

FC 7277

AIB 15.
715287.

AIB FINANCE LIMITED

Financial Statements

31 December 1998

CERTIFIED TO BE TRUE COPIES OF THE
FINANCIAL STATEMENTS AS LAID BEFORE
THE MEMBERS AT THE ANNUAL GENERAL
MEETING.

Daniel J. Govey / *Andreas Schenk*
SECRETARY / DIRECTOR.



A27 *ASRKUNEL* 0632
COMPANIES HOUSE 24/01/00

AIB Finance Limited
Financial Statements
Year Ended 31 December 1998

Contents	Pages
Directors and Other Information	2
Report of the Directors	3 - 4
Statement of Directors' Responsibilities	5
Auditors' Report	6
Consolidated Profit and Loss Account	7
Consolidated Balance Sheet	8
Company Balance Sheet	9
Consolidated Cash Flow Statement	10
Statement of Total Recognised Gains and Losses	11
Reconciliation of Movement in Shareholders' Funds	11
Note of Historical Cost Profits and Losses	11
Notes to the Financial Statements	12 - 28

AIB Finance Limited

Directors and Other Information

Directors

L C Larkin (Chairman)
W J Finn (Managing)
J G Mansfield
E Murphy
A P McKeon
A G Clarke

Secretary & Registered Office

D J Coveney
Bankcentre
Ballsbridge
Dublin 4

Bankers

Allied Irish Banks, p.l.c.

Solicitors and Law Agent

Office of the Law Agent
Bankcentre
Ballsbridge
Dublin 4

Registered Auditors

PricewaterhouseCoopers
George's Quay
Dublin 2

AIB Finance Limited

Report of the Directors For the Year Ended 31 December 1998

The Directors submit herewith their Report and Audited Financial Statements for the year ended 31 December 1998.

Business Review

The core business of the bank is the provision of loan and lease finance products and fixed term deposits. The company operates solely in the Republic of Ireland. The strong economic performance in 1998 had a favourable impact across all sectors of our business. Group profits before tax grew by 23%. Loan and lease balances with both business and personal customers grew by 31% to IR£1,209m. Fixed term deposits grew by 8% to IR£3,065m.

The outlook for 1999 continues to look very positive with continuing economic growth in the economy benefiting all sectors of the banks business.

Results for the Year

The Group reported excellent results for 1998 with group profit before taxation amounting to IR£52,363,000 and increase of IR£9,832,000 on previous year's reported profit. Taxation amounted to IR£20,216,000 which left IR£32,147,000 attributable to shareholders of the company.

Year 2000

The Group's ultimate parent company, Allied Irish Banks, p.l.c. has established a Year 2000 Committee to address the issues arising as a result of the millennium date.

The purpose of the Committee is to determine that all major systems are Year 2000 compliant. These systems will be tested *internally in a sterile environment and will also be tested externally*. A change freeze will be in operation from July 1999 whereby no material changes will be implemented on any system unless absolutely necessary.

The Committee is also determining the impact of the Year 2000 issue on suppliers, counterparties and others with whom the group has relationships. Contingency plans are being developed for implementation if problems should arise at any stage in the process.

AIB Group's Year 2000 costs are fully disclosed in the financial statements of Allied Irish Banks, p.l.c.

The Directors point out that it is not possible for the Group to represent that it will achieve Year 2000 compliance and thus guarantee that its remediation efforts will be successful.

Euro

The Group's ultimate parent company, Allied Irish Banks, p.l.c. established a Euro Committee to address the issues arising as a result of the launch of the Euro on 1 January 1999.

The commercial and financial processes of the AIB Group, including those of this Group, have been adapted so that it can transact business in the Euro from 1 January 1999. The capability to conduct business in national currencies will be retained as long as it is necessary.

AIB Finance Limited

Report of the Directors For the Year Ended 31 December 1998 (continued)

Directors

The directors/secretary of the company at 31 December 1998 are set out below:

L C Larkin (Chairman)
W J Finn (Managing)
J G Mansfield
E Murphy
A P McKeon
A G Clarke
D J Coveney (Secretary)

Mr McKeon and Mr Murphy retire by rotation, and being eligible, offer themselves for re-election.

Interests of Directors and Officers in Shares

	31/12/98		1/1/98 *	
	Shares Number	Options Number	Shares Number	Options Number
Directors				
L C Larkin	20,386	140,000	19,777	140,000
E Murphy	3,788	50,000	3,956	40,000
J G Mansfield	25,777	190,000	23,961	180,000
A P McKeon	3,854	130,000	4,036	130,000
W J Finn	2,721	49,500	2,418	40,000
A G Clarke	3,066	50,000	3,320	40,000
D J Coveney (Secretary)	8,911	-	8,690	-

* Or at date of appointment

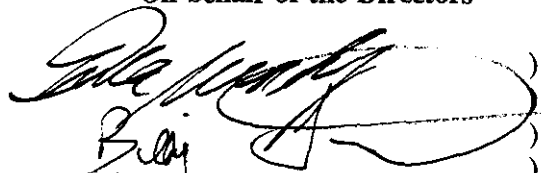

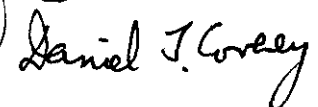
Safety, Health and Welfare at Work Act, 1989

Allied Irish Banks, p.l.c. has prepared a safety statement which applies to all group employees including those of this company.

