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Co-NO - FC 7277.

AIB Finance Limited

Report and Financial Statements

Year Ended 31 December 2000



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

Daniel J. Cooney / Sudas Chavala
SECRETARY / DIRECTOR.

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DIRECTORS AND OTHER INFORMATION

Board of Directors at 31 December 2000

LC Larkin (Chairman)
WJ Finn (Managing)
D Brophy
AG Clarke
JG Mansfield
AP McKeon
E Murphy

Solicitors and Law Agent

Office of the Law Agent
Bankcentre
Ballsbridge
Dublin 4

Secretary and Registered Office

DJ Coveney
Bankcentre
Ballsbridge
Dublin 4

Bankers

Allied Irish Banks, p.l.c.

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
George's Quay
Dublin 2

DIRECTORS' REPORT

The directors submit herewith their report and audited financial statements for the year ended 31 December 2000.

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 continuing strong economic has had a very positive impact on our lending and leasing businesses. The loan and leasing business performed strongly with loans and advances to customers increasing by 25%. Term deposits reduced by 11%. The majority of these funds were redirected to investment products or non-term deposits within the AIB Group. Asset delinquency continues at historically low levels.

The positive outlook for 2001 will continue to impact favourably on our loan and leasing businesses.

Results for the year

The Group reported reduced results for 2000 with group profit before taxation amounting to IR£12.192m, a decrease of IR£27.778m. The principal reason for the reduction in profit was the Deposit Interest Retention Tax settlement of IR£33.601m. Total operating income before the Deposit Interest Retention Tax payment increased by 10.2%. Operating costs were restricted to a growth of 2.8% through the increased automation of business processes. Group profit on ordinary activities before taxation and before Deposit Interest Retention Tax payment increased by 14.6%. Taxation amounted to IR£7.801m, which left IR£4.391m attributable to the shareholders of the company.

Deposit Interest Retention Tax

On 3 October 2000, our parent, Allied Irish Banks, p.l.c. announced that it had reached a full and final settlement with the Irish Revenue Commissioners in relation to DIRT, interest and penalties in Ireland for the period April 1986 to April 1999. The settlement in respect of AIB Finance Limited amounted to £34.687m that included IR£1.086m paid in prior years. Although Allied Irish Banks, p.l.c. believes that it had an agreement with the Revenue Commissioners in 1991 in relation to DIRT, the Board of Allied Irish Banks, p.l.c. considered that concluding this settlement was in the best interests of shareholders, customers and staff. As a result a charge of IR£33.601m has been included in the accounts of AIB Finance Limited for the year ended 31 December 2000.

Euro

Since 1 January 1999 the AIB Group, including the AIB Finance Group, has been providing customers with full banking requirements in relation to the euro. Costs incurred to date relate to systems development, communication and education programmes. The estimated remaining expenditure includes costs in respect of further systems development. A full disclosure of the AIB Group's euro costs are given in the financial statements of Allied Irish Banks, p.l.c.

Directors

The directors/secretary of the company at 31 December 2000 are set out below:

LC Larkin	(Chairman)
WJ Finn	(Managing)
D Brophy	
AG Clarke	
JG Mansfield	
AP McKeon	
E Murphy	
DJ Coveney	(Secretary)

Mr LC Larkin and Mr JG Mansfield retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT - continued**Interests of directors and officers in shares**

The interests of directors and officers of the company in shares of group companies are set out below. The shares referred to are €0.32 ordinary shares in Allied Irish Banks, p.l.c. the holding company.

	Ordinary shares of €0.32 each 31/12/00		Ordinary shares of €0.32 each 01/01/00	
	Shares Number	Options Number	Shares Number	Options Number
Directors				
LC Larkin	19,148	162,000	17,343	149,000
WJ Finn	4,365	70,500	3,332	60,500
D Brophy	5,981	47,500	5,001	40,000
AG Clarke	3,067	62,000	3,074	59,000
JG Mansfield	29,918	145,000	27,666	195,000
AP McKeon	3,895	80,000	2,965	103,000
E Murphy	3,357	54,800	3,713	50,000
Secretary				
DJ Coveney	9,983	10,000	9,349	-

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, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Board

16 February 2001

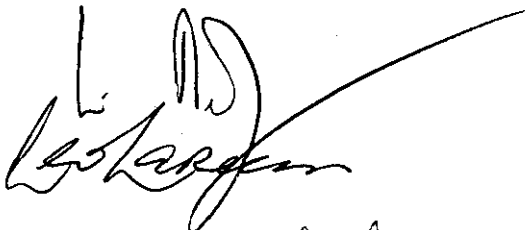
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish 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 group and the company and of the profit or loss of the company for that period. In preparing the 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.
- 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 books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 1999, and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board


L. AD
Audair blair


Billy

AUDITORS' REPORT TO THE MEMBERS OF AIB FINANCE LIMITED

We have audited the financial statements on pages 8 to 31.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and, as described on page 5, for preparing the financial statements in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 1999, and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration or directors' transactions is not disclosed.

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.

AUDITORS' REPORT - continued

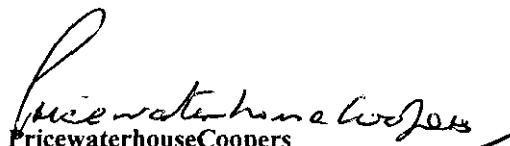
Opinion

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 2000 and of its profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1999, 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. The financial statements are in agreement with the books of account.

