Trading Update

6th November 2001

Allied Irish Banks, p.l.c ("AIB") is issuing the following update on trading following completion of our accounts for the first nine months of this year. While all of the economies in which we are operating have experienced slower growth rates this year than in 2000, some more so than others, we continue to have a strong position in each of our franchises. We are investing significant sums through our profit and loss account to sustain, enhance and extend our distinctive competence in relationship businesses and to maximise the consistent and dependable revenue streams from our customers that drive our profits. We are focussed on relentlessly improving the composition of our products and services so as to meet our corporate aim of being regarded as best in class for our overall customer proposition, wherever we operate.

EARNINGS

Business volume momentum, from a particularly strong Year 2000, which carried into the first half year of 2001, has weakened. Following the tragic events of September 11th, we expect this trend to continue for the rest of this year and into at least the first half of next year. Accordingly, for this full year, we expect growth in underlying earnings per share to be approximately 7%. This is in line with general market forecasts. Looking to next year, while the economic outlook is uncertain at this stage, the underlying strength of our franchises is such that we also expect to achieve single digit EPS growth.

VOLUMES

At Group level, we expect high single digit loan growth this year. In the Republic of Ireland, volumes in the second half have been subdued with commercial customers adopting a cautious approach to investment and new projects. On the other hand, our home mortgage business has experienced particularly strong performance where we are growing our book, without any relaxation of credit criteria, by almost 3% more than the rest of the market. Full year loan growth in the Republic of Ireland will be approximately 10%. Forecast GDP growth in Ireland this year of 6.5% is likely to slow in 2002 to 3% followed by sustainable growth of 4-5% in the medium term. In the U.S.A. we are growing our loans in the home equity and SME sectors, although corporate repayments and our curtailment of exposures to less attractive segments means that overall volumes will be virtually unchanged on the level at last year end. In GB and NI loan growth of around 12% is in line with expectations, albeit slowing down in this half of the year. As disclosed at the interim stage, we are not seeking to aggressively increase our lending in Poland where annual growth is likely to be about 15%, off a very small base and is concentrated in the corporate sector.

Deposits in the group will grow overall by close to 7%. In the Republic of Ireland the second half-year has seen strong growth in deposits and current accounts and we expect a year on year volume increase of close to 10%. Demand for savings products has increased through the year and we have taken a leading position in the pricing and marketing of Special Savings Investment Accounts. In GB and NI deposit volumes are very satisfactory as we continue to develop our relationships with professional firms and SME proprietors. Core deposits are up in Allfirst and a low single digit increase is expected for the year. In Poland the continuing expansion of our network is enabling us achieve good volume growth.

MARGINS

Margins continue to be broadly stable across all divisions and the likely attrition of about 15 bps in 2001, due to some changes in our business mix, is in line with previous indications.

NON-INTEREST INCOME

Non-interest income is expected to increase by a high single digit percentage this year. Fees from our business customers across the group, including Allfirst's electronic banking and cash management income, have all been strong. Our global custody business, in which we are pleased to have recently reached a new and extended agreement with our partner, Bank of New York, has exceeded expectations. The decline in investment markets has reduced revenues in Ark Life, Asset Management and our Stockbroking businesses.

ASSET QUALITY

Asset quality remains robust. Regular and timely reviews of the loan book have taken place, with close attention being paid to specific sectors that could be considered particularly vulnerable as economies slow. The outlook for asset quality has been affected by the events of September 11th. However, we believe that the carefully developed policies, procedures and processes that we have had in place over a number of years, and which have been implemented by management who have long experience of recessionary as well as growth environments, will prove to be resilient. The provision charge for this year is expected to be approximately 30 bps of average loans, similar to the outcome in 2000. Our provision cover, including a high level of general provisions, remains strong.

COSTS

Costs are being actively and well managed. This year there will be exceptional growth of approximately 11%, which includes significant one-off items such as euro conversion costs, market related salary adjustments in both Ireland and the U.S.A, and health insurance and pension costs in the U.S.A., which is a factor for all businesses there. This year we have also incurred significant investment costs, most notably in our Polish and Allied Irish America franchises. Additionally this year, following the merger of WBK and Bank Zachodni, and as we previously signalled, we will incur a restructuring charge in Poland of approximately Euro 40 million. Next year we expect cost growth to moderate to a level of 6-7%.

Group results for the year to 31st December 2001, based on the revised divisional structure, will be announced on 20th February 2002.

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