Auditors

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

On behalf of the Directors


Directors

Secretary


12/02/99
Dublin

AIB Finance Limited

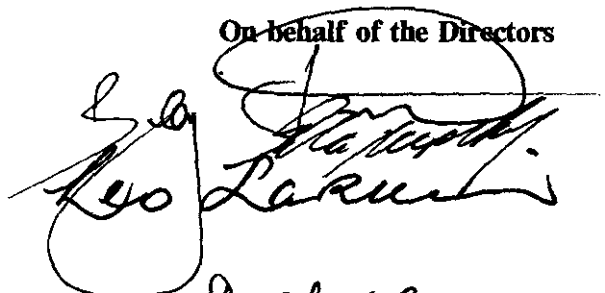
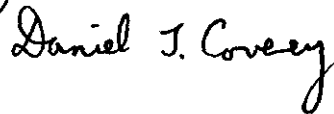
Statement of Directors' Responsibilities

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

) Directors
) Secretary

12/02/99
Dublin

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

We have audited the financial statements on pages 7 to 28 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 12 to 14.

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.

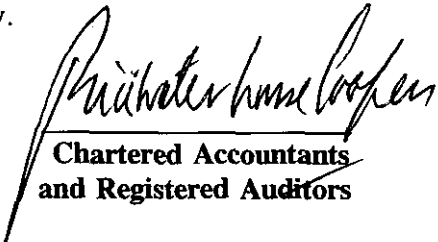
Opinion

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 1998 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 1998 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 1998 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**

12/02/99
Dublin

AIB Finance Limited

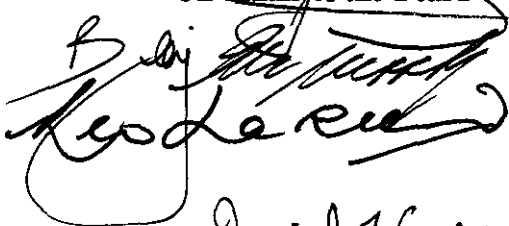
**Consolidated Profit and Loss Account
for the year ended 31 December 1998**

	Notes	Year Ended 31 Dec 1998 IR£'000	Year Ended 31 Dec 1997 IR£'000
Interest receivable:			
- interest receivable and similar income arising from debt securities and other fixed income securities		584	637
- other interest receivable and similar income	2	293,956	245,447
Less: Interest payable	3	(224,497)	(188,798)
Net Interest Income		<u>70,043</u>	<u>57,286</u>
Fees and commissions receivable		494	177
Fees and commissions payable		(2,340)	(1,737)
Other operating income		3,807	4,927
Other Income		<u>1,961</u>	<u>3,367</u>
Total Operating Income		72,004	60,653
Administrative expenses	4	15,827	15,153
Depreciation	18	685	553
Total Operating Expenses		<u>16,512</u>	<u>15,706</u>
Group Operating Profits before Provisions		55,492	44,947
Provisions for bad and doubtful debts	14	3,129	2,416
Group Profit on Ordinary Activities before Taxation	5	52,363	42,531
Taxation on group profit on ordinary activities	8	(14,816)	(16,722)
Impact of change in Irish corporation tax rates		(5,400)	-
Group Profit attributable to the Shareholders of AIB Finance Limited	9	32,147	25,809
Dividends on equity shares	10	-	-
Profit for the Year		<u>32,147</u>	<u>25,809</u>

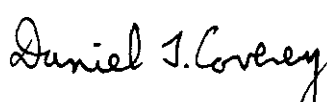
Movements in profit and loss account reserves are shown in note 28.

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

On behalf of the Board


)

Directors


)

Secretary

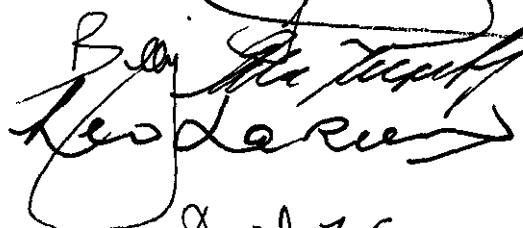
The notes on pages 12 to 28 form part of these Financial Statements.
Auditors' Report page 6.

