



Annual Report & Accounts 2000

for the year ended 31 December 2000



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Financial highlights

for the year ended 31 December 2000

	2000 € m	1999 € m	1998 € m
Results			
Total operating income	3,326⁽¹⁾	2,822	2,589
Group profit before taxation	1,251⁽¹⁾	1,132	1,049
Profit attributable	762	761	633
Profit retained	357	428	362
Per € 0.32 ordinary share			
Earnings – basic	89.0c	89.5c	74.7c
Earnings – adjusted (note 20)	104.0c	90.5c	81.1c
Earnings – diluted	88.1c	88.0c	73.7c
Dividend	38.75c	33.70c	28.06c
Tax credit on dividend ⁽²⁾	–	–	3.12c
Dividend cover – times	2.3	2.6	2.7
Net assets	492c	424c	331c
Performance measures			
Return on average total assets	1.25%⁽¹⁾	1.33%	1.39% ⁽³⁾
Return on average ordinary shareholders' equity	21.6%⁽¹⁾	23.5%	27.3% ⁽³⁾
Balance sheet			
Total assets	79,688	67,070	53,720
Shareholders' funds: equity interests	4,296	3,651	2,829
Loans etc	50,239	43,127	35,496
Deposits etc	65,210	55,241	44,840
Capital ratios			
Tier 1 capital	6.3%	6.4%	7.5%
Total capital	10.8%	11.3%	11.1%

⁽¹⁾ Adjusted to exclude the impact of the deposit interest retention tax settlement.

⁽²⁾ For dividends payable after 5 April 1999 the tax credit is zero.

⁽³⁾ Adjusted to exclude the impact of the phased reduction in Irish corporation tax rates on deferred tax balances.

Allied Irish Banks, p.l.c.

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Telephone (01) 660 0311
Registered number 24173



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Chairman's statement

The year 2000 was an excellent year for AIB. Pre-tax profit (before an exceptional item) rose by 10.5% on the 1999 figure to € 1,251 million. Profit attributable to ordinary shareholders is € 762 million. Adjusted earnings per share increased by 15% to EUR 104.0c while basic earnings per share was EUR 89.0c.

The Board is recommending a final dividend of EUR 25.25c per share. This will be payable on 26 April 2001 to shareholders on the register at the close of business on 2 March 2001. The total dividend at EUR 38.75c per share is an increase of 15% on 1999.

An exceptional charge of € 113 million is included in the accounts to cover AIB's full and final settlement in relation to Deposit Interest Retention Tax. The figure includes € 43 million in payment of DIRT tax with a further € 70 million in penalties and interest payments.

Despite the fact that AIB believes it had an agreement with the Revenue Commissioners in 1991, the Board decided that concluding this settlement was in the best interests of shareholders, customers and staff.

I would like to stress that AIB continues to recognise the importance of full adherence with tax law and is committed to achieving the highest possible levels of compliance. The Revenue Commissioners audit showed that DIRT compliance since 1992 was 99.4%.

There were other events in the year which saw AIB consolidating its position in key markets. The most striking example is the approval for the merger of Wielkopolski Bank Kredytowy and Bank Zachodni, AIB's two subsidiaries in Poland.

There were several changes in the AIB Board in 2000. Denis Murphy, non-executive director of the AIB Board since 1977, retired. Denis has given great service to AIB for almost twenty-five years. His contributions to the deliberations of the Board were acute and insightful. We will miss his wisdom and his humour.

Dermot Gleeson and Derek Higgs joined the Board in 2000 as non-executive directors. Dermot brings to AIB his vast legal experience while Derek brings an unrivalled knowledge of the banking industry and financial markets.

Looking ahead, the next few months will see the retirement of Tom Mulcahy and Kevin Kelly. Kevin joined as Finance Director in 1991 and became Managing Director of AIB Bank in 1995. Since that time the profits of AIB Bank have increased by over 170%. Kevin has provided great service to the Bank and we wish him well in the future.

Tom Mulcahy has been with the Bank for 29 years, the last seven as Group Chief Executive. In that period compound growth in adjusted earnings per share was 17.3% - a truly outstanding achievement, and on behalf of the Board I wish to record our thanks and congratulations.

Michael Buckley will succeed Tom Mulcahy, having been a civil servant and stockbroker before joining the Bank in 1991. Michael brings a wide range of talents and

experience to the job and we wish him well in his new role.

One of the most important challenges facing the organisation in our domestic market will be the changeover to euro notes and coins in January 2002. AIB's experience of the Year 2000 issue has shown the strength of the organisation to deal professionally with such major challenges.

The business would not succeed without the contribution of staff and management and I would like to thank everyone for their work during the year.

I am confident about the future. We have a Bank with a well diversified geographic strategy. Our people are capable and enthusiastic. And we will continue to seek out ways to strengthen and develop our operations wherever located.



Lochlann Quinn

Chairman
21 February 2001

Directors



Lochlann Quinn
B Comm, FCA
Chairman

Deputy Chairman of Glen Dimplex and a Director of Glen Dimplex related companies in the UK, France, Germany, Holland and Canada. Board Member of the Michael Smurfit Graduate School of Business at University College Dublin. Joined the Board in 1995 and appointed Chairman in 1997. (Age 59)



Adrian Burke
B Comm, FCA

Vice President of the Institute of Chartered Accountants in Ireland and Council Member of the Institute of Directors in Ireland and the Institute of European Affairs. Former Managing Partner of Arthur Andersen and former Chairman of the Joint Ethics Board of the Institutes of Chartered Accountants in Ireland, Scotland, and England and Wales. Joined the Board in 1997. (Age 59)



Thomas P Mulcahy*
B Comm, FCA
Group Chief Executive

Joined the Board in 1990 and appointed Group Chief Executive in 1994. Career banker. Former Group General Manager, Capital Markets division. President of the Irish Chapter of the Ireland-United States Council for Commerce and Industry, Inc. Council Member of IBEC. (Age 59)



Padraic M Fallon
BBS, MA, FRSA

Chairman of Euromoney Institutional Investor PLC and Director of Daily Mail & General Trust Plc in Britain. Joined the Board in 1988. (Age 54)



Frank P Bramble*

Chief Executive, USA division and Chairman of Allfirst Financial Inc., which he joined in 1994. Chairman of the Baltimore Center for the Performing Arts, the Baltimore Downtown Partnership, and the University of Maryland Medical Systems. Joined the Board in 1998. (Age 52)



Dermot Gleeson
BA, LIM

Director of Independent News and Media PLC. Served as Attorney General of Ireland and a member of the Council of State from 1994 to 1997. Chaired the Review Body on Higher Remuneration in the Public Sector from 1986 to 1992. Joined the Board in May 2000. (Age 52)



Michael Buckley*
MA, LPh, MSI
Group Chief Executive - Designate

Former Managing Director, Poland division and of Capital Markets division. Joined the Board in 1995. Former Managing Director, NCB Group and public servant in Irish Government and EU. Chairman of the Review Body on Higher Remuneration in the Public Sector from 1995 to 2001. (Age 55)



Don Godson
BE, MIE, FIEI, C Eng

Director and former Chief Executive of CRH plc. Director of Project Management Holdings Ltd. Board Member of the Michael Smurfit Graduate School of Business at University College Dublin. Joined the Board in 1997. (Age 61)



Derek A Higgs
FCA

Director of The British Land Company PLC, Egg plc, Jones Lang LaSalle Inc. and London Regional Transport, and a member of the Financial Reporting Council.

Chairman of Partnerships UK plc and Business in the Environment, and a Senior Advisor at UBS Warburg. Former Chairman of S.G. Warburg & Co., and former Director of Prudential plc. Joined the Board in November 2000. (Age 56)



John B McGuckian
BSc (Econ)

Chairman of Ulster Television plc and a Director of a number of other companies in Ireland and the UK. Former ProChancellor of The Queen's University, Belfast,

and former Chairman of The International Fund for Ireland and of the Industrial Development Board for Northern Ireland. Joined the Board in 1977. (Age 61)



Kevin J Kelly*
FCA

Managing Director, AIB Bank. Joined the Board in 1991. Chairman of Business2Arts, the Business Council for the Arts. Former Managing Partner of Coopers

& Lybrand, former Administrator of PMPA Insurance Company and former Managing Director of Agra Group. (Age 59)



Carol Moffett

Joined the Board in 1995. Former member of the Board of Co-operation Ireland and former Director of the Irish Trade Board. Fellow of the Irish Management Institute. (Age 48)



Gary Kennedy*
BA, FCA

Group Financial Director. Joined AIB in present role in 1997. Member of the Board of the Industrial Development Agency and member of the Galway University Foundation.

Former Vice President Enterprise Networks Europe and Managing Director, Northern Telecom (Ireland) Ltd. (Age 42)

*Executive Directors

Board committees

Audit Committee

Don Godson, Chairman

Adrian Burke

Carol Moffett (to 31 May 2000)

Dermot Gleeson

(from 1 June 2000)

Nomination and Remuneration Committee

Lochlann Quinn, Chairman

Adrian Burke

John B McGuckian

Social Affairs Committee

Denis J Murphy, Chairman

(to 31 December 2000)

Carol Moffett, Chairman

(from 1 January 2001)

Michael Buckley

Padraic M Fallon



Group Chief Executive's review

AIB's performance in 2000 was outstanding with buoyant revenues, higher productivity and robust asset quality. It was the ninth successive year of real profit growth. During this period AIB has consistently increased shareholder value while growing the balance sheet to €80 billion.

Details of AIB's performance division by division in 2000 are set out in detail over the next few pages of this review. I would like to take this opportunity to record my thanks for the hard work of AIB staff in contributing to our success over the year and during my term as Chief Executive.

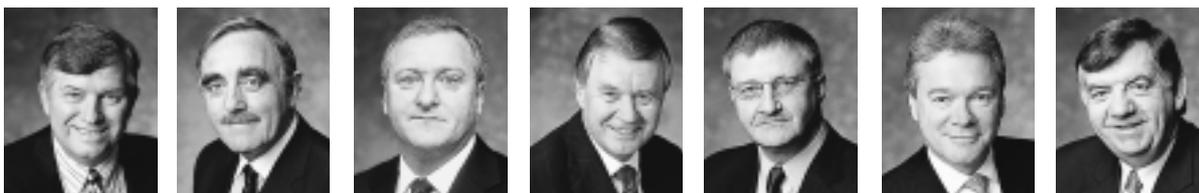
AIB now has more than five million retail, commercial and corporate customers. We believe in offering extensive choice in the ways our customers can access the group's wide range of products and services. In 2000, technology markets were volatile yet the opportunities offered by the network economy remain.

AIB's integrated multi-channel distribution strategy is proving successful - we are winning business through our on-line channels.

We are also seizing the opportunities presented by the new technologies in e-enabling our internal processes to make them more efficient. This change is allowing AIB to reduce routine processing and so enables staff to work in roles focussed on customer service and sales. The challenge is to ensure the correct balance is struck between cost-efficiency and the need to invest for the future.

Service differentiation is crucial. AIB knows this can best be achieved through the development of professional, expert and experienced staff working to a common set of values.

This is the last time I will report as AIB Group Chief Executive. The pace of change since I became CEO in 1994 has been astounding, especially in terms of technological advances and the competitiveness of our markets.



Group Executive Committee 2000

Frank Bramble Chief Executive USA	Michael Buckley Group Chief Executive-Designate	Colm Doherty Managing Director Capital Markets	Kevin Kelly Managing Director AIB Bank	Gary Kennedy Group Financial Director	Mike Lewis Head of Strategic Human Resources	Pat Ryan Group Treasurer
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Nevertheless, I am proud to say that return on equity has averaged 22.2% over those seven years (before exceptional items) while compound growth in adjusted earnings per share was 17.3% and compound growth in dividend per share was 17.7%.

Teamwork has been fundamental to our success. We are the market-leading banking and financial services company in our home market. This position has been developed successfully while AIB has become a truly international organisation.

We remain committed to the policy of portfolio diversification and the enrichment of our existing franchises.

AIB has proven that it can innovate in the range of products and services it offers its customers and develop new revenue streams in the markets it operates in throughout the world.

I am sure my successor Michael Buckley, working with his management team, AIB staff and the AIB board, will continue to deliver quality earnings to shareholders.

AIB is in good shape and is well positioned for the future. Long-term shareholder value remains the number one priority.



T P Mulcahy

Group Chief Executive
21 February 2001

Operating review

Exceptional item

The exceptional item refers to a payment made on 3 October 2000 of € 113 million to the Irish Revenue Commissioners in full and final settlement of deposit interest retention tax ('DIRT'), including interest and penalties for the period April 1986 to April 1999. Although AIB believes that it had an agreement with the Revenue Commissioners in 1991 in relation to DIRT, the Board considered that concluding this settlement was in the best interests of shareholders, customers and staff.

Summary profit and loss account

	Year 2000 as reported € m	Exceptional item € m	Year 2000 before exceptional € m	Year 1999 € m	% Change excl. exceptional
Net interest income	1,909	113	2,022	1,770	14
Other income	1,304	-	1,304	1,052	24
Total operating income	3,213	113	3,326	2,822	18
Staff costs	1,144	-	1,144	970	18
Other costs	634	-	634	521	22
Depreciation and amortisation	171	-	171	127	35
Total operating expenses	1,949	-	1,949	1,618	20
Group operating profit before provisions	1,264	113	1,377	1,204	14
Provisions for bad and doubtful debts	133	-	133	85	57
Other provisions	1	-	1	7	-
Total provisions	134	-	134	92	46
Group operating profit – continuing activities	1,130	113	1,243	1,112	12
Income from associated undertakings	3	-	3	3	-
Profit on disposal of property	5	-	5	2	-
Profit on disposal of business	-	-	-	15	-
Group profit on ordinary activities before taxation	1,138	113	1,251	1,132	10.5

The current year includes Bank Zachodni ('BZ') in which AIB took a majority shareholding on 16 September 1999. The 1999 accounts include BZ for the period from 16 September 1999 to 31 December 1999.

The following commentary on results excludes the impact of the exceptional item.

Overall results

Group operating profit before provisions - up 14% to € 1,377 million for the year to December 2000. The second half-year profit of € 705 million was 5% higher than the first half-year.

Group operating profit – continuing activities was up 12% on 1999. Group profit on ordinary activities before tax amounted to € 1,251 million and adjusted earnings per share excluding goodwill amortisation (€ 26 million) and the exceptional item increased by 15% to EUR 104.0c per share. Basic earnings per share was EUR 89.0c per share. The second half-year profit on ordinary activities before taxation of € 642 million was up 5% on the first half-year.

The following commentary on the profit and loss account and balance sheet headings is based on underlying percentage growth adjusting for the impact of currency movements and excluding BZ in both years.

Net interest income

Net interest income at € 2,022 million increased by 4% compared with 1999. Loans to customers and customer accounts increased by 13% and 8% respectively since December 1999.

The net interest margin was 3.02%, a decrease of 25 basis points on 1999. The decrease mainly occurred in AIB Bank and Allfirst, both operating in very competitive markets. The domestic margin stabilised in the second half reflecting stabilising product margins in the Republic of Ireland where strong second half growth in customer accounts outpaced the growth in loans in AIB Bank. The second half reduction in the foreign margin was due to a lower Treasury margin and a modest reduction in Allfirst and Poland margins.

Net interest income of € 1,037 million for the half-year to December 2000 was up 3% on the half-year to June 2000.

Loans to customers and customer accounts

(excluding money market funds and currency factors)

<i>% Change December 2000 v December 1999</i>	Loans to customers <i>% Change</i>	Customer accounts <i>% Change</i>
Republic of Ireland	19 ⁽¹⁾	14
Northern Ireland	16	9
Britain	20	-6 ⁽²⁾
USA	3	3
Poland	9	16
AIB Group	13	8

⁽¹⁾ The Republic of Ireland loan growth was 21% adjusting for the securitisation of certain loans.