In our opinion, the information given in the directors' report 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 of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2000 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.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

16 February 2001

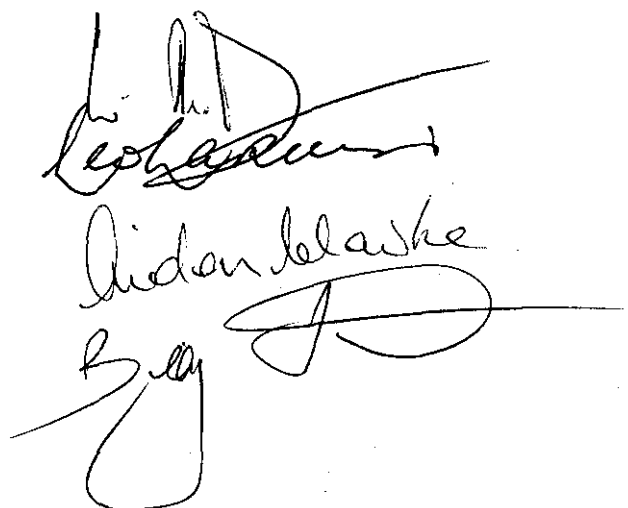
CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2000

	Notes	Year ended 31 December 2000 IR£'000	Year ended 31 December 1999 IR£'000
Interest receivable:			
- other interest receivable and similar income	2	308,422	220,000
Less: interest payable	3	(241,027)	(158,531)
Deposit Interest Retention Tax	5	<u>(33,601)</u>	<u>-</u>
Net interest income		33,794	61,469
Fees and commissions receivable		2,332	761
Fees and commissions payable		(4,930)	(3,670)
Other operating income		<u>4,605</u>	<u>4,434</u>
Other income		2,007	1,525
Total operating income		35,801	62,994
Administrative expenses	4	(18,855)	(18,397)
Depreciation	18	<u>(769)</u>	<u>(686)</u>
Total operating expenses		19,624	19,083
Group operating profit		16,177	43,911
Provisions for bad and doubtful debts	15	<u>(3,985)</u>	<u>(3,941)</u>
Group profit on ordinary activities before taxation	6	12,192	39,970
Taxation	9	<u>(7,801)</u>	<u>(12,569)</u>
Group profit attributable to the shareholders of AIB Finance Limited	10	4,391	27,401
Dividends on equity shares	11	<u>-</u>	<u>(31,500)</u>
Group retained profit/(loss) for the year		<u>4,391</u>	<u>(4,099)</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



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CONSOLIDATED BALANCE SHEET
Year Ended 31 December 2000


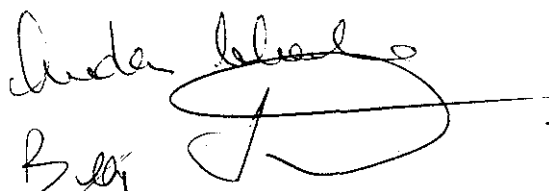

	Notes	2000 IR£'000	1999 IR£'000
Assets			
Cash and balances at Central Bank		2	2
Due by parent undertaking	21	3,708,074	2,324,360
Due by fellow subsidiary undertakings		58,157	56,065
Loans and advances to banks	13	41,126	47,756
Loans and advances to customers	14	2,018,285	1,611,750
Unquoted investment	16	11	11
Shares in Group undertaking	17(a)	32,522	32,522
Tangible fixed assets	18	3,021	3,225
Other assets		15,715	13,488
Prepayments and accrued income		3,835	2,272
Total assets		5,880,748	4,091,451
Liabilities			
Deposits by banks	20	70,945	71,629
Due to parent undertaking	14	3,254,079	1,261,783
Due to fellow subsidiary undertakings		84,715	23,712
Customer accounts	21	1,824,431	2,128,826
Debt securities in issue	22	265,912	234,272
Other liabilities	23	142,823	151,688
Accruals and deferred income		20,467	17,353
Provisions for liabilities and charges	24	1,260	1,695
Deferred tax	19	34,333	23,247
Subordinated liabilities	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	33,453
Profit and loss account	28	71,580	67,043
Shareholders' funds: equity interests		141,783	137,246
Total liabilities		5,880,748	4,091,451
Memorandum items			
Off balance sheet items -			
Contingent liabilities:			
- guarantees and assets pledged as collateral security	29	2,085	2,676

On behalf of the Board

COMPANY BALANCE SHEET
Year Ended 31 December 2000

	Notes	2000 IR£'000	1999 IR£'000
Assets			
Cash and balances at Central Banks		2	2
Due by parent undertaking	21	3,698,508	2,317,451
Due by fellow subsidiary undertakings		395,839	391,559
Loans and advances to banks	13	41,126	47,756
Loans and advances to customers	14	1,128,344	830,600
Unquoted investment	16	11	11
Shares in Group undertakings	17(b)	32,622	32,622
Tangible fixed assets	18	3,021	3,225
Other assets		7,251	5,658
Deferred taxation	19	1,049	904
Prepayments and accrued income		3,835	2,272
Total assets		5,311,608	3,632,060
Liabilities			
Deposits by banks	20	70,945	71,629
Due to parent undertaking	14	3,219,478	1,279,639
Due to fellow subsidiary undertakings		64,405	2,387
Accruals and deferred income		17,195	15,177
Provisions for liabilities and charges	24	1,260	1,695
Subordinated liabilities	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	33,453
Profit and loss account	28	(176)	18,560
Shareholders' funds: equity interests		70,027	88,763
Total liabilities		5,311,608	3,632,060
Memorandum items			
Off balance sheet items - contingent liabilities:			
- guarantees and assets pledged as collateral security	29	2,085	2,676

