million, primarily due to the redemption of subordinated liabilities of € 247 million offset by the issue of subordinated liabilities of € 100 million. Cash outflows from taxation were € 280 million while cash outflows in relation to equity dividends were € 345 million. These outflows were offset by a cash inflow from capital expenditure, primarily due to net cash inflows from disposals of debt and equity securities of € 1,516 million.

Critical accounting policies

AIB's financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties and investments and comply with Irish statute and with Irish Generally Accepted Accounting Principles ('Irish GAAP') as well as general practices followed by the financial services industry in Ireland and the UK. In the preparation of its financial statements the Group adopts the accounting policies and estimation techniques that the Directors believe are most appropriate in the circumstances for the purpose of giving a true and fair view of the Group's state of affairs, profit and cashflows. However, different policies, estimation techniques and assumptions in critical areas could lead to materially different results.

The estimation of potential bad debt losses is inherently uncertain and depends upon many factors, including loan loss trends, portfolio grade profiles, local and international economic climate, conditions in various industries to which AIB Group is exposed and other external factors such as legal and regulatory requirements. For example, should the expectation of loss within a portfolio increase, then this may result in an increase to the required general loan loss provision level.

In addition, the profile of the amortisation of goodwill would be different if a useful economic life longer or shorter than the existing AIB policy of a maximum life of 20 years was used. The application of other accounting policies, for example, measuring shareholders' interest in the long-term assurance fund, impairment, debt securities and equity shares, retirement benefits and derivatives, require the use of estimation techniques that involve making assumptions about future market conditions which could impact on the timing and amounts recognised in the consolidated profit and loss account and the consolidated balance sheet.

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

It was announced on 26 September 2002 that AIB is entering into a strategic relationship with M&T Bank Corporation ('M&T') whereby AIB's US subsidiary, Allfirst, will be acquired by M&T. As a result of the transaction, AIB will acquire a strategic shareholding of 26.7 million M&T shares, representing a stake of approximately 22.5% in the enlarged M&T. AIB will also receive US$ 886m in cash.

The transaction, which is expected to be completed by the end of the first quarter of 2003, is subject to regulatory approvals. Shareholders of both M&T and AIB approved the transaction in December 2002.

The transaction has no impact on the accounts of AIB for 2002. The transaction will be accounted for in accordance with the Urgent Issue Task Force Abstract No. 31 'Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or an associate' ('UITF 31'). Under UITF 31 the transaction is accounted for as an exchange of 77.5% of Allfirst for 22.5% of the existing M&T. Under this approach, the 22.5% of Allfirst that is owned by AIB, both directly before the transaction and indirectly thereafter, is treated as being owned throughout the transaction. The transaction will give rise to a gain, which will be recognised on completion.

The 2003 accounts will also reflect the income and expenses of Allfirst for the period during which it remains a 100% subsidiary of the Group. Following completion of the transaction, the Group will account for its investment in the enlarged M&T as an associated undertaking. The Group will include its share of the profits of the enlarged M&T in the Group profit and loss account within the caption 'Income from associated undertakings'. AIB will also account for its 22.5% share of the costs associated with the merger, calculated in accordance with Irish GAAP.

Commentary on results

"Outlook – Underlying adjusted earnings per share expected to increase in mid single-digits"

Prospective accounting developments

International accounting standards

The European Commission has adopted a regulation on the application of International Accounting Standards ('IASs'). This requires that the Group accounts of all listed companies in the EU should, from January 2005, be drawn up on the basis of adopted International Accounting Standards. The 'adoption' of the International Accounting Standards Board (IASB) standards is the responsibility of the Accounting Regulatory Committee of the European Commission. Under the terms of the EU regulation, member state governments have the option to decide whether adopted IASs should be applied more widely than in the group accounts of listed companies. The Group is currently considering the implications of the regulation and expects to prepare its first financial statements in accordance with 'adopted' International Accounting Standards for the year ended 31 December 2005.

During 2002, the IASB proposed improvements to a number of its standards, and the Accounting Standards Board ('ASB') in the UK instituted a convergence programme whereby six of these standards when updated would be substituted for existing UK/Irish standards. AIB continues to monitor progress on the convergence programme.

Share-based payment

In November 2002, the ASB issued Financial Reporting Exposure Draft 31 – Share-based payment ('FRED 31') which would apply to all entities and all types of share based payment transactions including all employee share option schemes. The proposed standard would require entities to recognise an expense in the profit and loss account in respect of share based payments over the period in which the services are rendered by the employees. The expense will be measured by reference to the fair value of the equity instruments granted taking into account the terms and conditions upon which those equity instruments were granted. The comment period for the exposure draft closes in early March 2003 and the ASB expects to publish a standard during 2003 which would come into effect on 1 January 2004. AIB is currently examining the implications of the FRED, however implementation of the standard will give rise to a profit and loss account charge.

Outlook

The economic outlook internationally is uncertain at present, investment expenditure is sluggish and corporate customers are generally inclined to protect their balance sheets rather than expand their operations. However, AIB's operations are positioned to generate strong revenue growth, particularly in our high growth core banking franchises and the Group is planning for double-digit lending growth in 2003. AIB is combining its traditional prudent and cautious approach to risk assessment with leveraging our relationship banking approach and maximising the benefits of our customer relationship management systems. In 2003 we will have a number of one off and significant items i.e. the transition of our Allfirst franchise in the USA to M&T Bank (subject to regulatory approvals), the impact of lower other finance income from our pension fund assets due to declines in stock market valuations, and the imposition of the Irish Government Bank Levy. Excluding these items, underlying adjusted earnings per share in 2003 is expected to increase in mid single-digits based on projected strong growth in business volumes.

Divisional commentary

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

AIB Bank Republic of Ireland profit was € 590 million, up 5% on the year to December 2001

"Banking operations - operating profit up 11%"

"Challenging year for Ark Life - operating profit down 4%"

"Strong growth in loan volumes, up 20% including 31% increase in home loans"

"Cost income ratio at 51%"

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

AIB Bank Republic of Ireland profit and loss account	**Year 2002 € m**	Year 2001 € m	*% Change 2002 v 2001*
Net interest income	**921**	843	*9*
Other finance income	**40**	43	*-7*
Other income	**353**	359	*-2*
Total operating income	**1,314**	1,245	*6*
Total operating expenses	**677**	641	*6*
Operating profit before provisions	**637**	604	*5*
Provisions	**55**	44	*23*
Operating profit - continuing activities	**582**	560	*4*
Profit on disposal of property	**8**	2	–
Profit on ordinary activities before taxation	**590**	562	*5*

Banking operations in the Republic of Ireland produced a strong performance with operating profit up 11% in less buoyant economic conditions. There was strong growth in business volumes with loans up 20% since December 2001 including non-home loan lending up 16% and home loans up 31%. This reflected our capability to grow revenues and significantly increase our market penetration. Total deposits were up 7% due to a strong performance in the second half with growth of 6% following a 1% increase in the first half which was affected by an exceptional position at 31 December 2001 in the run up to euro conversion. Average deposits were up 11%. AIB Card Services reported strong profit growth benefiting from good growth in loan volumes and a lower cost income ratio. AIB Finance and Leasing profit also increased as a result of lower costs and strong growth in loan volumes.

Costs increased by 6% due to higher business activity levels and salary increases relating to the National Programme for Prosperity and Fairness partly offset by cost saving initiatives in central supports, with the cost income ratio remaining at 51%.

Ark Life profit of € 57 million for the year to December 2002 was down from € 84 million in 2001. Total Annual Premium Equivalent (APE) sales were € 179 million compared with € 200 million in 2001. The difficult investment market resulted in reduced volumes of business with customers opting for more risk averse products and the decline in world equity markets also had an adverse impact of € 32 million on embedded values. The reduction from 12% to 10% in the discount rate used in the calculation of its embedded value profit had a favourable profit impact of € 17 million. The adoption of a 10% discount rate more closely aligns Ark Life policy with industry practice.

Divisional commentary

AIB Bank GB & NI profit was € 240 million, up 8% on the year to December 2001

"Strong growth in business volumes"

"Investment in business development capability"

"Improved efficiency – cost income ratio down 2% to 50%"

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

AIB Bank GB & NI profit and loss account	**Year 2002 € m**	Year 2001 € m	*% Change 2002 v 2001*
Net interest income	**363**	336	*8*
Other finance income	**(1)**	3	–
Other income	**166**	161	*3*
Total operating income	**528**	500	*6*
Total operating expenses	**266**	259	*2*
Operating profit before provisions	**262**	241	*9*
Provisions	**22**	19	*18*
Operating profit - continuing activities	**240**	222	*8*
Profit on disposal of property	**–**	1	–
Profit on ordinary activities before taxation	**240**	223	*8*

Profit in AIB Bank GB & NI increased by 9% on a constant currency basis. There was a particularly strong performance in Britain as a result of substantially increased business volumes. Average loans increased by 15% with significant growth in retail and professional sectors. In Northern Ireland, home loan activity was buoyant with an increase of 17% in total home loans. Average deposits were up 11% as a result of increased business development activity. The Division expanded its business development capability with the opening of new offices in Britain and recruitment of experienced business bankers.