AIB Finance Limited

Consolidated Balance Sheet at 31 December 1998

	Notes	1998 IR£'000	1997 IR£'000
Assets			
Cash and balances at Central Banks		2	2
Loans and advances to banks	12	17,854	13,509
Loans and advances to customers	13	1,208,573	922,760
Debt securities	15	-	10,500
Unquoted investment	16	11	11
Shares in Group undertaking	17	32,522	32,522
Tangible fixed assets	18	2,913	2,221
Other assets		6,982	5,598
Deferred taxation	19	-	461
Prepayments and accrued income		2,404	1,995
Due by parent undertaking	21	3,268,176	2,971,307
Due by fellow subsidiary undertakings		50,025	52,203
Total Assets		<u>4,589,462</u>	<u>4,013,089</u>
Liabilities			
Deposits by banks	20	67,658	84,095
Customer accounts	21	3,064,614	2,825,196
Debt securities in issue	22	196,976	173,669
Other liabilities	23	131,941	123,797
Accruals and deferred income		20,664	23,555
Provisions for liabilities and charges	24	671	307
Deferred tax	19	8,150	-
Subordinated liability	25	40,000	40,000
Called up ordinary share capital	26	17,000	17,000
Share premium account	27	19,750	19,750
Reserves	28	33,453	32,834
Profit and loss account	28	71,284	39,137
Shareholders' funds: equity interests		141,487	108,721
Due to parent undertaking	13	915,297	631,248
Due to fellow subsidiary undertakings		2,004	2,501
Total Liabilities		<u>4,589,462</u>	<u>4,013,089</u>
Memorandum Items			
Off Balance Sheet Items			
Contingent liabilities:			
- guarantees and assets pledged as collateral security	29	3,406	3,161

On Behalf of the Board

)
) Directors
)
 Daniel J. Coveney)
) Secretary

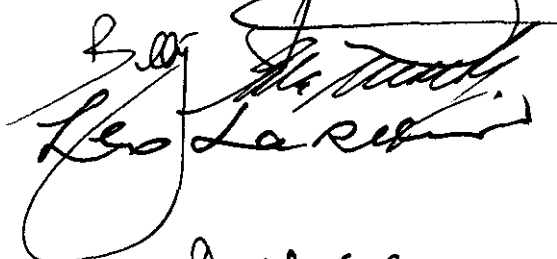
The notes on pages 12 to 28 form part of these Financial Statements.
Auditors' Report page 6.

AIB Finance Limited

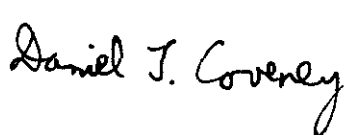
Company Balance Sheet at 31 December 1998

	Notes	1998 IR£'000	1997 IR£'000
Assets			
Cash and balances at Central Banks	6	2	2
Loans and advances to banks	12	17,854	13,509
Loans and advances to customers	13	607,818	401,837
Debt securities	15	-	10,500
Unquoted investment	16	11	11
Shares in Group undertakings	17	32,622	32,622
Tangible fixed assets	18	2,913	2,221
Other assets		3,079	1,870
Deferred taxation	19	1,628	962
Prepayments and accrued income		2,404	1,995
Due by parent undertaking	21	3,252,620	2,957,296
Due by fellow subsidiary undertakings		50,242	52,059
Total Assets		<u>3,971,193</u>	<u>3,474,884</u>
Liabilities			
Deposits by banks	20	67,658	84,095
Customer accounts	21	3,064,614	2,825,197
Other liabilities	23	14,684	9,240
Accruals and deferred income		18,116	22,561
Provisions for liabilities and charges	24	671	307
Subordinated liability	25	40,000	40,000
Called up ordinary share capital	26	17,000	17,000
Share premium account	27	19,750	19,750
Reserves	28	33,453	32,834
Profit and loss account	28	42,576	26,697
Shareholders' funds: equity interests		112,779	96,281
Due to parent undertaking	13	649,253	394,552
Due to fellow subsidiary undertakings		3,418	2,651
Total Liabilities		<u>3,971,193</u>	<u>3,474,884</u>
Memorandum Items			
Off Balance Sheet Items			
Contingent liabilities:			
- guarantees and assets pledged as collateral security	29	3,406	3,161

On Behalf of the Board



) Directors



) Secretary

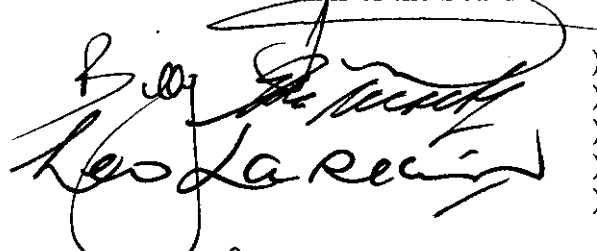
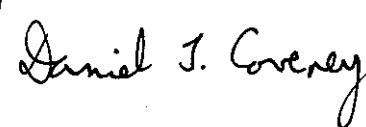
The notes on pages 12 to 28 form part of these Financial Statements.
Auditors' Report page 6.