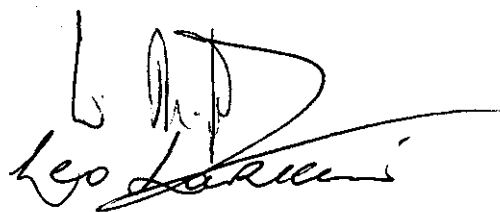
On behalf of the Board

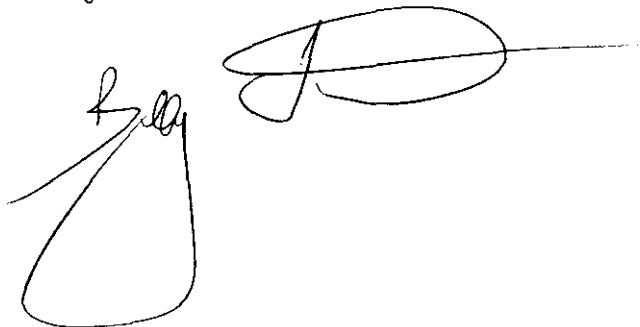
CONSOLIDATED CASH FLOW STATEMENT
Year Ended 31 December 2000

	Notes	Year ended 31 December 2000 IR£'000	Year ended 31 December 1999 IR£'000
Net cash (outflow)/inflow from operating activities	30	<u>(10,622)</u>	<u>72,729</u>
Returns on investments and servicing of finance			
Dividends paid on equity shares		-	<u>(31,500)</u>
Taxation			
Payment in respect of Group relief		(4,201)	-
Corporation tax refund/(paid)		<u>8,706</u>	<u>(10,395)</u>
		4,505	(10,395)
Capital expenditure and financial investment			
Additions to tangible fixed assets		(763)	(1,076)
Disposals of tangible fixed assets		<u>250</u>	<u>144</u>
		<u>(513)</u>	<u>(932)</u>
(Decrease)/increase in cash	30(ii)	<u>(6,630)</u>	<u>29,902</u>

On behalf of the Board


 Leo Larkin


 Andrew Lohan



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 31 December 2000

	2000 IR£'000	1999 IR£'000
Profit/(loss) attributable to the ordinary shareholders	4,391	27,401
Exchange translation adjustments	146	(142)
Total recognised gains/(losses) relating to the year	<u>4,537</u>	<u>27,259</u>

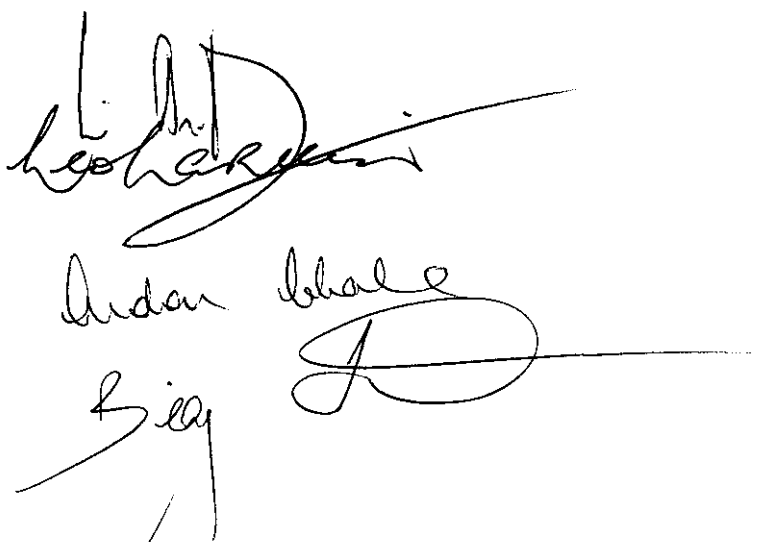
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS: EQUITY INTERESTS
Year Ended 31 December 2000

	2000 IR£'000	1999 IR£'000
Profit/(loss) attributable to ordinary shareholders	4,391	27,259
Dividend	-	(31,500)
Profit/(loss) absorbed for the year	4,391	(4,099)
Other recognised gains/(losses)	146	(142)
Net increase/(decrease) in shareholders' funds: equity interests	4,537	(4,241)
Opening shareholders' funds at 1 January 2000: equity interests	137,246	141,487
Closing shareholders' funds at 31 December 2000: equity interests	<u>141,783</u>	<u>137,246</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



The image shows three handwritten signatures in black ink. The top signature is the largest and most prominent, followed by two smaller signatures below it. The signatures appear to be of the board members.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The significant accounting policies adopted by the company are as follows:

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 1999, and the European Communities (Credit Institutions: Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

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 1999 and with relevant accounting standards.

Basis of consolidation

The financial statements of AIB Finance Limited and its subsidiary undertakings are made up to December 31, 2000. (See note 17).

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.

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.

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.

Foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

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.

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.

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.