Notwithstanding business expansion initiatives, costs were well managed with the cost income ratio declining from 52% to 50%.

Credit quality remained strong. An achievement was a reduction of 12% in non-performing loans and the bad debt charge was predominantly general with a modest net specific charge.

In December, the Forum of Private Business voted AIB GB 'Britain's Best Business Bank'. This was the fifth consecutive time the bank was awarded this biennial title.

USA reported profit of € 308 million, down 13% on the year to December 2001

Allfirst:	*"Business stable, finalising the transition to M&T Bank"*
	"Profit down 10% due to higher provisions"
Allied Irish America:	*"Continued investment in not-for-profit business – Ketchum Canada, Inc. acquired"*
	"Underlying fee income up 30%, strong growth in letter of credit income"

USA *includes Allfirst and Allied Irish America. Allfirst has banking operations in Maryland, Pennsylvania, Virginia and Washington DC. Allied Irish America includes retail and corporate operations in New York, Philadelphia, Los Angeles, Chicago, San Francisco and Atlanta; Community Counselling Services ('CCS') and Ketchum.*

USA profit and loss account	**Year 2002 € m**	Year 2001 € m	*% Change 2002 v 2001*
Net interest income	**549**	584	*-6*
Other finance income	**(2)**	2	–
Other income	**528**	446	*18*
Total operating income	**1,075**	1,032	*4*
Operating expenses	**655**	638	*3*
Restructuring costs in continuing businesses	**13**	–	–
Total operating expenses	**668**	638	*5*
Operating profit before provisions	**407**	394	*4*
Provisions	**98**	39	*154*
Operating profit - continuing activities	**309**	355	*-13*
Loss on disposal of property	**(1)**	–	–
Profit on ordinary activities before taxation	**308**	355	*-13*

Allfirst – 2002 was a difficult year for Allfirst in the aftermath of the foreign exchange trading losses. In financial terms the results benefited from securities gains of US$ 69 million (net of lost yield) arising from a restructuring of the portfolio in the fourth quarter. The purpose of the restructuring was to reduce interest rate risk exposure by replacing longer dated securities with shorter dated issues.

Provisions and writedowns were substantially higher, a credit provision of US$ 38 million for one specific case, US$ 16 million writedowns of mutual fund assets held as a hedge for incentive plan liabilities and a US$ 10 million provision for residual values in the auto lease portfolio. The customer base was stable and average core deposits increased by 1% in 2002. There was little demand for borrowing by corporate customers in this subdued business climate but direct retail and SME lending increased by 3%. Employee restructuring costs of US$ 13 million were incurred in relation to an early retirement program at Allfirst.

On 26 September 2002, AIB announced that it was entering into a strategic relationship with M&T Bank Corporation ('M&T') whereby M&T would acquire AIB's US subsidiary Allfirst with AIB obtaining a 22.5% share in the enlarged M&T and a cash payment of US$ 886 million.

Allied Irish America – Profit increased significantly due to good growth in the not-for-profit business, an increased revenue contribution from CCS and the impact of reduced investment costs. There was an underlying increase of 30% in fee income with strong growth in letter of credit income and a 17% increase in risk weighted assets.

Ketchum Canada, Inc., a fundraising consultancy that operates across Canada with principal offices in Toronto, Montreal, Calgary and Vancouver was acquired by the Group in May 2002.

Capital Markets profit was € 209 million, up 8% on the year to December 2001

"Substantial growth in Corporate Banking profit"
"Strong performance from Treasury interest rate management activities"
"Lower Investment Banking and Asset Management revenues"
"Effective cost management across all business units"

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

Capital Markets profit and loss account	**Year 2002 € m**	Year 2001 € m	*% Change 2002 v 2001*
Net interest income	**271**	210	*29*
Other finance income	**7**	8	*-11*
Other income	**282**	305	*-8*
Total operating income	**560**	523	*7*
Total operating expenses	**300**	296	*1*
Operating profit before provisions	**260**	227	*14*
Provisions	**60**	38	*56*
Operating profit - continuing activities	**200**	189	*6*
Income from associated undertakings	**9**	5	*91*
Profit on ordinary activities before taxation	**209**	194	*8*

The 8% growth in profit reflected a strong performance in 2002 with Capital Markets activities operating in very difficult market conditions. There was good revenue growth which together with tight cost management delivered a 14% increase in operating profit before provisions.

Corporate Banking achieved very substantial growth in profitability in Ireland and in its international businesses. Average loan volumes were up 13% with particularly good performances in IFSC, UK and USA businesses. Fee income was buoyant including a substantial increase in arrangement fees and fees from Collateralised Debt Obligation ('CDO') funds, including the launch of the Clare Island CDO.

Profit was higher in Global Treasury due to an increased contribution from interest rate management activities which anticipated and benefited from low interest rates. Trading revenues (other income) were lower as a result of a more difficult trading environment. Global Treasury continued to maintain a strong liquidity position in euro, US dollar, sterling and Polish zloty operations.

Investment Banking revenues were lower due to a decline in asset values, reduced business volumes and the general impact of difficult equity markets. Despite difficult market conditions, strong underlying performances were achieved by Goodbody, AIB Corporate Finance and the AIB/Bank of New York Securities Services joint venture.

Revenues from Asset Management declined mainly due to the impact of lower asset values, on fee income.

Operating expenses were well controlled. Excluding the restructuring of the AIB joint venture with Bank of New York (see comment below on associated undertakings), costs were up 3% due to normal cost inflation and expansion of the corporate business internationally partly offset by good cost management. The cost income ratio declined significantly by 3% to 54%.

A full discussion on provisions is contained in the provisions section of this review (page 14).

Income from associated undertakings increased due to the restructuring of the AIB joint venture with the Bank of New York. The AIB share of profit from custody and trustee businesses is included in associated undertakings in 2002 whereas in 2001 the operating income and expense was included in operating profit.

Poland profit was € 61 million for the year 2002

"Operating profit up 36%"

"Tight cost control - benefits from merger of Bank Zachodni and WBK"

"Gross provisions decreased in 2002"

"Slower economic conditions - significantly lower interest rate environment"

Poland *Bank Zachodni WBK ('BZWBK'), in which AIB has a 70.5% shareholding, together with its subsidiaries and associates.*

Poland profit and loss account	**Year 2002 € m**	Year 2001 € m	*% Change 2002 v 2001*
Net interest income	**272**	275	*-1*
Other finance income	**–**	–	–
Other income	**188**	163	*15*
Total operating income	**460**	438	*5*
Operating expenses	**351**	358	*-2*
Integration costs in continuing businesses	**–**	38	–
Total operating expenses	**351**	396	*-11*
Operating profit before provisions	**109**	42	*160*
Provisions	**46**	9	*417*
Operating profit - continuing activities	**63**	33	*89*
(Loss)/profit on disposal of property	**(2)**	3	–
Profit on ordinary activities before taxation	**61**	36	*71*

Operating profit before provisions was up 36% on the 2001 level of € 80 million, adjusting for integration costs.

In local currency terms revenue was up 10% despite slower economic conditions. Net interest income increased by 4% due to growth in business volumes and a stable net interest margin. Deposit margins declined in the substantially lower interest rate environment while lower funding costs and wider loan margins were positive features. Loans increased by 8%, a level below historical trends, due to management adopting a cautious approach in the more difficult economic environment. The savings market was sluggish with combined deposits and mutual funds volumes down 2% on December 2001, however average deposits were up 1%. The market was affected by tougher business conditions and the introduction of a new withholding tax on deposits.

Other income was up 21% including strong growth in card and current account fees and branch commissions. Operating expenses were up 3% reflecting implementation of a new branch technology platform offset by tight cost control and realisation of integration benefits.

Including the use of general provisions in 2001 headline provisions increased from € 9 million to € 46 million. The gross provision charge declined in 2002 from 1.9% of loans (before the use in 2001 of general provisions of € 47 million created on the acquisition of WBK and Bank Zachodni) to 1.2%.