⁽²⁾ The reduction of 6% in Britain customer accounts was due to the movement of some large deposits from customer accounts to money market funds. Branch customer accounts in Britain were up 23%.

The divisional commentary contains additional comments on the key business trends in relation to loans to customers and customer accounts.

Net interest margin (incl. BZ)

Half-Year Dec 2000 %	Half-Year June 2000 %	Basis points change		Year 2000 %	Year 1999 %	Basis points change
2.76	2.73	+3	Domestic	2.75	2.97	-22
3.08	3.40	-32	Foreign	3.23	3.54	-31
2.94	3.10	-16	Total	3.02	3.27	-25

Average interest earning assets (incl. BZ)

Half-Year Dec 2000 € m	Half-Year June 2000 € m	% Change		Year 2000 € m	Year 1999 € m	% Change
31,420	28,201	11	Domestic	29,819	25,611	16
38,824	35,572	9	Foreign	37,207	28,502	31
70,244	63,773	10	Total	67,026	54,113	24

Other income

Other income increased by 14% to € 1,304 million. This represented 39% of total income compared with 37% in 1999.

- Contribution of life assurance company up 48%
- Investment banking fees down 8% or up 33% excluding 1999 privatisation revenues
- Banking fees and commissions up 14%
- Asset management fees up 11%

Banking fees and commissions increased reflecting higher business volumes with strong growth in branch banking, corporate banking, credit card and finance and leasing revenues. Asset management fees were up due to good business growth in Ireland and Britain coupled with higher trust and investment advisory fees in Allfirst. Excluding fees received in 1999 in relation to a major privatisation in the Irish market, investment banking fees were up 33% mainly due to a strong performance from stockbroking, corporate finance and international financial services activities.

Dealing profits were up 33% with buoyant revenues in foreign exchange trading activities. Ark Life reported significant profit growth reflecting strong sales of investment products, substantial growth in new regular pensions and the benefit of lower corporation tax rates.

Other income increased by 13% to € 693 million in the half-year to December 2000

	Year 2000 € m	Year 1999 € m	Underlying % Change 2000 v 1999
Other income			
Dividend income	6	2	-
Banking fees and commissions	807	643	14
Asset management fees	187	152	11
Investment banking fees	107	114	-8
Fees and commissions receivable	1,101	909	11
Less: fees and commissions payable	(108)	(93)	-8
Dealing profits	103	74	33
Contribution of life assurance company	95	64	48
Other	107	96	-2
Other operating income	202	160	17
Total other income	1,304	1,052	14

reflecting a strong performance in all divisions with particularly strong growth in Ark Life and good growth in asset management fees and banking fees and commissions. Other income as a percentage of total operating income was 40% in the second half-year.

Total operating expenses

Operating expenses at € 1,949 million were up 7% compared with 1999. The Group's tangible cost income ratio, excluding goodwill amortisation, at 58% was slightly higher than 1999. The increase in operating expenses was mainly attributable to increased business activity,

technology and e-business expenditure, and branch network expansion in Poland. Arising from the implementation of a new accounting standard, the depreciation charge for freehold and long leasehold property increased by € 9 million. Higher salary costs and some once-off expenses relating to research and development work on a standalone internet bank in Ireland contributed to the cost increase. Following a review of our e-business strategy in Ireland, AIB will focus on developing and expanding 24hour-online, our existing online service, as the core internet offering for the Irish personal market and will not

	Year 2000 € m	Year 1999 € m	Underlying % Change 2000 v 1999
Operating expenses			
Staff costs	1,144	970	6
Other costs	634	521	9
Depreciation and amortisation	171	127	9
Total operating expenses	1,949	1,618	7

proceed with the development of a standalone internet bank at this time. Investment in e-business in the US and Poland continues and the Group remains committed to an integrated multi-channel distribution strategy.

Operating expenses were up 8% in the half-year to December 2000 compared with the half-year to June 2000. The increase was mainly due to wage cost pressures in Ireland, branch and ATM network expansion in Poland and technology and e-business expenditure across the Group.

Asset quality

The provision for bad and doubtful debts in 2000 was €133 million compared with an adjusted €101 million in 1999, excluding write-backs in 1999 of €16 million relating to Latin American provisions. The charge for the year represented 0.30% of average loans compared with an adjusted 0.28% charge in 1999.

In Ireland asset quality remained strong. The AIB Bank Republic of Ireland specific charge was 0.16% of average loans with the level of non-performing loans at a historically low level as a percentage of loans. Reflecting the slowdown in the economy, non-performing loans in the USA increased, however coverage is still strong at 205%. The provision for bad and doubtful debts reduced following a significant improvement in the maritime portfolio more than offsetting higher commercial loan provisions. Allfirst's provisions as a

percentage of loans amounted to 1.4% at 31 December 2000, a level of provisioning in line with its peer group banks. The vast majority of Allfirst's provisions are in non-specific categories.

Capital Markets showed a reduction particularly in non-credit related provisions with coverage remaining strong at 262%. In Poland, asset quality in WBK continued to improve with non-performing loans as a percentage of total loans amounting to 7.6%, significantly lower than the industry average. In BZ, non-performing loans increased to 30.7% as a percentage of total loans at 31 December 2000. The completion of the fair value exercise resulted in the reclassification of some loans to non-performing and also generated additional fair value provisions of €38 million. AIB is involved in an intensive workout of this portfolio with Group resources actively participating.

Group non-performing loans as a percentage of total loans amounted to 1.9% or 1.0% excluding BZ.

The Group increased its level of non-specific provisions in 2000. Coverage for non-performing loans remained strong at 100% (135% excluding BZ).

Taxation

The taxation charge was €318 million compared with €327 million in 1999. The adjusted effective tax rate for the year was 26.3% down from 28.9% in 1999. The reduction was mainly due to

the decrease in the standard rate of Irish corporation tax from 28% in 1999 to 24% in 2000 and a lower effective tax rate in Allfirst. The effective tax rate is also influenced by the geographic and business mix of profits.

Euro

AIB has made a significant investment in the preparations for the introduction of euro notes and coins in 2002. Expenditure to date on EMU preparations and the introduction of the euro has been €16 million relating to systems development, communications and education programmes. We estimate that further expenditure of €40 million will be required to cover a range of incremental costs and complete systems and other changes required for the introduction of euro notes and coins in 2002.

Return on equity and return on assets

The return on equity, excluding the exceptional item, amounted to 21.6% continuing the trend of returns in excess of 20% with an average return of 23.5% over the last five years. The return on equity was 23.5% in 1999. The return on assets was 1.25% and the return on risk weighted assets, a measure of the efficient use of capital, was 1.65%. The equity base has increased by 18% since December 1999 due principally to profit retentions and translation of foreign currency reserves.

Balance sheet

Total assets have increased by €13 billion to €80 billion at 31 December 2000, an increase of 15% on an underlying basis since December 1999 while loans to customers increased by 13% and customer accounts by 8%. The US dollar and the Polish zloty both strengthened by 8% against the euro while sterling weakened marginally resulting in reported balance sheet growth of 19%.

Assets under management/ administration and custody

Assets under management in the Group increased to €40 billion at 31 December 2000 from €39 billion at 31 December 1999 reflecting growth in new business partly offset by a decline in stock market values. Assets under administration and custody increased from €152 billion at 31 December 1999 to €214 billion at 31 December 2000. This strong growth of 41% reflects the success of the AIB joint venture with the Bank of New York which was established in 1997.

Cash flow

As reflected in the consolidated cash flow statement, there was a net decrease in cash of €1,016 million during the year ended 31 December 2000. Net cash inflow from operating activities was €2,433 million, of which €1,232 million arose from trading activities. This cash inflow was offset by outflows of €199

million for taxation, equity dividends of €228 million and capital expenditure of €3,004 million, consisting mainly of net increases in debt and equity securities of €2,830 million and expenditure on property and equipment of €237 million. Financing, primarily the issue of subordinated debt, generated a net cash inflow of €164 million.

Outlook

AIB continues to perform strongly and is confidently looking forward to meeting its objective of low double-digit earnings growth in 2001 and into the medium term.

Divisional commentary

On a divisional basis profit is measured in euro and consequently includes the impact of currency movements.

AIB Bank Retail and commercial banking operations in Republic of Ireland, Northern Ireland, Britain, Channel Islands and Isle of Man; AIB Finance and Leasing; Card Services; and AIB's life and pensions subsidiary Ark Life Assurance Company.

AIB Bank profit increased to € 696 million - a 19% increase over the same period last year, reflecting a strong performance in all key business units. The profit increase of 19% reflects a strong performance in the Republic of Ireland, Northern Ireland and Britain, with profit growth in the high teens in all three areas. The divisional cost income ratio, despite an underlying increase of 10% in costs, further improved from 53.5% to 52.1% reflecting high levels of productivity.

Banking operations in the Republic of Ireland experienced strong growth in business volumes reflecting the strength of the domestic economy, the power of the AIB franchise and favourable demographics with increasing disposable income creating higher demand for financial services. Loans increased by 22% with growth well spread across all economic sectors and customer accounts were up 17% since December 1999 with particularly strong growth in the

AIB Bank profit and loss account	Year 2000 € m	Year 1999 € m	% Change 2000 v 1999
Net interest income	1,056	932	13
Other income	508	422	20
Total operating income	1,564	1,354	16
Total operating expenses	816	724	13
Operating profit before provisions	748	630	19
Provisions	56	45	25
Operating profit - continuing activities	692	585	18
Profit on disposal of property	4	2	-
Profit on ordinary activities before taxation	696	587	19

second half-year. Lower margins partly offset the favourable impact of volume growth. There was good demand for Home Mortgage lending, up 26% since December 1999 despite competition from new entrants to the market.

The growth in business activity levels coupled with wage cost pressures in Ireland has resulted in higher costs, however the ongoing commitment to productivity has maintained the cost income ratio at 52% in 2000. The strength of the Irish economy and the underlying demographics underpin the growth prospects going forward.

Ark Life reported substantial growth in profit of 48% to € 95 million for the year to December 2000. The increased profit was driven by record new business volumes and the benefit of lower corporation tax rates. Single premium product sales were very strong at € 547 million, up 35% on 1999. New regular premium business amounted to € 103

million, an increase of 21% including particularly strong growth of 55% in new regular pensions. The new pension legislation in Ireland has greatly enhanced the attractiveness of retirement provision, especially for the self employed and proprietary directors. Annual Premium Equivalent (APE) sales were up 25% to € 158 million.

First Trust Bank had a very strong performance reflecting higher volumes and strong growth in other income with foreign exchange income and branch commissions in particular, well ahead of 1999. An improved cost income ratio of 51% down from 54% in 1999 reflected improved efficiency with only a modest increase in costs since 1999. Loans increased by 16% and customer accounts were up 9% since December 1999.

In **Britain**, business activity was buoyant in an economy where inflation was less than 3%. Business volumes increased and

the cost income ratio reduced to 52% from 57% in 1999 with costs remaining at the same level in 2000. Progress has been made in changing the profile of the business including a higher level of business with medium sized firms and expansion in the professional sector. There was good growth in commercial loans, home mortgages, current accounts and term deposits. Branch loan and deposit volumes increased by 15% and 23% respectively.

USA includes Allfirst's banking operations in Maryland, Pennsylvania, Virginia, Washington DC, and AIB's own brand retail and corporate operations in New York, Philadelphia, Los Angeles, Chicago and San Francisco.

USA profit was € 337 million, up 10% on the year to December 1999 profit of € 307 million.

Allfirst has separately reported in US dollars growth of 7% in net income to common shareholders in 2000 on a US GAAP (United States Generally Accepted Accounting Principles) basis. On a Group basis in line with Irish GAAP, profit after tax was down 2% on 1999. Net interest income reduced due to more reliance on wholesale funding, lower treasury profit and competitive pressures on product margins. Underlying revenue highlights included strong growth of 16% in electronic banking income, 12% in corporate deposit

	Year 2000 € m	Year 1999 € m	% Change 2000 v 1999
USA profit and loss account			
Net interest income	537	506	6
Other income	381	296	29
Total operating income	918	802	15
Total operating expenses	543	463	17
Operating profit before provisions	375	339	11
Provisions	38	33	18
Operating profit - continuing activities	337	306	10
Income from associated undertakings	-	1	-
Profit on ordinary activities before taxation	337	307	10

service charges, higher joint venture and trust revenues and an 8% increase in commercial loan balances since December 1999. A decline in retail lending reduced overall growth in loans to 2%.

Continued cost containment was reflected in a modest underlying increase of 1%. Provisions for bad and doubtful debts decreased due to the significant improvement in the foreign maritime portfolio.

AIB's operations produced a strong performance with a good increase in operating profit before provisions. An investment program is underway which includes plans to increase the number of representative offices and 'e-enable' the business to further develop the national franchise in the charity and church sectors commonly known as the not-for-profit sector. The Chicago office opened in 2000 and the San Francisco office opened in early 2001 in addition to the established offices in New York,

Philadelphia and Los Angeles. Loans increased by 20% since December 1999 and there was a 34% increase in other income.

Capital Markets *Corporate Banking, Investment Banking and Treasury & International.*

Capital Markets profit at € 156 million was up 3%.

Capital Markets had a very successful year. Excluding fees received in 1999 in relation to a major privatisation in the Irish market, profit growth was in excess of 20%. There has been substantial growth in recent years in corporate banking, asset management, IFSC services and corporate treasury activities. This has resulted in the position where the vast majority of revenues are derived from customer services and a reduced proportion obtained from proprietary activities.

Corporate Banking had a record year, reporting substantial growth in profits, with other income up 52%. Loans were up 25% since December 1999 with all areas of the business performing very well. The domestic business continued to pursue its strategy of providing innovative financing solutions and consulting services to its customers. The special finance unit which focuses on project and acquisition finance had a superb year and the international business conducted from the IFSC produced a strong performance.

The business in Britain produced a very strong performance in only its third year of operation and won many arranging and underwriting mandates. AIB Corporate Banking

Capital Markets profit and loss account	Year 2000 € m	Year 1999 € m	% Change 2000 v 1999
Net interest income	127	141	-10
Other income	304	270	13
Total operating income	431	411	5
Total operating expenses	260	239	9
Operating profit before provisions	171	172	-1
Provisions	18	23	-20
Operating profit - continuing activities	153	149	2
Income from associated undertakings	3	2	-
Profit on ordinary activities before taxation	156	151	3

established a presence in New York during 2000 and plans to develop a lending business in structured corporate credit. AIB became one of the first European banks to enter the fund management business for corporate debt and bonds by launching a € 350 million Collateralised Debt Obligation (CDO) in January 2001.

Investment Banking produced a strong performance in all major business units. Asset Management business had a good performance with strong profit growth driven by new business mandates. Higher profit was achieved in the UK, where fees were earned from new investment trusts launched in 1999 and 2000.

Profit from Custodial, Trustee and Funds Administration businesses was substantially higher due to significant growth in new business volumes, underpinning our presence as a major provider of funds administration and trustee services in the IFSC.

Goodbody Stockbrokers, Corporate Finance and International Financial Services Centre operations performed very well. Goodbody benefited from its involvement in a number of Initial Public Offerings and private placements and was the leading equity fundraiser in Ireland for the technology sector in 2000.

Treasury & International reported profits were lower than 1999 due to a lower performance from interest rate management and trading activities, particularly in the second half-year. Treasury customer business had a very good year with strong growth particularly in commercial foreign exchange in Corporate and Commercial Treasury and a strong performance in International Business Services activities.

Poland Wielkopolski Bank Kredytowy S.A., in which AIB has a 60.1% shareholding, together with its subsidiaries and associates, and **Bank Zachodni S.A.**, in which AIB has an 83.0% shareholding, together with its subsidiaries and associates.

Poland contributed € 88 million in 2000, a 40% increase on the profit of € 63 million in 1999. A majority shareholding in BZ was acquired in September 1999.

WBK achieved record profit with growth of 15% in 2000, or 31% excluding the impact of equity investment disposals in 1999. The strong results reflect increased business volumes, wider deposit margins and good growth in fee income. Loans increased by 16% and customer accounts were up 21% since December 1999.

