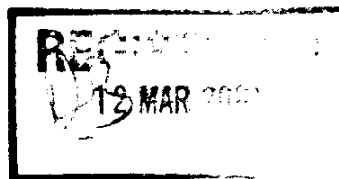


AIB Group (UK) p.l.c.

**Annual Report
for the year ended 31 December 2000**

Registered No: NI18800



AIB Group (UK) p.l.c.
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000
Registered No. NI18800

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CHAIRMAN'S STATEMENT

I am delighted to announce double-digit growth again for the company with pre-tax profits for the financial year 2000 of £147m up 18% on the previous year. There was good growth in resources with particularly strong demand for index-linked savings products. Lending volumes were up 15% and trends in non-earning advances continued to improve. Overall asset quality has again improved despite continued strong expansion of lending activity over the past number of years. There has also been an improvement in the cost/income and capital ratios.

UK Economy

Growth in the overall UK economy has been strong although down on the previous year's level. Output in the service industries increased, while traditional Northern Ireland industries, i.e. agriculture, clothing, textiles and manufacturing, and the export driven industries in Britain declined. The competitiveness of these industries has been badly affected by the increasingly strong pound.

In Northern Ireland the re-establishment of the Assembly has boosted overall business confidence. In Britain, the levelling off of the housing market and the avoidance of the cyclical pattern of the eighties has brought about stability and confidence to the economy. Interest rates have remained at 6% since February; unemployment levels have continued to decline while average wage growth has remained strong. In general, we are confident that the economic background for business remains positive.

AIB Group (UK) p.l.c.

The strong profit performance has been underpinned by good progress in improving the company's overall market position, developing the professionalism of its people and expanding both branch and e-commerce delivery channels. Over the year, there has been a 50%+ increase in usage across all of our electronic product range.

The company sees the quality of customer service as a key differentiating factor and continually strives to improve customer service as well as business performance. Customers are surveyed regularly for their opinions on quality of service, level of charges and the speed of decision making. This research is carried out in order to monitor and improve the effectiveness of the Bank's performance in meeting the needs of customers.

An external survey carried out during 2000 has recognised Allied Irish Bank (GB) as 'Britain's Best Business Bank' for the fourth time in succession. This award is made by the Forum of Private Business following independent market research of businesses. It is a national benchmark for measuring customer satisfaction in the business banking market. This recognition has been achieved because of the dedication and professionalism of our people.

The company continues to invest in its branch network as well as new technology delivery channels. A new First Trust Bank branch at Meadowbank, Derry opened to the public on 10th April 2000. The branch, based in the new Sainsbury's complex, operates as a full banking centre during normal banking hours and offers in-store services outside these hours. Allied Irish Bank (GB) upgraded and relocated its Southampton branch to a more prominent location to provide a full banking service for its business customers.

Business Development

The priority for the UK company continues to be the expansion of its market share and the acquisition of new customers.

Allied Irish Bank (GB) made considerable progress in increasing its share of the Professional, Education and Charities sectors. The number of 'professional' customers has grown and is now the largest sector in terms of resources growth.

Allied Irish Bank (GB) continues to actively market and focus on the Not For Profit sector. A number of seminars were held throughout the country to support this initiative. We were particularly pleased to work with Oxford University to promote access to the University amongst the further education sector. This will be further supported with a bursary to be awarded later in the year to successful applicants.

CHAIRMAN'S STATEMENT

A key initiative in First Trust Bank has been the launch of a number of forums to advise businesses on managing currency risk. The increasing strength of the pound during the year adversely affected the competitiveness of businesses, particularly along the border towns of Northern Ireland. Regular meetings were held with local businesses explaining the benefits of protecting against currency movements and outlining the products that are appropriate for different currency and interest rate risk situations.

Operational Risk

AIB Group (UK) p.l.c. has made consistent progress throughout the year in putting in place a structured operational risk management process. This is being implemented alongside well-established processes for managing credit and market risk and will result in a more integrated approach to risk management. We are committed to being in line with industry best practice in this area.

The financial services industry, in general, is recognising operational risk management (ORM) as a discipline with its own management structure and processes like credit and market risk. To date, the approach by AIB Group (UK) p.l.c. has been to manage operational risk as a line management responsibility, duly supported by specialist functions that manage and advise on operational risk, e.g. fraud, money laundering, physical security, business continuity planning, information security and insurance.

In addition, the company is also advancing the development of RAROC (Risk Adjusted Return on Capital). This initiative will provide decision makers with a support network for measuring risk/reward. It will apply to operational risk as well as credit and market risk.

Working with the Community

The company's continuing commitment to the community was once again highlighted in its membership of the Northern Ireland PerCent Club. Established by Business in the Community, the PerCent Club is now recognised as the leading benchmark for community investment. Membership of the Club is based on achieving the PerCent Club standard by investing 1% or more of pre-tax profit in community work.

First Trust Bank staff have nominated the Macmillan Cancer Relief charity as the beneficiary of their fund-raising activities. They organise a wide range of initiatives resulting in substantial monies being raised.

In July, Mr. Denis Power, Senior Manager, Risk Management, First Trust Bank was awarded the Prince of Wales Ambassador Award for his work with Business in the Community in West Belfast. In December, Mr. Colin Bowd of First Trust Bank, Glengormley was awarded an MBE for his services to youth.

In Britain, the company supports a wide range of charitable endeavours in addition to investing in sport, education and business. In the past year it has supported organisations working with the homeless and socially excluded throughout the country.

Our People

An increasing investment is being made each year in training and developing the professionalism of our staff and in improving opportunities for employees. The company has for a number of years been accredited with the Investor In People award which is a national quality standard for good practice in the area of training and development. During 2000, First Trust Bank was reaccredited with the Investor In People standard while Allied Irish Bank (GB) has been listed as one of the 100 best companies to work for in the UK.

Last but not least, the outstanding performance and success of the company is due to the professionalism of our management and staff in meeting the needs of our customers. On behalf of the Board, I thank them for their outstanding commitment and contribution throughout the year.



J B McGuckian
Chairman

DIRECTORS' REPORT

The directors present their report and the audited accounts of AIB Group (UK) p.l.c. [trading as First Trust Bank in Northern Ireland and Allied Irish Bank (GB) in Britain] and its subsidiaries for the year to 31 December 2000.

Principal Activities

The Company is an authorised institution under the Banking Act 1987. Through its subsidiaries and its network of branch offices in the major towns throughout the United Kingdom, the Company has continued to provide and expand its comprehensive range of banking and financial services to personal, commercial and corporate customers.

The Chairman's Statement contains a brief review of the business of the Company during the year and its prospects for the future.

Profit & Dividend

The profit after taxation attributable to the shareholders for the year to 31 December 2000 was £110,648,035 (1999: £95,137,422). After provision for dividends of £44,259,214, £66,388,821 has been transferred to reserves (1999: Dividend of £38,055,000; transferred to Reserves £57,082,422).

No further dividend is recommended.

Property & Equipment

Changes in property and equipment during the year are set out in note 18 to the accounts.

Directors

The names of the directors for the reporting period are stated on page 8.

There were no changes to the composition of the Board during the year.

Interests in Contracts

No service contracts or contracts of significance in relation to the business of the Company or its subsidiaries subsisted at any time during the year between the Company and any director.

Directors' Interest in Shares

None of the directors has any notifiable interest in the shares of the Company or the immediate parent company. The interests of the directors in the shares of the ultimate holding company are not disclosed as permitted by the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations (Northern Ireland) 1987.

Employees

The Company is committed to employee involvement and uses a variety of methods to inform, consult and involve employees. There are a number of well-established consultative and negotiating arrangements, which ensure that the views of employees are taken into account in reaching decisions. Within this framework, emphasis continues to be placed on developing greater awareness of the financial and economic factors which affect the performance of the Company.