Group

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

Group profit and loss account	**Year 2002 € m**	Year 2001 € m
Net interest income	**(25)**	10
Other finance income	**18**	11
Other income	**–**	(8)
Total operating income	**(7)**	13
Total operating expenses	**56**	54
Operating loss before provisions	**(63)**	(41)
Provisions	**(30)**	55
Operating loss - continuing activities	**(33)**	(96)
Income from associated undertakings	**–**	(1)
Profit on disposal of business	**–**	93
Loss on ordinary activities before taxation	**(33)**	(4)

Group reported a loss of € 33 million for the year to December 2002, compared with a loss of € 4 million in 2001. The increased loss arose mainly from lower capital income due to the impact on capital arising from the exceptional foreign exchange dealing losses in Allfirst in 2001 and lower investment yields. The 2001 loss included € 93 million profit from the sale of AIB's interest in KCH and a € 50 million additional unallocated credit provision created at Group level. The 2002 result included the release of € 40 million of this € 50 million provision offset by additional provisions in relation to unquoted investments.

Notes

1 Accounting policies and presentation of financial information

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

Change in accounting policies

There are no changes to the accounting policies as set out on pages 44 to 47 of the Annual Report and Accounts for the year ended 31 December 2001 other than that arising from the implementation of Financial Reporting Standard 19 - Deferred Tax ('FRS 19'). FRS 19 is effective for accounting periods ending on or after 23 January 2002. Previously it was Group policy to provide deferred tax where there was a reasonable probability that the tax asset or liability would crystallise in the forseeable future. Under FRS 19, deferred tax is recognised on all timing differences. The change in policy did not have a material impact on the results for each of the years ended 31 December 2002, 2001 and 2000. Under FRS 19, deferred tax assets and liabilities are required to be disclosed separately on the face of the balance sheet and comparative figures have been restated.

Changes in presentation of financial information

The Group has implemented UITF Abstract 33 - Obligations in Capital Instruments in the preparation of its accounts for the year ended 31 December 2002 and comparative figures have been restated. Under the UITF, the € 500m 7.5% Step-up Callable Perpetual Reserve Capital Instruments ('RCIs'), which were issued during 2001, are treated as subordinated liabilities rather than shareholders' funds. The related interest cost of € 38m (2001: € 35m; 2000: nil) is included within interest expense whereas previously the amount was included in 'Dividends on non-equity shares'.

The following table summarises the restatement of prior year numbers on key profit and loss account captions.

	Year ended 31 December 2001		
	As reported € m	UITF 33 € m	As restated € m
Net interest income	2,293	(35)	2,258
Group profit before taxation and exceptional item	1,401	(35)	1,366
Dividends on non-equity shares	50	35	15
Profit attributable	484	–	484

Notes

2 Segmental information	2002 € m	2001 € m	2000 € m
Operations by business segments[1]			
Net interest income[2]			
AIB Bank ROI	**921**	843	738
AIB Bank GB & NI	**363**	336	318
USA	**549**	584	537
Capital Markets	**271**	210	127
Poland	**272**	275	252
Group	**(25)**	10	50
	2,351	2,258	2,022
Deposit interest retention tax	**–**	–	(113)
	2,351	2,258	1,909
Other finance income			
AIB Bank ROI	**40**	43	46
AIB Bank GB & NI	**(1)**	3	4
USA	**(2)**	2	4
Capital Markets	**7**	8	8
Poland	**–**	–	1
Group	**18**	11	8
	62	67	71
Other income			
AIB Bank ROI	**353**	359	357
AIB Bank GB & NI	**166**	161	151
USA	**528**	446	381
Capital Markets	**282**	305	304
Poland	**188**	163	153
Group	**–**	(8)	(42)
	1,517	1,426	1,304
Exceptional foreign exchange dealing losses	**–**	(789)	–
	1,517	637	1,304
Total operating income			
AIB Bank ROI	**1,314**	1,245	1,141
AIB Bank GB & NI	**528**	500	473
USA	**1,075**	1,032	922
Capital Markets	**560**	523	439
Poland	**460**	438	406
Group	**(7)**	13	16
	3,930	3,751	3,397
Exceptional foreign exchange dealing losses	**–**	(789)	–
Deposit interest retention tax	**–**	–	(113)
	3,930	2,962	3,284
Total operating expenses			
AIB Bank ROI	**677**	641	593
AIB Bank GB & NI	**266**	259	248
USA	**668**	638	554
Capital Markets	**300**	296	265
Poland	**351**	396	296
Group	**56**	54	41
	2,318	2,284	1,997

2 Segmental information *(continued)*	**2002 € m**	2001 € m	2000 € m
Operations by business segments[1]			
Provisions			
AIB Bank ROI	**55**	44	36
AIB Bank GB & NI	**22**	19	20
USA	**98**	39	38
Capital Markets	**60**	38	18
Poland	**46**	9	23
Group	**(30)**	55	(1)
	251	204	134
Group profit on ordinary activities before taxation[2]			
AIB Bank ROI	**590**	562	516
AIB Bank GB & NI	**240**	223	205
USA	**308**	355	330
Capital Markets	**209**	194	159
Poland	**61**	36	88
Group	**(33)**	(4)	(24)
	1,375	1,366	1,274
Exceptional foreign exchange dealing losses	**–**	(789)	–
Deposit interest retention tax	**–**	–	(113)
	1,375	577	1,161
Total loans			
AIB Bank ROI	**21,367**	17,797	15,669
AIB Bank GB & NI	**8,967**	7,784	7,443
USA	**12,286**	14,586	12,995
Capital Markets	**12,247**	12,535	10,386
Poland	**3,473**	4,646	3,645
Group	**143**	97	101
	58,483	57,445	50,239
Total deposits			
AIB Bank ROI	**22,522**	21,016	18,609
AIB Bank GB & NI	**7,449**	7,015	6,410
USA	**12,823**	17,226	15,941
Capital Markets	**24,250**	21,472	19,271
Poland	**5,014**	5,968	4,897
Group	**132**	116	82
	72,190	72,813	65,210
Total assets			
AIB Bank ROI	**27,239**	23,512	21,333
AIB Bank GB & NI	**10,161**	8,993	8,507
USA	**17,234**	22,427	20,538
Capital Markets	**25,026**	26,881	23,635
Poland	**6,261**	7,340	6,129
Group	**128**	206	401
	86,049	89,359	80,543

2 Segmental information *(continued)*	**2002 € m**	2001 € m	2000 € m
Operations by business segments[1]			
Total risk weighted assets			
AIB Bank ROI	**18,821**	15,987	14,302
AIB Bank GB & NI	**8,666**	7,542	6,789
USA	**19,234**	22,403	20,318
Capital Markets	**18,599**	18,821	14,879
Poland	**3,662**	4,105	3,655
Group	**257**	–	279
	69,239	68,858	60,222
Net assets			
AIB Bank ROI	**1,198**	1,126	1,174
AIB Bank GB & NI	**552**	532	557
USA	**1,225**	1,578	1,668
Capital Markets	**1,184**	1,326	1,222
Poland	**233**	289	300
Group	**16**	–	23
	4,408	4,851	4,944

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

	2002 € m	2001 € m	2000 € m
Operations by geographical segments[3]			
Interest income			
Republic of Ireland	**2,020**	2,089	1,951
United States of America	**984**	1,254	1,359
United Kingdom	**1,002**	1,000	1,059
Poland	**747**	1,001	756
Rest of the world	**–**	2	2
	4,753	5,346	5,127
Other finance income			
Republic of Ireland	**62**	60	62
United States of America	**(2)**	2	4
United Kingdom	**2**	5	5
Poland	**–**	–	–
Rest of the world	**–**	–	–
	62	67	71
Dividend income			
Republic of Ireland	**4**	4	1
United States of America	**4**	5	–
United Kingdom	**1**	–	–
Poland	**5**	1	4
Rest of the world	**–**	1	1
	14	11	6