Depreciation

Up to 31 December 1999, Freehold and long leasehold properties were not depreciated. Since 1 January 2000, with the introduction of Financial Reporting Standard 15 'Tangible Fixed Assets', freehold and long leasehold properties are written off over their estimated useful economic lives subject to a maximum period of 50 years. 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.

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.

Pensions

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

Derivatives

Transactions are undertaken in derivative financial instruments, "derivatives", which include interest rate swaps and similar instruments, for non trading purposes. Derivatives classified as non trading are those entered into for the purposes of matching or eliminating risk from potential movement in interest rates.

A derivative is designated as non trading where there is an offset between the effects of potential movements in market rates on the derivative and designated non trading asset or liability being hedged. Income and expense on non trading derivatives are recognised as they accrue over the life of the instruments as an adjustment to "Interest payable" or Interest receivable".

Operating leases

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

Commissions

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

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Other interest receivable and similar income	2000 IR£'000	1999 IR£'000
Interest from parent undertaking	185,640	123,840
Interest from fellow subsidiary undertakings	4,169	3,866
Other	<u>118,613</u>	<u>92,294</u>
	<u>308,422</u>	<u>220,000</u>
3 Interest payable	2000 IR£'000	1999 IR£'000
Interest to parent undertaking	155,324	82,435
Interest to fellow subsidiary undertakings	3,684	1,180
Other	<u>82,019</u>	<u>74,916</u>
	<u>241,027</u>	<u>158,531</u>
4 Administrative expenses	2000 IR£'000	1999 IR£'000
Staff costs:		
- wages and salaries	8,240	7,671
- social security costs	776	712
- pension and other costs (Note 8)	<u>803</u>	<u>716</u>
	9,819	9,099
Other administrative expenses	<u>9,036</u>	<u>9,298</u>
	<u>18,855</u>	<u>18,397</u>
5 Deposit interest retention tax ("DIRT") - Exceptional item		
On 3 October 2000, our parent, Allied Irish Banks, p.l.c. announced that it had reached a full and final settlement with the Irish Revenue Commissioners in relation to DIRT, interest and penalties in Ireland for the period April 1986 to April 1999. The settlement in respect of AIB Finance Limited amounted to £34.687m that included IR£1.086m paid in prior years. Although Allied Irish Banks, p.l.c. believes that it had an agreement with the Revenue Commissioners in 1991 in relation to DIRT, the Board of Allied Irish Banks, p.l.c. considered that concluding this settlement was in the best interests of shareholders, customers and staff. As a result an exceptional charge of IR£33.601m has been included in the accounts of AIB Finance Limited for the year ended 31 December 2000.		
6 Group operating profit	2000 IR£'000	1999 IR£'000
Is stated after charging/(crediting):		
Aggregate amounts receivable, including capital repayments under finance leases and hire purchase agreements	<u>507,853</u>	<u>411,469</u>
Profits on disposal of tangible fixed assets	<u>(52)</u>	<u>(66)</u>
Auditors' remuneration	<u>51</u>	<u>40</u>
Operating lease rentals	<u>570</u>	<u>577</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Emoluments of directors	2000 IR£'000	1999 IR£'000
Other emoluments	<u>233</u>	<u>232</u>

8 Pension costs

The Group operates a pension scheme for its employees. This scheme, which covers fifteen percent of its 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£0.803m (1999: IR£0.716m) of which IR£0.111m (1999: IR£0.130m) was attributable to the AIB Finance Limited 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 Allied Irish Banks, p.l.c. for the year ended 31 December 2000.

9 Taxation on group profit on ordinary activities	2000 IR£'000	1999 IR£'000
Irish corporation tax (credit)	(1,261)	(2,528)
Deferred taxation on ordinary activities	<u>9,062</u>	<u>15,097</u>
	<u>7,801</u>	<u>12,569</u>

10 Group profit attributable to the shareholders of AIB Finance Limited

Of the Group profit attributable to ordinary shareholders, a loss of IR£18,883,130, (1999: IR£7,627,604) 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.

11 Dividends on equity shares	2000 pence per share	2000 IR£'000	1999 pence per share	1999 IR£'000
Dividend paid	<u>-</u>	<u>-</u>	<u>185.3</u>	<u>31,500</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Assets	2000 Group IR£'000	2000 Entity IR£'000	1999 Group IR£'000	1999 Entity IR£'000
(i) Assets and liabilities denominated in foreign currency:				
Denominated in IR£	5,272,715	4,783,307	3,490,933	3,112,104
Denominated in currencies other than IR£	<u>608,033</u>	<u>528,302</u>	<u>600,518</u>	<u>519,956</u>
Total assets	<u>5,880,748</u>	<u>5,311,609</u>	<u>4,091,451</u>	<u>3,632,060</u>
Denominated in IR£	5,272,769	4,783,345	3,490,889	3,112,046
Denominated in currencies other than IR£	<u>607,979</u>	<u>528,264</u>	<u>600,562</u>	<u>520,014</u>
Total liabilities	<u>5,880,748</u>	<u>5,311,609</u>	<u>4,091,451</u>	<u>3,632,060</u>
(ii) Assets leased to customers:				
Loans and advances to customers; finance leases	<u>895,611</u>	<u>-</u>	<u>779,687</u>	<u>-</u>

13 Loans and advances to banks

Group and Entity:

Analysed by remaining maturity:

	2000 IR£'000	1999 IR£'000
- over 5 years	-	-
- 5 years or less but over 1 year	-	-
- 1 year or less but over 3 months	-	-
- 3 months or less	<u>41,126</u>	<u>47,756</u>
	<u>41,126</u>	<u>47,756</u>

The Group is required to maintain balances with the Central Bank of Ireland which, at 31 December 2000, amounted to IR£41.126m (1999: IR£47.756m).