There was significant growth of 24% in other income, excluding the impact of equity investment disposals in 1999, illustrating the growing revenue potential of our Polish franchises. Key highlights of the performance included a 128% increase in card fees, growth of 46% in foreign exchange profits and a 16% increase in current account fees and branch commissions. Costs increased as a result of expansion and development of the branch and ATM networks and technology enhancements. WBK expanded its franchise with 28 new outlets and 44 new ATMs.

	Year 2000 € m	Year 1999 € m	% Change 2000 v 1999
Poland profit and loss account			
Net interest income	252	139	81
Other income	153	87	75
Total operating income	405	226	79
Total operating expenses	295	154	91
Operating profit before provisions	110	72	52
Provisions	23	9	146
Operating profit - continuing activities	87	63	38
Profit on disposal of property	1	-	-
Profit on ordinary activities before taxation	88	63	40

The above profit and loss account includes BZ for the full year in 2000 and for the period from 16 September to 31 December in 1999.

BZ full year accounts were included for the first time in 2000. Significant progress is being achieved in transferring AIB's business and lending processes to BZ. The analysis and assessment of credit quality for fair value purposes at BZ was completed in 2000 resulting in additional fair value provisions of € 38 million. Loan volumes were up 1% while deposit volumes increased by 10% since December 1999. As part of its development programme BZ opened 16 new outlets and installed 29 new ATMs since December 1999.

AIB invested a further PLN 200 million in BZ during the year, increasing the Group's shareholding to 83%.

AIB, in conjunction with BZ and WBK, has initiated a change management process that includes a project to implement a new centralised branch banking system common to both Polish banks with rollout scheduled for the third quarter of 2001. On 10 October 2000 AIB announced the proposed merger of WBK and BZ. The proposal was ratified by the shareholders of both banks at an extraordinary general meeting on 20 December 2000. The merger is planned to take effect in June 2001 and it is proposed that the new entity will adopt the name Bank Zachodni WBK ('BZWBK'). The merger will create Poland's fifth largest bank and presents AIB Poland with the opportunity to achieve synergies while expanding and developing the branch and electronic networks.

Group includes interest income earned on capital not allocated to divisions, the funding cost of the BZ acquisition and central services costs.

Group reported a loss of € 26 million in 2000, compared with a profit of € 24 million in 1999. This decrease was primarily due to provision write-backs of € 16 million in 1999 relating to Latin American provisions no longer required, hedging costs in relation to the translation of our foreign currency profits and the funding cost of the BZ acquisition. The 1999 profit included a gain of € 15 million from the sale of AIB's private banking and treasury operations located in Singapore to Keppel TatLee Bank.

Group profit and loss account	Year 2000 € m	Year 1999 € m
Net interest income	50	52
Other income	(42)	(23)
Total operating income	8	29
Total operating expenses	35	38
Operating profit before provisions	(27)	(9)
Provisions	(1)	(18)
Operating profit – continuing activities	(26)	9
Profit on disposal of business	–	15
Profit on ordinary activities before taxation	(26)	24

Financial review

HOW WE MANAGE OUR CAPITAL

It is the Group's policy to maintain a strong capital base and to utilise it efficiently in the Group's development as a diversified international banking group.

The following table shows AIB Group's capital resources at 31 December 2000 and 1999.

	2000 € m	1999 € m
Ordinary shareholders' equity	4,296	3,651
Preference share capital	264	245
Equity and non-equity minority interests	272	227
Undated capital notes	413	397
Dated capital notes	1,836	1,587
	7,081	6,107

Capital resources increased by € 974 million during the year ended 31 December 2000. The increase arose primarily as a result of net retentions of € 427 million and the issue of capital notes of € 149 million. The value of the US dollar and Polish zloty strengthened against the euro by 8%, resulting in a positive foreign currency translation adjustment of € 262 million.

In carrying out the Group's overall capital resources policy, a guiding factor is the supervisory requirements of the Central Bank of Ireland which applies a capital/risk assets ratio framework in measuring capital adequacy. This framework analyses a bank's capital into two tiers. It also applies risk weightings to balance sheet and off-balance sheet exposures, reflecting the credit and other risks associated with broad categories of transactions and counterparties, to arrive at a figure for risk weighted assets. An internationally agreed minimum total capital (*to risk weighted assets*) ratio of 8% and a minimum tier 1 capital (*to risk weighted assets*) ratio of 4% are the base standards from which the Central Bank of Ireland sets individual capital ratios for credit institutions under its jurisdiction.

The EU Capital Adequacy Directive (CAD) distinguishes the risks associated with a bank's trading book from those in its banking book. Trading book risks are defined as those risks undertaken in order to benefit in the short-term from movements in market prices such as interest or exchange rates. The remaining risks, relating to the normal retail and wholesale

banking activities, are regarded as banking book risks.

As part of the Group's capital management activities, the Group manages its mix of capital by currency in order to minimise the impact of exchange rate fluctuations on the Group's key capital ratios.

The Group's capital ratios remained strong with the tier 1 ratio at 6.3% and the total capital ratio at 10.8%. Tier 1 capital increased by € 646 million to € 3.8 billion reflecting retained profit for the year of € 357 million, issues of ordinary share capital of € 105 million, and the impact of a stronger US dollar exchange rate. Capital raising by AIB of € 149 million, together with the stronger US dollar exchange rate resulted in an increase of € 375 million in tier 2 capital. In line with the growth in the balance sheet, risk weighted assets increased by 22% to € 60 billion, 18% excluding currency factors.

On 5 February 2001, AIB issued € 500 million of 7.5 per cent Step-up Callable Perpetual Reserve Capital Instruments, which on a proforma basis increases the Tier 1 and total capital ratios at 31 December 2000 to 7.2% and 11.7% respectively.

Capital ratios

	2000 € m	1999 € m
Capital base		
Tier 1 capital	3,814	3,168
Tier 2 capital	2,926	2,551
	6,740	5,719
Supervisory deductions	214	149
Total capital	6,526	5,570

Risk weighted assets

Banking book:

On balance sheet	49,396	40,623
Off-balance sheet	8,779	7,184
	58,175	47,807

Trading book:

Market risks	1,956	1,401
Counterparty and settlement risks	91	67
	2,047	1,468

Total risk weighted assets	60,222	49,275
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Capital ratios

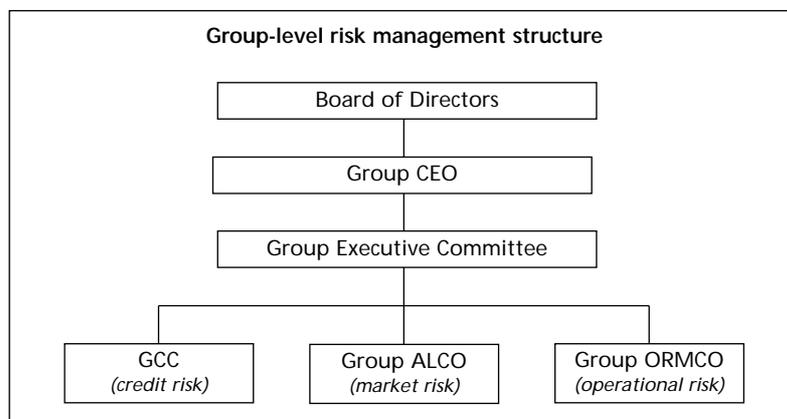
Tier 1	6.3%	6.4%
Total	10.8%	11.3%

THE RISKS WE FACE AND HOW WE MANAGE THESE RISKS

Taking and managing risk for an appropriate return is central to creating shareholder value. Day to day risk management in AIB Group centres on three major risks – credit risk, market risk (including liquidity) and operational risk.

Credit risk is the exposure to loss due to counterparty default on credit obligations. It arises mainly in the Group’s retail, corporate, and interbank lending portfolios. Credit risk also arises in derivative contracts to the extent that the default of a counterparty to the derivative transaction exposes the Group to the need to replace existing contracts at prices that are less favourable than when the contract was entered into.

Market risk is the exposure to loss from adverse movements in market prices. Market risk arises primarily in AIB Group in the prices of interest rate instruments, which are used to manage the interest rate risk of the Group. Some exposure also arises in respect of foreign exchange and equity related positions. Liquidity risk is the exposure to loss from not having sufficient funds available at an economic price to meet actual and contingent customer commitments. Market and liquidity risks are an integral part of retail banking activities. Managing these risks also provides opportunities for Treasury to take advantage of rates and rate movements to add value through position-taking.



Operational risk, which is inherent in all business activities, is the exposure to loss from inadequate or failed internal processes, people and systems or from external events. It excludes business risk, ie the risk to income or margins from being in business, eg competitive pressure on prices/market share. Business risk is discussed on page 24.

Organisational structure for managing risk

AIB Group has a well-developed organisational structure for managing risk, including a comprehensive set of committees and delegated authorities. The main Group-level committees are the Group Executive Committee, the Group Credit Committee (*‘GCC’*), the Group Asset and Liability Committee (*‘Group ALCO’*), and the Group Operational Risk Management Committee (*‘Group ORMCO’*). The Group continues to progress towards a more integrated approach to risk management (*ie credit, market, liquidity and operational risks*). There is a Group-level risk management unit independent of the divisions,

whose core objective is to enhance shareholder value by promoting efficient risk-taking across the Group. The unit has responsibility for formulating high-level risk policies, setting concentration limits, providing independent review, influencing effective management of the Group’s balance sheet and developing strategic risk management initiatives.

The unit reports to the Group Treasurer who is a member of the Group Executive Committee. The Group Treasurer is also a member of the GCC and chairs the Group ALCO and Group ORMCO. The Group level risk management unit provides executive support to each of the above risk committees.

In addition to managing credit, market and operational risks, this unit shares responsibility with Group Finance for the continued development of the Shareholder Value Based Management (*‘SVBM’*) framework across the Group. A key objective of this initiative is to provide decision-makers with a decision-support framework that explicitly incorporates measures of risk. This

will also facilitate greater efficiency in using the Group's capital.

Managing 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 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.

The credit grading systems across the Group continue to be refined, expanded and calibrated to facilitate risk-based pricing, economic provisioning and the attribution of capital as part of the Groupwide SVBM initiative. It is intended to move progressively towards risk-based measures for performance evaluation.

The Board, in exercising its role in relation to credit risk, has approved lending authorities for divisions and approved certain high-level credit policies.

The GCC, which is chaired by a member of the Group Executive Committee, considers and approves credit exposures in excess of divisional authorities. It comprises senior management from each of the divisions as well as Group. The Committee approves key credit policies and reviews strategic portfolio management. It also reviews trends in credit quality and determines overall provision adequacy.

Group and divisional credit risk management roles

Within the Group-level risk management unit, there is a credit risk management unit which has functional responsibility for credit risk across the Group and provides executive support to the GCC. Its role is to influence and support the management of credit risk across the Group by promoting high standards of professionalism and best market practice. In discharging its functional role, it works closely with divisional risk and credit management. A key focus is to ensure that each division has robust credit structures, processes and policies to underpin their credit activities.

The unit has specific responsibility to advise and report independently to the Group Chief Executive, the Audit Committee and the Board on credit policy, strategy, process, standards and quality, and on the adequacy of provisions. The unit presents a formal credit report to the Board on a quarterly basis.

A divisional credit policy framework and credit review process supports the credit management structure in each division. Each division 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.

Managing market risk

Group ALCO is responsible for setting and reviewing the Group's asset/liability strategy within the risk policies approved by the Board. It comprises senior management from each of the divisions as well as Group. It is supported by Asset and Liability committees in AIB Bank, Allfirst and Poland division. Interest rate and foreign exchange rate risks arising in the Group's retail and commercial activities are transferred to the relevant Treasury units. Treasury takes positions in marketable securities and derivatives to mitigate these risks. The divisional Asset and Liability committees are responsible for identifying, measuring and transferring these risks to Treasury.

Group ALCO policies determine the basis for managing liquidity risk and also interest rate risk arising from the structure of the balance sheet. In addition, Group ALCO sets limits on the amount of discretion available to Treasury to take positions in interest rate and foreign exchange rate instruments.

The principal aims of the Group's market risk exposure management are to limit the adverse impact of interest, exchange rate and equity price movements on profitability and shareholder value, and to enhance earnings within defined risk parameters. The Group's policies and practices in relation to market risk management reflect the following guiding principles:

- (a) key market risk activities are subject to a Board-approved policy framework.
- (b) market risk is substantially centralised in the treasury units, managed by skilled personnel, and monitored using appropriate systems and controls.
- (c) market risk is measured and monitored by risk management personnel operating independently of the risk-taking units.

Liquidity risk

The objective of liquidity management is to ensure that, at all times, the Group holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties, at an economic price. The Group liquidity policy is designed to provide adequate funding to cover both normal and abnormal working conditions. It also incorporates a liquidity contingency plan for critical situations. The policy adopts a cash-flow based approach that is consistent with best practice and specifies the minimum amounts of high quality liquidity stock required for each major currency. This is calculated as a percentage of retail and wholesale resources and undrawn credit facilities in each major currency. In all cases, net outflows are monitored on a daily basis and the required minimum liquidity stock can be increased if these exceed predetermined target levels.

The euro, US dollar, sterling and the Polish zloty represent the most important currencies to AIB Group from a liquidity perspective. The Group has a well-established retail deposit base in Ireland, Britain, the US and Poland to fund asset growth. Although a significant element of these deposits are contractually repayable on demand or at short notice, the Group's substantial customer base and geographic spread generally ensures that these current and deposit accounts represent a stable and predictable source of funds. The Group is also actively involved in the interbank market and may be, at times, a net borrower from the market.

Managing operational risk

Operational risk management ('ORM') has emerged within the financial services industry as a discipline with its own management structure, tools, and processes, much like credit and market risk management. Traditionally, the approach by AIB Group and most other financial institutions has been to manage operational risk as a line management responsibility, duly supported by specialist functions that manage and advise on specific operational risks, eg fraud, money laundering, compliance, personal security, business continuity planning, information security and insurance. Evolving best practice is for structured operational risk management programmes.

An element of AIB's structured ORM programme in 2000 was the

implementation of a bottom-up operational risk self-assessment process to allow businesses within the Group to assess their operational risks and the effectiveness of their controls to address these risks. This complements the risk-based audit approach now being applied by AIB Internal Audit in its role as independent assessor of management's control and risk management processes.

The role of Group ORMCO, which was established in 1999 with divisional representation, is to influence and co-ordinate divisional actions with a view to strategically managing operational risk in a pragmatic and supportive manner across the Group. There is an independent operational risk management unit within the Group-level risk management unit. This unit has functional responsibility for ORM policy on behalf of Group ORMCO. An initial objective is to support the implementation of a Group policy on ORM for identifying, assessing and reporting operational risks on a consistent basis across the Group.

The role of group internal audit

Group internal audit ('GIA') provides independent assurance to the Board Audit Committee in the form of a written opinion on the adequacy and effectiveness of the risk management and control framework in operation throughout the Group. The risk management processes for credit risk, market risk and operational

risk are assessed and tested. In addition to the production of audit reports, GIA provides information on the overall control environment to the management of the individual divisions. A secondary objective of GIA is to proactively influence executive management to strengthen the risk management and control framework through the implementation of best practices.

In undertaking its responsibilities, GIA now adopts a risk-based approach which underpins the risk management processes in place across the Group. Businesses undertake self-assessments of operational risk and the effectiveness of their controls in managing these risks. GIA validates the information contained in these self-assessments. This is achieved through a programme of ongoing review of risk identification standards and risk measurement methodologies at business unit level and the risk mitigators adopted by management are addressed and tested.

The role of group compliance

Group Compliance has responsibility within its agreed function and scope for the development of policies and procedures to ensure compliance with applicable law, regulations and codes of practice with respect to the conduct of business.

It has an independent reporting line to the Board Audit Committee and provides assurance to Group Management,

the Board Audit Committee and regulatory bodies on the overall standard of compliance throughout the Group.