2 Segmental information *(continued)*	**2002 € m**	2001 € m	2000 € m
Operations by geographical segments(3)			
Fees and commissions receivable			
Republic of Ireland	**446**	457	428
United States of America	**462**	433	355
United Kingdom	**236**	225	207
Poland	**155**	142	109
Rest of the world	**2**	1	2
	1,301	1,258	1,101
Dealing profits/(losses)			
Republic of Ireland	**63**	62	25
United States of America	**(11)**	16	2
United Kingdom	**24**	12	44
Poland	**1**	2	32
Rest of the world	**–**	–	–
	77	92	103
Exceptional foreign exchange dealing losses	**–**	(789)	–
	77	(697)	103
Other operating income			
Republic of Ireland	**79**	110	121
United States of America	**120**	13	37
United Kingdom	**11**	30	20
Poland	**53**	44	24
Rest of the world	**–**	(4)	–
	263	193	202
Gross income			
Republic of Ireland	**2,674**	2,782	2,588
United States of America	**1,557**	1,723	1,757
United Kingdom	**1,276**	1,272	1,335
Poland	**961**	1,190	925
Rest of the world	**2**	–	5
	6,470	6,967	6,610
Exceptional foreign exchange dealing losses	**–**	(789)	–
	6,470	6,178	6,610
Total operating expenses			
Republic of Ireland	**924**	885	801
United States of America	**676**	653	569
United Kingdom	**363**	350	332
Poland	**351**	393	292
Rest of the world	**4**	3	3
	2,318	2,284	1,997
Provisions			
Republic of Ireland	**71**	132	51
United States of America	**109**	44	38
United Kingdom	**25**	19	23
Poland	**47**	9	23
Rest of the world	**(1)**	–	(1)
	251	204	134

2 Segmental information *(continued)*	**2002 € m**	2001 € m	2000 € m
Operations by geographical segments[3]			
Group profit on ordinary activities before taxation[2]			
Republic of Ireland	**675**	527	577
United States of America	**330**	358	301
United Kingdom	**303**	333	286
Poland	**67**	55	106
Rest of the world	**–**	93	4
	1,375	1,366	1,274
Exceptional foreign exchange dealing losses	**–**	(789)	–
Deposit interest retention tax	**–**	–	(113)
	1,375	577	1,161
Total loans			
Republic of Ireland	**29,899**	27,224	24,027
United States of America	**12,594**	14,665	13,018
United Kingdom	**12,516**	10,899	9,545
Poland	**3,473**	4,646	3,645
Rest of the world	**1**	11	4
	58,483	57,445	50,239
Total deposits			
Republic of Ireland	**37,944**	33,062	29,055
United States of America	**14,453**	19,078	17,585
United Kingdom	**14,779**	14,705	13,672
Poland	**5,014**	5,968	4,897
Rest of the world	**–**	–	1
	72,190	72,813	65,210
Total assets			
Republic of Ireland	**45,205**	42,148	36,956
United States of America	**17,798**	22,672	21,020
United Kingdom	**16,774**	17,184	16,191
Poland	**6,271**	7,343	6,128
Rest of the world	**1**	12	248
	86,049	89,359	80,543
Net assets			
Republic of Ireland	**1,975**	2,245	2,009
United States of America	**1,243**	1,257	1,700
United Kingdom	**944**	1,029	914
Poland	**246**	320	300
Rest of the world	**–**	–	21
	4,408	4,851	4,944

[2]The figures for 2001 have been restated to reflect the interest cost of the Reserve Capital Instruments as interest expense rather than 'Dividends on non-equity shares'.

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

Assets by segment

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

3 Other interest receivable and similar income	**2002 € m**	2001 € m	2000 € m
Interest on loans and advances to banks	**196**	255	238
Interest on loans and advances to customers	**3,423**	3,684	3,544
Income from leasing and hire purchase contracts	**188**	209	205
	3,807	4,148	3,987

4 Interest payable	**2002 € m**	2001 Restated € m	2000 € m
Interest on deposits by banks and customer accounts	**2,178**	2,744	2,701
Interest on debt securities in issue	**103**	176	249
Interest on subordinated liabilities	**83**	133	155
Interest on reserve capital instruments	**38**	35	–
	2,402	3,088	3,105

5 Deposit interest retention tax ('DIRT')

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

6 Dealing profits

(a) Dealing profits (before exceptional losses)	**2002 € m**	2001 € m	2000 € m
Foreign exchange contracts	**78**	75	69
Profits less losses from securities held for trading purposes	**10**	2	42
Interest rate contracts	**(11)**	15	(8)
	77	92	103

Dealing profits is a term prescribed by the European Communities (Credit Institutions: Accounts) Regulations, 1992. Dealing profits reflects trading income and excludes interest payable and receivable arising from these activities. Staff and other administrative expenses arising from trading activities are not included here but are included under the appropriate heading within administrative expenses *(note 8(a))*.

(b) Exceptional foreign exchange dealing losses

AIB accounted for the losses arising from the fraudulent foreign exchange trading activities at Allfirst Bank ('Fraud Losses') by way of an exceptional pre-tax charge of € 789m (of which € 341m related to prior periods) in its accounts for the year ended 31 December 2001. The losses occurred over a number of years as follows:- 2002: US$ 17.2m; 2001: US$ 373.3m; 2000: US$ 211.0m; 1999: US$ 48.2m; 1998: US$ 12.4m; and 1997: US$ 29.1m.

The Group profit attributable to the ordinary shareholders of € 1,037m, for the year ended 31 December 2002, would reduce to € 1,019m if the Fraud Losses and associated costs which were charged in 2001 as part of the exceptional item, were taken into account.

Treatment of exceptional foreign exchange dealing losses for US reporting purposes

For US reporting purposes, the Fraud Losses are required to be charged in the years in which they occurred. Accordingly in Note 19 - Supplementary Group financial information for US reporting purposes, the Group profit attributable to stockholders of AIB is restated to reflect the Fraud Losses and associated costs in the periods in which they occurred.

7 Other operating income	**2002 € m**	2001 € m	2000 € m
Profit/(loss) on disposal of debt securities held for investment purposes	**106**	24	(1)
Profit on disposal of investments in associated undertakings	**1**	1	5
Profit/(loss) on disposal of equity shares	**11**	(3)	24
Contribution of life assurance company *(note 17)*	**57**	84	95
Contribution from securitised assets	**4**	5	4
Mortgage origination and servicing income	**7**	10	3
Miscellaneous operating income	**77**	72	72
	263	193	202

8 Administrative expenses

(a) Staff and other administrative expenses	**2002 € m**	2001 € m	2000 € m
Staff costs	**1,391**	1,348	1,192
Other administrative expenses	**707**	703	634
	2,098	2,051	1,826

(b) Restructuring and integration costs in continuing businesses

Allfirst Financial Inc.

Allfirst introduced an early retirement program in August 2002 for certain qualifying employees which provided additional service credits for those employees who retired on 1 December 2002. The charge of € 13m in 2002 relates to the cost of the enhanced benefits that were provided to the employees who retired. This also forms part of the retirement benefits past service cost in note 10.

Bank Zachodni WBK S.A.

On 13 June 2001, Bank Zachodni S.A. (Group interest 83.01%) merged with Wielkopolski Bank Kredytowy S.A. (Group interest 60.14%) through a share for share offering. The enlarged company, now called Bank Zachodni WBK S.A. (Group interest 70.47%), is listed on the Warsaw stock exchange. The charge of € 38m in 2001 relates to the costs of integration of the two businesses.

9 Amounts written off/(written back) fixed asset investments	**2002 € m**	2001 € m	2000 € m
Debt securities	**19**	6	(1)
Equity shares	**36**	(1)	–
Interests in associated undertakings	**–**	1	–
	55	6	(1)

10 Retirement benefits

(a) Description of retirement benefit schemes

The Group provides pension benefits for employees in Ireland, the UK, and the US, the majority of which are funded. Certain post-retirement benefits are also provided for retired employees, primarily healthcare and life insurance benefits in the US.

The Group operates a number of defined benefit schemes. The majority of staff in the Republic of Ireland are members of the AIB Group Irish Pension Scheme (the Irish scheme) while the majority of staff in the UK are members of the AIB Group UK Pension Scheme (the UK scheme). Allfirst sponsors a number of defined benefit schemes, the largest of which (the US scheme) covers substantially all employees of Allfirst and its subsidiaries. Retirement benefits for the defined benefit schemes are calculated by reference to service and pensionable salary at normal retirement date.

Independent actuarial valuations, for the main Irish and UK schemes, are carried out on a triennial basis. The last such valuation was carried out on 1 January 2001 using the Projected Unit Method. The schemes are funded and contribution rates of 10.0% and 22.6% have been set for the Irish and UK schemes respectively. As both these schemes are closed to new entrants, under the Projected Unit Method, the current service cost and the standard contribution rates will increase as members of the schemes approach retirement. Independent actuarial valuations of the US schemes are carried out annually. The last such valuation was carried out on 31 December 2002 using the Projected Unit Method. The actuarial valuations are available for inspection only to the members of the schemes.