The Company is committed to the development of policies to promote equal opportunities in employment for all its employees. As part of this policy the Company gives full and fair consideration to applications for employment from people with disabilities, and offers appropriate training and career development, having regard to their particular aptitudes and abilities. When members of staff become disabled, the Company, wherever possible, seeks either to continue employment in the existing job or to re-deploy them on other suitable duties. The Company's employment policy complies with local fair employment; sex discrimination, race discrimination and equal pay legislation.

The Company has purchased and maintains insurance for officers and directors against liabilities in relation to the Company.

Risk Management

Asset & Liability Management

Asset & Liability management is concerned with the profitable development of a Bank's risk-taking activities within prudent parameters. Risk management in AIB Group (UK) p.l.c. centres on four major risks – credit risk, market risk, liquidity risk & operational risk. Credit risk arises mainly in the Company's lending portfolio. Liquidity, market & operational risk are a normal part of retail banking activities.

The Company has a well-developed organisational structure for managing risk consisting primarily of the Asset & Liability Committee (ALCO) and the UK Credit Committee. The policies described below have been in operation throughout the reporting period.

The ALCO is responsible for setting the Company's Asset & Liability strategy within the risk policies approved by the Board and in line with the policies approved by the ALCO of Allied Irish Banks, p.l.c. (Group ALCO). The ALCO is also responsible for monitoring interest rates, currency and liquidity risk throughout the Group.

Credit Risk

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

Credit exposures in excess of divisional credit authorities are approved by the UK Credit Committee, which is chaired by a member of the UK Executive Team. The UK Credit Committee approves key credit policies and influences strategic portfolio management. It also reviews trends in credit quality and determines overall provision adequacy on a quarterly basis. There is an independent credit risk management unit which has functional responsibility for credit risk across the Company and provides executive support to the UK Credit Committee.

The credit management structure is supported by a credit policy framework and credit review process. The Company invests significantly in developing the professional skills of its lenders and in the continuous improvement of the credit assessment, control and monitoring processes. High priority is given to having a credit culture that is resilient through business cycles.

Market Risk

Market risk is the risk that changes in the level of interest rates, the movement in exchange rates between currencies and other financial contracts, including derivatives, will have an adverse financial impact on the Company's cashflows. The primary risks within the Company's activities are interest rate risk and currency risk.

Interest Rate Risk

Interest rate risk arises in the Company's core balance sheet as a result of fixed rate, variable rate and non-interest bearing assets and liabilities. Exposure to interest rate movements arises when there is a mismatch between interest rate sensitive assets and liabilities. This potential exposure is monitored by the ALCO and is managed through the use of derivative financial instruments, e.g. interest rate swaps.

Currency Risk

The Company's currency risk arising from its commercial banking and lending activities is backed out through its parent company in accordance with standing Treasury arrangements. A limit is allocated to cover intra-day and overnight exposures but these are immaterial. The Company does not have any structural currency exposures, since all its operations are in the UK.

Liquidity Risk

The objective 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. The Company Liquidity Policy requires the treasury function to maintain a prudent level of high quality liquid assets for each currency. The prudent level is assessed taking into account the dynamics of the Company's business and its balance sheet structure in that currency.

The Company has an established branch network – trading in Northern Ireland as First Trust Bank and in Great Britain as Allied Irish Bank (GB), which generates significant core retail sterling deposits. The Company maintains a prudent level of high quality liquid assets.

The Company is also subject to regulatory requirements in terms of the amount and composition of liquid assets which it must hold. The Company maintains a high level of liquidity and does not foresee events or circumstances which would materially change this position.

The Directors believe that future normal cash flows from operating and financing activities, primarily deposit-taking, will be more than adequate to satisfy short-term and long-term future cash requirements, including estimated future capital expenditure requirements.

Operational Risk

Operational Risk is the potential for loss caused by a breakdown in information, communication, transaction processing and settlement systems. The Company 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, positions, and documentation.

Internal Controls

The Board of Directors acknowledges responsibility for the company's system of internal control and for reviewing its effectiveness. A sound system of internal control contributes to safeguarding the company's assets. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provides only reasonable and not absolute assurance against material misstatement or loss.

Within the company, there is a comprehensive system of internal control which includes: -

- A clearly defined management structure, with appropriate apportionment of responsibility, authority and accountability.
- Annual planning, budgeting, business review and financial reporting, with clearly defined control policies and procedures for all areas of the business, including those related to operational, credit and market risks.

DIRECTORS' REPORT (cont'd)

- Regular independent review and reporting to the UK Executive Team and to the Audit Committee on various aspects of control, through the Risk Management, Financial Control, Internal Audit and Compliance functions.
- The implementation, during the year under review, of a self-assessment risk identification process across all business units and a hierarchical sign-off process to certify compliance with internal control procedures.

The Board receives reports from management which provide an assessment of the significant risks, including credit, market and operational risks and the effectiveness of the system of internal controls in managing these risks. It also receives independent reports from the Internal Audit function on the effectiveness of internal controls. It seeks confirmation from management that any significant control failings or weaknesses identified by Internal Audit or other reviews have been remedied.

Donations

During the year the Company made charitable donations of £39,288. No donations were made for political purposes.

Creditors

Contracts are negotiated individually with creditors. All terms and conditions are strictly adhered to. At 31 December 2000 the Company has 4 Creditor Days outstanding (1999: 5 days).

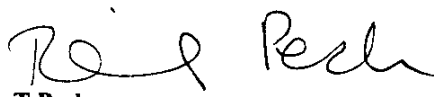
Euro

Since the beginning of 1996 the Company, together with its ultimate parent company, has been preparing for the introduction of the Euro. The Company provides full Euro banking services to its customers where necessary.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

By Order of the Board


T Peck
Secretary

BOARD OF DIRECTORS

AIB Group (UK) p.Lc.

Chairman

J B McGuckian

Directors

J S Bloor
C G Conn
* J N D Fawcett
K J Kelly
J A Lent
D Licence
J W Magee
Lady McCollum, CBE
E F McElroy
A P McKeon
J G Mulcahy
Prof. D Rea
F X Sullivan

Audit Committee Member
* Chairman of the Audit Committee

Secretary

T Peck

There were no changes to the Board of Directors during the reporting period or thereafter to 13th February 2001.

ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of property and in accordance with the special provisions of Part VIII of, and Schedule 9 to, the Companies (Northern Ireland) Order 1986 relating to banking groups and the Statements of Recommended Practice issued by the British Bankers' Association.

The principal accounting policies adopted by the Company are described below.

Basis of consolidation

The consolidated accounts of the Group include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2000. The attributable share of income of associated undertakings, and the Company's share of the book value of the net assets of the undertakings, are consolidated in the accounts. No profit and loss account is shown for the Company as permitted by Article 238 of the Companies (Northern Ireland) Order 1986.

Income and expenses recognition

Interest income and expense is recognised on an accruals basis. Fees and commissions received for services provided are recognised when earned. Expenses are, in general, charged to profit and loss as incurred. However, in some cases, costs incurred as part of transactions are deferred and are charged to income over the life of the transaction.

Provisions for bad and doubtful debts

Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, general provisions are carried to cover risks which, although not specifically identified, are known from experience to be in any portfolio of bank advances. The total of all bad and doubtful debt provisions (note 13) is deducted in arriving at the balance sheet figures of loans and advances to banks and loans and advances to customers, as appropriate. Provisions made during the year, less existing provisions no longer required and recoveries of bad debts previously written off, are charged against profits. Where the collection of interest is in significant doubt it is credited to a suspense account. Suspended interest is written-off where there is no longer any realistic prospect of it being recovered.

Depreciation

In accordance with FRS15 'Tangible Fixed Assets' all freehold and leasehold properties are now depreciated over their estimated useful life, subject to a maximum period of 25 years. Land is not depreciated. The Company has adopted the transitional provisions of FRS15 and has deemed the valuation as at 1st January 2000 to be equivalent to costs for the purposes of future depreciation.

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.

Cash flow statement

Advantage has been taken of the exemptions in Financial Reporting Standard No. 1 which permit 90% or more owned subsidiaries of a European Union undertaking, which itself publishes such a statement which includes the subsidiary, not to produce a cash flow statement.