AIB Finance Limited

**Consolidated Cash Flow Statement
for the year ended 31 December 1998**

	Notes	Year Ended 31 December 1998 IR£'000	Year Ended 31 December 1997 IR£'000
Net cash inflow/(outflow) from operating activities	30	<u>6,828</u>	<u>(6,711)</u>
<i>Returns on investments and servicing of finance:</i>			
- dividends paid on equity shares		-	-
<i>Taxation:</i>			
- corporation tax paid		<u>(12,333)</u>	<u>(9,146)</u>
<i>Capital Expenditure and Financial Investment:</i>			
- purchase of shares in AIB		-	(32,522)
- sale of debt securities		10,500	-
- additions to tangible fixed assets		(821)	(573)
- disposals of tangible fixed assets		171	59
- purchase of unquoted shares		-	(11)
		<u>9,850</u>	<u>(33,047)</u>
		<u>4,345</u>	<u>(48,904)</u>
Financing			
Issue of Ordinary Share Capital		-	25,000
Issue of Subordinated Perpetual Capital Note		-	25,000
Expenses in issue of share capital		-	(250)
		-	<u>49,750</u>
Increase in cash	30(iii)	<u>4,345</u>	<u>846</u>

On Behalf of the Board

)
) Directors
) Secretary

AIB Finance Limited

**Year Ended 31 December 1998
Statement of Total Recognised Gains and Losses**

	1998	1997
	IR£'000	IR£'000
Profit attributable to the ordinary shareholders	32,147	25,809
Exchange translation adjustments	-	(59)
Premises revaluation	619	-
Total recognised gains relating to the year	<u>32,766</u>	<u>25,750</u>

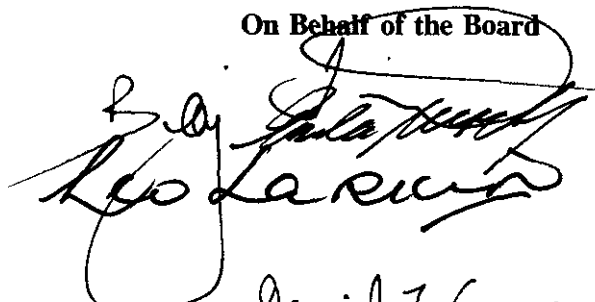
Reconciliation of Movements in Shareholders' Funds: Equity Interests

	1998	1997
	IR£'000	IR£'000
Profit attributable to ordinary shareholders	32,147	25,809
Profit absorbed for the year	32,147	25,809
Premises revaluation	619	-
Other recognised losses	-	(59)
Net increase in shareholders' funds: equity interests	<u>32,766</u>	<u>25,750</u>
Issue of share capital	-	5,000
Share premium on issuance of share capital	-	19,750
Opening shareholders' funds at 1 January 1998: equity interests	<u>108,721</u>	<u>58,221</u>
Closing shareholders' funds at 31 December 1998: equity interests	<u>141,487</u>	<u>108,721</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.

On Behalf of the Board


) Directors
 Daniel J. Cooney) Secretary

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

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998

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, 1998. (See note 17).

(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.

(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 1998 (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 3 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 1998 (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) *Operating Leases*

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

(n) *Commissions*

All commissions paid in respect of new business introduced are written off in the financial year in which they arise.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

2 Other Interest Receivable and Similar Income

	1998	1997
	IR£'000	IR£'000
Interest from parent undertaking	203,448	169,108
Interest from fellow subsidiary undertakings	3,919	3,909
Other	86,589	72,430
	<u>293,956</u>	<u>245,447</u>

3 Interest Payable

	1998	1997
	IR£'000	IR£'000
Interest to parent undertaking	56,620	39,519
Interest to fellow subsidiary undertakings	488	296
Other	167,389	148,983
	<u>224,497</u>	<u>188,798</u>

4 Administrative Expenses

	1998	1997
	IR£'000	IR£'000
Staff costs		
- wages and salaries	6,752	6,046
- social security costs	599	568
- pension and other costs (Note 7)	810	1,202
	<u>8,161</u>	<u>7,816</u>
Other administrative expenses	7,666	7,337
	<u>15,827</u>	<u>15,153</u>

5 Group Profit on Ordinary Activities before Taxation

	1998	1997
	IR£'000	IR£'000
Is stated after charging/(crediting):-		
Aggregate amounts receivable, including capital repayments under finance leases and hire purchase agreements	<u>327,469</u>	<u>259,902</u>
Profits on disposal of tangible fixed assets	<u>(107)</u>	<u>(29)</u>
Auditors' remuneration	<u>53</u>	<u>151</u>
Operating lease rentals	<u>1,107</u>	<u>390</u>

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

6 Emoluments of Directors

	1998 IR£'000	1997 IR£'000
Other emoluments	<u>422</u>	<u>266</u>

7 Pension Costs

The Group operates a pension scheme for its employees. 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, p.l.c. pension scheme. The total pension cost for the Group was IR£0.810m (1997: IR£1.202m) of which IR£0.167m (1997: IR£0.497m) 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 January 1998.

The principal actuarial assumption adopted is that there would be a real rate of return of 2½% p.a., i.e. a rate of interest return of 7% p.a. and a rate of pensionable salary increase of 4½%.

The market value of the assets at the valuation date was IR£19.6m and the actuarial value was sufficient to cover 105% 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, p.l.c. pension scheme are contained in the published accounts of the bank for the period ended 31 December 1998.