The following table summarises the financial assumptions adopted in respect of the main schemes. The assumptions, including the expected long-term rate of return on assets, have been set upon advice of the Group's actuary.

	as at 31 December		
Financial assumptions	**2002 %**	2001 %	2000 %
Irish scheme			
Rate of increase in salaries	**4.0**	4.0	4.0
Rate of increase of pensions in payment	**2.5**	2.5	2.5
Discount rate	**5.60**	5.75	5.75
Inflation assumptions	**2.5**	2.5	2.5
UK scheme			
Rate of increase in salaries	**4.0**	4.0	4.0
Rate of increase of pensions in payment	**2.5**	2.5	2.5
Discount rate	**5.75**	6.00	6.00
Inflation assumptions	**2.5**	2.5	2.5
US scheme			
Rate of increase in salaries	**4.5**	4.5	4.0
Rate of increase of pensions in payment	**–**	–	–
Discount rate	**6.51**	6.94	7.47
Inflation assumptions	**3.0**	3.0	3.0

The following table sets out on a combined basis for all schemes the fair value of the assets held by the schemes together with the long term rate of return expected for each class of assets.

	as at 31 December 2002		as at 31 December 2001		as at 31 December 2000	
	Long-term rate of return expected %	**Value € m**	Long-term rate of return expected %	Value € m	Long-term rate of return expected %	Value € m
Equities	**9.0**	**1,490**	8.6	2,138	7.4	2,280
Bonds	**5.2**	**333**	5.6	391	5.9	443
Other	**6.3**	**346**	4.9	373	5.1	407
Total market value of assets	**8.0**	**2,169**	7.7	2,902	6.9	3,130
Actuarial value of liabilities		**(2,879)**		(2,645)		(2,403)
(Deficit)/surplus in the schemes		**(710)**		257		727
Related deferred tax asset/(liability)		**173**		(2)		(102)
Net pension (liability)/asset		**(537)**		255		625

10 Retirement benefits *(continued)*

The net pension (liability)/asset is recognised on the balance sheet as follows:-

	as at 31 December		
	2002 € m	2001 € m	2000 € m
Funded pension schemes in surplus	**–**	372	671
Funded pension schemes in deficit	**(482)**	(58)	–
Unfunded schemes	**(55)**	(59)	(46)
	(537)	255	625

Included in the actuarial value of the liabilities is an amount in respect of commitments to pay annual pensions amounting to € 105,992 in aggregate to a number of former directors.

The following table sets out the components of the defined benefit cost for each of the three years ended 31 December 2002, 2001 and 2000.

	2002 € m	2001 € m	2000 € m
Other finance income			
Expected return on pension scheme assets	**220**	213	203
Interest on pension scheme liabilities	**(158)**	(146)	(132)
	62	67	71
Included within administrative expenses			
Current service cost	**86**	79	75
Past service cost	**22**	5	21
	108	84	96
Cost of providing defined retirement benefits	**46**	17	25

Analysis of the amount recognised in STRGL	**2002 € m**	2001 € m	2000 € m
Actual return less expected return on pension scheme assets	**(862)**	(438)	(158)
Experience gains and losses on scheme liabilities	**(18)**	(32)	(72)
Changes in demographic and financial assumptions	**(123)**	(32)	(18)
Actuarial loss recognised under FRS 17	**(1,003)**	(502)	(248)
Deferred tax	**180**	100	47
Recognised in STRGL	**(823)**	(402)	(201)

Movement in (deficit)/surplus during the year	**2002 € m**	2001 € m	2000 € m
Surplus in scheme at beginning of year	**257**	727	946
Movement in year:			
Current service cost	**(86)**	(79)	(75)
Past service cost	**(22)**	(5)	(21)
Contributions	**50**	50	47
Other finance income	**62**	67	71
Actuarial loss recognised under FRS 17	**(1,003)**	(502)	(248)
Translation adjustment	**32**	(1)	7
(Deficit)/surplus in scheme at end of year	**(710)**	257	727

10 Retirement benefits *(continued)*

History of experience gains and losses	2002 € m	2001 € m	2000 € m	1999 € m
Difference between expected and actual return on scheme assets:				
Amount	**(862)**	(438)	(158)	324
Percentage of scheme assets	**40%**	15%	5%	10%
Experience gains and losses on scheme liabilities:				
Amount	**(18)**	(32)	(72)	(16)
Percentage of scheme liabilities	**1%**	1%	3%	1%
Total amount recognised in STRGL:				
Amount	**(1,003)**	(502)	(248)	662
Percentage of scheme liabilities	**35%**	19%	10%	31%

The Group operates a number of defined contribution schemes. The defined benefit schemes in Ireland and the UK were closed to new members from December 1997. Employees joining after December 1997 join on a defined contribution basis. The standard contribution rate in Ireland is 10%. The standard contribution rate in the UK is 5% and these members are also accruing benefits under SERPS (the State Earnings Related Pension Scheme). Allfirst provides a defined contribution plan whereby eligible employees can contribute, subject to certain limitations, varying percentages of their annual compensation. Allfirst matches 100% of the first 3% and 50% of the next 3% of an employee's contribution. The total cost in respect of defined contribution schemes for 2002 was € 27m (2001: € 22m; 2000: € 17m).

(b) Implementation of FRS 17 'Retirement benefits'

The Group adopted FRS 17 in the preparation of its accounts for the year ended 31 December 2001 and comparative figures were restated. The change in accounting policy arising from the adoption of FRS 17 gave rise to a net credit to shareholders' funds of € 648m at 1 January 2001.

11 Profit on disposal of business

In August 2001, AIB's interests in Keppel Capital Holdings Ltd. were sold to Oversea-Chinese Banking Corporation Limited, giving rise to a profit before taxation on disposal of € 93m (tax charge € nil).

12 Taxation

	2002 € m	2001 € m	2000 € m
Allied Irish Banks, p.l.c. and subsidiaries			
Corporation tax in Republic of Ireland			
Current tax on income for the period	**81**	88	69
Adjustments in respect of prior periods	**(7)**	(6)	(1)
	74	82	68
Double taxation relief	**(4)**	(17)	(15)
	70	65	53
Foreign tax			
Current tax on income for the period	**212**	64	146
Adjustments in respect of prior periods	**(4)**	(8)	(5)
	208	56	141
Total current tax	**278**	121	194
Deferred tax			
Origination and reversal of timing differences	**21**	(66)	125
Other	**6**	–	–
Total deferred tax	**27**	(66)	125
Associated undertakings	**1**	–	–
Taxation on ordinary activities	**306**	55	319
Effective tax rate – adjusted	**22.3%**	24.2%[1]	25.8%[1]

[1]The adjusted effective tax rate has been presented to eliminate the effect of the exceptional foreign exchange dealing losses in 2001 *(note 6(b))* and the deposit interest retention tax settlement in 2000 *(note 5)*.

13 Earnings per €0.32 ordinary share

	2002	2001	2000
(a) Basic			
Group profit attributable to the ordinary shareholders[1]	**€ 1,037m**	€ 484m	€ 784m
Weighted average number of shares in issue during the year[1]	**868.7m**	861.4m	856.1m
Earnings per share	**EUR 119.4c**	EUR 56.2c	EUR 91.6c

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

	Earnings per €0.32 ordinary share		
(b) Adjusted	**2002**	2001 cent per €0.32 share	2000
As reported	**119.4**	56.2	91.6
Adjustments			
Exceptional foreign exchange dealing losses *(note 6(b))*	**–**	59.6	–
Deposit interest retention tax *(note 5)*	**–**	–	12.0
Goodwill amortisation	**3.6**	3.6	3.1
	123.0	119.4	106.7

The adjusted earnings per share figure has been presented to eliminate the effect of the goodwill amortisation in all years, the exceptional foreign exchange dealing losses in 2001 and the deposit interest retention tax settlement in 2000.

(c) Diluted	**2002**	2001	2000
		Number of shares (millions)	
Weighted average number of shares in issue during the period	**868.7**	861.4	856.1
Dilutive effect of options outstanding	**8.4**	5.7	5.8
Diluted	**877.1**	867.1	861.9

The weighted average number of ordinary shares reflects the dilutive effect of options outstanding under the employee share trusts, the Share option scheme and the Allfirst Financial Inc. stock option plan.