Business risk

Identification and management of business risks are the responsibility of line management and ultimately the Group Executive Committee. The Committee meets regularly to consider market and risk developments across the Group's major areas of operation.

Business planning occupies a central role in the management of AIB Group. The Board formally approves the overall strategy and direction of the business on an annual basis.

HOW WE MEASURE MARKET RISK

Value at Risk ('VAR') is an industry standard for market risk measurement. It provides an estimate of the potential loss of shareholder value resulting from market movements over a specified period of time within a specified probability of occurrence. AIB Group applies a VAR methodology to measure the market risk of positions held in all product groups, eg money market products, debt securities, foreign exchange products, equity products and financial derivatives. In technical terms, the AIB Group approach is termed a variance-covariance matrix approach. For internal risk measurement and management purposes, the risk is calculated as the probable maximum loss in fair value over a one month period that would

arise from a 'worst case' movement in market rates (*interest, foreign exchange, equity, as applicable*). The worst case is based on an historical observation of weekly price volatility over a period of three years. AIB Group raises the measured price volatility to a high level of statistical confidence so that there is a 99% probability that this worst case price volatility would not be exceeded. VAR figures are quoted using both one-month and one day holding periods.

The prices of financial instruments do not move in exact step with each other. Therefore, the total risk from holding a portfolio of different instruments is less than the sum of the individual risks. Having calculated VAR on a single instrument, the total VAR for a portfolio of market positions is adjusted to reflect the reality that the worst case scenario is unlikely to occur in all markets simultaneously. AIB Group uses an industry practice formula to take account of this portfolio diversification impact within each market risk category.

As with any market risk measurement methodology the VAR system used by AIB has known limitations. These stem from the need to make assumptions about the range of likely changes in future market rates in order to determine the probable maximum loss in fair value. To deal with this, AIB supplements its VAR measure with other techniques including sensitivity analysis.

The following table illustrates the VAR figures for interest rate risk for the years ended 31 December 2000 and 1999. These figures represent the potential loss in shareholder value arising from a worst case change in interest rates.

	Trading		Non-trading	
	2000 € m	1999 € m	2000 € m	1999 € m
Interest rate risk				
1 month holding period:				
<i>Average</i>	4.1	6.0	83.5	82.6
<i>High</i>	5.3	8.0	90.5	93.8
<i>Low</i>	2.8	3.6	72.6	65.1
<i>31 December</i>	3.2	3.6	72.6	87.3
1 day holding period:				
<i>Average</i>	0.9	1.3	18.7	18.5
<i>High</i>	1.2	1.8	20.2	21.0
<i>Low</i>	0.6	0.8	16.2	14.6
<i>31 December</i>	0.7	0.8	16.2	19.5

Special attention is required for option portfolios because the relationship between an option's value and the price of the underlying instrument can be quite complex. Option values are affected by several variables, including changes in market volatility. A statistical simulation methodology, consistent with the variance-covariance approach, is used to more accurately measure the market risk in selected currency option portfolios. The currency option VAR figure is included within the foreign exchange rate VAR figures. This revaluation uses the same worst case market movements used in the revaluation of non-option portfolios. The VAR on interest rate options is computed by revaluing these options under the assumption that the worst case movement in interest rates occurs. This approach relies on certain assumptions

about changes in the direction and volatility of future interest rates. The VAR on interest rate options is included in the interest rate VAR figures. AIB supplements its VAR measure with other techniques, including sensitivity analysis.

Interest rate risk

The Group Interest Rate Risk Policy, as approved by the Board, limits the Group's exposure to interest rate risk. The risk to AIB Group is that changes in interest rates will have adverse effects on earnings and on the economic value of its assets and liabilities. Recognising this, the Group's tolerance limits for interest rate risk are established from both an earnings and economic value perspective. These limits reflect the Group's prudential philosophy as a retail/commercial bank. The Chairman of Group ALCO has discretion to allocate these limits

across divisional treasury functions within the risk tolerance limits. In managing interest rate risk, a distinction is made between trading and non-trading activities. Trading activities are identified in the trading book. Interest rate risk associated with the Group's retail and commercial activities is managed through the non-trading book.

Trading book

The interest rate trading book incorporates all securities and derivatives that are held for trading purposes in the Group's treasury units. These are revalued daily at market prices (marked to market) and any changes in value are immediately recognised in income. During the course of the year, trading book interest rate risk was predominantly concentrated in the euro, sterling and the US dollar although positions were also taken in a number of other developed country markets.

Non-trading book

The Group's non-trading book consists of its retail and corporate deposit and loan books as well as the Group's treasury interbank cash book and the Group's investment portfolio. The interest rate risks in the retail and corporate deposit and loan books are transferred to treasury and managed using interest rate swaps and other conventional hedging instruments.

AIB Group's banking businesses have a substantial level of interest-free current accounts, equity and other interest-free

or fixed rate liabilities and assets. Unless carefully managed, the net income from these funds will fluctuate directly with movements in short-term interest rates. Group policy is to manage the earnings volatility arising from the impact of interest rate movements on such funds. The 'structural' risk position arising from these funds is hedged by maintaining a portfolio of assets with interest rates fixed for several years. In designing the hedges, care is taken to ensure that the management of the portfolio is not inflexible, as market circumstances and evolving customer requirements can change the desirable portfolio structure.

The interest rate VAR figures reported represent the maximum probable loss in respect of both trading and non-trading book positions held in treasury.

Interest rate sensitivity

The net interest rate sensitivity of the Group at 31 December 2000 and 1999 is illustrated in the tables on pages 27 and 28. The interest sensitivity gap is split out by functional currency. The table sets out details of those assets and liabilities whose values are subject to change as interest rates change within each repricing time period. Details regarding assets and liabilities which are not sensitive to interest rate movements and any rate sensitive off-balance sheet contracts are also included.

The tables shows the sensitivity of the balance sheet at one point in time and is not necessarily indicative of positions at other dates. In developing the classifications

used in the tables it has been necessary to make certain assumptions and approximations in assigning assets and liabilities to different repricing categories.

Foreign exchange rate risk

Structural foreign exchange rate risk is defined as the Group's non-trading net asset position in foreign currencies. Structural risk arises almost entirely from the Group's net investments in its sterling, US dollar and Polish zloty based subsidiaries.

The Group prepares its consolidated financial statements in euro. Accordingly, the consolidated balance sheet is affected by movements in the exchange rates between the above functional currencies and the euro.

It is normal Group practice to match material individual foreign currency investments in overseas subsidiaries, associated undertakings and branches, with liabilities in the same currency. Polish investments are recorded in euro. Because of the Group's diversified international operations, the currency profile of its capital may not necessarily match that of its assets and risk weighted assets. Under Board approved policy, a sub-committee of Group ALCO has delegated responsibility for hedging this structural mismatch against adverse exchange rate movements.

At 31 December 2000 and 1999, the Group's structural foreign exchange position was as follows:

	2000 € m	1999 € m
US dollar	1,380	1,192
Sterling	1,016	1,060
Polish zloty	142	52
	2,538	2,304

This position indicates that a 10% movement in the value of the euro against these currencies at 31 December 2000 would result in an amount taken to reserves of € 254 million.

Translation hedging of overseas earnings

The Group may choose to hedge all or part of its overseas earnings projected over the current and next financial year, thereby fixing a translation rate for the amount hedged. The purpose of these hedges is to minimise the risk of significant fluctuations in the reported euro values of the Group's separate US dollar, sterling and Polish zloty earnings. In the year ended 31 December 2000 certain US dollar, sterling and Polish zloty profits were hedged during the year and translated at the following exchange rates €1: US \$1.0406; €1: Stg £0.6523; €1: PLN 4.6066.

31 December 2000

	0-3 Months € m	3-6 Months € m	6-12 Months € m	1-5 Years € m	5 years + € m	Non-interest bearing € m	Trading € m	Total € m
Assets								
Central govt. bills and other eligible bills	271	2	9	-	-	-	15	297
Loans and advances to banks	3,355	80	61	-	-	697	-	4,193
Loans and advances to customers	30,342	2,303	1,816	6,850	4,735	-	-	46,046
Debt securities	4,564	710	1,761	6,336	3,274	-	2,341	18,986
Other assets	-	-	-	-	-	10,166	-	10,166
Total assets	38,532	3,095	3,647	13,186	8,009	10,863	2,356	79,688
Liabilities								
Deposits by banks	10,984	571	573	97	3	250	-	12,478
Customer accounts	33,108	2,478	1,626	1,598	451	9,176	-	48,437
Debt securities in issue	3,768	292	79	156	-	-	-	4,295
Subordinated liabilities	1,470	107	-	107	513	52	-	2,249
Other liabilities	106	-	-	-	-	7,827	-	7,933
Stockholders' equity	-	-	-	-	-	4,296	-	4,296
Total liabilities	49,436	3,448	2,278	1,958	967	21,601	-	79,688
Off-balance sheet items affecting interest rate sensitivity	8,522	(1,443)	(10,119)	3,802	(762)	-	-	-
	57,958	2,005	(7,841)	5,760	205	21,601	-	79,688
Interest sensitivity gap	(19,426)	1,090	11,488	7,426	7,804	(10,738)	2,356	
Cumulative interest sensitivity gap	(19,426)	(18,336)	(6,848)	578	382	(2,356)	-	
	Euro m	Euro m	Euro m	Euro m	Euro m	Euro m	Euro m	
Interest sensitivity gap	(4,456)	346	6,904	1,240	163	(5,249)	1,191	
Cumulative interest sensitivity gap	(4,456)	(4,110)	2,794	4,034	4,197	(1,052)	139	
	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	
Interest sensitivity gap	(8,504)	678	2,715	4,158	3,401	(2,866)	578	
Cumulative interest sensitivity gap	(8,504)	(7,826)	(5,111)	(953)	2,448	(418)	160	
	Stg m	Stg m	Stg m	Stg m	Stg m	Stg m	Stg m	
Interest sensitivity gap	(4,550)	315	492	529	3,690	(919)	464	
Cumulative interest sensitivity gap	(4,550)	(4,235)	(3,743)	(3,214)	476	(443)	21	
	PLN m	PLN m	PLN m	PLN m	PLN m	PLN m	PLN m	
Interest sensitivity gap	(1,192)	(123)	27	392	22	(52)	78	
Cumulative interest sensitivity gap	(1,192)	(1,315)	(1,288)	(896)	(874)	(926)	(848)	

31 December 1999

	0-3 Months € m	3-6 Months € m	6-12 Months € m	1-5 Years € m	5 years + € m	Non-interest bearing € m	Trading € m	Total € m
Assets								
Central govt. bills and other eligible bills	190	409	49	-	-	-	70	718
Loans and advances to banks	2,746	21	103	29	185	747	-	3,831
Loans and advances to customers	25,051	2,351	2,090	7,442	2,362	-	-	39,296
Debt securities	2,471	544	968	6,604	2,939	-	1,582	15,108
Other assets	-	-	-	-	-	8,055	62	8,117
Total assets	30,458	3,325	3,210	14,075	5,486	8,802	1,714	67,070
Liabilities								
Deposits by banks	6,660	451	903	320	272	2	-	8,608
Customer accounts	29,600	1,857	1,275	1,576	253	7,774	-	42,335
Debt securities in issue	3,875	203	35	143	42	-	-	4,298
Subordinated liabilities	1,163	99	-	99	623	-	-	1,984
Other liabilities	-	-	-	-	-	6,194	-	6,194
Stockholders' equity	-	-	-	-	-	3,651	-	3,651
Total liabilities	41,298	2,610	2,213	2,138	1,190	17,621	-	67,070
Off-balance sheet items affecting interest rate sensitivity	14,641	6,348	(2,215)	(17,197)	(1,577)	-	-	-
	55,939	8,958	(2)	(15,059)	(387)	17,621	-	67,070
Interest sensitivity gap	(25,481)	(5,633)	3,212	29,134	5,873	(8,819)	1,714	
Cumulative interest sensitivity gap	(25,481)	(31,114)	(27,902)	1,232	7,105	(1,714)	-	
	Euro m	Euro m	Euro m	Euro m	Euro m	Euro m	Euro m	
Interest sensitivity gap	(6,324)	(1,322)	2,229	8,096	996	(4,448)	556	
Cumulative interest sensitivity gap	(6,324)	(7,646)	(5,417)	2,679	3,675	(773)	(217)	
	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	
Interest sensitivity gap	(11,530)	(655)	1,322	9,819	3,511	(3,244)	210	
Cumulative interest sensitivity gap	(11,530)	(12,185)	(10,863)	(1,044)	2,467	(777)	(567)	
	Stg m	Stg m	Stg m	Stg m	Stg m	Stg m	Stg m	
Interest sensitivity gap	(3,009)	(1,296)	(351)	4,093	1,210	(1,224)	373	
Cumulative interest sensitivity gap	(3,009)	(4,305)	(4,656)	(563)	647	(577)	(204)	
	PLN m	PLN m	PLN m	PLN m	PLN m	PLN m	PLN m	
Interest sensitivity gap	(1,239)	(26)	179	603	83	314	118	
Cumulative interest sensitivity gap	(1,239)	(1,265)	(1,086)	(483)	(400)	(86)	32	

Foreign exchange rate risk – trading

The Group Foreign Exchange Risk Policy, as approved by the Board, limits the Group's exposure to discretionary foreign exchange risk. The risk to AIB Group is that adverse movements in foreign exchange rates will decrease the value of the discretionary foreign exchange portfolio. Group foreign exchange rate risk is measured as the probable maximum loss in fair value (VAR) on the aggregate open foreign exchange position for the Group's discretionary portfolio.

Foreign currency exposures in the non-trading book are transferred to the trading book where the risks are managed within mandated risk limits. The following table illustrates the VAR figures for trading foreign exchange rate risk for the years ended 31 December 2000 and 1999.

	2000 € m	1999 € m
Foreign exchange rate risk-trading		
<i>1 month holding period:</i>		
<i>Average</i>	2.2	2.4
<i>High</i>	3.8	5.0
<i>Low</i>	0.9	1.2
<i>31 December</i>	1.9	1.9
<i>1 day holding period:</i>		
<i>Average</i>	0.5	0.5
<i>High</i>	0.9	1.1
<i>Low</i>	0.2	0.3
<i>31 December</i>	0.4	0.4

Equity risk

As part of its normal activities, the Group's subsidiary, Goodbody Stockbrokers, carries positions in equities to provide liquidity for clients. Equity risk also arises from the management of the Group's convertible bond portfolio and the hedging of stock market linked investment products (tracker bonds). Equity risk is subject to Board approved policy and trading activity is restricted to companies that are listed on recognised Stock Exchanges. The following table illustrates the VAR figures for equity risk for the year ended 31 December 2000.

	Trading € m	Non-trading € m
Equity risk		
<i>1 month holding period:</i>		
<i>Average</i>	10.7	0.4
<i>High</i>	13.2	0.6
<i>Low</i>	8.4	0.3
<i>31 December 2000</i>	13.2	0.5
<i>1 day holding period:</i>		
<i>Average</i>	2.4	0.1
<i>High</i>	2.9	0.1
<i>Low</i>	1.9	0.1
<i>31 December 2000</i>	2.9	0.1

The use of off-balance sheet financial instruments by the Group

The Group uses off-balance sheet financial instruments, including derivatives, to service customer requirements, to manage the Group's interest and foreign exchange rate exposures and for trading purposes. The table on page 30 shows the notional amount and gross replacement cost for trading and non-trading interest rate, exchange rate and equity contracts at 31 December 2000 and 1999.

Derivative instruments are contractual agreements between parties whose value reflects movements in an underlying

interest rate, foreign exchange rate or share price index. While notional principal amounts are used to express the volume of these transactions, the amounts subject to credit risk are much lower. This is because most derivatives involve payments based on the net differences between the rates expressed in the contracts or other market rates.