8 Taxation on Group Profit on Ordinary Activities

	1998 IR£'000	1997 IR£'000
Irish corporation tax charge	11,538	9,192
Deferred taxation on ordinary activities	<u>3,278</u>	<u>7,530</u>
	14,816	16,722
Impact of change in tax rates ¹	<u>5,400</u>	<u>-</u>
	<u>20,216</u>	<u>16,722</u>

¹ During 1998, the Irish government announced that it had reached agreement with the EU commission on the arrangements for phasing in a 12½ percent general rate of corporation tax. In December 1998, the Minister of Finance announced a phased reduction in the Irish corporation tax rates, commenced 1 January, 1999 to achieve a 12½ percent corporation tax rate for all trading income with effect from 1 January 2003. From 1 January, 2000 the rate of corporation tax applying to non-trading income will be 25%. Arising from the proposed reduction in corporation tax rates, timing differences will reverse at rates of corporation tax lower than those provided for on origination. As a result, a charge of IR£5.4m has been made in the year ended 31 December 1998.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

9 Group Profit attributable to the Shareholders of AIB Finance Limited

Of the Group profit attributable to ordinary shareholders, a profit of IR£15,876,050 (1997: IR£35,905,523) 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.

10 Dividends on equity shares

	1998 Pence per share	1998 IR£'000	1997 pence per share	1997 IR£'000
Dividend paid	-	-	-	-

11 Assets

	1998 Group IR£'000	1998 Entity IR£'000	1997 Group IR£'000	1997 Entity IR£'000
<i>(i) Assets and liabilities denominated in foreign currency:</i>				
Denominated in IR£	4,176,223	3,558,134	3,546,471	3,008,894
Denominated in currencies other than IR£	413,239	413,059	466,618	465,990
Total Assets	<u>4,589,462</u>	<u>3,971,193</u>	<u>4,013,089</u>	<u>3,474,884</u>
Denominated in IR£	4,176,240	3,558,134	3,546,486	3,007,932
Denominated in currencies other than IR£	413,222	413,059	466,603	466,952
Total Liabilities	<u>4,589,462</u>	<u>3,971,193</u>	<u>4,013,089</u>	<u>3,474,884</u>

(ii) Assets Leased to Customers:

Loans and advances to customers				
- finance leases	599,450	-	521,670	-

12 Loans and Advances to Banks

	1998 IR£'000	1997 IR£'000
<i>Group & Entity</i>		
Analysed by remaining maturity:		
- over 5 years	-	-
- 5 years or less but over 1 year	-	-
- 1 year or less but over 3 months	-	-
- 3 months or less	17,854	13,509
	<u>17,854</u>	<u>13,509</u>

The Group is required to maintain balances with the Central Bank of Ireland which, at 31 December 1998, amounted to IR£17.854m (1997: IR£13.509m).

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

13 Loans and Advances to Customers

	1998 Group IR£'000	1998 Entity IR£'000	1997 Group IR£'000	1997 Entity IR£'000
Analysed by remaining maturity:				
- over 5 years	337,302	263,193	240,878	186,300
- 5 years or less but over 1 year	566,415	229,952	435,257	142,248
- 1 year or less but over 3 months	213,770	73,151	174,984	46,622
- 3 months or less	111,417	55,224	89,217	39,041
General and specific bad and doubtful debt provisions (note 14)	(20,331)	(13,702)	(17,576)	(12,374)
	<u>1,208,573</u>	<u>607,818</u>	<u>922,760</u>	<u>401,837</u>

Group loans and advances to customers include IR£599.45m (1997 IR£521.67m) net investment in finance leases and IR£195.07m (1997: IR£98.14m) net investment in hire purchase contracts.

The cost of assets acquired for letting under finance leases and hire purchase contracts amounted to IR£465.9m (1997: IR£429.1m).

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

	1998			1997		
	Specific IR£'000	General IR£'000	Total IR£'000	Specific IR£'000	General IR£'000	Total IR£'000
(a) Group:						
At 1 January	15,459	2,117	17,576	13,665	2,117	15,782
Charge against profits	3,129	-	3,129	2,416	-	2,416
Amounts written off	(1,049)	-	(1,049)	(1,764)	-	(1,764)
Recoveries	675	-	675	1,142	-	1,142
At 31 December	<u>18,214</u>	<u>2,117</u>	<u>20,331</u>	<u>15,459</u>	<u>2,117</u>	<u>17,576</u>
Loans and advances to customers			<u>20,331</u>			<u>17,576</u>
(b) Entity:						
At 1 January	10,257	2,117	12,374	9,438	2,117	11,555
Charge against profits	819	-	819	624	-	624
Amounts written off	(137)	-	(137)	(915)	-	(915)
Recoveries	646	-	646	1,110	-	1,110
At 31 December	<u>11,585</u>	<u>2,117</u>	<u>13,702</u>	<u>10,257</u>	<u>2,117</u>	<u>12,374</u>
Loans and advances to customers			<u>13,702</u>			<u>12,374</u>