14 Loans and advances to customers

	2002 € m	2001 € m
Loans and advances to customers	**50,244**	47,674
Amounts receivable under finance leases	**2,143**	2,447
Amounts receivable under hire purchase contracts	**834**	863
Money market funds	**226**	232
	53,447	51,216

	2002 € m	2001 € m
Non-performing loans – Loans accounted for on a non-accrual basis		
AIB Bank ROI division	**194**	162
AIB Bank GB & NI division	**88**	107
USA division	**107**	87
Capital Markets division	**115**	34
Poland division	**486**	643
	990	1,033

15 Provisions for bad and doubtful debts	**2002 € m**	2001 € m
At 1 January	**1,009**	872
Exchange translation adjustments	**(86)**	46
Disposed loans	**(2)**	–
Charge against profit and loss account	**194**	179
Amounts written off	**(279)**	(113)
Recoveries of amounts written off in previous years	**26**	25
At 31 December	**862**	1,009
At 31 December		
Specific	**435**	539
General	**427**	470
	862	1,009

16 Debt securities	**2002 Book amount € m**	**2002 Market value € m**	2001 Book amount € m	2001 Market value € m
Held as financial fixed assets				
Issued by public bodies:				
Government securities	**4,931**	**5,101**	5,014	5,082
Other public sector securities	**2,503**	**2,533**	4,012	4,053
Issued by other issuers:				
Bank and building society certificates of deposit	**124**	**124**	518	519
Other debt securities	**5,888**	**5,932**	6,755	6,814
	13,446	**13,690**	16,299	16,468
Held for trading purposes				
Issued by public bodies:				
Government securities	**833**		511	
Other public sector securities	**73**		47	
Issued by other issuers:				
Bank and building society certificates of deposit	**45**		48	
Other debt securities	**3,807**		3,177	
	4,758		3,783	
	18,204		20,082	

17 Long-term assurance business

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

Income from Ark Life's long-term assurance business	**2002 € m**	2001 € m
New business contribution	**60**	65
Contribution from existing business		
- expected return	**25**	18
- experience variances	**2**	3
Investment returns	**2**	3
Distribution costs	**(20)**	(17)
Operating profit	**69**	72
Other items:		
Change in value of future unit linked fees	**(32)**	(3)
Changes in economic assumptions	**17**	–
Exceptional items	**3**	15
Income from long-term assurance business before tax	**57**	84
Attributable tax	**9**	17
Income from long-term assurance business after tax	**48**	67

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

	2002 € m	2001 € m
Investments:		
Cash and short-term placings with banks	**1,250**	1,019
Debt securities	**223**	256
Equity shares	**849**	1,034
Property	**42**	43
	2,364	2,352
Embedded value adjustment	**153**	142
Other assets - net	**61**	62
	2,578	2,556
Long-term assurance liabilities to policyholders	**(2,226)**	(2,252)
Long-term assurance business attributable to shareholders	**352**	304
Represented by:		
Shares at cost	**19**	19
Reserves	**326**	281
Profit and loss account	**7**	4
	352	304

18 Customer accounts

	2002 € m	2001 € m
Current accounts	**16,428**	16,300
Demand deposits	**10,333**	11,165
Time deposits	**21,855**	22,896
	48,616	50,361
Securities sold under agreements to repurchase	**703**	726
Other short-term borrowings	**3,657**	3,470
	4,360	4,196
	52,976	54,557

19 Supplementary Group financial information for US reporting purposes

For convenience purposes this note contains translations of certain euro amounts into US dollars at the rate of € 1.00 to US$ 1.0487, the year end translation rate used in the preparation of the Group's financial statements. These translations should not be construed as representations that the euro amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated.

	2002 US $	2002 €	2001 Restated €	2000 €
Per American Depositary Share ('ADS')				
Net income for US reporting purposes	**2.46**	**2.35**	1.70	1.49
Dividend[1]	**1.04**	**0.98**	0.88	0.78
Net assets for US reporting purposes	**10.37**	**9.88**	11.06	10.84
Amounts in accordance with US GAAP				
Net income	**974m**	**929m**	630m	571m
Net income attributable to ordinary stockholders	**966m**	**921m**	615m	551m
Net income per ADS	**2.22**	**2.12**	1.43	1.29
Net assets per ADS	**14.02**	**13.37**	12.98	11.56

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

Summary of consolidated balance sheet	US $ m	€ m	€ m	€ m
Amounts in accordance with IR GAAP				
Total assets	**90,239**	**86,049**	89,359	80,543
Ordinary stockholders' equity	**4,623**	**4,408**	4,851	4,944
Total loans	**61,332**	**58,483**	57,445	50,239
Total deposits	**75,706**	**72,190**	72,813	65,210
Amounts in accordance with US GAAP				
Total assets	**90,642**	**86,432**	88,561	78,216
Ordinary stockholders' equity	**6,254**	**5,963**	5,716	5,050

19 Supplementary Group financial information for US reporting purposes *(continued)*

Exceptional foreign exchange dealing losses

As set out in note 6, in accordance with Irish Generally Accepted Accounting Principles (IR GAAP) the total costs arising from the fraud in Allfirst Treasury have been reflected by way of an exceptional charge of € 789m (after tax € 513m) in the accounts for the year ended December 31, 2001.

Under US reporting requirements, the filing of AIB's 2001 financial statements by way of Annual Report on Form 20-F constituted a reissue of the financial statements for prior years. The US Securities and Exchange Commission requires all material errors in respect of prior years to be accounted for and reported as prior year adjustments, in the years in which they occurred. Accordingly, in AIB's Annual Report on Form 20-F for December 2001, the Fraud Losses were charged in the years in which they occurred and this approach has been reflected in the financial information provided in this note.

The following tables reflect the reconciliation of the net income attributable to ordinary stockholders and consolidated ordinary stockholders' equity, as reported under Irish legislation to the amounts restated to meet US reporting purposes.

Net income attributable to ordinary stockholders	**2002** **€ m**	2001 Restated € m	2000 € m
Per Irish Legislation Accounts	**1,037**	484	784
Adjustments:			
Exceptional foreign exchange dealing losses	**(18)**	372	(228)
Administration expenses	**(10)**	6	–
Taxation	**10**	(132)	80
For US reporting purposes	**1,019**	730	636
Consolidated ordinary stockholders' equity			
Per Irish Legislation Accounts	**4,408**	4,851	4,944
Adjustments:			
Cumulative impact of recognition of losses in period they occurred	**–**	20	(210)
For US reporting purposes	**4,408**	4,871	4,734

Notes

19 Supplementary Group financial information for US reporting purposes *(continued)*

Reconciliation of alternative presentation to US GAAP

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

Consolidated net income		**Year ended December 31** 2002	2001 Restated	2000
		(millions except per share amounts)		
Net income *(Group profit attributable to the stockholders of AIB)* as in the consolidated profit and loss account for US reporting purposes *(page 40)*		**€ 1,019**	€ 730	€ 636
Adjustments in respect of:				
Depreciation of freehold and long leasehold property		**2**	5	–
Long-term assurance policies		**(27)**	(48)	(70)
Goodwill		**4**	(110)	(78)
Premium on core deposit intangibles		**(5)**	(7)	(9)
Retirement benefits		**(5)**	53	94
Dividends on non-equity shares		**8**	15	20
Securities held for hedging purposes		**(3)**	(24)	(25)
Derivatives hedging available-for-sale securities		**–**	–	(9)
Internal derivative trades		**–**	–	(6)
Internal use computer software		**1**	6	11
Derivatives FAS 133 transition adjustment[(1)]		**–**	122	–
Derivatives FAS 133 adjustment		**(82)**	(107)	–
Deferred tax effect of the above adjustments		**17**	(5)	7
Net income in accordance with US GAAP		**€ 929**	€ 630	€ 571
Net income applicable to ordinary stockholders of AIB in accordance with US GAAP		**€ 921**	€ 615	€ 551
Equivalent to		**US $ 966**		
Income per American Depositary Share (ADS*) in accordance with US GAAP		**€ 2.12**	€ 1.43	€ 1.29
Equivalent to		**US $ 2.22**		
Year end exchange rate €/US $		**1.0487**		

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

Comprehensive income	**Year ended December 31** 2002	2001 Restated	2000
		(millions)	
Net income in accordance with US GAAP	**€ 929**	€ 630	€ 571
Net movement in unrealized holding gains on investment securities arising during the period	**84**	120	110
Derivatives FAS 133 transition adjustment[(1)]	**–**	41	–
Exchange translation adjustments	**(480)**	214	233
Comprehensive income	**€ 533**	€ 1,005	€ 914

