Allied Irish Banks, p.l.c. Interim Management Statement

11th May 2009

In advance of its Annual General Meeting on 13th May, Allied Irish Banks, p.l.c. ("AIB") [NYSE:AIB] is issuing the following update on business and key performance trends. Please note that all trends in the update are in constant currency terms.

The economic environment prevailing at the time of our 2008 results announcement has continued to deteriorate in the intervening period. Key features of our overall performance in the year to date are:

- A resilient operating profit before bad debt provisions
- Increased provisions as asset quality continues to weaken
- Continued focus on funding our business in markets that remain dislocated

In the US, M&T continues to outperform its peers and achieved net income of $64m in the first quarter of 2009 despite increasing its impairment and provision charges.

OPERATING PROFIT

Profit before bad debt provisions has been good in the year to date and up on the corresponding period in 2008. However, this outcome benefited from base period effects, most notably higher costs in the early part of 2008. The outcome reflects the very strong performance of Capital Markets and Global Treasury in particular, driven by interest rate management activities. This performance is continuing and will be a positive factor for the full year. Performance in our other operating divisions is in line with our expectations and therefore down relative to the same period last year. For the group overall, both costs and income are down in the year to date. Costs are being very actively managed and are down by a higher percentage rate than income at this point. Downward pressure on income is expected as the year progresses due to a continuation of poor economic conditions and dislocated funding markets.

-Loan and deposit volumes

Demand for credit remains weak and loan balances remain broadly in line with the end of last year in each division. In our Republic of Ireland business there has been a recent pick up in home mortgage applications but no material increase as yet in drawdowns. This increased activity reflects an attractive customer offering and very weak competitor presence in the market

Customer deposits have stabilised in recent weeks following some outflows earlier in the year. In the current recessionary conditions balances in current (money transmission) accounts have reduced. In Poland, our deposits are broadly stable and continue to exceed our loans.

Customer resources, which include deposit and current accounts, are down by around 10% in the first four months of this year. This mainly reflects seasonal factors and outflows from our foreign institutional deposit base earlier in the year and a reduction from what was a very strong position at the end of 2008. Customer resources were up c. 9% year on year at the end of the first quarter.

-Margins

In highly competitive markets and a low interest rate environment, customer deposit margins continue to contract. The elevated price of wholesale market funding is also having an adverse effect on the net interest margin. Though negative effects are being partly offset by better margins on our lending, overall the net interest margin is expected to reduce this year.

-Non-Interest Income

Lower fees from banking activity, investment banking and asset management and the cost of the Government Guarantee Scheme are expected to adversely affect non-interest income for the full year.

-Costs

Cost management is a key priority in the current difficult revenue environment. All expense categories across our business are being closely monitored and controlled. The successful drive to reduce costs in 2008 is continuing; costs are significantly down in the first quarter of this year relative to the corresponding period in 2008 and we are also targeting a reduction for the full year 2009.

ASSET QUALITY

At our 2008 results announcement on 2nd March we outlined a base case and a stress scenario. The bad debt charge in the first quarter of 2009 of close to €800m was a little ahead of the upper end of that base case. Conditions across our markets have worsened and there will be further pressure on the bad debt provision charge for full year 2009. All commentators broadly concur on the significant downward revisions to expectations for Irish economic activity and employment that have issued since the beginning of March. Therefore our key macro assumptions for Ireland are now more negative than in the stress scenario presented at our results announcement. The pace of change is increasing loan impairment and bad debt charges. This continuing factor means that the previous stress scenario charge is likely to be exceeded and we now expect our bad debt charge for 2009 to be around €4.3 bn, c. 325 basis points of average loans.

Group criticised loans (watch, vulnerable and impaired) have increased in the first quarter to c. €24.3 bn, an increase of close to €9 bn. Republic of Ireland division represents over 70% of the increase and c. 75% of the group bad debt charge. Increases continue to be heavily influenced by downgrades in the property, building and construction sector. When established and implemented, the National Asset Management Agency (NAMA) will seek to address problems in this sector. Informed by the deteriorating environment and evidenced by the increase in criticised loans, we are aggressively recognising impairment as it arises.

Increases in the levels of criticised loans in other sectors are now more evident in the Republic of Ireland. Mortgage arrears stand at c. 2.0% of total mortgages at the end of March up from c. 1.5% in December 2008 and impaired loans have increased to €234m. Pressure on employment is a key factor in these increases although the levels of arrears and impairment remain well below available industry average comparatives.

In our UK division, growth in impaired loans also primarily relates to the property, building & construction sector. That sector accounted for close to 90% of the bad debt charge for the first quarter. There is also deterioration in other portfolios in tough economic conditions with increasing pressure evident in the leisure sector.

In Capital Markets there has been some negative grade migration across portfolios though there are no material adverse trends in any particular sector or geography. Our Treasury portfolios continue to be subject to regular and intensive review and we remain satisfied that they will redeem at par.

There is some deterioration evident in our Polish loan book, most notably in the property and consumer cash loan portfolios. There is little current activity in the property market, as is the case in other countries, but the Polish market fundamentals remain relatively strong.

CAPITAL

Our capital remains well in excess of regulatory requirements. Our core tier one capital ratio was c. 5.5% at the end of March and will be strengthened in the event that the €3.5 bn Government recapitalisation proposal is approved at the Extraordinary General Meeting on 13th May. We have previously announced our aim to further increase our core tier one capital by €1.5 bn and will advise progress on this initiative as it takes place.

The creation of NAMA will be a key event for the bank and the industry. We support this Government initiative and will work with the Government to expedite its implementation. It is premature at this point to estimate its effect on our capital.

FUNDING

Despite challenging wholesale funding market conditions, we continue to source funds across currencies, geographies and products through a range of programmes. Our level of qualifying liquid assets / contingent funding continues to be above the regulatory requirement. We continue to develop contingent collateral and liquidity facilities to further support our funding agenda. Market conditions improved during April and we successfully increased our existing Government guaranteed issue maturing in September 2010 by €1 bn to €3 bn. There was good demand for the issue and overseas investors subscribed for 78% of the additional amount. We have also recently seen very good demand for private placements.

Over time, we continue to target a reducing loan to deposit ratio although the already referred to reduction in customer resources since the end of 2008 has subsequently increased that ratio.

Further details of our performance and outlook will be provided at our 2009 Interim Results announcement on 5th August.

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The Group cautions that the foregoing list of important factors is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report may not occur. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof