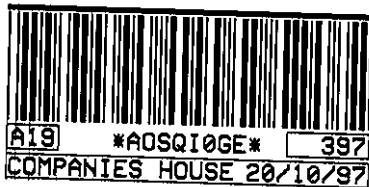


FC7277

AIB FINANCE LIMITED

Financial Statements

31 December 1996



*Alfred Lamb
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161037*

CERTIFIED & TRUE COPY

[Signature]
~~SECRETARY~~
13/10/97.

AIB Finance Limited
Financial Statements
Year Ended 31 December 1996

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AIB Finance Limited

Directors and Other Information

Directors

L C Larkin (Managing)
J R Chestnutt
H M Feeley
J G Mansfield
E Murphy
E F McElroy
A P McKeon

Secretary & Registered Office

J R Chestnutt
Bankcentre
Ballsbridge
Dublin 4

Bankers

Allied Irish Banks plc

Solicitors and Law Agent

Office of the Law Agent
Bankcentre
Ballsbridge
Dublin 4

Registered Auditors

Coopers & Lybrand
George's Quay
Dublin 2

AIB Finance Limited

Report of the Directors For the Year Ended 31 December 1996

The Directors submit herewith their Report and Audited Financial Statements for the year ended 31 December 1996.

Corporate Reorganisation

2. In 1996 the company's legal structure was reorganised to reflect the geographical markets in which the business operates. On the 1 October 1996 the company's assets and liabilities of the branch operations in Northern Ireland and Great Britain were transferred to AIB Group (UK) plc. The Financial Statements reflect this reorganisation of the company and only incorporate figures for the period from 1 January 1996 to 30 September 1996 in respect of Northern Ireland and Great Britain.

Business Review

3. The principal business of the bank is the provision of loans and lease finance and fixed term deposits. In the Republic of Ireland the main area of operations since the corporate re-organisation in 1996, loan and lease balances grew by 25% with significant growth being experienced in the transport and equipment sectors. Fixed term deposit balances grew by 8%. The outlook for 1997 is positive for all areas in which the business operates.

Results for the Year

4. The Group reported excellent results for 1996 with group profit before taxation amounting to IR£32,538,000 and increase of IR£7,526,000 on previous year's reported profit. Taxation amounted to IR£12,668,000 which left IR£19,870,000 attributable to shareholders of the company. The group paid an interim dividend of IR£40,000,000 to its parent, Allied Irish Banks plc. No final dividend is proposed.

Directors

5. The directors of the company at 31 December 1996 are set out below. The directors served for the entire period.

L C Larkin (Managing)
J R Chestnutt
H M Feeley
J G Mansfield
E Murphy
E F McElroy
A P McKeon

Mr McElroy and Mr Feeley retire by rotation, and, being eligible, offer themselves for re-election.

AIB Finance Limited

**Report of the Directors
For the Year Ended 31 December 1996 (continued)**

Interests of Directors and Officers in Shares

Directors	31/12/96		31/12/95	
	Shares Number	Options Number	Shares Number	Options Number
J R Chestnutt (Secretary)	3,093	-	4,199	-
H M Feeley	21,378	215,000	20,717	215,000
L C Larkin	18,538	115,000	13,992	75,000
E Murphy	4,828	20,000	5,009	-
J G Mansfield	22,830	180,000	23,883	160,000
E F McElroy	33,516	35,000	31,838	183,935
A P McKeon	16,406	180,000	13,306	182,939

Safety, Health and Welfare at Work Act, 1989

7. Allied Irish Banks plc has prepared a safety statement which applies to all group employees including those of this company.

Auditors

8. The auditors, Coopers & Lybrand will be re-appointed in accordance with Section 160(2) of the Companies Act 1963.

On behalf of the Directors

Leo Kavanagh
Eula Murphy
J. P. ...) Directors

4 February 1997.
Dublin

AIB Finance Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit and loss of the company and the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- disclose and explain any material departures from applicable accounting standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 1990. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Directors

Leo Larkin
John Murphy
G. F.
Directors

4 February 1997
Dublin

**Report of the Auditors to the Members
of AIB Finance Limited**

We have audited the financial statements on pages 7 to 28.

Respective Responsibilities of Directors and Auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

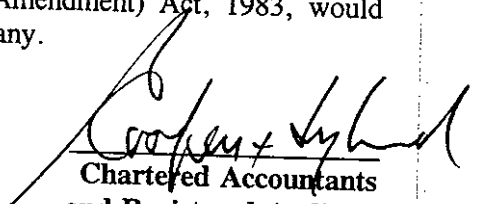
Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1996 and of the profit, total recognised gains and cash flows of the group for the year then ended, and have been properly prepared in accordance with the Companies Acts 1963 to 1990, and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company, and the balance sheet at 31 December 1996 is in agreement with the books of account.

In our opinion, the information given in the Report of the Directors on pages 3 to 4 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 9 are more than half the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 1996 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.


**Chartered Accountants
and Registered Auditors**

4 February 1997
Dublin

AIB Finance Limited


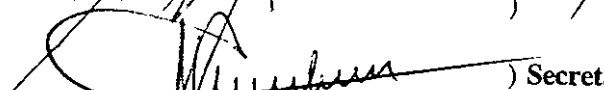
**Consolidated Profit and Loss Account
for the year ended 31 December 1996**

	Notes	Year Ended 31 Dec 1996 IR£'000	Year Ended 31 Dec 1995 IR£'000
Interest receivable:			
- interest receivable and similar income arising from debt securities and other fixed income securities		938	1,260
- other interest receivable and similar income	2	227,597	248,625
Less: Interest payable	3	(169,789)	(189,422)
Net Interest Income		<u>58,746</u>	<u>60,463</u>
Fees and commissions receivable		304	604
Fees and commissions payable		(1,467)	(1,258)
Other operating income		5,263	4,707
Other Income		<u>4,100</u>	<u>4,053</u>
Total Operating Income		62,846	64,516
Administrative expenses	4	20,102	23,519
Depreciation	17	587	844
Total Operating Expenses		<u>20,689</u>	<u>24,363</u>
Group Operating Profits before Provisions		42,157	40,153
Provisions for bad and doubtful debts	14	9,619	14,944
Amounts written off fixed asset investments		-	197
		<u>9,619</u>	<u>15,141</u>
Group Profit on Ordinary Activities before Taxation	5	32,538	25,012
Taxation on group profit on ordinary activities	8	(12,668)	(8,592)
Group Profit attributable to the Shareholders of AIB Finance Limited	9	19,870	16,420
Dividends on equity shares	10	(40,000)	(25,000)
Loss Absorbed for the Year		<u>(20,130)</u>	<u>(8,580)</u>

Movements in profit and loss account reserves are shown in note 26.

All of the above results are in respect of continuing operations.

On behalf of the Board


) Directors

) Secretary

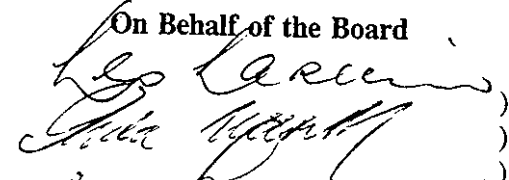
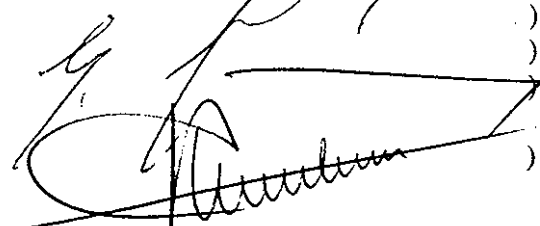
The notes on pages 12 to 28 form part of these Financial Statements.
Auditors' Report page 6.

AIB Finance Limited

Consolidated Balance Sheet at 31 December 1996

	Notes	1996 IR£'000	1995 IR£'000
Assets			
Cash and balances at Central Banks		23	24
Loans and advances to banks	12	12,642	10,468
Loans and advances to customers	13	725,240	1,020,754
Debt securities	15	10,500	20,010
Tangible fixed assets	17	2,226	2,459
Other assets		3,463	1,707
Deferred taxation	18	6,033	6,954
Prepayments and accrued income		1,871	3,357
Due by parent undertaking	20	2,411,452	2,393,376
Due by fellow subsidiary undertakings		45,725	20,625
Total Assets		3,219,175	3,479,734
Liabilities			
Deposits by banks	19	96,271	49,244
Customer accounts	20	2,429,733	2,277,555
Debt securities in issue	21	77,013	65,152
Other liabilities	22	108,982	90,285
Accruals and deferred income		22,359	26,915
Provisions for liabilities and charges	23	717	619
Subordinated liability	24	15,000	15,000
Called up ordinary share capital	25	12,000	12,000
Reserves	26	312	312
Profit and loss account	26	45,909	65,491
Shareholders' funds: equity interests		58,221	77,803
Due to parent undertaking	13	407,569	875,853
Due to fellow subsidiary undertakings		3,310	1,308
Total Liabilities		3,219,175	3,479,734
Memorandum Items			
Off Balance Sheet Items			
Contingent liabilities:			
- guarantees and assets pledged as collateral security	27	1,171	3,341

On Behalf of the Board


) Directors

) Secretary

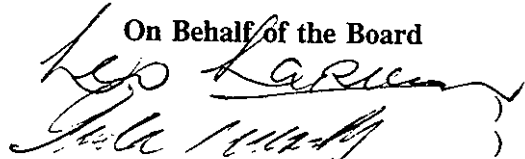
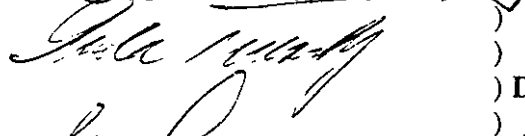
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AIB Finance Limited

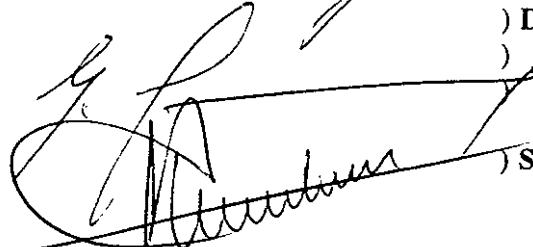
Company Balance Sheet at 31 December 1996

	Notes	1996 IR£'000	1995 IR£'000
Assets			
Cash and balances at Central Banks		23	24
Loans and advances to banks	12	12,642	10,468
Loans and advances to customers	13	296,953	677,343
Debt securities	15	10,500	20,010
Shares in Group undertakings	16	100	100
Tangible fixed assets	17	2,226	2,459
Other assets		459	70
Deferred taxation	18	1,011	2,679
Prepayments and accrued income		1,871	3,357
Due by parent undertaking		2,411,452	2,393,276
Due by fellow subsidiary undertakings	20	46,393	21,002
Total Assets		<u><u>2,783,630</u></u>	<u><u>3,130,788</u></u>
Liabilities			
Deposits by banks	19	96,271	49,244
Customer accounts	20	2,429,733	2,277,555
Other liabilities	22	3,366	5,727
Accruals and deferred income		22,010	26,596
Provisions for liabilities and charges	23	717	619
Subordinated liability	24	15,000	15,000
Called up ordinary share capital	25	12,000	12,000
Reserves	26	312	312
Profit and loss account	26	23,451	64,476
Shareholders' funds: equity interests		35,763	76,788
Due to parent undertaking		177,895	677,950
Due to fellow subsidiary undertakings	13	2,875	1,309
Total Liabilities		<u><u>2,783,630</u></u>	<u><u>3,130,788</u></u>
Memorandum Items			
Off Balance Sheet Items			
Contingent liabilities:			
- guarantees and assets pledged as collateral security	27	<u>1,171</u>	<u>3,341</u>

On Behalf of the Board

) Directors



) Secretary

The notes on pages 12 to 28 form part of these Financial Statements.
Auditors' Report page 6.

AIB Finance Limited

**Consolidated Cash Flow Statement
for the year ended 31 December 1996**

	Notes	Year Ended 31 December 1996 IR£'000	Year Ended 31 December 1995 IR£'000
Net cash inflow from operating activities	28	<u>40,573</u>	<u>41,725</u>
<i>Returns on investments and servicing of finance:</i>			
Dividends paid on equity shares		<u>(40,000)</u>	<u>(25,000)</u>
Net cash outflows from returns on investments and servicing of finance		<u>(40,000)</u>	<u>(25,000)</u>
<i>Taxation:</i>			
- corporation tax paid		<u>(7,601)</u>	<u>(14,553)</u>
<i>Investing activities:</i>			
- sale of investment securities		9,500	-
- additions to tangible fixed assets		(567)	(580)
- disposals of tangible fixed assets		268	254
Net cash inflow/(outflow) from investing activities		<u>9,201</u>	<u>(326)</u>
Increase in cash and cash equivalents	28	<u>2,173</u>	<u>1,846</u>

The notes on pages 12 to 28 form part of these Financial Statements.
Auditors' Report page 6.

AIB Finance Limited

Year Ended 31 December 1996 Statement of Total Recognised Gains and Losses

	1996 IR£'000	1995 IR£'000
Profit attributable to the ordinary shareholders	19,870	16,420
Exchange translation adjustments	548	(548)
Total recognised gains relating to the year	<u>20,418</u>	<u>15,872</u>

Reconciliation of Movements in Shareholders' Funds: Equity Interests

	1996 IR£'000	1995 IR£'000
Profit attributable to ordinary shareholders	19,870	16,420
Dividends on equity shares	(40,000)	(25,000)
Loss absorbed for the year	(20,130)	(8,580)
Other recognised gains/(losses) relating to the year	548	(548)
Net decrease in shareholders' funds: equity interests	(19,582)	(9,128)
Opening shareholders' funds at 1 January 1996: equity interests	77,803	86,931
Closing shareholders' funds at 31 December 1996: equity interests	<u>58,221</u>	<u>77,803</u>

Note of Historical Cost Profits and Losses

Reported profits on ordinary activities before taxation would not be materially different if presented on an unmodified historical cost basis.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996

1 Accounting Policies

(a) Accounting Convention

The Group accounts have been prepared under the historical cost convention modified by the inclusion of certain fixed assets and securities at valuation and in accordance with the provisions of the European Communities (Credit Institutions: Accounts) Regulations, 1992 (the regulations) relating to banking groups, the requirements of the Companies Acts 1963 to 1990 and with relevant accounting standards.

(b) Basis of Consolidation

The financial statements of AIB Finance Limited and its subsidiary undertakings are made up to December 31, 1996. (See note 16).

(c) Income and Expense Recognition

Interest income and expense is recognised on an accruals basis. Fees which, in effect, increase the yield on transactions are spread over the lives of the underlying transactions on a level yield basis. Fees and commissions received for services provided are recognised when earned. Expenses are, in general, charged to profit and loss account as accrued. However, in some cases, expenses incurred in the setting up of transactions are deferred and are charged to profit and loss account over the lives of the transactions.

(d) Provisions for Bad and Doubtful Debts

Specific provisions for bad and doubtful debts are based on a detailed assessment of individual instalment debts in arrears and by reference to information available to management in the case of debts not repayable by fixed instalments. Specific provisions have been made in respect of all identified impaired advances. General provision has been made in respect of losses which although not yet specifically identified, are known from experience to be present.

Provisions made during the year, less existing provisions no longer required and recoveries of bad debts previously written off, are charged against profits.

Loans and advances are written down to estimated realisable value when there is no realistic prospect of recovery. Interest of doubtful collectability is held in suspense.

(e) Finance Leases

Income from leasing transactions is apportioned over the primary leasing period in proportion to the monthly balance of finance outstanding. Leases are apportioned by the investment period method after tax. Government grants in respect of these assets are credited to the profit and loss account on the same basis.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

(f) *Foreign Currencies*

Assets and liabilities denominated in foreign currencies are translated into Irish pounds at the exchange rates ruling at the balance sheet date.

Translation differences arising from the application of year-end rates of exchange to opening net assets of foreign branches are dealt with through profit and loss account reserves.

Other translation differences are recognised in the profit and loss account.

(g) *Debt Securities and Equity Shares*

Shares and securities intended for use on a continuing basis in the Group's activities are classified as fixed asset investment securities. Such shares and securities are stated at cost less provision for any permanent diminution in value. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on a level-yield basis over the period to maturity. The amortisation of premiums or discounts is included in interest income.

(h) *Deferred Taxation*

Tax deferred or accelerated by timing differences is accounted for to the extent that it is probable that a liability or asset will arise. It is calculated at rates expected to be applicable when the liabilities or assets are expected to crystallise. No account has been taken of taxation which might arise on disposal of the group's land and buildings at their revalued amounts.

(i) *Hire Purchase and Instalment Finance*

Income from hire purchase and instalment credit transactions is calculated by the sum of the digits method over the period of the agreements after allocating sums to cover the setting up costs of the transactions.

(j) *Depreciation*

Freehold and long leasehold properties are not depreciated. The directors do not consider the depreciation of freehold and long leasehold properties to be significant in view of the useful economic lives of these properties and, having regard to the high standard at which they are maintained, their residual values. The costs of adapting buildings to their use for the company have been separately identified and these are written off over their estimated useful life subject to a maximum period of 20 years.

Leasehold properties with less than 50 years unexpired are written off by equal annual instalments over the remaining terms of the leases.

Depreciation on equipment is provided on a straight line basis at rates which will write off these assets over their expected useful lives, which for furnishings are 10 years and for computers, motor vehicles and other equipment are 4 to 10 years.

(k) *Pensions*

The pension cost is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

(l) *Forward Foreign Exchange Contracts and Other Off-Balance-Sheet Instruments*

Off-balance-sheet instruments are valued at market prices and the resultant profits and losses are included in income, except for transactions designated as hedges which are treated in accordance with the accounting treatment of the items being hedged.

(m) *Commissions*

Commissions paid in respect of advances made in the British Division are amortised using the sum of the digits method. All other commissions paid in respect of new business introduced are written off in the financial year in which they arise.

(n) *Operating Leases*

Rentals are charged to the profit and loss account in equal instalments over the lease term.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

2 Other Interest Receivable and Similar Income

	1996 IR£'000	1995 IR£'000
Interest from parent undertaking	137,049	151,315
Interest from fellow subsidiary undertakings	735	144
Other	89,813	97,166
	<u>227,597</u>	<u>248,625</u>

3 Interest Payable

	1996 IR£'000	1995 IR£'000
Interest to parent undertaking	47,175	57,642
Interest to fellow subsidiary undertakings	189	167
Other	122,425	131,613
	<u>169,789</u>	<u>189,422</u>

4 Administrative Expenses

	1996 IR£'000	1995 IR£'000
Staff costs		
- wages and salaries	8,096	9,335
- social security costs	741	817
- pension and other costs (Note 7)	1,577	1,481
	<u>10,414</u>	<u>11,633</u>
Other administrative expenses	9,688	11,886
	<u>20,102</u>	<u>23,519</u>

5 Group Profit on Ordinary Activities before Taxation

	1996 IR£'000	1995 IR£'000
Is stated after charging/(crediting):-		
Aggregate amounts receivable, including capital repayments under finance leases and hire purchase agreements	282,318	260,089
	<u>(49)</u>	<u>(160)</u>
Profits on disposal of tangible fixed assets		
Auditors' remuneration	95	172
Operating lease rentals	667	863
Amortisation of debt securities	10	13

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

6 Emoluments of Directors

	1996 IR£'000	1995 IR£'000
Other emoluments	<u>269</u>	<u>251</u>

7 Pension Costs

The Group operates a pension scheme for its employees in the Republic of Ireland and United Kingdom. This scheme, which covers fifteen percent of the Group's employees, is a defined benefit scheme and the assets are held in trust funds separate from the Group. The remaining eighty-five percent of employees are members of the Allied Irish Banks plc pension scheme. The total pension cost for the Group was IR£1,577m (1995: IR£1,481m) of which IR£0.486m (1995: IR£0.354m) was attributable to the AIF Group's scheme.

An independent actuarial valuation of the Group's scheme was carried out by Noble Lowndes IPT Actuarial Services Limited, as at 1 November 1994.

The principal actuarial assumptions adopted were that the investment return would be 2.5% higher than the rate of pensionable salary increase and 4% higher than the underlying rate of inflation.

The market value of the assets at the valuation date was IR£14.0m and the actuarial value was sufficient to cover eighty six percent of the future benefits that had accrued to members after allowing for expected increases in earnings. The employers' contribution rate over the average remaining service life of the members of the scheme takes account of the current actuarial funding level. Details of the Allied Irish Banks plc pension scheme are contained in the published accounts of the bank for the period ended 31 December 1996.