ACCOUNTING POLICIES (cont'd)

Pensions

Based on actuarial advice pension costs are charged to the profit and loss account on a basis whereby the regular cost is a substantially level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the average remaining service lives of current employees.

Deferred taxation

Deferred taxation is accounted for in respect of timing differences between the profits as stated in the accounts and as computed for taxation purposes using the liability method where, in the opinion of the directors, there is a reasonable probability that a tax liability or asset will arise in the foreseeable future.

Derivatives

Transactions are undertaken in derivative financial instruments, 'derivatives', which include interest rate swaps, foreign exchange contracts, Forward Rate Agreements (FRAs), currency swaps, equity index contracts, caps and similar instruments.

Derivatives classified as non-trading are those entered into for the purpose of matching or eliminating cashflow and foreign exchange risk arising from potential movements in interest rates inherent in the Company's non-trading assets and liabilities. Non-trading assets, liabilities and positions are those intended for use on a continuing basis in the activities of the Company.

Derivatives are accounted for on an accruals basis, consistent with the assets and liabilities being hedged. Income and expense on such derivatives are recognised as they accrue over the life of the instruments as an adjustment to 'Interest receivable' or 'Interest payable'. Where a derivative is no longer classified as a hedge because either the underlying asset or liability has been reclassified, or the effectiveness of the hedge has been undermined, it is restated at fair value and any change in value is taken directly to the profit and loss account and reported within 'Other operating income'.

In other circumstances, where non-trading derivatives are terminated, any resulting gains and losses are amortised over the remaining life of the hedged asset or liability. Unamortised gains and losses are reported within 'Other assets' and 'Other liabilities' respectively on the balance sheet.

The Company also enters into forward foreign exchange contracts in order to facilitate customers' business requirements. Under FRS13 "Derivatives and other Financial Instruments Disclosures" contracts which are entered into for customer facilitation purposes are deemed to be trading transactions. The Company includes these customer facilitations as trading transactions in Note 29. These derivatives are carried at fair value in the balance sheet within 'Other assets' and 'Other liabilities' and the profit recognised on maturity of the contract.

The Company does not have an exposure to exchange rate risk on these contracts as all of them are fully hedged at the time of execution.

Foreign currencies

Assets and liabilities denominated in foreign currencies and commitments for the purchase and sale of foreign currencies are translated at appropriate spot or forward rates of exchange ruling on the balance sheet date. Profits and losses arising from this translation and from trading activities are included in 'Other operating income'.

Personal loans

Income from personal loans is credited to the profit and loss account in proportion to the reducing balance of funds outstanding.

ACCOUNTING POLICIES (cont'd)

Segmental reporting

In the opinion of the Directors, the business of the Group and the Company consists principally of the provision of banking services in the United Kingdom and therefore no segmental analysis is required.

Securities

Marketable securities held for the short term are included in the balance sheet at market value. Investments held for the long term which are redeemable at fixed dates are stated in the balance sheet on the basis of cost adjusted to give effect to amortisation on a straight line basis of premiums and discounts on purchase. Profits and losses on the realisation of these investments are dealt with in the profit and loss account as they arise.

Operating leases

Rentals are charged to the profit and loss account in equal instalments over the terms of the leases.

Hire purchase and instalment finance

Interest and charges on hire purchase and on instalment credit agreements are taken to profit and loss account by the sum of digits method over the period of the agreements after deducting the costs of setting up the transactions.

Related party disclosures

FRS8 "Related Party Disclosures" requires the disclosure of the details of material transactions between the reporting entity and any related parties. FRS8 also recognises that banks are obliged by law to observe a strict duty of confidentiality in respect to their customers' affairs. Loans to directors and officers have been extended on normal staff terms and advantage has been taken of FRS8 in not disclosing further information in relation to banking transactions with directors, officers and other related parties, other than disclosed in Note 10 to the accounts.

Advantage has been taken of the exemption in FRS8 which permits a wholly owned subsidiary undertaking which is included in the consolidated financial statements of a group which are publicly available from disclosing any transactions with other entities which are part of that group.

Comparative figures

Minor adjustments have been made to comparative figures in order to restate certain items in line with the current year's classifications and disclosure requirements.

AIB Group (UK) p.l.c.
Group Profit & Loss Account
Year Ended 31 December 2000

	Notes	Total 2000 £000	Total 1999 £000
Interest receivable			
- from debt securities		19,587	16,617
- other interest receivable	1	497,784	421,723
Less: interest payable	2	(301,898)	(238,074)
Net interest income		215,473	200,266
Fees and commissions receivable		86,845	77,862
Other operating income	3	10,584	9,546
Total operating income		312,902	287,674
Fees and commissions payable		5,777	6,212
Administrative expenses	4	139,154	138,246
Depreciation	18	8,616	8,605
Provisions for bad and doubtful debts	13	12,188	9,690
Total operating expense		165,735	162,753
Profit on ordinary activities before taxation	5	147,167	124,921
Taxation on profit on ordinary activities	6	36,519	29,784
Profit for the financial year	7	110,648	95,137
Dividends	8	44,259	38,055
Retained profit transferred to reserves	26	66,389	57,082

Movements on Reserves are shown in note 26.

The Company has no material recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

Reported profits on ordinary activities before taxation and retained profits would not be materially different if presented on a pure historical cost basis.


All reported profits arise from continuing operations.

AIB Group (UK) p.l.c.
Group Balance Sheet
31 December 2000

	Notes	2000 £000	1999 £000
Assets			
Cash and balances at central banks		49,504	53,685
Items in course of collection		107,970	122,731
Loans and advances to banks	11	1,388,488	1,302,421
Loans and advances to customers	12	4,427,892	3,808,638
Debt securities	14	335,324	303,213
Equity shares	15	256	150
Shares in parent company	17	8,893	10,114
Tangible fixed assets	18	55,739	59,102
Other assets	19	37,784	23,119
Prepayments and accrued income		38,511	25,252
Total Assets		6,450,361	5,708,425
Liabilities			
Deposits by banks	20	1,286,789	1,230,530
Customer accounts	21	4,127,313	3,547,908
Other liabilities	22	385,581	353,212
Accruals and deferred income		47,109	40,497
Provisions for liabilities and charges	23	5,753	4,834
Debenture stock	24	56,250	56,250
Called up ordinary share capital	25	165,000	165,000
Revaluation reserve	26	8,571	9,132
Capital reserve	26	1,422	1,422
Profit and loss account	26	366,573	299,640
Equity shareholders' funds	27	541,566	475,194
Total Liabilities		6,450,361	5,708,425
Memorandum items			
Contingent liabilities:	28		
- acceptances and endorsements		2,272	8,958
- guarantees and assets pledged		267,458	230,177
- other contingent liabilities		60,897	58,120
		330,627	297,255
Commitments	28	588,484	565,232

Approved by the directors on ¹³~~12~~ February 2001.