A new methodology has been introduced in Capital Markets Division to improve the measurement of credit risk on derivative instruments. The Group's exposure to credit risk is now measured using a simulation methodology that models the dynamic process by which

portfolios and prices change over time. This measure also recognises the benefits of netting and margining agreements where relevant.

Where the operations of the Group are exposed to interest rate risk arising from the fact that assets and liabilities mature or reprice at different times or in differing amounts, derivatives are used to modify the repricing or maturity characteristics of assets and liabilities in a cost efficient manner. This flexibility helps the Group to achieve liquidity and risk management objectives. Similarly foreign exchange and equity derivatives are used to change the nature of the Group's exposure to foreign exchange and equity risk as required.

The values of derivative instruments can rise and fall as interest rates change. Where they are used to hedge on balance sheet assets or liabilities the changes in value are generally offset by the value changes in the hedged items.

Derivative transactions entered into for hedging purposes are accounted for in accordance with the accounting treatment for the item or items being hedged. Futures contracts are designated as hedges when they reduce risk and there is high correlation between the futures contract and the item being hedged, both at inception and throughout the hedge period. Interest rate swaps, forward rate agreements and option contracts are generally used to modify the

	2000		1999	
	Notional amount	Gross replacement cost	Notional amount	Gross replacement cost
	€ m	€ m	€ m	€ m
Interest rate contracts				
Trading	37,271	199	56,844	190
Non-trading	93,674	676	72,727	649
	130,945	875	129,571	839
Exchange rate contracts				
Trading	21,080	770	7,070	151
Non-trading	5,797	131	17,407	618
	26,877	901	24,477	769
Equity contracts				
Trading	40	-	48	-
Non-trading	2,898	297	1,874	313
	2,938	297	1,922	313

interest rate characteristics of balance sheet instruments and are linked to specific assets or groups of similar assets or specific liabilities or groups of similar liabilities. Where a transaction originally entered into for hedging purposes no longer represents a hedge, its value is restated at fair value and any subsequent change in value is taken to the profit and loss account immediately.

The following is a brief description of the derivative instruments that account for the major part of the Group's derivative activities:

Interest rate swaps are agreements between two parties to exchange fixed and floating rate interest by means of periodic payments based upon notional principal amounts and interest rates defined in the contract.

Currency swaps are interest rate swaps where one or both of the legs of the swap is payable in a different currency. They are used by both customers and Treasury to convert fixed rate assets or liabilities to floating rate or vice versa or to change the maturity or currency profile of underlying assets and liabilities as required.

The Group uses interest rate swaps to manage the impact on income and shareholder value, of interest rate changes on variable and fixed rate assets, including debt securities, and fixed rate mortgage lending. In addition, swaps are used to hedge the Group's funding costs.

Forward rate agreements are individually negotiated contracts under which an interest rate is agreed for a notional principal amount covering a specified period

in the future. At the settlement date, if interest rates for the future period are higher than the agreed rate, the seller pays the buyer the difference between the contract rate and the rate prevailing. If interest rates are lower, the buyer pays the seller. These contracts are used by customers to fix the rates for future short-term borrowing or deposits.

Financial futures are exchange traded contracts to buy or sell a standardised amount of the underlying item at an agreed price on a set date. Interest rate futures contracts are available in all of the major currencies. Foreign currency and equity index futures are also available. Financial futures are used to hedge the Group's exposures arising from the sale of forward rate agreements or guaranteed equity products. They are also used to manage the interest rate risks arising in the Group's debt securities portfolio.

Options are contracts that give the purchaser the right, but not the obligation to buy or sell an underlying asset eg bond, foreign currency or equity index, at a certain price on or before an agreed date. These provide more flexible means of managing exposure to changes in interest rates, exchange rates and equity index levels.

Interest rate caps/floors are portfolios of options that give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to

deposit or draw down funds, instead the seller pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or floor rate respectively. A combination of an interest rate cap and floor is known as an interest rate collar.

The Group uses interest rate caps in conjunction with swaps in managing the interest rate risks arising in its fixed rate mortgage lending activities. Interest rate options are also used to manage the risk in the Group's debt securities portfolio. Foreign exchange rate options are used to hedge income and expenses arising from non-euro denominated assets and liabilities and also exposures arising from customer transactions.

Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified date, at an agreed exchange rate. These contracts are used by customers to fix the exchange rates for future foreign exchange transactions. They are also used by the Group to hedge non-euro income and expenses and to manage the impact of exchange rates on the reported value of foreign earnings.

In respect of contingent liabilities and commitments to extend credit, the Group's maximum exposure to credit loss in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is

represented by the contractual amounts of these contracts. Risk weighted amounts are calculated according to rules specified by the Central Bank of Ireland, taking into account the nature of the instrument and the risk classification of the counterparty.

The Group uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on balance sheet lending, including counterparty credit approval, limit setting and monitoring procedures. In addition, in relation to derivative instruments, the Group's exposure to market risk is controlled within the risk limits in the Group's interest rate, foreign exchange and equity risk policies and is further constrained by the risk parameters incorporated in the Group's Derivatives Policy, as approved by the Board.

The Group recognises that certain types of derivatives can give rise to risks that are difficult to measure and control. In order to avoid these risks the Group places clear restrictions on taking positions in such complex derivative instruments.

Report of the Directors

for the year ended 31 December 2000

The Directors of Allied Irish Banks, p.l.c. present their report and the audited accounts for the year ended 31 December 2000. A Statement of the Directors' responsibilities in relation to the Accounts appears on page 112.

Results

The Group profit attributable to the ordinary shareholders amounted to € 762 million and was arrived at as shown in the Consolidated Profit and Loss Account on pages 42 and 43.

Dividend

An interim dividend of EUR 13.50c per ordinary share, amounting to € 117 million, was paid on 27 September 2000. It is recommended that a final dividend of EUR 25.25c per ordinary share, amounting to € 221 million, be paid on 26 April 2001, making a total distribution of EUR 38.75c per ordinary share for the year. The balance of profit to be transferred to the Profit and Loss Account amounts to € 357 million.

Capital

Information concerning allotments of shares under the Dividend Reinvestment Plan, the Approved Employees' Profit Sharing Schemes, the Allfirst Stock Option Plan and the Executive Share Option Scheme is shown in Note 44 on pages 82 and 83.

At the 2000 Annual General Meeting, shareholders renewed authority for the Company, or any subsidiary, to make market purchases of up to 50 million ordinary shares of the Company, subject to the terms and conditions set out in the relevant resolution.

Accounting policies

There have been no changes in accounting policies.

Review of activities

The Statement by the Chairman on pages 4 and 5 and the Review by the Group Chief Executive on pages 8 to 31 contain a review of the development of the business of the Group during the year, of recent events, and of likely future developments.

Directors

The following Board changes occurred with effect from the dates shown:

- Mr Dermot Gleeson was appointed a Non-Executive Director on 16 May 2000;
- Mr Derek A Higgs was appointed a Non-Executive Director on 14 November 2000;
- Mr Denis J Murphy retired as a Non-Executive Director on 31 December 2000.

In accordance with the Articles of Association, Mr Gleeson and Mr Higgs retire at the 2001 Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr Adrian Burke, Mr Don Godson and Mr Gary Kennedy retire by rotation at the 2001 Annual General Meeting and, being eligible, offer themselves for re-appointment.

The names of the Directors appear on pages 6 and 7, together

with a short biographical note on each Director.

Directors' and Secretary's Interests in the Share Capital

The interests of the Directors and Secretary in the share capital of the Company are shown in Note 53 on page 100.

Substantial Interests in Share Capital

The following substantial interests in the Ordinary Share Capital had been notified to the Company at 20 February 2001:

Bank of Ireland Asset Management Limited	3.3%
The Capital Group Companies, Inc.	7.5%

At the same date, subsidiaries of the Company had aggregate interests in 4.7% of the Ordinary Share Capital. With the exception of 5.6 million shares (0.6%) held by a subsidiary (*see Note 48*), these shares represented non-beneficial interests; none of the clients for whom these shares, the shares of Bank of Ireland Asset Management Limited, and the shares of The Capital Group Companies, Inc., are held had a beneficial interest in 3% or more of the Ordinary Share Capital.

An analysis of shareholdings is shown on page 124.

Corporate Governance

The Directors' Corporate Governance statement appears on pages 34 to 37.

Safety, Health and Welfare of Employees

It is the Company's policy to ensure the safety, health and welfare of its employees while at work, and of visitors to its premises, by maintaining safe places and systems of work. The Company is committed to facilitating this policy by an open, consultative process with its employees. Monitoring procedures ensure the maintenance of standards and compliance with legislative requirements.

A Safety Statement, prepared in accordance with the requirements of the Safety, Health and Welfare at Work Act, 1989, has been circulated to all premises; the Statement was revised during the year and will be circulated to all premises in 2001. During 2000, particular emphasis was focused on accident reporting and accident prevention in the workplace.

Branches outside the State

The Company has established branches, within the meaning of EU Council Directive 89/666/EEC, in the United Kingdom and the United States of America.

Auditors

The auditors, PricewaterhouseCoopers, have signified their willingness to continue in office under Section 160 of the Companies Act, 1963.

Lochlann Quinn

Chairman

Thomas P Mulcahy

Group Chief Executive

20 February 2001

Corporate Governance Statement

The Board is committed to the highest standards of corporate governance. This Statement explains how the Company has applied the Principles set out in *'The Combined Code: Principles of Good Governance and Code of Best Practice'* (the 'Code'), adopted by the Irish Stock Exchange and the London Stock Exchange, and reports on compliance with its Provisions.

Directors

The Board

The importance of the Company being headed by an effective Board to lead and control the Company and the Group is fully recognised. To that end, there is a comprehensive range of matters specifically reserved for decision by the Board; at a high level this includes:

- determining the Company's strategic objectives and policies;
- appointing the Chairman and Group Chief Executive;
- monitoring progress towards achievement of the Company's objectives and compliance with its policies;
- approving annual operating and capital budgets, major acquisitions and disposals, and risk management policies.

A scheduled Board meeting is held each month, except August. Additional meetings are held as required. The Directors are provided in advance of each Board meeting with relevant documentation and information to enable them to discharge their duties. Any additional information

requested by Directors is readily provided.

The Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. There is a procedure in place to enable Directors to take independent professional advice, at the Company's expense.

At 31 December 2000, the Board comprised 9 Non-Executive Directors and 5 Executive Directors. All Directors bring independent judgement to bear on issues of strategy, performance, resources, and standards of conduct. All Non-Executive Directors are considered to be independent of Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. In these circumstances, it is not considered necessary to identify one senior Non-Executive Director to whom concerns can be conveyed, as suggested by the Code. Shareholders who wish to raise issues are free to contact any of the Non-Executive Directors.

The role of the Chairman is separate from the role of the Group Chief Executive, with clearly defined responsibilities attaching to each.

It is the policy of the Board that a significant majority of the Directors (ie up to two-thirds) should be Non-Executive. Accordingly, Non-Executive Directors are appointed so as to

maintain an appropriate balance and to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and control for the Group.

The names of the Directors, and their biographical notes, appear on pages 6 and 7.

Non-Executive Directors appointed since 1990 are appointed for an initial period of six years, which may be extended for a further period of three years. Following co-option, Directors must retire at the next Annual General Meeting and may go before the shareholders for re-election.

Not more than one-third of the Directors are required by the Articles of Association to retire from office at each Annual General Meeting. This means that, in effect, Directors are re-elected every three years. The Code recommends that all Directors should submit themselves for re-election at regular intervals and at least every three years. As the Articles' provision in this regard could lead, in certain circumstances, to an interval of four years between a Director's appointment and re-appointment, it is intended, at the next general revision of the Articles, to propose an amendment to bring the relevant provision fully into line with the Code's recommendation.

There is an induction process for new Directors. Its content varies as between Executive and Non-Executive Directors; in respect of the latter, the induction

is designed to familiarise Non-Executive Directors with the Group and its operations, and comprises principally a programme of meetings with the Heads of Divisions and the senior management of businesses and support functions, and briefings on the Company's strategic and operational plans. All Directors on appointment are furnished with a booklet entitled '*Responsibilities, Functions and Operations of the Board and Code of Conduct for Directors*'.

Board Committees

The Board is assisted in the discharge of its duties by Board Committees, whose purpose is to consider, in greater depth than is practicable at Board Meetings, matters for which the full Board retains responsibility. The composition of Board Committees is reviewed annually by the Board. A description of these Committees, each of which operates under terms of reference or guidelines approved by the Board, and their membership, is given below. The minutes of all meetings of Board Committees are circulated to all Directors, for information, with their Board papers, and are formally noted by the Board. This provides an opportunity for Directors to seek additional information or to comment and express views on issues being addressed at Committee level.

Audit Committee

Members: Mr Don Godson, Chairman, Mr Adrian Burke, Ms Carol Moffett (to 31 May, 2000), Mr Dermot Gleeson (from 1 June, 2000).

The Audit Committee meets five/six times each year. The auditors are invited to attend all meetings, along with the Group Chief Executive, the Group Financial Director, the Group Treasurer and the Group Internal Auditor. The Audit Committee reviews the Group's annual and interim accounts; the scope of the audit and the findings, conclusions and recommendations of the auditors; the nature and extent of non-audit services provided by the auditors; and the effectiveness of internal controls. The Committee is responsible for ensuring the cost-effectiveness of the audit and for confirming the independence of the auditors and the Group Internal Auditor, each of whom it meets separately once each year, in confidential session, in the absence of Management. Both the auditors and the Group Internal Auditor have unrestricted access to the Chairman of the Audit Committee.

A written report is submitted annually to the Board showing the issues considered by the Committee.

Nomination and Remuneration Committee

Members: Mr Lochlann Quinn, Chairman, Mr Adrian Burke, Mr John B McGuckian.

The Nomination and Remuneration Committee meets five/six times each year. The Committee is responsible for

recommending candidates to the Board for appointment as Directors. Its remit also includes, inter alia, recommending to the Board appropriate remuneration policies, and determining, under advice to the Board, the specific remuneration packages of the Executive Directors.

Social Affairs Committee

Members: Mr Denis J Murphy, Chairman (to 31 December, 2000), Ms Carol Moffett, Chairman (from 1 January, 2001), Mr Michael Buckley, Mr Padraic M Fallon.

The Social Affairs Committee meets quarterly. Its role, as defined in guidelines approved by the Board, is to assist the Company in discharging its social responsibilities. This includes developing corporate-giving and sponsorship policies and reviewing responses to a range of social responsibility issues.

Directors' Remuneration

The Report on Directors' Remuneration and Interests appears on pages 96 to 101.

Relations with Shareholders

The Company recognises the importance of communicating with its shareholders. To that end, the Company circulates each year, along with the statutory Report and Accounts, a short-form, user-friendly booklet explaining features of the Company's performance in the previous year. This focuses on how the profit was utilised; profit and dividend growth over the previous five

Corporate Governance Statement *(continued)*

years; the need for strong capital resources; running costs; risk management; and other issues. As a further step in enhancing the communication process, interim trading statements are issued to the Stock Exchanges twice-yearly.

The Company also uses its internet website (www.aibgroup.com) to communicate with investors. The Investor Relations home page is updated with the Company's Stock Exchange releases and formal presentations to analysts and investors, as they are made. The site also contains the Company's most recent Annual and Interim Reports, together with the Annual Report on Form 20-F when filed with the US Securities and Exchange Commission.

All ordinary shareholders are encouraged to attend the Annual General Meeting ('AGM') and to participate in the proceedings. It is practice to give shareholders an update on the Group's performance, and developments of interest, by way of video presentation. Separate resolutions are proposed on each substantially separate issue. The Chairman of the Audit Committee is available to answer questions at the AGM. The proportion of proxy votes lodged for and against each resolution is indicated; this demonstrates what the voting position would be if the votes of shareholders not in attendance at the AGM were taken into account.

It is usual for all Directors to attend the AGM and to be

available to meet shareholders, both before and after the Meeting. A Shareholders' Help Desk facility is available to shareholders attending.