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Loans and advances to customers	2000 Group IR£'000	2000 Entity IR£'000	1999 Group IR£'000	1999 Entity IR£'000
Analysed by remaining maturity:				
- over 5 years	613,440	468,767	508,202	342,762
- 5 years or less but over 1 year	923,413	441,673	733,271	330,358
- 1 year or less but over 3 months	334,069	141,755	262,730	104,469
- 3 months or less	174,065	92,341	131,000	67,751
General and specific bad and doubtful debt provisions (note 14)	<u>(26,702)</u>	<u>(16,192)</u>	<u>(23,453)</u>	<u>(14,740)</u>
	<u>2,018,285</u>	<u>1,128,344</u>	<u>1,611,750</u>	<u>830,600</u>

Group loans and advances to customers include IR£895.6m (1999: IR£779.7m) net investment in finance leases and IR£392.0m (1999: IR£300.9m) net investment in hire purchase contracts.

The cost of assets acquired for letting under finance leases and hire purchase contracts amounted to IR£690.7m (1999: IR£683.9m)

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

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Provision for bad and doubtful debts

	2000			1999		
	Specific IR£'000	General IR£'000	Total IR£'000	Specific IR£'000	General IR£'000	Total IR£'000
(a) Group						
At 1 January	21,336	2,117	23,453	18,214	2,117	20,331
Charge against profits	3,985	-	3,985	3,941	-	3,941
Transfer from specific to general	(7,500)	7,500	-	-	-	-
Amounts written off	(1,895)	-	(1,895)	(1,482)	-	(1,482)
Recoveries	1,159	-	1,159	663	-	663
At 31 December	<u>17,085</u>	<u>9,617</u>	<u>26,702</u>	<u>21,336</u>	<u>2,117</u>	<u>23,453</u>
(b) Entity						
At 1 January	12,623	2,117	14,740	11,585	2,117	13,702
Charge against profits	819	-	819	874	-	874
Transfer from specific to general	(2,600)	2,600	-	-	-	-
Amounts written off	(320)	-	(320)	(467)	-	(467)
Recoveries	953	-	953	631	-	631
At 31 December	<u>11,475</u>	<u>4,717</u>	<u>16,192</u>	<u>12,623</u>	<u>2,117</u>	<u>14,740</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Unquoted investment	2000	1999
	IR£'000	IR£'000
Group and Entity:		
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	2000		1999	
	Balance sheet	Market value	Balance sheet	Market Value
	IR£'000	IR£'000	IR£'000	IR£'000
(a) Group				
(i) <i>Group and Entity:</i>				
Held as financial fixed assets:				
shares in parent company	<u>32,522</u>	<u>54,468</u>	<u>32,522</u>	<u>49,925</u>
(ii) <i>Group and Entity:</i>				
	2000		1999	
	Balance sheet	Market Value	Balance sheet	Market Value
	IR£'000	IR£'000	IR£'000	IR£'000
Analyse 1 by listing status:				
Shares in parent company				
- listed on a recognised exchange	<u>32,522</u>	<u>54,468</u>	<u>32,522</u>	<u>49,925</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	2000	1999
	IR£'000	IR£'000
Shares in parent company	32,522	32,522
Ordinary shares in subsidiary at cost	<u>100</u>	<u>100</u>
	<u>32,622</u>	<u>32,622</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 2000. Interim financial statements of AIB Leasing Limited have been prepared to 31 December 2000 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Tangible fixed assets	Land IR£'000	Freehold and long leasehold IR£'000	Leases of less than 50 years unexpired IR£'000	Computer and other equipment IR£'000	Total IR£'000
Group & Equity					
At 1 January 2000	541	461	1,059	4,719	6,780
Additions	-	-	-	763	763
Disposals	-	-	-	(498)	(498)
At 31 December 2000	<u>541</u>	<u>461</u>	<u>1,059</u>	<u>4,984</u>	<u>7,045</u>
Accumulated depreciation					
At 1 January 2000	-	-	553	3,002	3,555
Disposals	-	-	-	(300)	(300)
Depreciation charge for the year	-	7	61	701	769
At 31 December 2000	<u>-</u>	<u>7</u>	<u>614</u>	<u>3,403</u>	<u>4,024</u>
Net book value at 31 December 2000	<u>541</u>	<u>454</u>	<u>445</u>	<u>1,581</u>	<u>3,021</u>
Net book value at 31 December 1999	<u>541</u>	<u>461</u>	<u>506</u>	<u>1,717</u>	<u>3,225</u>

Group and Entity:

	2000 IR£'000	1999 IR£'000
Cost or valuation of freehold land and buildings:		
At valuation	1,002	1,002
At cost	-	-
	<u>1,002</u>	<u>1,002</u>

On the historical cost basis, land and buildings would have been included as follows:

Cost	1,276	1,276
Accumulated depreciation	(620)	(591)
Net book value	<u>656</u>	<u>685</u>
Land and buildings occupied for own activities:		
Net book value	<u>1,441</u>	<u>1,508</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 transitional provisions of FRS 15 'Tangible Fixed Assets' have been adopted by the Group and the valuation has not been updated.