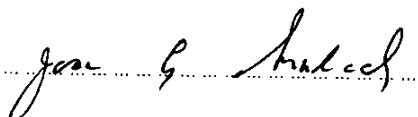
J N D Fawcett
Director



A P McKeon
Managing Director



J G Mulcahy
Finance Director



AIB Group (UK) p.l.c.
Company Balance Sheet
31 December 2000

	Notes	2000 £000	1999 £000
Assets			
Cash and balances at central banks		49,504	53,685
Items in course of collection		107,970	122,730
Loans and advances to banks	11	1,388,488	1,302,421
Loans and advances to customers	12	4,423,658	3,805,481
Debt securities	14	335,303	303,192
Equity shares	15	256	150
Investments in subsidiary undertakings	16	126	126
Shares in parent company	17	8,893	10,114
Tangible fixed assets	18	46,193	49,128
Other assets	19	36,635	22,025
Prepayments and accrued income		38,491	25,231
Total Assets		6,435,517	5,694,283
Liabilities			
Deposits by banks	20	1,278,437	1,222,208
Customer accounts	21	4,130,531	3,549,816
Other liabilities	22	381,527	350,208
Accruals and deferred income		46,999	40,339
Provisions for liabilities and charges	23	5,753	4,834
Debenture stock	24	56,250	56,250
Called up ordinary share capital	25	165,000	165,000
Revaluation reserve	26	8,535	9,094
Profit and loss account	26	362,485	296,534
Equity shareholders' funds	27	536,020	470,628
Total Liabilities		6,435,517	5,694,283
Memorandum items			
Contingent liabilities:	28		
- acceptances and endorsements		2,272	8,958
- guarantees and assets pledged		267,458	230,177
- other contingent liabilities		60,897	58,120
		330,627	297,255
Commitments	28	588,484	565,232

Approved by the directors on 13 February 2001

J N D Fawcett
Director

J N D Fawcett

A P McKeon
Managing Director

A P McKeon

J G Mulcahy
Finance Director

J G Mulcahy

Notes to the accounts

<hr/>		
1. Other interest receivable and similar income	2000 £000	1999 £000
Interest on loans and advances to banks	147,036	120,001
Interest on loans and advances to customers	331,284	283,858
Income from leasing and hire purchase contracts	19,464	17,864
	497,784	421,723
<hr/>		
2. Interest payable	2000 £000	1999 £000
Interest on deposits and other borrowings	297,454	233,630
Interest on debt securities in issue	4,444	4,444
	301,898	238,074
<hr/>		
3. Other Operating Income	2000 £000	1999 £000
Dealing Profits	3,096	1,963
Other Operating Income	7,488	7,583
Total Other Operating Income	10,584	9,546
<hr/>		
4. Administrative expenses	2000 £000	1999 £000
Staff costs		
Wages and salaries	66,658	67,347
Social security costs	5,901	5,696
Pension costs (note 32)	7,494	7,668
Other staff costs	11,021	10,938
Total Staff Costs	91,074	91,649
Other administrative expenses	48,080	46,597
Total expenses	139,154	138,246

The average number of employees of the Company during the year was 2,434 (1999: 2,446)

Notes to the accounts

5. Profit on ordinary activities before taxation	2000 £000	1999 £000
Is stated after charging:		
Depreciation on tangible fixed assets:		
Freehold and leasehold property	3,810	2,969
Equipment	4,806	5,636
Operating lease rentals:		
Property	6,121	7,226
Equipment	612	339
Auditors' remuneration (incl. VAT):		
Audit work	130	122
Non-audit work	80	81
And after crediting:		
Rental receivable	1,187	1,231
Profit on disposal of tangible fixed assets	14	647

6. Taxation	2000 £000	1999 £000
Current Period:		
UK Corporation tax at 30% (1999: 30.25%)	37,815	31,224
Deferred tax	(842)	(200)
Prior Period:		
Corporation tax	550	(2,003)
Deferred taxation	(1,004)	763
	36,519	29,784

The Company's effective tax rate is 24.8% (1999: 23.8%) due to the utilisation of tax losses brought forward.

7. Profit for the financial year

Of the profit attributable to shareholders, £109,665,647 (1999: £93,716,563) has been dealt with in the accounts of the Company.

8. Dividends	2000 £000	1999 £000
Proposed final dividend payable on ordinary shares 26.82 pence per share (1999: 23.06 pence per share)	44,259	38,055

Notes to the accounts

9. Directors' emoluments	2000 £000	1999 £000
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The aggregate emoluments of the directors of the Company were:

Fees as directors	119	141
Other emoluments excluding pension contributions	788	1,018
Pension contributions	159	191
	1,066	1,350

The five executive directors of the Company are members of the Company's defined benefit staff pension scheme and accrue pension benefits under this scheme.

Executive directors are eligible for grants of share options in the parent company, Allied Irish Banks, p.l.c. During the year the five executive directors, including the highest paid director, exercised options granted under this scheme.

The emoluments of the highest paid director, excluding pension contributions were £198,256 (1999: £210,118). Contributions of £19,620, were made to the Company's pension scheme in respect of this director, and the amount of his accrued pension at the end of the year was £69,180 (1999: £96,818).

10. Transactions with directors and officers

At 31 December 2000 the aggregate amounts outstanding under transactions, arrangements and agreements entered into by the Company or its subsidiaries with directors and officers and persons (including companies) connected with them were:

	2000		1999	
	Number Of Persons	Amount £000	Number of Persons	Amount £000
Loans and Quasi-loans to Directors & Officers	27	2,224	24	2,047
Loans to connected persons	5	33,511	5	25,750
Total Loans		35,735		27,797

Loans to directors and officers, and to persons connected with directors, are made on normal commercial terms. These loans are included in the aggregate of loans and advances to customers.

The Company has entered into a number of forward foreign exchange contracts with a company in which a director has a controlling interest. These off-balance sheet financial instruments are arranged on normal commercial terms as part of the ongoing banking relationship with this customer. The gross value of purchases and sales of contracts during the year was £41.3m and as at 31 December 2000 the fair value of the contracts outstanding was £0.1m. These contracts are included in the disclosures given in 'Capital and Risk Management' (note 29).

Notes to the accounts

11. Loans and advances to banks	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Funds placed with the Bank of England	230,131	215,780	230,131	215,780
Funds placed with other banks	1,158,357	1,086,641	1,158,357	1,086,641
	1,388,488	1,302,421	1,388,488	1,302,421
Repayable on demand	257,687	231,503	257,687	231,503
Analysed by remaining maturity:				
- over 5 years	45,935	55,455	45,935	55,455
- 5 years or less but over 1 year	183,146	132,633	183,146	132,633
- 1 year or less but over 3 months	184,994	149,214	184,994	149,214
- 3 months or less	716,726	733,615	716,726	733,615
	1,388,488	1,302,421	1,388,488	1,302,421
Amounts include:				
- Due from parent and fellow subsidiary undertakings	1,141,053	1,078,602	1,141,053	1,078,602

12. Loans and advances to customers	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Loans and advances to customers	4,427,892	3,808,638	4,423,658	3,805,481
Analysed by remaining maturity:				
- over 5 years	2,679,674	1,992,596	2,679,248	1,992,596
- 5 years or less but over 1 year	562,146	735,901	551,976	726,043
- 1 year or less but over 3 months	246,225	294,890	246,161	293,041
- 3 months or less	1,010,627	850,872	1,016,795	858,885
General and specific bad and doubtful debt provision	(70,415)	(64,909)	(70,157)	(64,372)
Interest in suspense	(365)	(712)	(365)	(712)
	4,427,892	3,808,638	4,423,658	3,805,481
Of which repayable on demand or at short notice	636,478	528,311	636,478	528,311
Loans and advances to non-bank subsidiaries and fellow subsidiaries	18,403	10,241	24,708	18,951
Loans and advances to related undertakings	3,069	2,490	3,069	2,490

This analysis represents maximum maturity dates. Past experience would indicate repayment frequently takes place prior to maximum maturity dates.

The cost of assets acquired during the year for letting under finance leases and hire purchase contracts amounted to £229,258,418 (1999: £208,040,172).

Notes to the accounts

Aggregate amounts receivable including capital repayments under finance leases and hire purchase contracts were £229,258,418 (1999: £208,040,222).