8 Taxation on Group Profit on Ordinary Activities

	1996 IR£'000	1995 IR£'000
Irish corporation tax at (38%)	12,766	9,552
Stamp duty on Section 84 Interest	8	51
	<u>12,774</u>	<u>9,603</u>
Deferred taxation	(106)	(1,011)
	<u>12,668</u>	<u>8,592</u>

9 Group Profit attributable to the Shareholders of AIB Finance Limited

Of the Group profit attributable to ordinary shareholders, a loss of IR£1,554,849 (1995: Profit IR£22,461,511) has been dealt with in the accounts of AIB Finance Limited. As permitted by Regulation 5(2) of the European Communities (Credit Institutions: Accounts) Regulations, 1992, the profit and loss account of AIB Finance Limited has not been presented separately.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

10 Dividends on equity shares

	1996 Pence per share	1996 IR£'000	1995 pence per share	1995 IR£'000
Interim dividend paid	<u>333.3</u>	<u>40,000</u>	<u>208.3</u>	<u>25,000</u>

11 Assets

	1996 Group IR£'000	1996 Entity IR£'000	1995 Group IR£'000	1995 Entity IR£'000
<i>(i) Assets and liabilities denominated in foreign currency:</i>				
Denominated in IR£	2,729,875	2,295,525	2,546,128	2,198,657
Denominated in currencies other than IR£	<u>489,300</u>	<u>488,105</u>	<u>933,606</u>	<u>932,131</u>
Total Assets	<u>3,219,175</u>	<u>2,783,630</u>	<u>3,479,734</u>	<u>3,130,788</u>
Denominated in IR£	2,730,334	2,295,958	2,546,588	2,199,091
Denominated in currencies other than IR£	<u>488,841</u>	<u>487,672</u>	<u>933,146</u>	<u>931,697</u>
Total Liabilities	<u>3,219,175</u>	<u>2,783,630</u>	<u>3,479,734</u>	<u>3,130,788</u>

(ii) Assets Leased to Customers:

Loans and advances to customers				
- finance leases	<u>428,120</u>	<u>-</u>	<u>342,407</u>	<u>7</u>

12 Loans and Advances to Banks

Group & Entity

	1996 IR£'000	1995 IR£'000
<i>Analysed by remaining maturity:</i>		
- over 5 years	-	1,628
- 5 years or less but over 1 year	-	-
- 1 year or less but over 3 months	-	-
- 3 months or less	<u>12,642</u>	<u>8,840</u>
	<u>12,642</u>	<u>10,468</u>

The Group is required to maintain balances with the Central Bank of Ireland which, at 31 December 1996, amounted to IR£12.642m (1995: IR£8.84m).

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

13 Loans and Advances to Customers

	1996 Group IR£'000	1996 Entity IR£'000	1995 Group IR£'000	1995 Entity IR£'000
Analysed by remaining maturity:				
- over 5 years	171,230	150,889	200,302	185,864
- 5 years or less but over 1 year	349,454	96,295	497,875	296,152
- 1 year or less but over 3 months	147,465	34,097	191,770	98,237
- 3 months or less	72,873	27,227	163,573	125,400
General and specific bad and doubtful debt provisions (note 14)	<u>(15,782)</u>	<u>(11,555)</u>	<u>(32,766)</u>	<u>(28,310)</u>
	<u>725,240</u>	<u>296,953</u>	<u>1,020,754</u>	<u>677,343</u>

Group loans and advances to customers include IR£428.12m (1995 IR£342.4m) net investment in finance leases and IR£35m (1995 IR£85m) net investment in hire purchase contracts.

The cost of assets acquired for letting under finance leases and hire purchase contracts amounted to IR£411.6m (1995: IR£281.4m).

The amounts "due to parent undertaking" for both the group and the entity, have a similar maturity profile to loans and advances to customers.

14 Provisions for Bad and Doubtful Debts

	1996			1995		
	Specific IR£'000	General IR£'000	Total IR£'000	Specific IR£'000	General IR£'000	Total IR£'000
(a) Group:						
At 1 January	27,405	5,361	32,766	26,587	5,503	32,090
Exchange adjustments	843	142	985	(652)	(142)	(794)
Charge against profits	9,619	-	9,619	14,944	-	14,944
Amounts written off	(13,615)	-	(13,615)	(16,190)	-	(16,190)
Recoveries	339	-	339	2,716	-	2,716
Corporate re-organisation	(10,926)	(3,386)	(14,312)	-	-	-
At 31 December	<u>13,665</u>	<u>2,117</u>	<u>15,782</u>	<u>27,405</u>	<u>5,361</u>	<u>32,766</u>
Loans and advances to customers			<u>15,782</u>			<u>32,766</u>
(b) Entity:						
At 1 January	22,949	5,361	28,310	21,850	5,503	27,353
Exchange adjustments	843	142	985	(652)	(142)	(794)
Charge against profits	8,694	-	8,694	13,802	-	13,802
Amounts written off	(12,423)	-	(12,423)	(14,731)	-	(14,731)
Recoveries	301	-	301	2,680	-	2,680
Corporate re-organisation	(10,926)	(3,386)	(14,312)	-	-	-
At 31 December	<u>9,438</u>	<u>2,117</u>	<u>11,555</u>	<u>22,949</u>	<u>5,361</u>	<u>28,310</u>
Loans and advances to customers			<u>11,555</u>			<u>28,310</u>