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).

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Deferred taxation	2000 Group IR£'000	2000 Entity IR£'000	1999 Group IR£'000	1999 Entity IR£'000
Provision for deferred taxation				
- capital allowances	(35,573)	31	(24,251)	59
- other timing differences	<u>1,240</u>	<u>1,018</u>	<u>1,004</u>	<u>845</u>
	<u>(34,333)</u>	<u>1,049</u>	<u>(23,247)</u>	<u>904</u>
At 1 January	(23,247)	904	(8,150)	1,628
Translation adjustment	(2,024)	-	-	-
Arising during the year	<u>(9,062)</u>	<u>145</u>	<u>(15,097)</u>	<u>(724)</u>
At 31 December	<u>(34,333)</u>	<u>1,049</u>	<u>(23,247)</u>	<u>904</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.

20 Deposits by banks	2000 IR£'000	1999 IR£'000
Group and Entity:		
With agreed maturity dates or periods of notice, by remaining maturity:		
- over 5 years	2,600	2,753
- 5 years or less but over 1 year	8,410	64,076
- 1 year or less but over 3 months	59,935	4,800
- 3 months or less but not repayable on demand	-	-
	<u>70,945</u>	<u>71,629</u>

21 Customer accounts	2000 IR£'000	1999 IR£'000
Group and Entity:		
With agreed maturity dates or periods of notice, by remaining maturity:		
- over 5 years	141	496
- 5 years or less but over 1 year	24,050	47,811
- 1 year or less but over 3 months	158,568	164,540
- 3 months or less but not repayable on demand	<u>1,566,551</u>	<u>1,761,397</u>
	1,749,310	1,974,244
Repayable on demand	<u>75,121</u>	<u>154,582</u>
	<u>1,824,431</u>	<u>2,128,826</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Debt securities in issue		2000	1999
		IR£'000	IR£'000
Group:			
Analysed by remaining maturity:			
- 1 year or less but over 3 months		232,212	8,033
- 3 months or less		32,700	226,239
		<u>265,912</u>	<u>234,272</u>

23 Other liabilities	2000	2000	1999	1999
	Group	Entity	Group	Entity
	IR£'000	IR£'000	IR£'000	IR£'000
Taxation	11,818	1,638	8,574	5,126
Other	131,005	2,229	143,114	(1,182)
	<u>142,823</u>	<u>3,867</u>	<u>151,688</u>	<u>3,944</u>

24 Provision for liabilities and charges		Pension	Other	Total
		Obligations	IR£'000	IR£'000
		IR£'000		
Group and Entity:				
At 1 January 2000		827	868	1,695
Provisions made		803	-	803
Provisions utilised		(870)	(132)	(1,001)
Provisions released		-	(236)	(236)
At 31 December 2000		<u>760</u>	<u>500</u>	<u>1,260</u>

25 Subordinated liabilities		2000	1999
		IR£'000	IR£'000
Group and Entity:			
Subordinated loan		15,000	15,000
Subordinated perpetual capital note		25,000	25,000
		<u>40,000</u>	<u>40,000</u>

(a) The subordinated loan of IR£15,000,000 received from the parent company, Allied Irish Banks, p.l.c., and 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

26 Called up ordinary share capital	2000 IR£'000	1999 IR£'000
Group and Entity:		
Authorised:		
Ordinary shares of IR£1 each	20,000	20,000
Issued and fully paid:		
Ordinary shares of IR£1 each	17,000	17,000
At 1 January and 31 December 1999	<u>17,000</u>	<u>17,000</u>
27 Share premium account	2000 IR£'000	1999 IR£'000
Group and Entity:		
At 1 January and 31 December 2000	<u>19,750</u>	<u>19,750</u>
28 Reserves	Group IR£'000	Entity IR£'000
Revaluation reserve		
At 1 January 2000 and 31 December 2000	<u>931</u>	<u>931</u>
Capital reserve		
At 1 January 2000 and 31 December 2000	<u>32,522</u>	<u>32,522</u>
At 31 December 2000	<u>33,453</u>	<u>33,453</u>
Profit and loss account		
At 1 January 2000	67,043	71,284
Currency Translation	146	(142)
Retention for the year	4,391	(4,099)
At 31 December 2000	<u>71,580</u>	<u>67,043</u>

29 Memorandum items, Interest rate contracts, Contingent Liabilities and Commitments

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

29 Memorandum items, Interest rate contracts, Contingent Liabilities and Commitments - continued

	2000		1999	
	Contract amount IR£'000	Risk Weighted Amount IR£'000	Contract amount IR£'000	Risk weighted amount IR£'000
Group and Entity:				
Contingent liabilities				
Guarantees and assets pledged as collateral security:				
- guarantees and irrecoverable letters of credit	2,085	315	2,676	746
Interest rate contracts:				
- for hedging purposes	940,153	-	786,118	-
	2000 Group IR£'000	2000 Entity IR£'000	1999 Group IR£'000	1999 Entity IR£'000
Undrawn formal standby facilities, credit lines and commitments to lend:				
- less than 1 year	50,000	34,000	45,000	15,000

- (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 2000. 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) 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