The total amount, before and after provisions, of advances on which interest is not being taken to profit is:

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Gross advances to customers	54,909	62,911	54,662	62,620
Less provisions for bad and doubtful debts (note 13)	(37,084)	(34,462)	(36,826)	(33,925)
Net advances to customers	17,825	28,449	17,836	28,695

13. Provisions for bad and doubtful debts	2000			1999		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
The Group						
At 1 January	34,462	30,447	64,909	34,691	29,500	64,191
Transfer from General Provision	13,026	(13,026)	-	11,025	(11,025)	-
Additional General Provision	-	15,910	15,910	-	11,972	11,972
Recoveries	(3,722)	-	(3,722)	(2,282)	-	(2,282)
Net charge on profits	9,304	2,884	12,188	8,743	947	9,690
Amounts written off	(6,682)	-	(6,682)	(8,972)	-	(8,972)
At 31 December	37,084	33,331	70,415	34,462	30,447	64,909
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
The Company						
At 1 January	33,925	30,447	64,372	33,610	29,500	63,110
Transfer from General Provision	13,014	(13,014)	-	11,569	(11,569)	-
Additional General Provision	-	15,898	15,898	-	12,516	12,516
Recoveries	(3,681)	-	(3,681)	(2,337)	-	(2,337)
Net charge on profits	9,333	2,884	12,217	9,232	947	10,179
Amounts written off	(6,432)	-	(6,432)	(8,917)	-	(8,917)
At 31 December	36,826	33,331	70,157	33,925	30,447	64,372

Notes to the accounts

The Group				
14. Debt securities	2000 Book Amount £000	2000 Valuation £000	1999 Book Amount £000	1999 Valuation £000
Issued by public bodies				
Investment securities				
- Government securities due in less than one year	82,958	82,949	74,035	74,035
- Government securities due one year and over	135,868	136,865	120,293	120,020
Issued by other issuers				
Investment securities due in less than one year	40,000	40,000	-	-
Investment securities due one year and over	76,498	76,498	108,885	108,885
	335,324	336,312	303,213	302,940

The Company				
	2000 Book Amount £000	2000 Valuation £000	1999 Book Amount £000	1999 Valuation £000
Issued by public bodies				
Investment securities				
- Government securities due in less than one year	82,958	82,949	74,035	74,035
- Government securities due one year and over	135,847	136,845	120,272	120,000
Issued by other issuers				
Investment securities due in less than one year	40,000	40,000	-	-
Investment securities due one year and over	76,498	76,498	108,885	108,885
	335,303	336,292	303,192	302,920

At 31 December 2000 the net of unamortised premiums and discounts amounted to: £988,000 (1999:£273,000)

The Group	Cost £000	Amortised discounts/ (premiums) £000	Carrying value £000
At 1 January 2000	295,888	7,325	303,213
Additions	1,130,467	-	1,130,467
Disposals	(1,106,347)	-	(1,106,347)
Amortised discount/(premium)	-	7,991	7,991
At 31 December 2000	320,008	15,316	335,324

The Company	Cost £000	Amortised discounts/ (premiums) £000	Carrying value £000
At 1 January 2000	295,866	7,326	303,192
Additions	1,130,467	-	1,130,467
Disposals	(1,106,347)	-	(1,106,347)
Amortised discount/(premium)	-	7,991	7,991
At 31 December 2000	319,986	15,317	335,303

Notes to the accounts

The Group and The Company				
	2000	2000	1999	1999
15. Equity shares	Book Value £000	Valuation £000	Book Value £000	Valuation £000
Investment securities:				
- unlisted	256	256	150	150
	256	256	150	150
	2000		1999	
	Book Value £000		Book Value £000	
At 1 January 2000	150		200	
Additions	106		-	
Disposal	-		(50)	
At 31 December 2000	256		150	

Unlisted investment securities which are held as financial fixed assets, are shown at cost.

The Company		
16. Investment in subsidiary undertakings	2000 £000	1999 £000
Shares in subsidiary undertakings at cost	126	126

The principal subsidiary undertakings are:

Name	Country of Registration	Nature of Business	Proportion of Ordinary Shares Held
First Trust Independent Financial Advisers Ltd	N. Ireland	Financial Services	100%
Aberco Ltd	N. Ireland	Property Investment	100%
First Trust Insurance Services Ltd	N. Ireland	Insurance Services	100%
First Trust Leasing No.4 (Northern Ireland) Ltd	N. Ireland	Leasing	100%
First Trust Leasing No.5 (Northern Ireland) Ltd	N. Ireland	Leasing	100%
First Trust Leasing No.1 (Northern Ireland) Ltd	N. Ireland	Leasing	100%
First Trust Leasing No.2 (Northern Ireland) Ltd	N. Ireland	Leasing	100%
First Trust Leasing No.3 (Northern Ireland) Ltd	N. Ireland	Leasing	100%
AIB Joint Ventures Ltd	England & Wales	Investment	100%

The Company owns 50% of the shares of Orchard Brae Development (NI) Ltd. The Company's share of the results for the year and its share of net assets of the company have not been disclosed in the accounts, as required by FRS9 "Associates and Joint Ventures" because in the opinion of the Directors they are not material to the Company.

Notes to the accounts

	The Group and The Company	
	2000 £000	1999 £000

17. Shares in parent company

Shares in parent company	8,893	10,114
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The parent company, Allied Irish Banks, p.l.c. has established the AIB Group Employee Share Ownership Trust ("The Trust"), a discretionary Trust for the UK employees of the Company. AIB Group (UK) p.l.c. made available to the Trustees of the Trust an interest-free loan of £10.2m to enable the Trustees to purchase shares in the parent company. The shares purchased are used to satisfy options which have been granted to employees of the Company. Proceeds of the exercise of these options by employees will be used to repay the loan to the Trust. Under the terms of the Trust the Trustees receive dividends on the shares which must be used to repay part of the loan to the Trust when the dividends are paid.

The options to employees can be exercised for a 6-month period from 25 November 2002 at an option price of £5.91 per share. The cost to the Company, being the difference between the cost of purchasing the shares and the estimated proceeds from the exercise of the options, is written-off to profit over the 3-year life of the scheme.

At 31 December 2000, 1,313,204 ordinary shares were held by the Trustees with a cost of £10,080,332 and a market value of £10,121,743. The shares have been recognised in the Balance Sheet of the Company in accordance with UITF Abstract 13.

18. Tangible fixed assets	Property £000	Equipment £000	Total £000
The Group			
Cost or valuation at 1 January 2000	61,027	55,858	116,885
Additions	2,644	3,162	5,806
Disposals	(180)	(1,246)	(1,426)
At 31 December 2000	63,491	57,774	121,265

	Property £000	Equipment £000	Total £000
Accumulated depreciation at 1 January 2000	14,745	43,038	57,783
Depreciation charge for the year	3,810	4,806	8,616
Disposals	(7)	(866)	(873)
At 31 December 2000	18,548	46,978	65,526

Net book value at 31 December 2000	44,943	10,796	55,739
Net book value at 31 December 1999	46,282	12,820	59,102

Notes to the accounts

Cost or valuation at 31 December 2000			
Cost	25,345	57,774	83,119
Valuation	38,146		38,146
Total	63,491	57,774	121,265

	£000
On a historical cost basis property Would be shown as follows:	
Cost	49,649
Accumulated depreciation	21,635
Net book value	28,014

The net book value of property occupied by the Group for its own activities at 31 December 2000 was £44,943,000 (1999: £46,282,000)

	Property £000	Equipment £000	Total £000
The Company			
Cost or valuation at 1 January 2000	50,844	55,469	106,313
Additions	2,641	3,163	5,804
Disposals	(165)	(1,246)	(1,411)
At 31 December 2000	53,320	57,386	110,706

	Property £000	Equipment £000	Total £000
Accumulated depreciation at 1 January 2000			
	14,443	42,742	57,185
Depreciation charge for the year	3,422	4,775	8,197
Disposals	-	(869)	(869)
At 31 December 2000	17,865	46,648	64,513
Net book value at 31 December 2000	35,455	10,738	46,193
Net book value at 31 December 1999	36,401	12,727	49,128

Cost or valuation at 31 December 2000			
Cost	24,667	57,386	82,053
Valuation	28,653	-	28,653
Total	53,320	57,386	110,706

Notes to the accounts

£000

On a historical cost basis property would be shown as follows:

Cost	36,442
Accumulated depreciation	(17,864)
Net book value	18,578

	The Group		The Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Property				
Freehold	34,117	34,513	25,097	25,139
Long leasehold	4,709	5,110	4,709	5,111
Short leasehold	6,113	6,659	5,649	6,151
Net book value	44,939	46,282	35,455	36,401

The net book value of property occupied by the Company for its own activities at 31 December 2000 was £35,455,000 (1999: £36,401,000).