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

15 Debt Securities

(a) *Group & Entity:*

	1996		1995	
	Balance Sheet IR£'000	Market Value IR£'000	Balance Sheet IR£'000	Market Value IR£'000
Held as financial fixed assets:				
Issued by public bodies				
- government securities	<u>10,500</u>	<u>10,503</u>	<u>20,010</u>	<u>20,051</u>
Analysed by remaining maturity:				
Due within one year	-	-	9,510	9,515
Due one year and over	<u>10,500</u>	<u>10,503</u>	<u>10,500</u>	<u>10,536</u>
	<u>10,500</u>	<u>10,503</u>	<u>20,010</u>	<u>20,051</u>

(b) *Group & Entity:*

	1996		1995	
	Balance Sheet IR£'000	Market Value IR£'000	Balance Sheet IR£'000	Market Value IR£'000
Analysed by listing status:				
Investment securities				
- listed on a recognised exchange	<u>10,500</u>	<u>10,503</u>	<u>20,010</u>	<u>20,051</u>

(c) *Group & Entity:*

	Cost IR£'000	Discounts and Premiums IR£'000	Carrying Value IR£'000
At 1 January 1996	20,049	(39)	20,010
Amortisation of discounts and premiums	-	(10)	(10)
Disposals	<u>(9,549)</u>	<u>49</u>	<u>(9,500)</u>
At 31 December 1996	<u>10,500</u>	-	<u>10,500</u>

There were no acquisitions during 1996.

	1996 IR£'000	1995 IR£'000
Unamortised (premiums) on investment securities	-	<u>(10)</u>

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

16 Shares in Group Undertakings

<i>Entity</i>	1996 IR£'000	1995 IR£'000
Ordinary Shares at Cost	<u>100</u>	<u>100</u>

Principal Subsidiary Undertakings

AIB Finance Limited has a 100% interest in AIB Leasing Limited whose country of incorporation is the Republic of Ireland. For commercial reasons the financial year end of AIB Leasing Limited is 31 March 1997. Interim financial statements of AIB Leasing Limited have been prepared to 31 December 1996 for inclusion in the group's audited financial statements. The principal business of the subsidiary is the provision of leasing services in the Republic of Ireland.

In presenting details of the principal subsidiary undertakings the exemption permitted by the European Communities (Credit Institutions: Accounts) Regulations, 1992, has been availed of, and in accordance with the regulations AIB Finance Limited will annex to its annual return to the companies registration office a full listing of subsidiary undertakings.

17 Tangible Fixed Assets

<i>Group & Entity</i>	-----Property-----			Total IR£'000
	Land and freehold and long leasehold IR£'000	Leases of less than 50 years unexpired IR£'000	Computer and other equipment IR£'000	
Cost or valuation				
At 1 January 1996	611	1,136	6,024	7,771
Reclassification	(211)	211	-	-
Corporate re-organisation	-	(325)	(2,777)	(3,102)
Exchange translation adjustments	10	-	149	159
Additions	-	37	530	567
Disposals	-	-	(459)	(459)
At 31 December 1996	<u>410</u>	<u>1,059</u>	<u>3,467</u>	<u>4,936</u>
Accumulated Depreciation				
At 1 January 1996	223	451	4,638	5,312
Reclassification	(211)	211	-	-
Corporate re-organisation	-	(289)	(2,645)	(2,934)
Exchange translation adjustments	10	3	117	130
Disposals	-	-	(385)	(385)
Depreciation charge for the year	5	40	542	587
At 31 December 1996	<u>27</u>	<u>416</u>	<u>2,267</u>	<u>2,710</u>

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

17 Tangible Fixed Assets (Cont'd)

Net Book Value at 31 December 1996	<u>383</u>	<u>643</u>	<u>1,200</u>	<u>2,226</u>
Net Book Value at 31 December 1995	<u>388</u>	<u>685</u>	<u>1,386</u>	<u>2,459</u>
			1996	1995
			IR£'000	IR£'000
<i>Group & Entity</i>				
Cost or valuation of freehold land and buildings:				
At valuation			410	410
At cost			-	-
			<u>410</u>	<u>410</u>
On the historical cost basis, land and buildings would have been included as follows:				
Cost			1,276	1,554
Accumulated depreciation			(446)	(679)
Net book value			<u>830</u>	<u>875</u>
Land and buildings occupied for own activities:				
Net Book Value			<u>1,026</u>	<u>1,073</u>

18 Deferred Taxation

	1996	1996	1995	1995
	Group	Entity	Group	Entity
	IR£'000	IR£'000	IR£'000	IR£'000
Provision for deferred taxation				
- capital allowances	5,229	207	4,756	481
- other timing differences	804	804	2,198	2,198
	<u>6,033</u>	<u>1,011</u>	<u>6,954</u>	<u>2,679</u>
At 1 January	6,954	2,679	6,035	2,863
Exchange adjustments	90	90	(92)	(92)
Arising during the year	106	(641)	1,011	(92)
Corporate re-organisation	(1,117)	(1,117)	-	-
At 31 December	<u>6,033</u>	<u>1,011</u>	<u>6,954</u>	<u>2,679</u>

The provision for Irish deferred taxation relating to capital allowances has been made at 38% being the rate of corporation tax at which the liability is expected to crystallise.