30 Consolidated cash flow statement	2000 IR£'000	1999 IR£'000	
(i) Reconciliation of Group profit on ordinary activities before tax to net cash inflow from operating activities:			
Group operating profit before taxation	12,192	39,970	
Increase/(decrease) in prepayments and accrued income	(1,562)	122	
Decrease in accruals and deferred income	3,126	(3,774)	
Provisions for bad and doubtful debts	3,985	3,941	
Depreciation and amortisation	768	686	
Profit on sale of tangible fixed assets	(52)	(66)	
Increase in other assets	(2,215)	(7,382)	
Increase in other liabilities	<u>(10,520)</u>	<u>33,659</u>	
Net cash inflow from trading activities	5,722	67,156	
Decrease in deposits by banks	(540)	(539)	
Decrease in customer accounts	(302,894)	(984,645)	
Increase in loans and advances to customers	(410,490)	(404,899)	
Increase in debt securities in issue	31,641	37,296	
Decrease in amounts due by parent undertaking and fellow subsidiary undertakings	665,856	1,358,492	
Effect of exchange translation and other adjustments	<u>83</u>	<u>(132)</u>	
Net cash inflow from operating activities	<u>(10,622)</u>	<u>72,729</u>	
(ii) Analysis of changes in cash:			
At 1 January	47,758	17,856	
Net cash (outflow)/inflow	<u>(6,630)</u>	<u>29,902</u>	
At 31 December	<u>41,128</u>	<u>47,758</u>	
(iii) Analysis of the balances of cash as shown in the balance sheet	2000 IR£'000	1999 IR£'000	Change in year IR£'000
Cash and balances at Central Bank	2	2	-
Loans and advances to banks repayable on demand	<u>41,126</u>	<u>47,756</u>	<u>(6,630)</u>
	<u>41,128</u>	<u>47,758</u>	<u>(6,630)</u>

31 Segmental information

- **Geographical segments**

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

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

- **Classes of business**

All income and assets are derived from banking activities.

NOTES TO THE FINANCIAL STATEMENTS - continued

32 Directors' and officers' loans

On 31 December 2000, 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£208,834 in respect of 5 people (1999: IR£177,435). 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 (1999: IR£Nil).

33 General

	Land and buildings 2000 IR£'000	Land and buildings 1999 IR£'000
(i) Operating lease commitments:	IR£'000	IR£'000

At the year-end, annual commitments under non-cancellable operating leases were:

Group and Entity:

Expiring:

- between one and five years
- in five years or more

-	-
500	520
500	520

(ii) Average number of employees:

The average number of persons employed by the group during the year was made up as follows:

316	317
-----	-----

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£114,527 were made by the company from Kelly Systems Limited, a company in which Mr Leo Larkin is a minority shareholder.

NOTES TO THE FINANCIAL STATEMENTS - continued

37 Derivatives and other financial instruments

Risk management and control

The group operates established procedures for the management and control of risks associated with its business activities. Risk can arise principally from the failure of customers to meet the terms of their lease and loan obligations (credit risk), from the inability to maintain sufficient funds (liquidity risk), from operational processes (operational risk) and from adverse movements in market rates (market risk).

Credit risk

Credit risk is managed and controlled throughout the Group on the basis of established credit processes and within a framework of credit policy and delegate authorities based on skill and experience. There are credit grading and monitoring systems that accommodate the early identification and management of deterioration in loan quality. In addition, the process is underpinned by an independent system of credit review by the Group's parent company.

Credit exposures in excess of Group credit authorities are approved by the parent's Group Credit Committee. The parent's Group Credit Committee approves key credit policies and influences strategic portfolio management.

Liquidity risk

The objectives of liquidity management is to ensure the availability, at all times of sufficient funds to meet the demands of customers for additional borrowings or to replace existing deposits as they mature or are withdrawn. In meeting this objective the group has available to it at all times the resources of its parent company.

Operational risk

Operational risk is the potential for loss caused by a breakdown in information, communication, transaction processing and operating systems. The Group mitigates operational risk by maintaining a comprehensive system of internal controls, maintaining key back-up facilities and undertaking regular contingency planning. Internal controls include the establishment of systems and procedures to monitor transactions, operational systems and documentation.

Market risk

Market risk is the potential adverse change in the Group's income arising from movements in interest rates foreign exchange rates or other market prices. The Group recognises that the effective management of interest rate risk is essential to the maintenance of stable earnings. The Group does not have a trading book and market risk is managed within a non trading book.

NOTES TO THE FINANCIAL STATEMENTS - continued

37 Derivatives and other financial instruments - continued

Interest rate risk - continued

The Groups non trading book consists of its term deposits and loan/lease books. Interest rate risk arises primarily from interest rate repricing mismatches on the Group's fixed rate loan and leasing book and customer deposit accounts which are predominantly short term in nature. In addition mismatches will result from intergroup lending and borrowing. The interest rate exposure of this book is managed using interest rate swaps and other conventional hedging instruments.