A number of properties of the Group and the Company were revalued by independent valuers, DTZ Sherry Fitzgerald, as at 31 December 1998 on the basis of valuation at open market value for existing use.

The net book value of equipment includes an amount of £956,862 (1999: £1,221,475) in respect of assets held under finance leases.

19. Other assets	The Group		The Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Deferred tax	3,186	1,340	2,987	1,139
Other debtors	34,598	21,779	33,648	20,886
	37,784	23,119	36,635	22,025

The movements in deferred taxation asset during the year were:

Deferred taxation	The Group		The Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
At 1 January 2000	1,340	1,903	1,139	2,035
Profit and loss credit/(charge)	1,846	(563)	1,848	(896)
At 31 December 2000	3,186	1,340	2,987	1,139

Notes to the accounts

The balance of deferred taxation comprises:

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Accelerated capital allowances	(345)	(376)	(522)	(431)
Short-term timing differences	11,174	9,359	11,152	9,213
Unrealised amortisation of discounts on unlisted investment securities transferred from fellow subsidiary	(7,643)	(7,643)	(7,643)	(7,643)
	3,186	1,340	2,987	1,139

No provision has been made for the potential liability for taxation which might arise in the event of any of the Group or Company properties being realised at balance sheet values, since the likelihood of any material liability arising in this respect is remote. All of the Group and Company properties are occupied for the purposes of trade and consequently any gains arising on disposal are normally eligible for rollover relief. There are no other potential liabilities.

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
20. Deposits by banks				

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

- Over 5 years	66,040	74,300	66,040	74,300
- 5 years or less but over 1 year	292,599	341,619	292,599	341,619
- 1 year or less but over 3 months	125,154	62,065	125,154	62,085
- 3 months or less but not repayable on demand	239,146	320,071	239,146	320,095
- Repayable on demand	563,850	432,475	555,498	424,109

1,286,789	1,230,530	1,278,437	1,222,208
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Amounts include:

- Due to parent and fellow subsidiary
undertakings

1,282,398	1,230,312	1,274,046	1,221,990
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Notes to the accounts

21. Customer accounts	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Current accounts	1,453,435	1,142,464	1,453,435	1,142,464
Deposits				
Demand	586,609	875,556	589,827	877,464
Time	2,087,269	1,529,888	2,087,269	1,529,888
	4,127,313	3,547,908	4,130,531	3,549,816
Analysed by remaining maturity				
Over 5 years	3,858	19,337	3,858	19,337
5 years or less but over 1 year	188,760	136,536	188,760	136,536
1 year or less but over 3 months	210,699	153,592	210,699	153,592
3 months or less but not repayable on demand	1,683,952	1,238,868	1,683,952	1,238,868
Repayable on demand	2,040,044	1,999,573	2,043,262	2,001,483
	4,127,313	3,547,908	4,130,531	3,549,816
Customer accounts include amounts due to non-bank subsidiaries and fellow subsidiaries	145,569	138,424	148,787	140,332

22. Other liabilities	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Notes in circulation	240,870	226,886	240,870	226,886
Taxation	23,550	19,215	20,606	17,662
Other creditors	121,161	107,111	120,051	105,660
	385,581	353,212	381,527	350,208

23. Provision for liabilities and charges	The Group & The Company			
	Opening Provision as at 1/1/00 £000	Charge/ (Release) against profits during the year £000	Paid during the year £000	Provision as at 31/12/00 £000
Provision for Empty Properties (i)	1,300	2,957	-	4,257
Provision for Litigation (ii)	1,541	(698)	(378)	465
Provision for Pension Misselling (iii)	529	(56)	(142)	331
Other Provisions (iv)	1,464	(764)	-	700
	4,834	1,439	(520)	5,753

- (i) The Company occupies a number of premises that are surplus to requirements. Under FRS12 'Provisions & Contingencies' a provision is required for the costs associated with these premises. The provision represents the net obligations of the Company for the rent and other occupancy costs of the premises until the next break clause in the lease, net of any contribution to the cost of the leases from sub-tenants.

Notes to the accounts

- (ii) The Company has a number of outstanding legal actions pending at any one time. These actions represent cases where the Company is either the plaintiff or the defendant and arise in the normal course of business. The provision held represents the Directors' best assessment of the likely outcome of these cases, together with associated legal costs.
- (iii) The Company provides a range of pension products through the branch network. In common with many other financial institutions the Company is reviewing all its pension cases to ensure that the product sold met the needs of the customer at that time. In particular, all cases where the customer was advised to opt-out of the state pension scheme (Serps) are being individually reviewed. The provision held represents the likely cost of reinstatement for customers who were wrongly advised to opt-out of the state scheme.
- (iv) Other provisions represent various other small provisions, which, in the opinion of the Directors, arise as a result of past events, and are likely to materialise in the immediate future.

The Group and The Company		
	2000	1999
	£000	£000
24. Debenture stock		
Dated debentures: 7.9% Fixed rate		
Repayable as follows:		
- In 5 years or more	56,250	56,250

The debentures were issued on 30 September 1996 to Allied Irish Banks, p.l.c. as consideration for the purchase of the British banking operations of that company. The debentures are due to become payable on 1 October 2026, however the company may redeem the debentures at any time providing one month's notice is given to the debenture holder. The company currently does not intend to redeem the debentures before maturity.

The Group and The Company		
	2000	1999
	£000	£000
25. Share Capital		
Authorised, allotted, called up and fully paid ordinary shares of £1 each.	165,000	165,000

Notes to the accounts

26. Reserves	Revaluation Reserve £000	Capital Reserve £000	Profit and Loss Account £000
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The Group

Reserves at 1 January 2000	9,132	1,422	299,640
Exchange difference on retranslation			(17)
Retained profit for current year			66,389
Transfer from Revaluation Reserve	(561)		561

At 31 December 2000	8,571	1,422	366,573
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The Company

Reserves at 1 January 2000	9,094	-	296,534
Exchange difference on retranslation			(15)
Retained profit for current year			65,407
Transfer from Revaluation Reserve	(559)		559

At 31 December 2000	8,535	-	362,485
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27. Reconciliation of movements in shareholders' funds	2000 £000	1999 £000
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The Group

Profit for the financial year	110,648	95,137
Proposed Dividend	(44,259)	(38,055)
Exchange difference on retranslation	(17)	(12)

Net addition to shareholders' funds	66,372	57,070
Opening shareholders' funds	475,194	418,124

Closing shareholders' funds	541,566	475,194
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The Company

Profit for the financial year	109,666	93,717
Proposed Dividend	(44,259)	(38,055)
Exchange difference on retranslation	(15)	(13)

Net addition to shareholders' funds	65,392	55,649
Opening shareholders' funds	470,628	414,979

Closing shareholders' funds	536,020	470,628
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Notes to the accounts

28. Contingent Liabilities and Commitments

The table below gives for the Group and the Company the nominal or contract amounts and the risk weighted credit equivalent of off-balance sheet transactions.

	2000 Contract Amount £000	Risk weighted Amount £000	1999 Contract Amount £000	Risk weighted Amount £000
Contingent Liabilities				
Acceptances and endorsements	2,272	2,272	8,958	8,958
Guarantees pledged as collateral security:				
Guarantees and irrevocable Letters of credit	267,458	179,294	230,177	150,852
Other contingent liabilities	60,897	25,413	58,120	25,413
	330,627	206,979	297,255	185,223
Commitments				
Documentary credits and short term trade related transactions	12,932	1,891	10,141	1,502
Revolving underwriting facilities	13,958	6,979	24,381	12,191
Undrawn credit facilities:				
One year and over	97,066	47,398	100,394	48,245
Less than one year	464,528	-	430,316	-
	588,484	56,268	565,232	61,938

29. Capital & Risk Management

Financial Instruments

Financial instruments are fundamental to the Company's business and constitute the core element of its operations. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Company's balance sheet. Each of these risks and the Company's policies and objectives for managing such risks are discussed in the section entitled Risk Management in the Directors' Report. The majority of transactions entered into by the Company to manage these risks are undertaken with AIB Group Treasury, which is outside the UK Company.

