



Immediate Release

4th June 2010

**Allied Irish Banks, p.l.c.
Discretionary Coupon Payments**

On 1st December 2009, in line with EC policy and pending the EC Commission assessment of the AIB restructuring plan, Allied Irish Banks p.l.c. (“AIB”) [NYSE:AIB] announced that it agreed not to make coupon payments on its Tier 1 and Tier 2 capital instruments, unless under a binding legal obligation to do so. The decision remains entirely without prejudice to all of AIB’s entitlements under the state aid rules and the EU Treaties.

The effect of the decision by AIB not to pay the non-cumulative distribution which would otherwise have been payable on 14 December 2009 under the terms of the Stg £350,000,000 Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities of AIB UK 3LP guaranteed by AIB (“the LP 3 Preferred Securities”) was to trigger the “Dividend Stopper” provisions of the LP3 Preferred Securities and the Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued by AIB UK 1 LP (“the LP1 Preferred Securities”), precluding AIB for a period of one calendar year from and including 14 December 2009, from declaring and paying any distribution or dividend on its “Junior Share Capital”, and any “Parity Security”.

“Junior Share Capital” currently means AIB’s ordinary shares (“the Ordinary Shares”) and the Irish Government €3.5bn preference shares (“the Preference Shares”) issued on 13th May 2009 to the National Pensions Reserve Fund Commission of Ireland (“NPRFC”). “Parity Securities” means AIB’s 7.5% Step-up Callable Perpetual Reserve Capital Instruments, the LP1 Preferred Securities and the Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued by AIB UK 2 LP (“the LP2 Preferred Securities”) (on which an annual non-cumulative distribution would otherwise be due on 16 June 2010) and the LP 3 Preferred Securities (on which a semi-annual non-cumulative distribution would otherwise be due on 14 June 2010).

In the announcement of 1st December 2009, it was stated that, if AIB’s restructuring plan was agreed with the EC prior to the 13th May 2010, on a basis which would allow AIB to resume declaration and payment of dividends and distributions as normal, AIB would intend to pay retrospectively the distribution on the LP 3 Preferred Securities missed on the 14th December 2009 on the basis that the Dividend Stopper would be released, thereby enabling all other dividend distribution payments on Parity Securities and the dividend’s on the Preference Shares to be paid in cash on 13th May 2010. However, the restructuring plan was not settled by that date and as a consequence it was confirmed that AIB, as it was obliged to do under the terms of issue of the Preference Shares, had issued Ordinary Shares to the value of €280 million, to the National Pensions Reserve Fund Commission by way of a bonus issue.

The semi-annual non-cumulative distribution otherwise payable on 14 June 2010 under the terms of the LP 3 Preferred Securities, and the annual non-cumulative distribution otherwise payable on 16 June 2010 under the terms of the LP2 Preferred Securities, will also not be paid on the due dates.

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Forward-looking statements

This document contains certain “forward-looking statements” within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Exchange Act of 1934, as amended, regarding the belief or current expectations of the Group, AIB’s Directors and other members of its senior management about the Group’s financial condition, results of operations and business of the Group and certain of the plans and objectives of the Group, including statements relating to possible future write-downs or impairments. 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 ‘may’, ‘could’, ‘would’, ‘will’, ‘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.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of AIB and are difficult to predict, that may cause actual results to differ materially from any future results of developments expressed or implied from the forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied 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, the risk that the Group may not participate in NAMA or that the NAMA Scheme may turn out to be unsuccessful in achieving its goals, the lack of control over the nature, number and valuation of the assets to be transferred to NAMA and the success of the Group in managing these events.

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 forward-looking statements speak only as of the date of this document. Except as required by the Irish Financial Regulator, the Irish Stock Exchange, the UK Financial Services Authority, the London Stock Exchange or applicable law, AIB does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. AIB expressly disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this document or incorporated by reference to reflect any change in AIB’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.