



**AGM 2002 Chairman Mr. Lochlann Quinn's Speech
29th May 2002**

EMBARGO 11.00

Chairman's Speech to AIB Annual General Meeting in Culloden Hotel, Belfast on Wednesday 29 May, 2002

Good Morning

Welcome to Belfast

It has been a difficult time for AIB. While the business climate was adversely affected by the Foot and Mouth outbreak in the early part of last year and by the terrible events of 11 September, nevertheless we made solid progress throughout the Group in 2001. However, the major event, which now overshadows everything is the Allfirst fraud, which first came to light in February this year and is fully reflected in the results for 2001.

My first duty is to apologise to you the shareholders for the lapses that allowed this fraud to occur. Like everyone else in this room I was shocked when I first heard about the scale of the loss. The Board very quickly decided we needed some outside help to get to the bottom of what happened and we asked Mr Gene Ludwig and Wachtell, Lipton, Rosen & Katz, a New York law firm to help us. The Ludwig report concluded that the fraud carried out by foreign exchange trader John Rusnak was "carefully planned and meticulously implemented". It involved falsification of key bank records and documents and the circumventing of controls. Rusnak managed to do this because of the "weak control environment" at Allfirst treasury.

Since the fraud came to light the Board has taken steps to ensure that such an event can never happen again.

Among the steps taken were :

We accepted the recommendations in the Ludwig Report in full.
We terminated the employment of staff found to be culpable.
We are working with the relevant regulators to ensure that any concerns they may have are addressed.

We decided on a rapid acceleration of an organisational strategy designed to improve customer relationships, simplify support structures and strengthen controls across the Group.
We appointed Mr John Heimann as special advisor to the AIB Board on risk management organisation and governance.

We decided to undertake an external search for a new Chief Risk Officer
We decided to centralise the management and control of all treasury activities throughout AIB Group in Dublin and appointed First Manhattan Consulting Group to validate that the controls meet the best international standards.

We also decided to strengthen the links between the main AIB Board and the Boards of major subsidiaries.

We agreed changes in management most notably the appointment of Eugene Sheehy former MD of AIB Bank (ROI) as Chief Executive of AIB USA and Executive Chairman of Allfirst.

We have also put our external audit out to tender and we will recommend the appointment of KPMG Chartered Accountants as Auditors at a reconvened AGM to be held in Dublin on Wednesday, 26 June 2002.

We'll now show a video outlining the year's main events.....

While the Allfirst fraud represented a very serious lapse in controls which should not have happened, the loss is a once-off charge to the business which is now performing well. Let me now update you on the trading position in the current year, which we released to the Stock Exchange in our trading statement yesterday.

All of our franchises are performing well up to our expectations. In Ireland our Home Mortgage activity has almost doubled over the same period last year and we achieved market leadership in Special Savings Investment Accounts. In Great Britain there is strong commercial and corporate loan demand while lending activity in Northern Ireland is ahead of expectations. In Allfirst, average core deposits are up over the same period last year and have remained broadly stable since the announcement of the fraud. Operating profit in Poland is expected to improve significantly this year. There has been no material deterioration in asset quality across the Group. As a result we expect to meet our target of mid single digit growth in adjusted earnings for the Group in 2002.

Since the fraud, the share price has recovered well as the markets appreciate the underlying strength of our business. It is now 9 per cent (at 15.00) above the level before the fraud was announced.

Let me conclude by commenting briefly on stories in the media about the possibility of an AIB/Bank of Ireland merger, arising from interviews given by the new Chief Executive of Bank of Ireland. The proposal seems to be based on the premise that this is the only way to ensure that an Irish controlled financial services company can maintain its independence and compete on the European stage.

The position of the AIB Board is clear. Our aim is to grow AIB's business as an independent, multinational financial services company.

The focus of our growth strategy is not at all on merging AIB with any other company. It is clearly fixed on developing and successfully implementing a distinctive AIB customer proposition. Wherever we operate our growth will come from winning more business by meeting more of our customers' needs.

We are interested in competing with Bank of Ireland not in merging with them. We believe any such merger would be unacceptable on competition grounds and has not been and is not now on the agenda.

Our independence has to be earned year by year by our performance versus our peer group. So far we have done this as you will see from page 18 of the Summary Annual Report. In the last five years your investment in AIB has outperformed the top nine companies on the Irish Stock Exchange by 8 per cent, the average of the banks in the Eurotop 300 index by 26 per cent and Irish Government gilts by 223 per cent. That is the sort of performance that earns independence.

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