The purpose for which the Company holds or issues financial instruments can be classified into five main categories.

Customer Loans and Deposits

Customer loans and deposits (both retail and institutional) form a substantial part of the Company's business. The customer loan portfolio is the Company's largest asset and the interest received from such loans is the Company's core source of income.

The Company has detailed policies and strategies in respect of its customer loans and deposits which seek to minimise the risks associated with these financial instruments.

Investments (equity shares and debt securities)

The Company holds shares and other securities, excluding strategic investments, for use on a continuing basis in the Company's activities. The objective of holding such financial instruments, is to generate funds over the term of the investment, in the form of distributions and/or appreciation in value and as part of our liquidity management. Funds generated are used in the Company's operations.

Finance (money market loans and deposits, debt securities in issue)

The Company issues financial instruments to fund that portion of the Company's assets not funded by customer deposits. The objective of using financial instruments for financing purposes is to manage the Company's balance sheet in terms of minimising market risk.

Hedging (derivatives)

Where financial instruments form part of the Company's risk management strategy they are classified as hedges. The objective of holding financial instruments as hedges is to match or eliminate the risk arising because of adverse movements in interest rates or exchange rates. Derivatives are the main instruments used for hedging and are discussed further below.

Customer Facilitation

In the normal course of business, the Company enters into a variety of derivative transactions principally in foreign exchange to provide financial services to customers. These are fully hedged within the books of AIB Group (UK) p.l.c. by taking out matching contracts with AIB Group Treasury and therefore give rise to no market risk in the trading book.

Hedging

The Company's strategy in relation to the management of Risk is outlined in the Directors' report.

The Company's policy is to hedge the following exposures:

- Interest rate risk – using interest swaps, caps, collars and FRAs
- Transactional currency exposures
- Equity Risk – using equity index options

Notes to the accounts

The following table provides examples of certain activities undertaken by the Company, the related risks associated with such activities and the types of derivatives used in managing such risks. Such risks may also be managed by using on-balance sheet instruments as part of an integrated approach to risk management.

Activity	Risk	Type of hedge
Investment in variable rate assets	Income earned by the Company on variable rate assets is sensitive to falls in interest rates	Receive fixed interest rate swaps. Buy interest rate options/floors.
Fixed rate mortgage lending	Net interest income is exposed to risk of increasing interest rates where fixed rate mortgage assets are funded by variable rate deposits	Pay fixed interest rate swaps linked to the underlying mortgage assets. Purchase interest rate caps linked to the underlying deposits.
Investment in fixed rate debt securities	Net interest income is exposed to risk of increasing interest rates where fixed rate debt securities are funded by variable rate deposits	Pay fixed interest rate swaps linked to the underlying debt securities.
Fixed rate funding (e.g. medium term note issuance and fixed rate liabilities)	Net interest income is exposed to risk of decreasing interest rates where fixed rate liabilities fund variable rate assets.	Receive fixed interest rate swaps linked to the underlying fixed rate liabilities.
Equity Option Contracts (e.g. Tracker Bonds, Guaranteed Stock Market Bonds)	Customers are guaranteed that any positive movement in certain equity stock market indices will be passed on.	Equity option contracts taken out with AIB Group Treasury.

Non-trading derivatives are measured on an accruals basis, consistent with the assets, liabilities or positions being hedged. The gains and losses on these instruments (arising from changes in fair value) are not recognised in the profit and loss account immediately they arise. They are recognised and carried forward in the balance sheet and, when the hedged transaction occurs, the gain or loss is recognised in the profit and loss account at the same time as the hedged item.

Where non-trading derivatives are reclassified as trading or where non-trading derivatives are terminated prior to the end of the life of the asset, liability, position or cashflow being hedged, they are measured at fair value. Any gains or losses are deferred and amortised into interest income or expense over the remaining life of the item previously being hedged.

Interest Rate Sensitivity Gap Analysis

Part of the Company's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates. The table below summarises these repricing mismatches on the Company's non-trading book as at 31 December 2000. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and maturity date. Transactions without defined repricing terms are shown according to management expectations.

Notes to the accounts

Interest Rate Repricing

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
	£000	£000	£000	£000	£000	£000	£000
Assets:							
Loans & advances to banks	744,282	89,348	95,646	183,146	45,935	230,131	1,388,488
Loans & advances to customers	3,894,851	63,180	48,728	345,075	21,149	54,909	4,427,892
Debt securities & equity shares	150,577			184,747			335,324
Other assets						298,657	298,657
Total assets	4,789,710	152,528	144,374	712,968	67,084	583,697	6,450,361
Liabilities:							
Deposits by banks	802,996	46,853	78,301	292,599	66,040		1,286,789
Customer accounts	3,009,355	126,419	84,280	188,760	3,858	714,641	4,127,313
Debt securities in issue					56,250		56,250
Other liabilities						438,443	438,443
Shareholder Funds						541,566	541,566
Total liabilities	3,812,351	173,272	162,581	481,359	126,148	1,694,650	6,450,361
Off balance sheet items	(1,120,324)	45,133	117,016	703,535	254,640	-	
Interest rate sensitivity gap	(142,965)	24,389	98,809	935,144	195,576	(1,110,953)	
Cumulative gap	(142,965)	(118,576)	(19,767)	915,377	1,110,953		

A negative interest rate sensitivity gap exists when more liabilities than assets reprice during a given period. Although a negative gap position tends to benefit net interest income in a declining interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date, and variations in interest rate sensitivity within repricing periods and between currencies.

Notes to the accounts

The table below summarises, the unrecognised gains and losses on hedges at 31 December 1999 and 31 December 2000.

	2000			1999		
	Gains £000	Losses £000	Total £000	Gains £000	Losses £000	Total £000
Unrecognised gains and losses on hedges at 01/01/00	4,021	(39,319)	(35,298)	18,547	(25,432)	(6,885)
Of which recognised in the year ended 31/12/00	(3,534)	8,565	5,031	(14,838)	17,802	2,964
	487	(30,754)	(30,267)	3,709	(7,630)	(3,921)
Net gains and losses arising in the year	53,150	(54,279)	(1,129)	312	(31,689)	(31,377)
Unrecognised gains and losses as at 31/12/00	53,637	(85,033)	(31,396)	4,021	(39,319)	(35,298)
Expected to be recognised in the year to 31/12/01	586	(6,373)	(5,787)	3,534	(8,565)	(5,031)

As at 31 December 2000 three Forward Rate Agreements amounting to £85m had settled but not expired. The total deferred gain on these contracts as at the balance sheet date was £206,000.

Currency Risk

The table below shows the Company's transactional currency exposures in the non-trading book; i.e. those non-structural exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the non-trading monetary assets and monetary liabilities of the Company that are not denominated in sterling, which is the Company's functional currency of operation. As at 31 December 2000, these exposures were as follows:

Sterling	2000	1999
	£'000	£'000
US\$	(101)	(15)
Euro	(62)	(48)
Aus\$	101	92
SEK	149	(1)
Other	81	(271)
Total	168	(243)

The amounts shown in the table above take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

Notes to the accounts

Fair Values of Financial Assets and Financial Liabilities

Set out below is a comparison by category of book values and fair values of all of the Company's non-trading financial assets and financial liabilities as at 31 December 2000.

	2000		1999	
	Non-trading Fair value £000	Non-trading book value £000	Non-trading Fair value £000	Non-trading book value £000
Assets:				
Cash and balances at central banks	49,504	49,504	53,685	53,685
Items in the course of collection	107,970	107,970	122,731	122,731
Loans and advances to banks	1,386,679	1,386,679	1,302,421	1,301,306
Loans and advances to customers	4,427,892	4,427,892	3,808,638	3,808,638
Debt securities and equity shares	336,312	335,324	303,363	302,940
Derivatives	53,637	1,809	4,021	1,115
Liabilities:				
Deposits by banks and customers	5,408,566	5,408,566	4,778,438	4,777,322
Debt securities in issue	56,250	56,250	56,250	56,250
Derivatives	85,033	5,536	39,319	1,116

Market values have been used to determine the fair value of all swaps, forward foreign currency contracts other financial instruments and all listed debt issued and held. The Directors believe that the fair value of other assets and liabilities are not materially different from the book value.