In accordance with company law, the Notice of the AGM and related papers are required to be sent to shareholders not less than 21 days before the Meeting. The Code suggests that these papers should be sent to shareholders 'at least 20 working days before the meeting'. In respect of the 2001 AGM, the Notice was despatched 30 calendar days (20 working days) before the Meeting.

The Company holds regular meetings with its principal institutional shareholders and with financial analysts and brokers. These meetings involve the Group Chief Executive, the Group Financial Director, the Chief Financial Officer and the Head of Investor Relations, and are governed by prescribed procedures to ensure that price-sensitive information is not divulged.

Accountability and Audit

Accounts and Directors' Responsibilities

The accounts and other information presented in this Report and Accounts are consistent with the Code Principle requiring the presentation of 'a balanced and understandable assessment of the Company's position and prospects'. The Statement concerning the responsibilities of the Directors in relation to the accounts appears on page 112.

Going Concern

The accounts continue to be prepared on a going concern basis, as the Directors are satisfied that the Company and the Group as a whole have the resources to continue in business for the foreseeable future. In forming this view, the Directors have reviewed the Group's budget for 2001.

Internal Control

The Directors acknowledge that the Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Guidance (*'Internal Control: Guidance for Directors on the Combined Code'*) has been issued by the Irish Stock Exchange and the London Stock Exchange to assist Directors in complying with the Code's requirements in respect of internal control. That Guidance states that systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group's system of internal control includes:

- a clearly defined management structure, with defined lines of authority and accountability;
- a comprehensive annual budgeting and financial reporting system, which incorporates clearly defined and communicated common accounting policies and financial control procedures, including those relating to authorisation limits; capital

- expenditure and investment procedures; physical and computer security; and business continuity planning;
- the Audit Committee, which receives reports on various aspects of control, reviews the Group's statutory accounts and other published financial statements and information, and ensures that no restrictions are placed on the scope of the statutory audit or on the independence of the internal audit function. The Audit Committee reports to the Board on these matters, compliance with relevant laws and regulations, and related matters;
- appropriate policies and procedures relating to capital management, asset and liability management (including interest rate, exchange rate risk and liquidity management), credit risk management, and operational risk management;
- regular review by the Board of overall strategy, business plans, variances against operating and capital budgets and other performance data;
- an internal audit function.

In addition, the Group has a well-developed structure and comprehensive on-going processes for identifying, evaluating and managing the significant credit, market and operational risks faced by the Group, as described in pages 20 to 31. That structure and those processes, which include comprehensive half-yearly reports to the Audit Committee and

Board, have been in place for the year under review and up to the date of the approval of the Annual Report and Accounts. Those processes are regularly reviewed by the Board, and accord with the above-mentioned Guidance.

The settlement with the Irish Revenue Commissioners in relation to Deposit Interest Retention Tax ('DIRT'), referred to in Note 5 on page 51, related to the period April 1986 to April 1999, and principally to the period prior to April 1992. As the Company is satisfied that it had already taken all reasonable steps to ensure compliance with the requirements in relation to the administration of DIRT, no material internal control aspects required to be dealt with in that regard in the year ended 31 December 2000.

The Directors confirm that, with the assistance of reports from the Audit Committee and Management, they have reviewed the effectiveness of the Group's system of internal control for the year ended 31 December 2000.

Compliance Statement

The Company has complied throughout the year ended 31 December 2000 with the Provisions of the Code, except where otherwise indicated.



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Accounting policies

The accounts on pages 42 to 111 have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments, and comply with the requirements of Irish statute comprising the Companies Acts 1963 to 1999 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, and with accounting standards generally accepted in Ireland. The preparation of accounts requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

The effect on the Group's consolidated net income and ordinary shareholders' equity had US Generally Accepted Accounting Principles ('US GAAP') been applied in the preparation of these accounts is set out in note 62.

The principal accounting policies adopted by the Group are as follows:

Basis of consolidation

The Group accounts include the accounts of Allied Irish Banks, p.l.c. (*the parent company*) and its subsidiary undertakings made up to the end of the financial year. Details of principal subsidiaries are given in note 30.

In order to reflect the different nature of the shareholders' and policyholders' interests in the long-term assurance business, the value of long-term assurance business attributable to shareholders and the long-term assurance assets and liabilities attributable to policyholders are classified under separate headings in the consolidated balance sheet.

Interests in associated undertakings

The attributable share of income of associated undertakings, based on accounts made up to the end of the financial year, is included in the consolidated profit and loss account using the equity method of accounting. Interests in associated undertakings are included in the consolidated balance sheet at the Group's share of the book value of the net assets of the undertakings concerned less provisions for any permanent diminution in value.

Income and expense recognition

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

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 present in any portfolio of bank advances. The total provisions for bad and doubtful debts (*note 25*) is deducted in arriving at the balance sheet figures of loans and advances to banks and 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. Interest is not taken to profit where recovery is doubtful.

Debt securities

Premiums and discounts on Government and other debt securities having a fixed redemption date, which are not held for trading purposes, are amortised over the period from date of purchase to redemption and an appropriate proportion is taken to profit and loss account each year and included in interest income. Securities held for investment purposes are stated in the balance sheet at amortised cost, less provision for any permanent diminution in value. Securities held for hedging purposes are included in the balance sheet at a valuation, the basis of which is consistent with that being applied to the underlying transactions. Securities held for both investment and hedging purposes are classified as financial fixed assets in the balance sheet. Securities held for trading purposes are included in the balance sheet at market value.

Profits and losses on disposal of securities held for trading and investment purposes are recognised immediately in the profit and loss account. The realised and unrealised profits and losses on trading securities are included with dealing profits, while the profits and losses on disposal of securities held for investment purposes are included with other operating income. Profits and losses on disposal of securities held for hedging purposes are amortised over the lives of the underlying transactions, and included in net interest income.

Finance leases

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

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 the digits method over the period of the agreements after deducting the costs of setting up the transactions.

Securitised assets

Securitised assets are included in the balance sheet at their gross amount less non-returnable proceeds received on securitisation, where the Group has retained significant rights to benefits and exposure to risks, but where the Group's maximum loss is limited to a fixed monetary amount. The contribution from the securitised assets is included in other operating income.

Operating leases

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

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 lives of 50 years. The impact of this change on the current years depreciation charge was € 9 million.

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.

Expenditure incurred to date amounting to € 29 million on the development of computer systems has been capitalised and included under

equipment. This expenditure is written off over a maximum period of 5 years and to date € 18 million has been charged to the profit and loss account.

Discounting of future commitments

The Group provided in the year ended 31 December 1993, on a present value basis, for the cost of its future commitments arising under the agreements reached in 1985 and 1992 in relation to the funding of Icarom plc (*under Administration*), formerly The Insurance Corporation of Ireland plc. The future commitments under the 1985 and 1992 agreements were each discounted to their present value by applying an interest rate derived from the weighted average of the yield to maturity of Irish Government securities maturing on the same dates as the future commitments. The Group's policy is not to revise these discount rates for future changes in interest rates. The commitments are deducted from the present value provisions as they mature and interest at the relevant discount rates is charged annually to interest expense and added to the present value provisions. The present value provisions are included in other liabilities (*note 38*).

Equity shares

Equity shares held as financial fixed assets are included in the balance sheet at cost, less provision for any permanent diminution in value. Profits and losses on disposal of equity shares held as financial fixed assets are recognised immediately in the profit and loss account. Equity shares held for trading purposes are marked to market with full recognition in the profit and loss account of changes in market value.

Pensions and other post-retirement benefits

It is the Group's policy to provide for defined benefit pension schemes and other post-retirement benefits at rates recommended by independent qualified

actuaries (*note 12*). The costs of the Group's defined contribution schemes are charged to the profit and loss account for the period in which they are incurred.

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. The calculation of the deferred taxation asset or liability is based on the taxation rates expected to be applicable when the liabilities or assets are anticipated to crystallise.

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 these translations and from trading activities are included as appropriate, having regard to the nature of the transactions, in other operating income or dealing profits.

In the case of net investments in foreign subsidiaries, associated undertakings and branches, exchange adjustments arising from the retranslation of these investments, net of hedging profits and losses, are included as appropriate in the exchange translation adjustments on reserves (*note 46*) and the profit and loss account (*note 47*).

Profits and losses arising in foreign currencies have been translated at average rates for the year. The adjustment arising on the retranslation of profits and losses to balance sheet rates is included in the exchange translation adjustments on the profit and loss account (*note 47*).

Capital instruments

Issue expenses of capital instruments are deducted from the proceeds of issue and, where appropriate, are amortised to profit and loss account so that the finance costs are allocated to accounting periods at a constant rate based on the carrying amount of the instruments. The issue expenses amortised to profit and loss account are subsequently transferred to the share premium account.

Intangible assets and goodwill

Purchased goodwill is the excess of cost over the fair value of the Group's share of net assets acquired. In accordance with Financial Reporting Standard 10 'Goodwill and Intangible Assets', purchased goodwill and intangible assets arising on acquisition of subsidiary and associated undertakings, occurring after 1 January 1998, are capitalised as assets on the balance sheet and amortised to profit and loss account over their estimated useful economic lives subject to a maximum period of 20 years.

Goodwill arising on acquisitions of subsidiary and associated undertakings prior to 31 December 1997 has been written off to the profit and loss account in the year of acquisition. Purchased goodwill, previously written off, is charged in the profit and loss account on subsequent disposal of the business to which it relates.

Derivatives

The Group uses derivatives, such as currency and interest rate swaps, options, forward rate agreements and financial futures, for both trading and hedging purposes (*note 50*). The accounting treatment for these derivative instruments is dependent on whether they are entered into for trading or hedging purposes.

AIB Group maintains trading positions in a variety of financial instruments including derivatives. Most of these positions are a result of activity generated by corporate customers while others represent trading decisions of the Group's derivative and foreign exchange traders

with a view to generating incremental income. Trading instruments are recognised in the accounts at fair value with the adjustment arising included in other assets and other liabilities, as appropriate, in the consolidated balance sheet. Gains and losses arising from trading activities are included in dealing profits in the profit and loss account using the mark to market method of accounting.

Derivative transactions entered into for hedging purposes are recognised in the accounts in accordance with the accounting treatment of the underlying transaction or transactions being hedged. To qualify for hedge accounting the derivative must be designated as a hedge at its inception and must remain effective as a hedge throughout the hedge period. Derivatives that are not designated as hedges are classified as held for trading purposes. Gains and losses arising from hedging activities are amortised to net interest income over the lives of the underlying transactions. Futures contracts are designated as hedges when they reduce risk and there is high correlation between the futures contract and the item being hedged, both at inception and throughout the hedge period. Interest rate swaps, forward rate agreements and option contracts are generally used to modify the interest rate characteristics of balance sheet instruments and are linked to specific assets or groups of similar assets or specific liabilities or groups of similar liabilities. Upon early termination of these derivative financial instruments, any realised gain or loss is deferred and amortised over the life of the original hedge, as long as the designated assets or liabilities remain. Where a transaction originally entered into for hedging purposes no longer represents a hedge, its value is restated at fair value and any change in value is taken to the profit and loss account immediately.

Long-term assurance business

The value placed on the Group's long-term assurance business attributable to shareholders represents a prudent

valuation of the investment in business on policies in force together with the net tangible assets of the business. The value is determined on the advice of a qualified actuary on an after tax basis using a discount rate of 12% and is included separately in the consolidated balance sheet.

Movements in the value placed on the Group's long-term assurance business attributable to shareholders, grossed up for taxation, are included in other operating income.

Fiduciary and trust activities

Allied Irish Banks, p.l.c. and some subsidiary undertakings act as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, investment trusts, pension schemes and unit trusts. These assets are not consolidated in the accounts as they are not assets of Allied Irish Banks, p.l.c. or its subsidiary undertakings. Fees and commissions earned in respect of these activities are included in the profit and loss account.

Consolidated profit and loss account

for the year ended 31 December 2000

	Notes	2000 € m	1999 € m	1998 € m
Interest receivable:				
Interest receivable and similar income arising from debt securities and other fixed income securities		1,140	833	772
Other interest receivable and similar income	3	3,987	3,009	3,194
Less: interest payable	4	(3,105)	(2,072)	(2,357)
Deposit interest retention tax	5	(113)	-	-
Net interest income		1,909	1,770	1,609
Dividend income	6	6	2	1
Fees and commissions receivable		1,101	909	777
Less: fees and commissions payable		(108)	(93)	(84)
Dealing profits	7	103	74	69
Other operating income	8	202	160	217
Other income		1,304	1,052	980
Total operating income		3,213	2,822	2,589
Before exceptional item		3,326	2,822	2,589
Deposit interest retention tax	5	(113)	-	-
Administrative expenses:				
Staff and other administrative expenses	9(a)	1,778	1,491	1,313
Integration costs in continuing businesses	9(b)	-	-	20
		1,778	1,491	1,333
Depreciation and amortisation	10	171	127	109
Total operating expenses		1,949	1,618	1,442
Group operating profit before provisions		1,264	1,204	1,147
Before exceptional item		1,377	1,204	1,147
Deposit interest retention tax	5	(113)	-	-
Provisions for bad and doubtful debts	25	133	85	126
Provisions for contingent liabilities and commitments		2	2	1
Amounts (written back)/written off fixed asset investments	11	(1)	5	7
Group operating profit – continuing activities		1,130	1,112	1,013
Before exceptional item		1,243	1,112	1,013
Deposit interest retention tax	5	(113)	-	-
Income from associated undertakings		3	3	4
Profit on disposal of property		5	2	32
Profit on disposal of business	13	-	15	-
Group profit on ordinary activities before taxation (carried forward)		1,138	1,132	1,049
Before exceptional item		1,251	1,132	1,049
Deposit interest retention tax	5	(113)	-	-

	Notes	2000 € m	1999 € m	1998 € m
Group profit on ordinary activities before taxation (brought forward)		1,138	1,132	1,049
Taxation on ordinary activities		318	327	315
Impact of phased reduction in Irish corporation tax rates on deferred tax balances		-	-	55
	15	318	327	370
Group profit on ordinary activities after taxation		820	805	679
Equity and non-equity minority interests in subsidiaries	16	38	28	29
Dividends on non-equity shares	17	20	16	17
		58	44	46
Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.		762	761	633
Dividends on equity shares	18	335	288	239
Transfer to reserves	46	70	45	32
		405	333	271
Profit retained	19&47	357	428	362
Earnings per € 0.32 ordinary share – basic	20(a)	89.0c	89.5c	74.7c
Earnings per € 0.32 ordinary share – adjusted	20(b)	104.0c	90.5c	81.1c
Earnings per € 0.32 ordinary share – diluted	20(c)	88.1c	88.0c	73.7c

L Quinn, Chairman. T P Mulcahy, Group Chief Executive. G Kennedy, Group Financial Director. W M Kinsella, Secretary.
The movements in the Group profit and loss account are shown in note 47.



Consolidated balance sheet

31 December 2000

	Notes	2000 € m	1999 € m
Assets			
Cash and balances at central banks		938	1,119
Items in course of collection		1,116	916
Central government bills and other eligible bills	21	297	718
Loans and advances to banks	22	4,193	3,831
Loans and advances to customers	23	45,880	39,171
Securitised assets		933	598
Less: non-returnable proceeds		(767)	(473)
	26	166	125
Debt securities	27	18,986	15,108
Equity shares	28	412	297
Interests in associated undertakings	29	8	22
Intangible fixed assets	31	466	468
Tangible fixed assets	32	1,127	1,039
Own shares	33	177	123
Other assets		1,708	1,071
Prepayments and accrued income		1,835	1,195
Long-term assurance business attributable to shareholders	34	238	166
		77,547	65,369
Long-term assurance assets attributable to policyholders	34	2,141	1,701
		79,688	67,070
Liabilities			
Deposits by banks	35	12,478	8,608
Customer accounts	36	48,437	42,335
Debt securities in issue	37	4,295	4,298
Other liabilities	38	3,079	2,360
Accruals and deferred income		1,665	1,294
Provisions for liabilities and charges	39	155	125
Deferred taxation	40	357	242
Subordinated liabilities	41	2,249	1,984
Equity and non-equity minority interests in subsidiaries	42	272	227
Shareholders' funds: non-equity interests	43	264	245
Called up ordinary share capital	44	281	277
Share premium account	45	1,620	1,594
Reserves	46	401	330
Profit and loss account	47	1,994	1,450
Shareholders' funds: equity interests		4,296	3,651
		77,547	65,369
Long-term assurance liabilities to policyholders	34	2,141	1,701
		79,688	67,070
Memorandum items			
Contingent liabilities:			
Acceptances and endorsements		147	143
Guarantees and assets pledged as collateral security		4,027	2,835
Other contingent liabilities		1,089	933
	49	5,263	3,911
Commitments:			
Commitments arising out of sale and option to resell transactions		257	188
Other commitments		15,855	14,118
	49	16,112	14,306

L Quinn, Chairman. T P Mulcahy, Group Chief Executive. G Kennedy, Group Financial Director. W M Kinsella, Secretary.