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

15 Debt Securities

(a) Group & Entity:

	1998		1997	
	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	-	-	10,500	10,500
	<u>-</u>	<u>-</u>	<u>10,500</u>	<u>10,500</u>
Analysed by remaining maturity:				
Due within one year	-	-	10,500	10,500
Due one year and over	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10,500</u>	<u>10,500</u>

(b) Group & Entity:

	1998		1997	
	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	-	-	10,500	10,500
	<u>-</u>	<u>-</u>	<u>10,500</u>	<u>10,500</u>

(c) Group & Entity:

	Cost IR£'000	Discounts and Premiums IR£'000	Carrying Value IR£'000
At 1 January 1998	10,500	-	10,500
Amortisation of discounts and premiums			
Disposals	(10,500)	-	(10,500)
At 31 December 1998	<u>-</u>	<u>-</u>	<u>-</u>

There were no acquisitions during 1998.

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

16 Unquoted Investment

<i>Group & Entity</i>	1998 IR£'000	1997 IR£'000
Ordinary Shares at Cost	<u>11</u>	<u>11</u>

AIB Finance Limited has an 11% interest in Irish Credit Bureau. The directors do not believe that the market value is materially different from the cost.

17 Shares in Group Undertakings

(a) Group

(i) Group & Entity:	1998		1997	
	Balance Sheet IR£'000	Market Value IR£'000	Balance Sheet IR£'000	Market Value IR£'000
Held as financial fixed assets:				
Shares in Parent Company	<u>32,522</u>	<u>67,368</u>	<u>32,522</u>	<u>38,080</u>
(ii) Group & Entity:	1998		1997	
	Balance Sheet IR£'000	Market Value IR£'000	Balance Sheet IR£'000	Market Value IR£'000

Analysed by listing status:

Shares in Parent Company				
- Listed on a recognised exchange	<u>32,522</u>	<u>67,368</u>	<u>32,522</u>	<u>38,080</u>

AIB Finance Limited acquired 5,600,000 ordinary shares of IR£0.25p each in its parent company, Allied Irish Banks, p.l.c. on 12 September 1998. The shares were acquired on the open market at a price of IR£5.75 per share. In accordance with the Companies Act, 1990, the cost of the purchase of these shares has been deducted from distributable reserves. The shares do not rank for dividend as the related dividend entitlements have been waived.

b) Entity	1998 IR£'000	1997 IR£'000
Shares in Parent Company	32,522	32,522
Ordinary Shares at Cost	<u>100</u>	<u>100</u>
	<u>32,622</u>	<u>32,622</u>

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

17 Shares in Group Undertakings (Cont'd)

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 1998. Interim financial statements of AIB Leasing Limited have been prepared to 31 December 1998 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.

18 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 1998	410	1,059	3,644	5,113
Transfers	-	-	15	15
Additions	-	-	814	814
Disposals	-	-	(450)	(450)
Revaluation	592	-	-	592
At 31 December 1998	<u>1,002</u>	<u>1,059</u>	<u>4,023</u>	<u>6,084</u>
Accumulated Depreciation				
At 1 January 1998	27	457	2,408	2,892
Transfer	-	-	7	7
Disposals	-	-	(386)	(386)
Depreciation charge for the year	-	40	645	685
Write back on revaluation	(27)	-	-	(27)
At 31 December 1998	<u>-</u>	<u>497</u>	<u>2,674</u>	<u>3,171</u>
Net Book Value at 31 December 1998	<u>1,002</u>	<u>562</u>	<u>1,349</u>	<u>2,913</u>
Net Book Value at 31 December 1997	<u>383</u>	<u>602</u>	<u>1,236</u>	<u>2,221</u>

The group's freehold and long leasehold property were valued by external valuers, DTZ Sherry Fitzgerald International Property advisors, as at 31 December 1998.

The valuation was carried out on the basis of Existing Use Value with a Depreciation replacement Cost analysis of adaption works not reflecting in the Existing Use Value for properties owner occupied by the company and on the basis of Open Market Value in respect of properties, held as an investment, held for development, surplus to requirements, land and sites and properties occupied by subsidiaries. Both bases are in accordance with the Appraisal and Valuation Manual issued by the Society of Chartered Surveyors (SCS).

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

18 Tangible Fixed Assets (Cont'd)

	1998	1997
	IR£'000	IR£'000
<i>Group & Entity</i>		
Cost or valuation of freehold land and buildings:		
At valuation	1,002	410
At cost	-	-
	<u>1,002</u>	<u>410</u>
On the historical cost basis, land and buildings would have been included as follows:		
Cost	1,276	1,276
Accumulated depreciation	(532)	(489)
Net book value	<u>744</u>	<u>787</u>
Land and buildings occupied for own activities:		
Net Book Value	<u>1,538</u>	<u>986</u>

