



For Immediate Release

30<sup>th</sup> September 2010

## AIB Capital Update / Equity Capital Raising

Allied Irish Banks, p.l.c. ("AIB") [NYSE: AIB] is making this announcement following a review of its capital requirements by the Irish Financial Regulator (the "Financial Regulator"). The Financial Regulator has updated its assessment of AIB's capital requirement and has increased the amount of equity capital required under the Prudential Capital Assessment Review ("PCAR") from €7.4 billion to €10.4 billion. The increased PCAR requirement for AIB has been set following an assessment by the Financial Regulator of AIB's potential losses on NAMA loans.

This PCAR capital requirement is to be met as follows:

	<u>€ billion</u>
- equity capital raising	5.4
- disposals and other capital generating measures	<u>5.0</u>
Total	<u>10.4</u>

### Equity Capital Raising 2010

A €5.4 billion equity capital raising will be launched during November which will be completed before 31 December 2010. This equity capital raising will be fully underwritten by the National Pensions Reserve Fund Commission ("NPRFC") at a fixed price of €0.50 per new ordinary share, which represents a discount of approximately 9.4 per cent to the official closing price of an ordinary share on the Irish Stock Exchange on 29 September 2010. The capital raising will be structured as a placing and open offer and existing shareholders will be invited to subscribe for all or part of their *pro rata* entitlements. New institutional shareholders may also be permitted to subscribe for new shares under the offer.

If necessary, the NPRFC's underwriting commitment will be met through a new cash contribution of up to €3.7 billion for new ordinary shares from existing cash resources of the NPRFC and by the conversion of up to €1.7 billion of the existing 2009 Preferences Shares held by the NPRFC. Following this conversion of 2009 Preference Shares the NPRFC would hold €1.8 billion of 2009 Preference Shares.

On completion of the equity capital raising it is possible that the NPRFC will own a significant majority stake in AIB. It is intended to structure the transaction in a manner which optimises the ability of AIB to retain its existing stock exchange listings, including appropriate structuring of voting rights, (subject to agreement with the relevant exchanges) even in circumstances where the NPRFC purchases all or substantially all of the underwritten new ordinary shares. The mechanics of implementation will be subject to discussion with relevant listing authorities.

It is anticipated that the existing warrants issued to the NPRFC in 2009 will be repurchased on terms to be agreed.

The terms of the capital raising are subject to the approval, *inter alia*, of the European Commission, AIB shareholders and other regulatory consents. A prospectus will be published in due course and will provide further details in relation to the terms of the equity capital raising, underwriting structure and timing.

### **Disposals and Other Capital Generating Measures**

On 10 September 2010, AIB announced the sale of its Polish interests, representing the sale of its entire 70.36 per cent shareholding in the issued share capital of Bank Zachodni WBK S.A. and its 50 per cent shareholding in BZ WBK Asset Management S.A. to Banco Santander S.A. which will generate approximately €2.5 billion of equivalent equity tier 1 capital. In addition, AIB is undertaking further asset disposals and considering additional capital generating initiatives which could generate a further €2.5 billion of capital. Subject to the outcome of those further asset disposals and capital generating measures, to the extent required, the remaining €1.8 billion of 2009 Preference Shares held by the NPRFC may be fully or partially converted into new ordinary shares on 31 March 2011, to meet final regulatory requirements as determined by the Financial Regulator.

### **Board and Management**

The Minister for Finance expected that management and board changes would be made in conjunction with the recapitalisation of the bank.

The Board has agreed with Mr. Dan O'Connor that he will step down as Executive Chairman within the coming weeks.

The Board has also agreed with Group Managing Director Mr. Colm Doherty the termination of his contract on existing terms. Mr Doherty will depart AIB before the end of 2010.

The Board wishes to express their appreciation both to Mr. O'Connor and Mr. Doherty for their contribution to the bank, especially in recent times as the bank embarked on its recapitalisation and reorganisation.

**-ENDS-**

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*A circular to shareholders relating to a general meeting to be held in connection with the placing and open offer is expected to be published and posted to shareholders in early November 2010. A prospectus relating to the placing and open offer is also expected to be published in early November 2010. Application forms in connection with the capital raising will be posted with the prospectus.*

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