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

19 Supplementary Group financial information for US reporting purposes *(continued)*

Reconciliation of alternative presentation to US GAAP *(continued)*

Consolidated ordinary stockholders' equity	2002	2001	2000
	(millions except per share amounts)		
Ordinary stockholders' equity as in the consolidated balance sheet for US reporting purposes *(page 40)*	**€ 4,408**	€ 4,871	€ 4,734
Revaluation of property	**(201)**	(204)	(210)
Depreciation of freehold and long leasehold property	**(27)**	(27)	(27)
Goodwill	**925**	1,070	1,097
Core deposit intangibles	**12**	19	26
Dividends payable on ordinary shares	**284**	250	221
Dividends on non-equity shares	**1**	1	–
Long-term assurance policies	**(263)**	(236)	(188)
Unrealized gains/(losses) not yet recognised on:			
Available-for-sale debt securities	**244**	169	16
Available-for-sale equity securities	**15**	–	(6)
Derivatives hedging available-for-sale securities	**–**	–	(63)
Securities held for hedging purposes	**(4)**	(1)	26
Internal derivative trades	**–**	–	(10)
Derivatives FAS 133 adjustment	**(79)**	5	–
Retirement benefits	**1,012**	77	(476)
Internal use computer software	**18**	17	11
Own shares	**(176)**	(245)	(177)
Deferred tax effect of the above adjustments	**(206)**	(50)	76
Ordinary stockholders' equity in accordance with US GAAP	**€ 5,963**	€ 5,716	€ 5,050
Equivalent to	**US $ 6,254**		
Ordinary stockholders' equity per ADS in accordance with US GAAP	**€ 13.37**	€ 12.98	€ 11.56
Equivalent to	**US $ 14.02**		
Ordinary stockholders' equity per ADS in accordance with IR GAAP	**€ 9.88**	€ 11.06	€ 10.84
Equivalent to	**US $ 10.37**		

AIB

20 Average balance sheets and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the years ended 31 December 2002 and 2001. 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.

	Year ended 31 December 2002			Year ended 31 December 2001		
Assets	**Average balance € m**	**Interest € m**	**Average rate %**	Average balance € m	Interest € m	Average rate %
Placings with banks						
Domestic offices	**3,388**	**103**	**3.0**	3,441	138	4.0
Foreign offices	**1,884**	**81**	**4.3**	2,041	117	5.7
Loans to customers[1]						
Domestic offices	**23,530**	**1,360**	**5.8**	21,210	1,390	6.6
Foreign offices	**26,369**	**1,573**	**6.0**	25,026	2,051	8.2
Placings with banks and loans to customers[1]						
Domestic offices	**26,918**	**1,463**	**5.4**	24,651	1,528	6.2
Foreign offices	**28,253**	**1,654**	**5.9**	27,067	2,168	7.9
Funds sold						
Domestic offices	**–**	**–**	**–**	–	–	–
Foreign offices	**744**	**12**	**1.6**	93	2	2.7
Debt securities and government bills						
Domestic offices	**9,850**	**401**	**4.1**	8,886	432	4.9
Foreign offices	**9,311**	**550**	**5.9**	11,558	784	6.8
Instalment credit and finance lease receivables						
Domestic offices	**1,895**	**115**	**6.1**	1,880	119	6.3
Foreign offices	**1,280**	**73**	**5.7**	1,458	90	6.2
Total interest earning assets						
Domestic offices	**38,663**	**1,979**	**5.1**	35,417	2,079	5.9
Foreign offices	**39,588**	**2,289**	**5.8**	40,176	3,044	7.6
	78,251	**4,268**	**5.5**	75,593	5,123	6.8
Allowance for loan losses	**(956)**			(939)		
Non-interest earning assets	**8,962**			9,560		
Total assets	**86,257**	**4,268**	**4.9**	84,214	5,123	6.1
Percentage of assets applicable to foreign activities			**51.6**			53.3

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

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

Liabilities and stockholders' equity	**Year ended 31 December 2002** Average balance € m	Interest € m	Average rate %	Year ended 31 December 2001 Average balance € m	Interest € m	Average rate %
Interest bearing deposits and						
other short-term borrowings						
Domestic offices	**31,005**	**837**	**2.7**	27,285	1,044	3.8
Foreign offices	**30,326**	**935**	**3.1**	32,519	1,588	4.9
Funds purchased						
Domestic offices	**–**	**–**	**–**	–	–	–
Foreign offices	**1,489**	**24**	**1.6**	1,694	65	3.8
Subordinated liabilities						
Domestic offices	**1,642**	**85**	**5.2**	1,906	116	6.1
Foreign offices	**682**	**36**	**5.3**	788	52	6.6
Total interest bearing liabilities						
Domestic offices	**32,647**	**922**	**2.8**	29,191	1,160	4.0
Foreign offices	**32,497**	**995**	**3.1**	35,001	1,705	4.9
	65,144	**1,917**	**2.9**	64,192	2,865	4.5
Interest-free liabilities						
Current accounts	**10,764**			9,578		
Other liabilities	**5,182**			4,996		
Minority equity and non-equity interests	**285**			298		
Preference share capital	**253**			253		
Ordinary stockholders' equity	**4,629**			4,897		
Total liabilities and stockholders' equity	**86,257**	**1,917**	**2.2**	84,214	2,865	3.4
Percentage of liabilities applicable to						
foreign activities			**50.0**			53.7

21 Memorandum items: contingent liabilities and commitments

	Contract amount 2002 € m	2001 € m
Contingent liabilities:		
Acceptances and endorsements	**72**	142
Guarantees and assets pledged as collateral security	**5,292**	5,245
Other contingent liabilities	**1,027**	1,125
	6,391	6,512
Commitments:		
Commitments arising out of sale and option to resell transactions	**2,062**	402
Other commitments	**17,890**	18,597
	19,952	18,999
	26,343	25,511

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

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.

Except as set out below, AIB Group is not, nor has been, involved in, nor are there, so far as the Company is aware, pending or threatened by or against AIB Group any legal or arbitration proceedings which may have, or have had during the previous twelve months, a significant effect on the financial position of AIB Group.

Class actions

On 5 March 2002 and on 24 April 2002, separate class action lawsuits under the Securities Exchange Act, 1934 of the United States were filed in the United States District Court for the Southern District of New York against AIB, Allfirst and certain serving and past officers and directors of Allfirst and its subsidiaries, seeking compensatory damages, legal fees and other costs and expenses relating to alleged misrepresentations in filings of AIB and Allfirst. On 3 May 2002, a motion to consolidate both cases and to appoint a lead plaintiff was filed with the court. It is not practicable to predict the outcome of the action against AIB and Allfirst and any financial impact on AIB, but on the basis of current information, the Directors do not believe that the action is likely to have a materially adverse effect on AIB.

On 13 May 2002, a purported shareholder derivative action was filed in the Circuit Court for Baltimore City, Maryland. An alleged holder of AIB American Depositary Shares purports to sue certain present and former directors and officers of Allfirst Bank on behalf of AIB, alleging those persons are liable for the foreign exchange trading losses. No relief is sought in the purported derivative action against AIB, Allfirst or Allfirst Bank. On 30 December 2002, the Court dismissed the action. On 10 January 2003, the plaintiffs have filed a motion seeking to have the Court amend or revise the judgement, or to be granted leave to file an amended complaint.

Certain of the individual defendants in these actions have asserted or may possibly assert claims for indemnification against AIB and/or Allfirst, which, if made against Allfirst following completion of the M&T transaction, might be subject to the indemnification obligations of AIB as part of the agreement with M&T. In the nature of any such claims, it is not possible to quantify the amount which might be asserted in any such claim.

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

	31 December 2002		31 December 2001	
	Notional principal amount € m	**Gross replacement cost € m**	Notional principal amount € m	Gross replacement cost € m
Interest rate contracts[1]	**110,529**	**1,913**	116,151	1,432
Exchange rate contracts[1]	**21,046**	**546**	26,505	280
Equity contracts[1]	**2,037**	**27**	2,893	195

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

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

22 Form 20-F

An annual report on Form 20-F will be filed with the Securities and Exchange Commission, Washington D.C. and, when filed, will be available to shareholders on application to the Company Secretary.

23 Approval of accounts

The accounts were approved by the board of directors on 18 February 2003.

Financial and other information

Financial and other information	2002	2001 Restated
Operating ratios		
Operating expenses[1]/operating income	**58.6%**	59.9%[2]
Tangible operating expenses[3]/operating income	**57.8%**	59.0%[2]
Other income[4]/operating income	**40.2%**	39.8%[2]
Net interest margin:		
Group	**3.00%**	2.99%
Domestic	**2.73%**	2.59%
Foreign	**3.27%**	3.34%
Rates of exchange		
€ /US $		
Closing	**1.0487**	0.8813
Average	**0.9458**	0.8947
€ /Stg £		
Closing	**0.6505**	0.6085
Average	**0.6282**	0.6198
€ /PLN		
Closing	**4.0210**	3.4953
Average	**3.8473**	3.6573

[1]Excludes restructuring costs of € 13.3m in 2002 and integration costs of € 38.2m in 2001.
[2]Adjusted to exclude the impact of the exceptional foreign exchange dealing losses in 2001. Including the exceptional foreign exchange dealing losses, operating expenses/operating income was 77.1%, tangible operating expenses/operating income was 74.8% and other income/operating income was 23.8%.
[3]Excludes amortisation of goodwill of € 31.7m (2001: € 30.9m) and restructuring/integration costs of € 13.3m (2001: € 38.2m).
[4]Other income includes other finance income.

