



**Allied Irish Banks, p.l.c. agrees capital measures with Irish Government
22nd December 2008**

Allied Irish Banks, p.l.c. ("AIB") [NYSE: AIB] is issuing the following announcement on reaching an agreement with the Irish Government that will significantly increase the bank's core tier one capital ratio. This agreement is subject to shareholder, regulatory and EU Commission State aid approval. The key terms and conditions are outlined in a statement issued yesterday, the 21st of December, by the Minister for Finance which refers to the recapitalisation of Irish banks. Our decision to accept the Government's offer of €2 billion for an issue by AIB of perpetual preference shares was taken following detailed discussions between both parties. We have consistently stated, including in our interim management statement (IMS) of the 5th of November 2008, that our capital position is good. We are mindful though of the growing market expectation for banks everywhere to have higher capital levels, a factor also acknowledged in our IMS.

Protection of the rights and interests of our investors is key to our consideration and discussions with the Government. The agreement reached satisfies that crucial requirement for the following reasons. The preference shares will have a fixed coupon of 8%, will be non-convertible, redeemable, rank alongside ordinary equity and will qualify as core tier one capital. There are no restrictions on payment of dividends on ordinary shares that we consider onerous. Voting rights and appointments of directors requirements as outlined in the Minister's statement can also be accommodated. It is agreed that these requirements would end on redemption by us of the preference shares. We estimate that the acceptance of this additional €2bn will increase our proforma core tier one capital to close to 7.5% at the end of 2008.

We acknowledge and are grateful to the Government for the commercial approach it has adopted that has enabled us to reach this agreement. In relation to the Government's commitment to underwrite and otherwise support the raising of additional core tier one capital, we have indicated our interest in seeking up to a further €1bn from our shareholders. Our endeavours will be strongly influenced by our analysis of market conditions and the pre-emption rights of our shareholders. As previously stated, we have the capacity to improve our capital position through asset disposal. The raising of an additional €1bn would increase our core tier one capital ratio to an estimated proforma level of between 8% and 8.5% at the end of 2008.

Eugene Sheehy, John O'Donnell and Alan Kelly will host a conference call for analysts and investors today at 09.00 GMT

CONFERENCE CALL DIAL-IN DETAILS:

Please dial in 5 to 10 minutes prior to start time

Title: AIB agrees capital measures – access code 653816

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