Provision is not made for any liability which might arise in the event of Group properties being realised at balance sheet values. Most of these properties are occupied for the purposes of the Group's trade and any gains arising on disposal are normally rolled-over.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

19 Deposits by Banks

	1996 IR£'000	1995 IR£'000
<i>Group & Entity</i>		
With agreed maturity dates or periods of notice, by remaining maturity:		
- over 5 years	30,935	13,635
- 5 years or less but over 1 year	48,685	35,552
- 1 year or less but over 3 months	16,651	57
- 3 months or less but not repayable on demand	-	-
	96,271	49,244

20 Customer Accounts

Group & Entity

	1996 IR£'000	1995 IR£'000
With agreed maturity dates or periods of notice, by remaining maturity:		
- over 5 years	2,477	11,908
- 5 years or less but over 1 year	121,014	151,503
- 1 year or less but over 3 months	317,501	311,709
- 3 months or less but not repayable on demand	1,900,751	1,718,230
Repayable on demand	2,341,743	2,193,350
	87,990	84,205
	2,429,733	2,277,555

The amounts "due by parent undertaking", for both group and entity, have a similar maturity profile to customer accounts.

21 Debt Securities in Issue

	1996 IR£'000	1995 IR£'000
<i>Group</i>		
Analysed by remaining maturity:		
- 1 year or less but over 3 months	2,999	676
- 3 months or less	74,014	64,476
	77,013	65,152

22 Other Liabilities

	1996 Group IR£'000	1996 Entity IR£'000	1995 Group IR£'000	1995 Entity IR£'000
Taxation	22,244	22	17,079	565
Other	86,738	3,344	73,206	5,162
	108,982	3,366	90,285	5,727

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

23 Provisions for Liabilities and Charges

Group & Entity

Pension Obligations IR£'000

At 1 January 1996	619
Exchange adjustments	24
Charge against profits	1,577
Corporate re-organisation	(120)
Amounts paid over to Pension Schemes	(1,383)
At 31 December 1996	717

24 Subordinated Liability

The subordinated liability relates to a subordinated loan of IR£15,000,000 received from the parent company, Allied Irish Banks plc, which is repayable at the option of the company. Under the terms of the loan agreement, all claims of the lender (Allied Irish Banks plc) shall be subordinated to claims of depositors and other creditors of AIB Finance Limited.

25 Called Up Ordinary Share Capital

Group & Entity

	1996	1995
	IR£'000	IR£'000

Authorised:

Ordinary Shares of IR£1 each	20,000	20,000
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Issued and Fully Paid:

Ordinary Shares of IR£1 each	12,000	12,000
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26 Reserves

	Group	Entity
	IR£'000	IR£'000

Revaluation reserve

At 1 January and 31 December 1996	312	312
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Profit and loss account

At 1 January 1996	65,491	64,476
Retentions for the year	(20,130)	(41,555)
Exchange translation adjustments	548	530
At 31 December 1996	45,909	23,451

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

27 Memorandum Items, Foreign Exchange and Interest Rate Contracts

The tables below give, for the Group and AIB Finance Limited, the nominal principal amounts and risk weighted amounts of off-balance-sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the Central Bank of Ireland's guidelines implementing the Basle agreement on capital adequacy.

	1996		1995	
	Contract amount IR£'000	Risk weighted amount IR£'000	Contract amount IR£'000	Risk weighted amount IR£'000
<i>Group & Entity</i>				
Contingent Liabilities				
Guarantees and assets pledged as collateral security:				
- guarantees and irrecoverable letters of credit				
	1,171	431	3,341	3,269
Interest rate contracts:				
- for hedging purposes				
	279,740	-	236,368	-
	1996 Group IR£'000	1996 Entity IR£'000	1995 Group IR£'000	1995 Entity IR£'000
Undrawn formal standby facilities, credit lines and commitments to lend:				
- less than 1 year				
(iv)	9,785	376	31,200	1,200

- (i) There exists a contingent liability to repay in whole or in part the grants received on finance leases to customers if certain events set out in the agreements occur.
- (ii) The company has guaranteed all the liabilities of its subsidiary company, AIB Leasing Limited and its subsidiaries, this guarantee was in place throughout the financial period ended 31 December 1996.
- (iii) The directors anticipate no loss under contingent liabilities.
- (iv) Undrawn loan commitments which are unconditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

28 Consolidated Cash Flow Statement

(i) *Reconciliation of Group profit on ordinary activities before tax to net cash inflow from operating activities*