19 Deferred Taxation

	1998	1998	1997	1997
	Group	Entity	Group	Entity
	IR£'000	IR£'000	IR£'000	IR£'000
Provision for deferred taxation				
- capital allowances	(9,851)	166	(326)	175
- other timing differences	1,701	1,462	787	787
	<u>(8,150)</u>	<u>1,628</u>	<u>461</u>	<u>962</u>
At 1 January	461	962	6,033	1,011
Increase due to corporation tax rate reductions	(5,400)	-	-	-
Arising during the year	(3,211)	666	(5,572)	(49)
At 31 December	<u>(8,150)</u>	<u>1,628</u>	<u>461</u>	<u>962</u>

The provision for Irish deferred taxation relating to capital allowances has been made at 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 1998 (contd)

20	Deposits by Banks	1998		1997
		IR£'000		IR£'000

Group & Entity

With agreed maturity dates or periods of notice, by remaining maturity:

- over 5 years	7,010	7,120
- 5 years or less but over 1 year	60,648	62,119
- 1 year or less but over 3 months	-	636
- 3 months or less but not repayable on demand	-	14,220
	67,658	84,095

21 Customer Accounts

Group & Entity

With agreed maturity dates or periods of notice, by remaining maturity:

	1998	1997
	IR£'000	IR£'000
- over 5 years	459	5,916
- 5 years or less but over 1 year	46,490	96,633
- 1 year or less but over 3 months	588,728	270,234
- 3 months or less but not repayable on demand	2,268,312	2,349,984
	2,903,989	2,722,767
Repayable on demand	160,625	102,429
	3,064,614	2,825,196

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

22 Debt Securities in Issue

Group

Analysed by remaining maturity:

	1998	1997
	IR£'000	IR£'000
- 1 year or less but over 3 months	6,584	5,167
- 3 months or less	190,392	168,502
	196,976	173,669

23 Other Liabilities

	1998	1998	1997	1997
	Group	Entity	Group	Entity
	IR£'000	IR£'000	IR£'000	IR£'000
Taxation	21,497	9,071	22,292	3,913
Other	110,444	5,613	101,505	5,327
	131,941	14,684	123,797	9,240

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

24 Provisions for Liabilities and Charges
Group & Entity

**Pension
Obligations
IR£'000**

At 1 January 1998	307
Charge against profits	810
Amounts paid over to Pension Schemes	(446)
At 31 December 1998	671

25 Subordinated Liabilities
Group & Entity

**1998
IR£'000** **1997
IR£'000**

Subordinated Loan	15,000	15,000
Subordinated Perpetual Capital Note	25,000	25,000
	40,000	40,000

- a) The subordinated loan of IR£15,000,000, received from the parent company, Allied Irish Banks, p.l.c., is repayable at the option of the company. Under the terms of the loan agreement, all claims of the lender (Allied Irish Banks, p.l.c.) shall be subordinated to claims of depositors and other creditors of AIB Finance Limited.
- b) The subordinated perpetual capital note of IR£25,000,000 was received from the parent company, Allied Irish Banks, p.l.c., and is repayable at the option of the company at any time after 31 October 2002 at its principal amount. Under the terms of the note agreement, all claims of the lender (Allied Irish Banks, p.l.c.) shall be subordinated to claims of depositors and other creditors of AIB Finance Limited.

26 Called Up Ordinary Share Capital
Group & Entity

**1998
IR£'000** **1997
IR£'000**

Authorised:

Ordinary Shares of IR£1 each	20,000	20,000
------------------------------	--------	--------

Issued and Fully Paid:

Ordinary Shares of IR£1 each		
------------------------------	--	--

At 1 January	17,000	12,000
--------------	--------	--------

Issued during the period	-	5,000
--------------------------	---	-------

At 31 December 1998	17,000	17,000
---------------------	--------	--------

27 Share Premium Account

**1998
IR£'000** **1997
IR£'000**

Group & Entity

At 1 January	19,750	-
--------------	--------	---

Premium arising on shares issued	-	20,000
----------------------------------	---	--------

Expenses in connection with share issue	-	(250)
---	---	-------

At 31 December 1998	19,750	19,750
---------------------	--------	--------

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

28 Reserves	Group	Entity
	IR£'000	IR£'000
Revaluation Reserve		
At 1 January 1998	312	312
Movement	619	619
At 31 December 1998	<u>931</u>	<u>931</u>
Capital Reserve		
At 1 January 1998	32,522	32,522
At 31 December 1998	<u>32,522</u>	<u>32,522</u>
At 31 December 1998	<u>33,453</u>	<u>33,453</u>
Profit and Loss Account		
At 1 January 1998	39,137	26,697
Retention for the year	32,147	15,879
At 31 December 1998	<u>71,284</u>	<u>42,576</u>

29 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.