Non-Trading Derivatives

At 31 December 2000 the notional principal amounts, fair values and book values of non-trading instruments entered into with third parties were as follows:

Derivatives 2000

Interest Rate Contracts	Notional Principal Amount £'000	Year End Positive Fair Values £'000	Year End Positive Book Values £'000	Year End Negative Fair Values £'000	Year End Negative Book Values £'000
Swaps	1,416,418	6,303	1,809	37,983	5,536
FRAs	85,000	297	-	-	-
Caps & Floors	101,678	-	-	13	-
Equity Contracts					
Equity Index Options	262,872	47,037	-	47,037	-
TOTAL	1,865,968	53,637	1,809	85,033	5,536

Derivatives 1999

Interest Rate Contracts	Notional Principal Amount £'000	Year End Positive Fair Values £'000	Year End Positive Book Values £'000	Year End Negative Fair Values £'000	Year End Negative Book Values £'000
Swaps	1,228,122	3,992	1,115	38,528	1,116
FRAs	98,600	29	-	791	-
Caps & Floors	-	-	-	-	-
TOTAL	1,326,722	4,021	1,115	39,319	1,116

Notes to the accounts

Forward Foreign Exchange Contracts

The Company enters into Forward Foreign Exchange Contracts (Forward 'FX') for customer facilitation purposes only. Under FRS13 such instruments are classified as trading. As the contracts are backed by agreements with Group Treasury in all cases, there is no currency risk attached to them. Consequently, no market risk attaches to these contracts, and any credit risk associated with these agreements is managed in the normal course of business.

Trading Derivatives

At 31 December 2000 the notional principal amounts and fair values of trading instruments entered into with third parties were as follows:

	2000			1999		
	Notional Principal Amount £'000	Year End Positive Fair Values £'000	Year End Negative Fair Values £'000	Notional Principal Amount £'000	Year End Positive Fair Values £'000	Year End Negative Fair Values £'000
Forward 'FX'	203,686	4,063	3,677	147,788	4,300	1,497
	203,686	4,063	3,677	147,788	4,300	1,497

The financial instruments are held off-balance sheet hence movements in market value are not recorded in the profit and loss account.

Derivatives

Maturity of notional principal amounts

At 31 December 2000 the notional principal amounts, by residual maturity, of the Company's trading and non-trading derivatives were as follows:

Maturity	2000				1999			
	One year or less £'000	One to 5 years £'000	Over 5 years £'000	Total £'000	One year or less £'000	One to 5 years £'000	Over 5 years £'000	Total £'000
Forward 'FX'	203,686	-	-	203,686	147,788	-	-	147,788
Total								
Trading Contracts	203,686	-	-	203,686	147,788	-	-	147,788
Interest Rate								
Contracts								
Swaps	235,807	925,971	254,640	1,416,418	154,929	803,601	269,592	1,228,122
FRAs	85,000	-	-	85,000	98,600	-	-	98,600
Caps & Floors	-	100,530	1,148	101,678	-	-	-	-
Equity Contracts								
Equity Index	23,597	238,818	457	262,872	-	-	-	-
Options	-	-	-	-	-	-	-	-
Total Non-Trading								
Contracts	344,404	1,265,319	256,245	1,865,968	253,529	803,601	269,592	1,326,722
Total Derivatives	548,090	1,265,319	256,245	2,069,654	401,317	803,601	269,592	1,474,510

Maturity and counterparty analyses of net replacement cost

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date. Positive fair values arise

Notes to the accounts

where gross positive fair values exceed gross negative fair values on a contract by contract basis. This equates to replacement cost. Total positive fair values equates to net replacement cost.

All derivative contracts are subject to cash requirements under the standard margin arrangements applied by the individual exchanges. Such instruments are not subject to significant credit risk. Other derivative contracts are not subject to these cash requirements. At 31 December 2000 the net replacement costs, by residual maturity and counterparty, of the Company's trading and non-trading over the counter derivatives were as follows:

Net replacement cost by residual maturity	2000 £'000	1999 £'000
Forward 'FX'		
One year or less	4,063	4,300
Interest Rate derivatives		
One year or less	883	29
One to 5 years	5,455	3,992
Over 5 years	262	-
	6,600	4,021
Equity Index Options		
One year or less	3,791	-
One to 5 years	43,189	-
Over 5 years	57	-
	47,037	-
Total	57,700	8,321
Net replacement cost by Counterparty		
Banks	53,637	4,021
Others	4,063	4,300
Total	57,700	8,321
Calculation of net replacement cost		
Positive fair value of trading derivatives	4,063	4,300
Positive fair value of non-trading derivatives	53,637	4,021
Total	57,700	8,321
The Group and The Company		
	2000	1999
30. Capital and Operating Lease Commitments	£000	£000
a) Capital		
Capital expenditure not provided in these accounts comprises:		
Contracted	212	150
Authorised but not contracted	1,770	655
	1,982	805

Notes to the accounts

b) Revenue

Annual commitments under operating leases
expiring are as follows:

Premises

- within one year	18	274
- between one and five years	1,641	1,065
- in more than five years	4,814	4,523

Total	6,473	5,862
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31. Parent Company

Reference to the immediate parent undertaking refers to AIB Holdings (NI) Limited, a company registered in Northern Ireland. The ultimate parent company is Allied Irish Banks, p.l.c., a company registered in the Republic of Ireland. The accounts of the Group are available from Allied Irish Banks, p.l.c., Bankcentre, Ballsbridge, Dublin 4.

32. Pensions

Employees of the Company and its subsidiaries are members of the AIB Group (UK) Pension Scheme.

The defined benefit scheme is based on final salary, it is self-administered and funded to cover future pension liabilities including expected future earnings and pension increases.

Since September 1996 all new staff are members of the scheme on a defined contribution basis.

The total cost for the Company in respect of pensions for 2000 was £7,493,574 (1999: £7,668,000).

Formal actuarial valuations are carried out by qualified actuaries, the latest as at 1 January 1998. This valuation showed that the market value of the assets of the scheme was £238.1m. The actuarial value represented in excess of 120 % of the actuarial value of the benefits accrued to members, calculated on the basis of pensionable earnings projected to retirement or earlier exit, and service as at the date of valuation.

The next actuarial valuation is currently being carried out as at 1 January 2001. The results of this valuation will be available later in 2001.

The method used for the valuation was the Projected Unit Method. The principal assumptions were:

- The yield obtainable on the investment in excess of the rate of general salary inflation over the long term: 2½% per annum.
- The yield obtainable on the investment in excess of the rate of pension increases over the long term: 4% per annum.

The valuation of the Scheme's assets is based upon the market value at the valuation date. To limit the volatility of results which could ensue from using current market values a smoothed market valuation has been used for the purposes of this valuation.

This smoothed value has been arrived by firstly determining, for each of the last four years, the value that the Scheme's assets would have been at the valuation date if the valuation assumptions had been borne out, and then taking a straight line average of these four projected values and the actual market value at the valuation date.

The Company contributes to the fund at the rate of 16.4% (1999: 16.4%) which is considered by the Actuary to provide adequate funding.

The actuaries to the AIB Group (UK) Pension Scheme are Mercer Limited, Actuaries and Consultants.

Statement of Directors' Responsibilities in relation to the financial statements

The directors are required by UK company law 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 as at the end of the financial year and of the profit or loss and total recognised gains or losses of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 December 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

By Order of the Board



T Peck
Company Secretary

Auditors' report

Auditors' report to the members of AIB Group (UK) p.l.c.

We have audited the financial statements on pages 9 to 38.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 38, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
13th February 2001