Capital adequacy information	2002 € m	2001 € m
Risk weighted assets		
Banking book:		
On balance sheet	**53,961**	54,839
Off-balance sheet	**11,521**	10,854
	65,482	65,693
Trading book:		
Market risks	**3,099**	2,897
Counterparty and settlement risks	**658**	268
	3,757	3,165
Total risk weighted assets	**69,239**	68,858
Capital		
Tier 1	**4,806**	4,479
Tier 2	**2,522**	2,759
	7,328	7,238
Supervisory deductions	**341**	294
Total	**6,987**	6,944

Five year financial summary

2002 US $m	Summary of consolidated profit and loss account	2002 € m	2001 Restated € m	2000 € m	1999 € m	1998 € m
						Year ended 31 December
2,466	Net interest income before exceptional item	**2,351**	2,258	2,022	1,770	1,609
–	Deposit interest retention tax	**–**	–	(113)	–	–
2,466	Net interest income after exceptional item	**2,351**	2,258	1,909	1,770	1,609
65	Other finance income	**62**	67	71	71	–
1,590	Other income before exceptional item	**1,517**	1,426	1,304	1,052	980
–	Exceptional foreign exchange dealing losses	**–**	(789)	–	–	–
4,121	Total operating income after exceptional items	**3,930**	2,962	3,284	2,893	2,589
2,431	Total operating expenses	**2,318**	2,284	1,997	1,658	1,442
1,690	Group operating profit before provisions	**1,612**	678	1,287	1,235	1,147
263	Provisions	**251**	204	134	92	134
1,427	Group operating profit	**1,361**	474	1,153	1,143	1,013
10	Income from associated undertakings	**9**	4	3	3	4
5	Profit on disposal of property	**5**	6	5	2	32
–	Profit on disposal of business	**–**	93	–	15	–
1,442	Group profit before taxation	**1,375**	577	1,161	1,163	1,049
321	Taxation on ordinary activities	**306**	55	319	333	315
–	Impact of phased reduction in Irish corporation tax rates on deferred tax balances	**–**	–	–	–	55
321		**306**	55	319	333	370
25	Equity and non-equity minority interests	**24**	23	38	28	29
8	Dividends on non-equity shares	**8**	15	20	16	17
1,088	Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.	**1,037**	484	784	786	633
450	Dividends on equity shares	**429**	380	335	288	239
2.4	Dividend cover – times	**2.4**	1.3	2.3	2.7	2.7
125.2c	Earnings per € 0.32 share – basic	**119.4c**	56.2c	91.6c	92.5c	74.7c
129.0c	Earnings per € 0.32 share – adjusted	**123.0c**	119.4c	106.7c	93.5c	81.1c
124.0c	Earnings per € 0.32 share – diluted	**118.2c**	55.9c	91.0c	91.6c	73.7c

2002 US $m	Summary of consolidated balance sheet	2002 € m	2001 € m	2000 € m	1999 € m	1998 € m
						Year ended 31 December
90,239	Total assets	**86,049**	89,359	80,543	67,959	53,875
61,332	Total loans	**58,483**	57,445	50,239	43,127	35,496
75,706	Total deposits	**72,190**	72,813	65,210	55,241	44,840
1,350	Dated capital notes	**1,287**	1,594	1,836	1,587	970
408	Undated capital notes	**389**	426	413	397	170
520	Reserve capital instruments	**496**	496	–	–	–
288	Equity and non-equity minority interests in subsidiaries	**274**	312	272	227	213
246	Shareholders' funds: non-equity interests	**235**	279	264	245	210
4,623	Shareholders' funds: equity interests	**4,408**	4,851	4,944	4,460	2,829
7,435	Total capital resources	**7,089**	7,958	7,729	6,916	4,392

Five year financial summary *(continued)*

Other financial data	2002 %	2001 Restated %	2000 %	1999 %	1998 %
					Year ended 31 December
Return on average total assets[1]	**1.24**	0.62[2]	1.12[3]	1.36	1.28[4]
Return on average ordinary shareholders' equity	**22.4**	9.9[2]	16.7[3]	20.9	25.4[4]
Dividend payout ratio	**41.4**	78.5	42.7	36.6	37.9
Average ordinary shareholders' equity as a percentage of average total assets	**5.4**	5.8	6.3	6.1	4.7
Allowance for loan losses as a percentage of total loans to customers at year end	**1.6**	1.9	1.9	1.9	1.8
Net interest margin[1]	**3.00**	2.99	3.02	3.27	3.33
Tier 1 capital ratio	**6.9**	6.5	6.3	6.4	7.5
Total capital ratio	**10.1**	10.1	10.8	11.3	11.1

[1]The 2001 amounts have been restated to reflect the implementation of UITF Abstract 33 - Obligations in Capital Instruments.

[2]Excluding the impact of the exceptional foreign exchange dealing losses, the return on average total assets was 1.23% and the return on average ordinary shareholders' equity was 19.4%.

[3]Excluding the impact of the deposit interest retention tax settlement, the return on average total assets was 1.26% and the return on average ordinary shareholders' equity was 18.7%.

[4]Excluding the impact of the phased reduction in Irish corporation tax rates on deferred tax balances, the return on average total assets was 1.39% and the return on average ordinary shareholders' equity was 27.3%.

Accounts in sterling, US dollars and Polish zloty

Summary of consolidated profit and loss account for the year ended 31 December 2002	**€ m**	**STG £m STG £0.6505 = €1**	**US $m US $1.0487 = €1**	**PLN m PLN 4.0210 = €1**
Group operating profit before provisions	**1,612**	**1,048**	**1,690**	**6,482**
Provisions	**251**	**163**	**263**	**1,009**
Group operating profit	**1,361**	**885**	**1,427**	**5,473**
Income from associated undertakings	**9**	**6**	**10**	**37**
Profit on disposal of property	**5**	**3**	**5**	**20**
Group profit on ordinary activities before taxation	**1,375**	**894**	**1,442**	**5,530**
Taxation	**306**	**199**	**321**	**1,232**
Group profit on ordinary activities after taxation	**1,069**	**695**	**1,121**	**4,298**
Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.	**1,037**	**675**	**1,088**	**4,170**
Dividends on equity shares	**429**	**279**	**450**	**1,726**
Earnings per € 0.32 share – basic	**119.4c**	**77.7p**	**125.2¢**	**480.1 PLN**
Earnings per € 0.32 share – adjusted	**123.0c**	**80.0p**	**129.0¢**	**494.6 PLN**
Earnings per € 0.32 share – diluted	**118.2c**	**76.9p**	**124.0¢**	**475.3 PLN**

Summary of consolidated balance sheet 31 December 2002	**€ m**	**Stg £m**	**US $m**	**PLN m**
Assets				
Loans and advances to banks	**4,788**	**3,115**	**5,022**	**19,254**
Loans and advances to customers	**53,447**	**34,767**	**56,050**	**214,911**
Debt securities and equity shares	**18,450**	**12,002**	**19,349**	**74,188**
Intangible fixed assets	**457**	**297**	**479**	**1,836**
Tangible fixed assets	**1,178**	**766**	**1,235**	**4,736**
Other assets	**5,503**	**3,580**	**5,770**	**22,127**
Long-term assurance assets attributable to policyholders	**2,226**	**1,448**	**2,334**	**8,950**
	86,049	**55,975**	**90,239**	**346,002**
Liabilities				
Deposits by banks	**16,137**	**10,497**	**16,923**	**64,886**
Customer accounts	**52,976**	**34,461**	**55,556**	**213,018**
Debt securities in issue	**3,077**	**2,002**	**3,227**	**12,373**
Other liabilities	**4,544**	**2,955**	**4,765**	**18,268**
Subordinated liabilities	**2,172**	**1,413**	**2,278**	**8,734**
Equity and non-equity minority interests in subsidiaries	**274**	**178**	**287**	**1,102**
Shareholders' funds	**4,643**	**3,021**	**4,869**	**18,671**
Long-term assurance liabilities to policyholders	**2,226**	**1,448**	**2,334**	**8,950**
	86,049	**55,975**	**90,239**	**346,002**