Allied Irish Banks, p.l.c. Trading Update
11th June 2003

Allied Irish Banks, p.l.c. ("AIB") [NYSE:AIB] is issuing the following update on trading before its half-year close period.
Growth in our Irish and British retail and commercial banking businesses continues to be excellent. In both islands we are growing faster than our competitors and we continue to target underlying double digit operating performance growth in these businesses. In Ireland we are winning a greater share of customers' business and in Britain we are gaining more customers within our chosen niches.
The Capital Markets Division continues to display resilience in difficult market conditions.
Performance in Poland is weaker, primarily due to the impact of sharp interest rate cuts on our deposit base. Throughout our business, we relentlessly focus on productivity and expect to maintain a positive underlying gap between income and cost growth for the year 2003
The weakening of the US dollar, sterling and Polish zloty against the euro will give rise to an estimated negative currency impact of 4% on the translation of earnings from our non euro denominated businesses, despite an active hedging policy. Accordingly, we are now targeting low single digit growth in underlying adjusted Group earnings per share for 2003.
At the interim stage, we expect an out-turn of marginal underlying adjusted earnings per share growth because of:
Particularly strong interest rate management performance in the first half of 2002.
Lower Allfirst performance in the first quarter compared with 2002, notably a reduced yield from the restructured investment securities portfolio.
Significant, non recurring income generated by Ark Life in the early months of 2002 during the closing stage of the Government sponsored savings campaign (SSIAs).
At our annual results presentation in February our guidance for 2003 excluded certain significant / one off items. We indicated then that we would seek to clarify their effect in this trading update, including the impact of the merger of Allfirst with M&T which was completed on April 1st 2003. We have appended an analysis of our 2002 results to facilitate year on year comparisons, and the following table and comment is intended to provide further clarification.

2002 Adjusted Earnings per Share		**123.0c**
Significant / one off items:		
FRS 17 *Reduction in other finance income*	c. (5.9c)	
Government lev	c. (3.5c)	
Total significant / one off items	**c. (9.4c)**	

A post tax gain of approximately €450m will be recognised on the merger of Allfirst with M&T. Good progress is already evident in the integration of Allfirst into M&T, and the 2003 results will include AIB's 22.5% share of a one time M&T restructuring charge.

Republic of Ireland Division

Good economic management is essential to ensure Ireland remains well positioned to benefit from a potential upswing in the global economy, which we expect to gather momentum over the coming months. This year we anticipate GDP growth of around 2% in Ireland.

Customer demand for our retail and commercial banking products and services is very strong. Our primary focus on doing more business with our existing customers is being tangibly reflected in increasing revenues and market shares. This is particularly evident in our loan book which is on target to grow by around 15% this year. Home mortgages continue to be the fastest growing product category and we are extending our rate of growth relative to the market without dilution of our credit criteria. Similarly, in our other loan portfolios, volumes are ahead of expectations and there is a good pipeline of new business. Deposits are increasing in line with expectations.

The repositioning of Ark Life in the bancassurance market, referred to at our 2002 results presentation, is progressing well. Performance in the first half will be lower due to the closing of the SSIAs in 2002, however we expect the second half will be better, reflecting the repositioning of the business.

Great Britain and Northern Ireland Division

The deepening and extending of this high quality franchise is being reflected in strong loan and deposit volumes, both of which are recording good double digit annual increases. Our drive to be recognised as the bank of choice in chosen market segments in Great Britain is being rewarded by buoyant demand from new and existing customers. Our differentiated approach to customer relationship building and our growing presence in mid market sectors is being supported and underpinned by significant investment in people and new locations. A similar approach to the Republic of Ireland business model is being implemented in Northern Ireland where we continue to gain market share in key product categories.

Capital Markets Division

Operating performance from our corporate banking business continues to be strong. We are seeing good loan growth in our international businesses, notably in Great Britain and New York. Conversely, loan demand from our domestic corporate banking customers remains subdued. Good fee income is being generated, notably from our highly successful CDOs.

Our treasury performance is in line with expectations. The significant benefit of being positioned for falling interest rates in 2002 will not be repeated as positions run off. Our current utilisation of market risk limits is low. Investment banking and asset management revenues are also being affected by the overall low levels of activity and market conditions generally.

Allied Irish America, now part of Capital Markets division, continues to perform well.

Poland Division

The building of our Polish franchise is largely complete, enabling us maintain good cost discipline and positioning us to deliver medium term profit growth. The current low level of economic activity however is militating against significant loan growth. We are maintaining our resolve not to compromise asset quality, which is improving, and accordingly loan volumes this year will increase by a single digit percentage. The very steep fall in interest rates from 19% in 2001 to 5.5% recently, which we welcome as a prerequisite for future growth in the economy, is having a significant adverse effect on interest income from deposits, in what is still a heavily deposit led bank.

USA

While still at an early stage following the merger, our interaction with our colleagues in M&T is very positive and we are confident as to the growth and synergies this partnership will deliver. We continue to expect that the combination of earnings generated by Allfirst in the first quarter of this year, our 22.5% share of M&T’s net income for the subsequent quarters and the impact of the recently completed buyback of 35.9m shares will give a marginally accretive overall result in 2003 relative to the contribution of Allfirst to 2002 group earnings.

Costs
We are targeting an underlying reduction in the cost/income ratio this year. Underlying cost growth for the Group is expected to be around 5%.
Asset Quality
Our retail and commercial loan portfolios are all retaining a high level of quality and resilience, with no signs of material disimprovement. We remain prudent and conservative in our monitoring of corporate credit exposures and do not anticipate loan loss experience that will exceed our expected loan loss parameters. We continue to expect the overall full year provision charge not to exceed 40 basis points as a percentage of average loans. We deem provision coverage, both specific and general, to be good.
Margins
Changing product mix is currently the main factor affecting the net interest margin and we expect attrition of around 20 basis points for the year. To date the lower interest rate environment has been managed to minimise the impact on margins (although, as already noted, the dramatic reduction in Poland has had a negative effect). Further significant cuts would compress margins on the liability side of the balance sheet and have a negative endowment effect as we reinvest maturing investment funds.
Capital Management
In the transition of Allfirst into M&T, the weighted average number of AIB shares for earnings per share purposes increased by approx. 16m. These shares were previously held in trust for Allfirst staff compensation plans. The impact of this increase in our share base will be to dilute 2003 earnings per share by approx. 2.0c, about 1.5%, and is included in the guidance in this update.
We have recently concluded the share buy back programme undertaken following completion of the M&T / Allfirst merger. A total of €483m was returned to shareholders through the repurchase of 35.9m shares. The Group's capital ratios remain very strong and a further rolling share buyback programme is one of the actions we intend to pursue as part of our ongoing capital management activities.
Group results for the half-year ended 30th June 2003 will be announced on 29th July 2003.
We have appended an analysis of our 2002 results to facilitate year on year comparisons. Please click here for more details.

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