	1996 IR£'000	1995 IR£'000
Group operating profit before taxation	32,538	25,012
Decrease/(increase) in prepayments and accrued income	1,544	(531)
(Decrease)/increase in accruals and deferred income	(4,660)	6,622
Provisions for bad and doubtful debts	9,619	14,944
Depreciation and amortisation	597	857
Write down of financial fixed investments	-	197
(Profit) on sale of tangible fixed assets	(49)	(160)
(Increase) in other assets	(1,770)	(444)
Increase in other liabilities	14,627	12,643
Net cash inflow from trading activities	52,446	59,140
Net increase/(decrease) in deposits by banks	48,005	(3,062)
Net increase in customer accounts	135,635	216,796
Decrease/(increase) in loans and advances to customers	304,572	(50,774)
Net increase in debt securities in issue	11,861	22,285
Net (increase) due by parent undertaking and fellow subsidiary undertakings	(512,756)	(203,076)
Effect of exchange translation and other adjustments	810	416
Net cash inflow from operating activities	40,573	41,725

(ii) *Analysis of changes in cash and cash equivalents during the year*

	1996 IR£'000	1995 IR£'000
At 1 January	10,492	8,646
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	2,102	1,923
Effect of exchange translation adjustments	71	(77)
At 31 December	12,665	10,492

(iii) *Analysis of the balances of cash and cash equivalents as shown in the balance sheet*

	1996 IR£'000	1995 IR£'000	Change in Year IR£'000
Cash and balances at Central Bank	23	24	(1)
Loans and advances to banks (with original maturity of less than 3 months)	12,642	10,468	2,174
	12,665	10,492	2,173

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

29 Segmental Information

	Republic of Ireland 1996 IR£'000	United Kingdom 1996 IR£'000	Group 1996 IR£'000
(a) Geographical Segments			
GROSS INCOME	<u>200,409</u>	<u>32,226</u>	<u>232,635</u>
PROFIT/(LOSS) BEFORE TAXATION	<u>36,565</u>	<u>(4,027)</u>	<u>32,538</u>
ASSETS			
Segment total assets	<u>3,219,175</u>	<u>-</u>	<u>3,219,175</u>
Total assets	<u>3,219,175</u>	<u>-</u>	<u>3,219,175</u>
Average total assets	<u>2,991,583</u>	<u>382,921</u>	<u>3,374,504</u>
Net Assets	<u>58,221</u>	<u>-</u>	<u>58,221</u>
	Republic of Ireland 1995 IR£'000	United Kingdom 1995 IR£'000	Group 1995 IR£'000
GROSS INCOME	<u>206,602</u>	<u>47,336</u>	<u>253,938</u>
PROFIT/(LOSS) BEFORE TAXATION	<u>33,328</u>	<u>(8,316)</u>	<u>25,012</u>
ASSETS			
Segment total assets	<u>3,000,420</u>	<u>479,314</u>	<u>3,479,734</u>
Total assets	<u>3,000,420</u>	<u>479,314</u>	<u>3,479,734</u>
Average total assets	<u>2,916,260</u>	<u>525,784</u>	<u>3,442,044</u>
Net Assets/(Liabilities)	<u>112,290</u>	<u>(34,487)</u>	<u>77,803</u>

(b) No separate breakdown has been given of gross income as this mainly comprises interest receivable and no further breakdown is deemed necessary.

(c) **Classes of Business**

All income and assets are derived from banking activities.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

30 Directors' and Officers' Loans

On 31 December 1996, the aggregate amounts outstanding for persons who, at any time during the financial year ending on that date, were Directors under transactions, arrangements and agreements within paragraph 43(1)(a) of the Companies Act, 1990 was IR£37,000 in respect of 3 people (1995: IR£Nil). On the same date, the aggregate amounts outstanding for persons who at any time during the financial year ending on that date were connected with Directors under transactions, arrangements and agreements within paragraph 43(1)(a) of the said Act, but subject to paragraph 43(6)(b) of the Act, was IR£Nil (1995: IR£Nil).

31 General

(i) *Operating lease commitments:*

Land and buildings 1996 IR£'000	Land and buildings 1995 IR£'000
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At the year-end, annual commitments under non-cancellable operating leases were:

Group & Entity:

Expiring:

- between one and five years	-	139
- in five years or more	389	563
	<u>389</u>	<u>702</u>

(ii) *Average number of employees*

	1996	1995
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The average number of persons employed by the Group during the year was made up as follows:-

	<u>312</u>	<u>342</u>
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32 Ultimate Parent Company

The company is a wholly owned subsidiary of Allied Irish Banks plc. The directors regard that company as being the ultimate parent company. The smallest and largest group into which these financial statements are consolidated is that headed by Allied Irish Banks plc which is incorporated in the Republic of Ireland. Copies of the financial statements of Allied Irish Banks plc are available from the Secretary, Allied Irish Banks plc, Bankcentre, Ballsbridge, Dublin 4.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1996 (contd)

33 Reporting Currency

The reporting currency used in these financial statements is the Irish pound, which is denoted by the symbol "IR£".

34 Corporate Re-organisation

On 1 October 1996 the Britain operations of AIB Finance Limited were transferred to AIB Group (UK) plc (formerly AIB Group Northern Ireland plc).

35 Related Party Transactions

The directors have availed of the exemptions in the Financial Reporting Standard No 8 "Related Party Disclosures" which permits qualifying subsidiaries of an undertaking not to disclose details of transactions and balances between group entities, that are eliminated on consolidation. During the year purchases of IR£58,000 were made from Kelly Systems Limited, a company in which Mr Leo Larkin is a minority shareholder.

36 Approval of Financial Statements

The financial statements were approved by the board of directors on 4 February 1997.

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