The table below provides an indication of the interest rate pricing mismatch in the company's balance sheet. Items have been allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Interest rate pricing 31 December 2000	Not more than 3 months £'000	More than 3 months but not more than 6 months £'000	More than 6 months but not more than on year £'000	More than 1 year but not more than 5 years £'000	More than 5 years £'000	Non interest bearing	Total
Assets							
Loans and advances to banks	41,126	-	-	-	-	-	41,126
Loans and advances to customers	607,644	106,699	197,059	806,343	324,242	(26,702)	2,018,285
Intergroup assets	3,489,853	93,180	78,515	73,613	4,432	26,638	3,766,231
Other assets	-	-	-	-	-	55,106	55,106
Total assets	4,138,623	202,879	275,574	879,956	328,674	55,042	5,880,748
Liabilities							
Deposits by banks	-	20,575	39,360	8,410	2,600	-	70,945
Customers accounts	1,641,655	86,487	72,098	24,050	141	-	1,824,431
Debt securities in issue	233,212	32,700	-	-	-	-	265,912
Subordinated liabilities	-	-	-	-	-	40,000	40,000
Inter group liabilities	3,039,452	81,913	72,999	31,394	83,159	29,877	3,338,794
Other liabilities	-	-	-	-	-	198,883	198,883
Stockholders' equity	-	-	-	-	-	141,783	141,783
Total liabilities	4,914,319	221,675	184,457	63,854	85,900	211,660	5,880,748
Off balance sheet items affecting interest rate sensitivity *	752,255	70,582	(111,265)	(670,430)	(41,142)	-	-
Interest sensitivity gap	(23,441)	51,786	(20,148)	145,672	201,632	355,501	-
Cumulative interest sensitivity gap	(23,441)	28,345	8,197	153,869	355,501	-	-

*Generally this will reflect notional principal amounts of off balance sheet items

NOTES TO THE FINANCIAL STATEMENTS - continued

36 Derivatives and other financial instruments - continued

Interest rate pricing 31 December 1999	Not more than 3 months £'000	More than 3 months but not more than 6 months £'000	More than 6 months but not more than one year £'000	More than 1 year but not more than 5 years £'000	More than 5 years £'000	Non interest bearing £'000	Total £'000
Assets							
Loans and advances to banks	47,756	-	-	-	-	-	47,756
Loans and advances to customers	392,304	81,663	163,326	656,326	341,774	(23,453)	1,611,940
Intergroup assets	2,094,193	58,203	58,203	72,941	-	47,655	2,331,195
Other assets	-	-	-	-	-	100,560	100,560
Total assets	2,534,253	139,866	221,529	729,267	341,774	124,762	4,091,451
Liabilities							
Deposits by banks	-	-	4,800	64,076	2,752	-	71,628
Customers accounts	1,915,979	95,366	69,173	47,811	497	-	2,128,826
Debt securities in issue	226,239	8,032	-	-	-	-	234,271
Subordinated liabilities	-	-	-	-	-	40,000	40,000
Inter group liabilities	949,978	121,750	44,500	140,210	-	29,057	1,285,495
Other liabilities	-	-	-	-	-	193,984	193,984
Stockholders' equity	-	-	-	-	-	137,247	137,247
Total liabilities	3,092,196	225,148	118,473	252,097	3,249	400,288	4,091,451
Off balance sheet items affecting interest rate sensitivity *	(542,509)	(131,421)	114,879	538,909	20,142	-	-
Interest sensitivity gap	(15,434)	46,139	(11,823)	(61,739)	318,383	(275,526)	-
Cumulative interest sensitivity gap	(15,434)	30,705	18,882	(42,857)	275,526	-	-

*Generally this will reflect notional principal amounts of off balance sheet items

NOTES TO THE FINANCIAL STATEMENTS - continued

37 Derivatives and other financial instruments - continued

Forward Rate Agreements (FRA's) with a notional value of £Nil (1999: £25m) and over the counter interest rate options (OTC's) with a notional value of £12.1m (1999: £11.9m) are excluded from the above table. These instruments are used by the Group to manage interest rate risk and have maturities less than 1 year.

Interest rate gaps will arise in the Groups balance sheet and such gaps are effectively controlled as part of the parent's interest rate repricing management.

Currency Risk

It is the policy of the Group not to maintain material open currency positions. Currency risk is effectively hedged through lending and borrowing to the parent company.

Equity Risk

As described in note 17 to the financial statements, the Group has made equity investments. Such investment decisions have been made in conjunction with the parent's strategic decisions.

Fair value of derivatives and financial instruments.**Derivatives**

Interest rate swaps held for non-trading purposes at 31 December 2000 have a fair value of IR£120,142 (1999: IR£532,669) and a carrying value in the balance sheet of (IR£496,708), (1999: IR£2,149,694).

Over the counter interest rate options held for non-trading purposes at 31 December 2000 have a fair value of IR£111,574, (1999: IR£188,976) and a carrying value in the balance sheet of IR£2,259 (1999: IR£Nil).

On balance sheet items

Fair values for these items have not been disclosed as they do not meet the "liquid and active" criteria as defined by Financial Reporting Standard 13, "Derivatives and other financial instruments: disclosures".

Unrecognised gains and losses on hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items which are being hedged. The unrecognised net losses on instruments used for hedging as at 31 December 2000 were IR£0.120m (1999: IR£0.533m).

The net gains expected to be recognised in 2001 are IR£0.433m, (1999: IR£2.387m)

The net gains recognised in 2000 in respect of previous years were IR£0.359 (1999: IR£20.320m) and the net gains arising in 1999 which were unrecognised in 2000 were (IR£0.054m), (1999: IR£0.054m)

38 Approval of financial statements

The financial statements were approved by the board of directors on 16 February 2001.