

Allied Irish Banks, p.l.c.
INTERIM MANAGEMENT STATEMENT

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.

I

ncreases 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

5

th

August.

-ENDS-

For further information please contact:

Alan Kelly	Catherine Burke
General Manager, Group Finance	Head of Corporate Relations
AIB Group	AIB Group
Dublin	Dublin
4	4
Tel: +353-1-6600311 ext. 12162	Tel: +353-1-6600311 ext. 13894

Forward-looking statements

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of the Group and certain of the plans and objectives of the Group. In particular, certain statements with regard to management objectives, trends in results of operations, margins, risk management, competition and the impact of changes in Financial Reporting Standards are forward-looking in nature. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. Examples of forward-looking statements include among others, statements regarding the Group's future financial position, income growth, business strategy, projected costs, capital position, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ

materially from those expressed or implied by such forward-looking information. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of additional factors that could cause actual results and developments to differ materially from those expressed or implied. These factors include, but are not limited to, changes in economic conditions globally and in the regions in which the Group conducts its business, changes in fiscal or other policies adopted by various governments and regulatory authorities, the effects of competition in the geographic and business areas in which the Group conducts its operations, the ability to increase market share and control expenses, the effects of changes in taxation or accounting standards and practices, acquisitions, future exchange and interest rates and the success of the Group in managing these events. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made.

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.

Signatures

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

ALLIED IRISH BANKS, p.l.c.
(Registrant)

Date 11 May, 2009

By: _____
John O'Donnell
Group Director, Finance,
Risk and Enterprise Technology
Allied Irish Banks, p.l.c.