Balance sheet Allied Irish Banks, p.l.c.

31 December 2000

	Notes	2000 € m	1999 € m
Assets			
Cash and balances at central banks		412	379
Items in course of collection		177	207
Central government bills and other eligible bills	21	85	464
Loans and advances to banks	22	10,042	7,815
Loans and advances to customers	23	22,207	18,674
Debt securities	27	12,193	9,124
Equity shares	28	28	36
Shares in Group undertakings	30	1,457	1,368
Tangible fixed assets	32	531	507
Other assets		225	293
Deferred taxation	40	51	56
Prepayments and accrued income		1,507	922
		48,915	39,845
Liabilities			
Deposits by banks	35	20,391	15,235
Customer accounts	36	21,299	18,000
Debt securities in issue	37	392	704
Other liabilities	38	843	877
Accruals and deferred income		1,296	943
Provisions for liabilities and charges	39	17	16
Subordinated liabilities	41	1,501	1,294
Shareholders' funds: non-equity interests	43	264	245
Called up ordinary share capital	44	281	277
Share premium account	45	1,620	1,594
Reserves	46	132	131
Profit and loss account	47	879	529
Shareholders' funds: equity interests		2,912	2,531
		48,915	39,845
Memorandum items			
Contingent liabilities:			
Acceptances and endorsements		130	113
Guarantees and assets pledged as collateral security		2,428	1,633
Other contingent liabilities		515	515
	49	3,073	2,261
Commitments:			
Other commitments	49	6,881	5,907

Consolidated cash flow statement

for the year ended 31 December 2000

	Notes	2000 € m	1999 € m	1998 € m
Net cash inflow from operating activities		2,433	3,191	3,721
Dividends received from associated undertakings		–	2	3
Returns on investments and servicing of finance	52(a)	(184)	(108)	(110)
Equity dividends paid		(228)	(215)	(176)
Taxation	52(b)	(199)	(237)	(204)
Capital expenditure	52(c)	(3,004)	(1,405)	(2,774)
Acquisitions and disposals	52(d)	2	(391)	22
Financing	52(e)	164	640	67
(Decrease)/increase in cash	52(f)	(1,016)	1,477	549
Reconciliation of Group operating profit to net cash inflow from operating activities		2000 € m	1999 € m	1998 € m
Group operating profit		1,130	1,112	1,013
Increase in prepayments and accrued income		(607)	(20)	(279)
Increase in accruals and deferred income		355	351	41
Provisions for bad and doubtful debts		133	85	126
Provisions for contingent liabilities and commitments		2	2	1
Amounts (written back)/written off fixed asset investments		(1)	5	7
Increase in other provisions		11	1	–
Depreciation and amortisation		171	127	109
Amortisation of own shares		1	–	–
Profit on disposal of business		–	15	–
Interest on subordinated liabilities		155	95	82
Profit on disposal of debt securities and equity shares		(23)	(31)	(79)
Averaged gains on debt securities held for hedging purposes		(16)	(18)	(15)
Profit on disposal of associated undertakings		(5)	(3)	(14)
Amortisation of (discounts)/premiums on debt securities held as financial fixed assets		(2)	13	(15)
Increase in long-term assurance business		(72)	(47)	(33)
Net cash inflow from trading activities		1,232	1,687	944
Net increase in deposits by banks		3,621	479	2,602
Net increase in customer accounts		4,854	2,545	2,977
Net increase in loans and advances to customers		(5,812)	(5,398)	(4,111)
Net (increase)/decrease in loans and advances to banks		(1,015)	2,748	698
Decrease/(increase) in central government bills		445	(414)	(44)
Net (increase)/decrease in debt securities and equity shares held for trading purposes		(710)	(542)	379
Net (increase)/decrease in items in course of collection		(160)	192	(175)
Net (decrease)/increase in debt securities in issue		(266)	1,912	37
Net increase in notes in circulation		23	16	4
(Increase)/decrease in other assets		(595)	(289)	333
Increase in other liabilities		674	126	127
Effect of exchange translation and other adjustments		142	129	(50)
		1,201	1,504	2,777
Net cash inflow from operating activities		2,433	3,191	3,721

Statement of total recognised gains and losses

	2000 € m	1999 € m	1998 € m
Group profit attributable to the ordinary shareholders	762	761	633
Unrealised surplus on revaluation of property (note 32)	-	-	141
Currency translation differences on foreign currency net investments	113	281	(60)
Total recognised gains relating to the year	875	1,042	714

Reconciliation of movements in shareholders' funds: equity interests

	2000 € m	1999 € m	1998 € m
Group profit attributable to the ordinary shareholders	762	761	633
Dividends on equity shares	335	288	239
	427	473	394
Unrealised surplus on revaluation of property (note 32)	-	-	141
Other recognised gains/(losses) relating to the year	113	281	(60)
New ordinary share capital subscribed	27	28	26
Goodwill written back	-	1	-
Ordinary shares issued in lieu of cash dividend	78	39	29
Net addition to shareholders' funds: equity interests	645	822	530
Opening shareholders' funds: equity interests	3,651	2,829	2,299
Closing shareholders' funds: equity interests	4,296	3,651	2,829

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.

1 Turnover

Turnover is not shown as it resulted in the main from the business of banking.

						2000
	AIB Bank division	USA division	Capital Markets division	Poland division	Group	Total
2 Segmental information	€ m	€ m	€ m	€ m	€ m	€ m
Operations by business segments⁽¹⁾						
Net interest income before exceptional item	1,056	537	127	252	50	2,022
Other income	508	381	304	153	(42)	1,304
Total operating income before exceptional item	1,564	918	431	405	8	3,326
Total operating expenses	816	543	260	295	35	1,949
Provisions	56	38	18	23	(1)	134
Group operating profit before exceptional item	692	337	153	87	(26)	1,243
Income from associated undertakings	–	–	3	–	–	3
Profit on disposals	4	–	–	1	–	5
Group profit on ordinary activities before exceptional item	696	337	156	88	(26)	1,251
Deposit interest retention tax						(113)
Group profit on ordinary activities before taxation						1,138
Balance sheet						
Total loans	23,112	12,995	10,386	3,645	101	50,239
Total deposits	25,019	15,941	19,271	4,897	82	65,210
Total assets	29,607	20,458	23,218	6,054	351	79,688
Total risk weighted assets	21,133	20,318	14,837	3,655	279	60,222
Net assets	1,508	1,449	1,058	261	20	4,296
						1999
	AIB Bank division	USA division	Capital Markets division	Poland division	Group	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Operations by business segments⁽¹⁾						
Net interest income	932	506	141	139	52	1,770
Other income	422	296	270	87	(23)	1,052
Total operating income	1,354	802	411	226	29	2,822
Total operating expenses	724	463	239	154	38	1,618
Provisions	45	33	23	9	(18)	92
Group operating profit	585	306	149	63	9	1,112
Income from associated undertakings	–	1	2	–	–	3
Profit on disposals	2	–	–	–	15	17
Group profit on ordinary activities before taxation	587	307	151	63	24	1,132
Balance sheet						
Total loans	19,306	11,769	9,013	2,754	285	43,127
Total deposits	21,956	14,357	14,758	3,993	177	55,241
Total assets	25,008	17,834	18,675	4,990	563	67,070
Total risk weighted assets	17,919	16,898	11,375	2,838	245	49,275
Net assets	1,328	1,252	843	210	18	3,651

						1998
	AIB Bank division	USA division	Capital Markets division	Poland division	Group	Total
2 Segmental information (continued)	€ m	€ m	€ m	€ m	€ m	€ m
Operations by business segments⁽¹⁾						
Net interest income	844	490	116	95	64	1,609
Other income	385	334	213	62	(14)	980
Total operating income	1,229	824	329	157	50	2,589
Total operating expenses	656	492	186	95	13	1,442
Provisions	68	32	27	13	(6)	134
Group operating profit	505	300	116	49	43	1,013
Income from associated undertakings	–	2	2	–	–	4
Profit on disposals	32	–	–	–	–	32
Group profit on ordinary activities						
before taxation	537	302	118	49	43	1,049
Balance sheet						
Total loans	15,132	9,928	9,262	1,069	105	35,496
Total deposits	19,091	13,296	10,748	1,750	(45)	44,840
Total assets	19,417	15,596	16,496	2,068	143	53,720
Total risk weighted assets	14,005	13,940	9,961	1,188	19	39,113
Net assets	1,013	1,008	721	86	1	2,829

⁽¹⁾ The business segment information is based on management accounts information. Income on capital is allocated to the divisions on the basis of the capital required to support the level of risk weighted assets. Interest income earned on capital not allocated to divisions, the funding cost of the Bank Zachodni acquisition and central services costs are reported in Group.

						2000
	Republic of Ireland	United States of America	United Kingdom	Poland	Rest of the world	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Operations by geographical segments⁽²⁾						
Net interest income before exceptional item	791	568	392	269	2	2,022
Other income	570	336	243	151	4	1,304
Total operating income before exceptional item	1,361	904	635	420	6	3,326
Total operating expenses	770	557	327	292	3	1,949
Provisions	51	38	23	23	(1)	134
Group operating profit before exceptional item	540	309	285	105	4	1,243
Income from associated undertakings	3	–	–	–	–	3
Profit on disposals	3	–	1	1	–	5
Group profit on ordinary activities before exceptional item	546	309	286	106	4	1,251
Deposit interest retention tax						(113)
Group profit on ordinary activities before taxation						1,138
Balance sheet						
Total loans	24,027	13,018	9,545	3,645	4	50,239
Total deposits	29,055	17,585	13,672	4,897	1	65,210
Total assets	37,502	19,716	16,162	6,060	248	79,688
Net assets	1,746	1,477	794	261	18	4,296

						1999
	Republic of Ireland	United States of America	United Kingdom	Poland	Rest of the world	Total
2 Segmental information (continued)	€ m	€ m	€ m	€ m	€ m	€ m
Operations by geographical segments⁽²⁾						
Net interest income	754	514	350	149	3	1,770
Other income	483	299	182	86	2	1,052
Total operating income	1,237	813	532	235	5	2,822
Total operating expenses	690	473	291	154	10	1,618
Provisions	48	22	10	9	3	92
Group operating profit	499	318	231	72	(8)	1,112
Income from associated undertakings	2	1	–	–	–	3
Profit on disposals	16	–	1	–	–	17
Group profit on ordinary activities before taxation	517	319	232	72	(8)	1,132
Balance sheet						
Total loans	20,511	11,797	8,061	2,751	7	43,127
Total deposits	25,056	15,410	10,787	3,988	–	55,241
Total assets	30,970	18,137	12,721	5,000	242	67,070
Net assets	1,491	1,264	668	210	18	3,651

						1998
	Republic of Ireland	United States of America	United Kingdom	Poland	Rest of the world	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Operations by geographical segments⁽²⁾						
Net interest income	684	507	311	107	–	1,609
Other income	404	331	166	63	16	980
Total operating income	1,088	838	477	170	16	2,589
Total operating expenses	581	502	255	94	10	1,442
Provisions	53	33	20	13	15	134
Group operating profit	454	303	202	63	(9)	1,013
Income from associated undertakings	2	2	–	–	–	4
Profit on disposals	30	–	2	–	–	32
Group profit on ordinary activities before taxation	486	305	204	63	(9)	1,049
Balance sheet						
Total loans	18,044	10,020	6,186	1,070	176	35,496
Total deposits	20,620	13,833	8,562	1,750	75	44,840
Total assets	25,872	15,928	9,663	2,069	188	53,720
Net assets	1,242	1,015	471	87	14	2,829

⁽²⁾The geographical distribution of profit before taxation is based primarily on the location of the office recording the transaction.

Assets by segment

The fungible nature of liabilities within the banking industry inevitably leads to allocations of liabilities to segments, some of which are necessarily subjective. Accordingly, the directors believe that the analysis of total assets is more meaningful than the analysis of net assets.

	2000 € m	1999 € m	1998 € m
3 Other interest receivable and similar income			
Interest on loans and advances to banks	238	157	487
Interest on loans and advances to customers	3,544	2,683	2,559
Income from leasing and hire purchase contracts	205	169	148
	3,987	3,009	3,194

Income from leasing and hire purchase contracts has been accounted for as follows:

Investment period method	135	113	106
Sum of the digits method	70	56	42
	205	169	148

	2000 € m	1999 € m	1998 € m
4 Interest payable			
Interest on deposits by banks and customer accounts	2,701	1,818	2,159
Interest on debt securities in issue	249	159	116
Interest on subordinated liabilities	155	95	82
	3,105	2,072	2,357

5 Deposit interest retention tax ('DIRT')

On 3 October 2000, AIB announced that it had reached a full and final settlement with the Irish Revenue Commissioners of IR£90.04m (€ 114.33m) in relation to DIRT, interest and penalties in Ireland for the period April 1986 to April 1999. The settlement included IR£1.08m (€ 1.37m) paid in prior years. Although AIB believe that it had an agreement with the Revenue Commissioners in 1991 in relation to DIRT, the Board considered that concluding this settlement was in the best interests of shareholders, customers and staff. As a result an exceptional charge of IR£88.96m (€ 112.96m) has been reflected in the accounts for the year ended 31 December 2000.

6 Dividend income

The dividend income relates to income from equity shares.

	2000 € m	1999 € m	1998 € m
7 Dealing profits			
Foreign exchange contracts	69	30	52
Profits less losses from securities held for trading purposes	42	28	8
Interest rate contracts	(8)	16	9
	103	74	69

Dealing profits is a term prescribed by the European Communities (Credit Institutions: Accounts) Regulations, 1992. Dealing profits reflects trading income and excludes interest payable and receivable arising from these activities. Staff and other administrative expenses arising from trading activities are not included here but are included under the appropriate heading within administrative expenses (*note 9(a)*).

	2000 € m	1999 € m	1998 € m
8 Other operating income			
(Loss)/profit on disposal of debt securities held for investment purposes	(1)	16	73
Profit on disposal of investments in associated undertakings	5	3	14
Profit on disposal of equity shares	24	15	6
Contribution of life assurance company	95	64	49
Contribution from securitised assets (<i>note 26</i>)	4	3	5
Mortgage origination and servicing income	3	3	16
Miscellaneous operating income	72	56	54
	202	160	217

9 Administrative expenses

	2000 € m	1999 € m	1998 € m
(a) Staff and other administrative expenses			
Staff costs:			
Wages and salaries	934	785	697
Social security costs	85	68	69
Pension costs and other costs in respect of post-retirement benefits (<i>note 12</i>)	70	69	66
Other staff costs	55	48	35
	1,144	970	867
Other administrative expenses	634	521	446
	1,778	1,491	1,313

(b) Integration costs in continuing businesses

These costs relate to the integration of the business of Dauphin Deposit Corporation and First Maryland Bancorp.