	1998		1997	
	Contract	Risk	Contract	Risk
	amount	weighted	amount	weighted
	IR£'000	amount	IR£'000	amount
	IR£'000	IR£'000	IR£'000	IR£'000
Group & Entity				
Contingent Liabilities				
Guarantees and assets pledged as collateral security:				
- guarantees and irrecoverable letters of credit	<u>3,406</u>	<u>721</u>	<u>3,161</u>	<u>616</u>
Interest rate contracts:				
- for hedging purposes	<u>612,810</u>	<u>-</u>	<u>379,850</u>	<u>-</u>
	1998	1998	1997	1997
	Group	Entity	Group	Entity
	IR£'000	IR£'000	IR£'000	IR£'000
Undrawn formal standby facilities, credit lines and commitments to lend:				
- less than 1 year	(iv) <u>20,000</u>	<u>1,000</u>	<u>12,000</u>	<u>500</u>

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

29 Memorandum Items, Foreign Exchange and Interest Rate Contracts (Cont'd)

- (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 (Allied Irish Finance Limited, Allied Irish Leasing Limited, AIB International Leasing Limited and The Hire Purchase Company of Ireland Limited), this guarantee was in place throughout the financial period ended 31 December 1998. The subsidiary company, AIB Leasing Limited and its subsidiaries have availed of the exemption from filing their individual accounts as set out in Section 17 of the Companies (Amendment) Act, 1986.
- (iii) The Comptroller and Auditor General in Ireland is conducting an examination and investigation, across all deposit taking financial institutions in Ireland for the period 1 January 1986 to 1 December 1998, into the assessment and collection by the Revenue Commissioners of Deposit Interest Retention Tax (DIRT), a withholding tax that financial institutions are required to deduct from interest payable on certain deposits with them and to pay such amount to the Revenue Commissioners. In 1991, the Revenue Commissioners indicated that more effective procedures for the collection and payment of DIRT were required and AIB Group implemented these new procedures. AIB Group believes that it reached an agreement with the Revenue Commissioners at that time and that no liability would attach to the bank in respect of DIRT between 1986 and 1991. This is now under review by the Comptroller and Auditor General. It is not practicable to anticipate the outcome of the review at this stage. Since AIB Believes its position was agreed no provision has been made in the accounts.
- (iv) The directors anticipate no loss under contingent liabilities.
- (v) 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.

30 Consolidated Cash Flow Statement

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

	1998 IR£'000	1997 IR£'000
Group operating profit before taxation	52,363	42,531
Increase in prepayments and accrued income	(410)	(122)
(Decrease)/increase in accruals and deferred income	(2,758)	720
Provisions for bad and doubtful debts	3,129	2,416
Depreciation and amortisation	685	553
Profit on sale of tangible fixed assets	(107)	(29)
Increase in other assets	(1,404)	(2,130)
Increase in other liabilities	9,248	12,337
Net cash inflow from trading activities	60,746	56,276
Decrease in deposits by banks	(15,196)	(17,331)
Increase in customer accounts	253,612	338,103
Increase in loans and advances to customers	(289,090)	(199,658)
Increase in debt securities in issue	23,308	96,656
Increase due by parent undertaking and fellow subsidiary undertakings	(23,095)	(278,307)
Effect of exchange translation and other adjustments	(3,457)	(2,450)
Net cash inflow from operating activities	6,828	(6,711)

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

30 Consolidated Cash Flow Statement (Cont'd)

(ii) <i>Analysis of changes in cash</i>	1998 IR£'000	1997 IR£'000	
At 1 January	13,511	12,665	
Net cash inflow	4,345	846	
At 31 December	17,856	13,511	
(iii) <i>Analysis of the balances of cash as shown in the balance sheet</i>			
	1998 IR£'000	1997 IR£'000	Change in Year IR£'000
Cash and balances at Central Bank	2	2	-
Loans and advances to banks repayable on demand	17,854	13,509	4,345
	17,856	13,511	4,345

31 Segmental Information

(a) Geographical Segments

All business is derived in the Republic of Ireland, therefore no geographical segmentation is deemed necessary.

(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.

32 Directors' and Officers' Loans

On 31 December 1998, 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£95,500 in respect of 3 people (1997: IR£55,000). 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 (1997: IR£Nil).

AIB Finance Limited

Notes to the Accounts for the Year Ended 31 December 1998 (contd)

33	General	Land and buildings 1998 IR£'000	Land and buildings 1997 IR£'000
	<i>(i) Operating lease commitments:</i>		
	At the year-end, annual commitments under non-cancellable operating leases were:		
	Group & Entity:		
	Expiring:		
	- between one and five years	-	-
	- in five years or more	490	389
		490	389
		490	389
	<i>(ii) Average number of employees</i>		
		1998	1997
	The average number of persons employed by the Group during the year was made up as follows:-		
		284	275
		284	275

34 Ultimate Parent Company

The company is a wholly owned subsidiary of Allied Irish Banks, p.l.c.. 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, p.l.c. which is incorporated in the Republic of Ireland. Copies of the financial statements of Allied Irish Banks, p.l.c. are available from the Secretary, Allied Irish Banks, p.l.c., Bankcentre, Ballsbridge, Dublin 4.

35 Reporting Currency

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

36 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£34,077 were made by the company from Kelly Systems Limited, a company in which Mr Leo Larkin is a minority shareholder.

37 Approval of Financial Statements

The financial statements were approved by the board of directors on 12/02/1999.