	2000 € m	1999 € m	1998 € m
10 Depreciation and amortisation			
Depreciation of tangible fixed assets:			
Property depreciation	32	20	19
Equipment depreciation	113	99	90
	145	119	109
Amortisation of goodwill (<i>note 31</i>)	26	8	–
	171	127	109

	2000 € m	1999 € m	1998 € m
11 Amounts (written back)/written off fixed asset investments			
Debt securities	(1)	2	(4)
Equity shares	–	3	5
Interests in associated undertakings	–	–	6
	(1)	5	7

12 Pensions and other post-retirement benefits

The majority of the pension schemes operated by the Group are of the defined benefit type. However, the pension entitlements of staff joining the Group in the Republic of Ireland and the United Kingdom after January 1998 are determined on a defined contribution basis.

The total cost for the Group for 2000 was €64m (1999: €64m; 1998: €61m). The costs relating to all schemes have been assessed in accordance with the advice of independent qualified actuaries. The majority of the schemes are funded.

Independent actuarial valuations, for the main Irish and UK schemes, are carried out on a triennial basis by Mercer Ltd., Actuaries and Consultants. The last such valuation was carried out at 1 January 1998 using the Projected Unit Method. The principal actuarial assumptions used in the valuation were that the investment return would be 2.5% higher than the annual salary increases, before any scale increments, and 2.5% higher than the annual increase in present and future pensions where salary related, and 4% higher where inflation linked.

At the date of the most recent actuarial valuations, the market value of the assets of the main Irish and UK schemes was €2,709m and the actuarial value of the assets was sufficient to cover the benefits that had accrued to the members. The funding level allowing for future earnings increases was 117%. The employers' contribution rate over the average remaining service life of the members of the schemes takes account of this funding level. The actuarial valuations are available for inspection only to the members of the schemes.

The main US defined benefit scheme is valued annually and is fully funded. The obligation for pension benefits in respect of unfunded plans was €18m.

For defined contribution schemes the charge against profits was the amount of contributions payable to these schemes during the year ended 31 December 2000.

The Group provides certain post-retirement benefits for retired employees, primarily health care and life insurance benefits in the US. The cost of these benefits, including the amortisation of the accrued obligation at transition of €24m, is being charged to the profit and loss account over the average remaining service life of the employees eligible for the benefits. The total cost for the Group in respect of post-retirement benefits for 2000 was €6m (1999: €5m; 1998: €5m).

13 Profit on disposal of business

In October 1999, AIB's private banking and treasury operations in Singapore were sold to Keppel TatLee Bank Limited, giving rise to a profit before taxation on disposal of €15m (tax charge €4m).

14 Group profit on ordinary activities before taxation

		2000 € m	1999 € m	1998 € m
Is stated after:				
(i) Income:	Listed investments	651	443	375
	Unlisted investments	495	392	398
(ii) Expenses:	Operating lease rentals			
	Property	46	40	36
	Equipment	4	3	3
	Auditors' remuneration (including VAT):			
	Audit services: Statutory audit	1.7	1.3	1.8
	Audit related services	0.8	0.6	0.1
		2.5	1.9	1.9
	Non-audit services: IT consultancy	4.0	–	–
	Taxation services	1.0	1.0	0.4
	Other consultancy	0.8	0.4	–
		5.8	1.4	0.4

Audit services include fees for the statutory audits of the Group and fees for assignments which are of an audit nature. These fees include assignments where the auditors provide assurance to third parties.

In the year ended 31 December 2000, 70% of the total audit services fees (1999: 67%; 1998: 64%) and 56% of the non-audit services fees (1999 and 1998: 100%) were paid to overseas offices of the auditors.

The increase in non-audit services fees is primarily due to fees for a number of significant IT assignments. The Audit Committee has reviewed the level of non-audit services fees and is satisfied that it has not affected the independence of the Auditors. It is Group policy to subject all large consultancy assignments to competitive tender.

15 Taxation	2000 € m	1999 € m	1998 € m
Allied Irish Banks, p.l.c. and subsidiaries			
Corporation tax in Republic of Ireland			
Current tax on income for the period	69	107	110
Adjustments in respect of prior periods	(1)	–	–
	68	107	110
Double taxation relief	(15)	(14)	(10)
	53	93	100
Foreign tax			
Current tax on income for the period	146	120	117
Adjustments in respect of prior periods	(5)	1	11
	141	121	128
Stamp duty on section 84 interest	–	1	2
	194	215	230
Deferred taxation:			
On ordinary activities	124	112	85
Impact of phased reduction in Irish corporation tax rates on deferred tax balances ⁽¹⁾	–	–	55
	124	112	140
	318	327	370
Effective tax rate – adjusted	26.3% ⁽²⁾	28.9%	30.1% ⁽³⁾

⁽¹⁾In December 1998, the Minister for Finance announced a phased reduction in the Irish corporation tax rate, commencing 1 January 1999, to achieve a 12½% corporation tax rate for all trading income with effect from 1 January 2003. The Irish Finance Act 1999 provided for the reduction in the standard rate of corporation tax to 28% with effect from 1 January 1999, and to 24% with effect from 1 January 2000, with further reductions to 20% and 16% on 1 January 2001 and 2002 respectively. From 1 January 2000 the rate of corporation tax applying to non-trading income is 25%. Arising from the phased reduction in corporation tax rates, timing differences will reverse at rates of corporation tax lower than those provided for on origination. As a result, a charge of €55m was made in the year ended 31 December 1998.

⁽²⁾The adjusted effective tax rate has been presented to eliminate the effect of the deposit interest retention tax settlement (*note 5*).

⁽³⁾The adjusted effective tax rate has been presented to eliminate the effect of the deferred tax charge arising from the phased reduction in Irish corporation rates.

16 Equity and non-equity minority interests in subsidiaries	2000 € m	1999 € m	1998 € m
The profit attributable to minority interests is analysed as follows:			
Equity interest in subsidiaries	28	18	16
Non-equity interest in subsidiaries	10	10	13
	38	28	29
17 Dividends on non-equity shares			
Non-cumulative preference shares of US \$25 each			
Dividends paid and accrued*	20	16	17
Amortisation of issue costs	–	–	–
	20	16	17

* Includes an amount of €4m which has been accrued (1999: €4m; 1998: €3m).

18 Dividends on equity shares	2000	1999	1998	2000	1999	1998
	cent per €0.32 share			€ m	€ m	€ m
Ordinary shares of €0.32 each						
Interim dividend	13.50	11.85	10.28	117	102	88
Second interim dividend	–	–	17.78	–	–	152
Final dividend	25.25	21.85	–	221	188	–
	38.75	33.70	28.06	338	290	240
Employee share trusts ⁽¹⁾				(3)	(2)	(1)
				335	288	239

⁽¹⁾In accordance with Financial Reporting Standard No. 14 'Earnings per share' (FRS 14), dividends of € 3.4m (1999: € 2.0m; 1998: € 0.9m) arising on the shares held by certain employee share trusts (*note 33*) are excluded in arriving at profit before taxation and deducted from the aggregate of dividends paid and proposed.

19 Profit retained	2000	1999	1998
	€ m	€ m	€ m
The transfer to the profit and loss account is dealt with in the Group accounts as follows:			
Allied Irish Banks, p.l.c.	174	80	(30)
Subsidiary undertakings	180	348	391
Associated undertakings	3	–	1
	357	428	362

As permitted by Regulation 5, paragraph 2 of the European Communities (Credit Institutions: Accounts) Regulations, 1992, the profit and loss account of Allied Irish Banks, p.l.c. has not been presented separately.

20 Earnings per €0.32 ordinary share	2000	1999	1998
(a) Basic			
Group profit attributable to the ordinary shareholders ⁽¹⁾	€ 762m	€ 761m	€ 633m
Weighted average number of shares in issue during the year ⁽¹⁾	856.1m	850.6m	847.2m
Earnings per share	EUR 89.0c	EUR 89.5c	EUR 74.7c

⁽¹⁾In accordance with FRS 14 - 'Earnings per share', dividends arising on the shares held by the employee share trusts (*note 33*) are excluded in arriving at profit before taxation and deducted from the aggregate of dividends paid and proposed. The shares held by the trusts are excluded from the calculation of weighted average number of shares in issue.

(b) Adjusted	Earnings per €0.32 ordinary share		
	2000	1999	1998
	cent per €0.32 share		
As reported	89.0	89.5	74.7
Adjustments			
Deposit interest retention tax	12.0	–	–
Goodwill amortisation (<i>note 31</i>)	3.0	1.0	–
Impact of phased reduction in Irish corporation tax rates on deferred tax balances (<i>note 15</i>)	–	–	6.4
	104.0	90.5	81.1

The adjusted earnings per share figure has been presented to eliminate the effect of the deposit interest retention tax settlement in 2000, the goodwill amortisation in 2000 and 1999 and the deferred tax charge arising from the phased reduction in Irish corporation tax rates in 1998 (*note 15*).

20 Earnings per €0.32 ordinary share (continued)

(c) Diluted	2000	1999	1998
	<i>Number of shares (millions)</i>		
Weighted average number of shares in issue during the period	856.1	850.6	847.2
Dilutive effect of options outstanding	8.8	15.1	11.0
Diluted	864.9	865.7	858.2

The weighted average number of ordinary shares reflects the dilutive effect of options outstanding under the employee share trusts (note 33), the Executive Share Option Scheme (note 44) and the Allfirst Stock Option Plan (note 44).

	2000		1999	
	Book amount € m	Market value € m	Book amount € m	Market value € m
21 Central government bills and other eligible bills				
Group				
Held as financial fixed assets				
Treasury bills and similar securities	282	284	648	647
Held for trading purposes				
Treasury bills	15		70	
	297		718	
Allied Irish Banks, p.l.c.				
Held as financial fixed assets				
Treasury bills and similar securities	84	86	464	464
Held for trading purposes				
Treasury bills	1		-	
	85		464	

	Group € m	Allied Irish Banks, p.l.c. € m
Analysis of movements in central government bills and other eligible bills held as financial fixed assets		
At 1 January 2000	648	464
Exchange translation adjustments	18	3
Purchases	6,740	436
Disposals/maturities	(7,173)	(820)
Amortisation of discounts	49	1
At 31 December 2000	282	84

	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
22 Loans and advances to banks				
Funds placed with the Central Bank of Ireland	304	425	244	358
Funds placed with other central banks	385	383	4	5
Funds placed with other banks	3,504	3,023	9,794	7,452
	4,193	3,831	10,042	7,815
Analysed by remaining maturity:				
Repayable on demand	1,284	2,011	786	1,451
Other loans and advances by remaining maturity:				
Over 5 years	206	185	8	18
5 years or less but over 1 year	25	78	19	35
1 year or less but over 3 months	183	211	87	135
3 months or less	2,498	1,349	1,023	732
	4,196	3,834	1,923	2,371
General and specific bad and doubtful debt provisions (<i>note 25</i>)	3	3	-	-
	4,193	3,831	1,923	2,371
Due from subsidiary undertakings:				
Subordinated			123	123
Unsubordinated			7,996	5,321
			8,119	5,444
			10,042	7,815

	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
23 Loans and advances to customers				
Loans and advances to customers	42,159	36,028	21,963	18,466
Amounts receivable under finance leases	2,446	2,226	4	4
Amounts receivable under hire purchase contracts	846	704	-	-
Money market funds	429	213	240	204
	45,880	39,171	22,207	18,674
Analysed by remaining maturity:				
Over 5 years	15,577	12,370	6,619	4,299
5 years or less but over 1 year	15,902	13,204	5,116	4,009
1 year or less but over 3 months	6,629	5,686	2,564	2,574
3 months or less	8,641	8,679	4,989	5,489
	46,749	39,939	19,288	16,371
General and specific bad and doubtful debt provisions (<i>note 25</i>)	869	768	215	203
	45,880	39,171	19,073	16,168
Due from subsidiary undertakings:				
Subordinated			83	83
Unsubordinated			3,051	2,423
			3,134	2,506
			22,207	18,674
Of which repayable on demand or at short notice	9,108	8,105	7,273	6,216
Amounts include:				
Due from associated undertakings	-	-	-	-

The cost of assets acquired for letting under finance leases and hire purchase contracts amounted to €1,703m (1999: €1,882m).

	Group	
	2000 € m	1999 € m
Non-performing loans – Loans accounted for on a non-accrual basis		
AIB Bank division	232	234
USA division	87	53
Capital Markets division	29	30
Poland division	523	436
	871	753

24 Concentrations of credit risk	2000		1999	
	€ m	% of total loans⁽¹⁾	€ m	% of total loans⁽¹⁾
Construction and property				
Republic of Ireland ⁽²⁾	3,455	7.4	2,665	6.6
United States of America	2,862	6.1	2,556	6.4
United Kingdom	1,850	4.0	1,473	3.7
Poland	187	0.4	125	0.3
	8,354	17.9	6,819	17.0

The construction and property portfolio is well diversified across the Group's principal markets by spread of location and individual customer. In addition, the Group's outstandings are dispersed across the segments within the construction and property portfolio to ensure that the credit risk is widely spread.

	2000		1999	
	€ m	% of total loans⁽¹⁾	€ m	% of total loans⁽¹⁾
Residential mortgages				
Republic of Ireland ⁽²⁾	4,922	10.5	3,915	9.8
United States of America	705	1.5	691	1.7
United Kingdom	1,775	3.8	1,523	3.8
Poland	78	0.2	–	–
	7,480	16.0	6,129	15.3

The residential mortgage portfolio contains high quality lendings which are well diversified by borrower and are represented across the Group's principal markets.

⁽¹⁾Total loans are gross of provisions and unearned income and exclude money market funds.

⁽²⁾During 2000 a review of sector classifications in the Republic of Ireland was undertaken. The 1999 concentrations have been restated to reflect the impact of reclassifications in the Republic of Ireland following this review.

Notes to the accounts

25 Provisions for bad and doubtful debts	2000			1999		
	Specific € m	General € m	Total € m	Specific € m	General € m	Total € m
Group						
At 1 January	401	370	771	258	280	538
Exchange translation adjustments	17	16	33	17	26	43
Acquisition of Group undertakings	28	7	35	139	45	184
Charge against profit and loss account	-	133	133	-	85	85
Transfer to specific	106	(106)	-	66	(66)	-
Amounts written off	(132)	-	(132)	(107)	-	(107)
Recoveries of amounts written off in previous years	32	-	32	28	-	28
At 31 December	452	420	872	401	370	771
Amounts include:						
Loans and advances to banks (note 22)	3	-	3	3	-	3
Loans and advances to customers (note 23)	449	420	869	398	370	768
	452	420	872	401	370	771
Allied Irish Banks, p.l.c.						
At 1 January	75	128	203	75	106	181
Exchange translation adjustments	1	1	2	2	4	6
Charge against profit and loss account	-	44	44	-	42	42
Transfer to specific	23	(23)	-	24	(24)	-
Amounts written off	(47)	-	(47)	(40)	-	(40)
Recoveries of amounts written off in previous years	13	-	13	14	-	14
At 31 December (note 23)	65	150	215	75	128	203

The provisions for bad and doubtful debts in Allied Irish Banks, p.l.c. at 31 December 2000 and 1999 relate to loans and advances to customers only.

	2000			1999		
	Mortgages € m	Asset backed securities € m	Total € m	Mortgages € m	Asset backed securities € m	Total € m
26 Securitised assets						
Securitised assets	16	917	933	21	577	598
Less: non-returnable proceeds	-	(767)	(767)	-	(473)	(473)
	16	150	166	21	104	125

In September 1991 and July 1992, First Manufactured Housing Credit Corporation, a subsidiary of Allfirst, securitised and sold manufactured housing receivables amounting to US \$133m. At 31 December 2000, the manufactured housing receivables were serviced by outside parties for a fixed fee under subservicing arrangements. Credit recourse is generally limited to future servicing income and certain balances maintained in trust for the benefit of the investors.

In July 1999 and December 2000 a subsidiary company securitised and sold part of its Asset Backed Securities portfolio to a third party. Under the terms of the agreement AIB has the option to transfer additional assets to the third party. AIB is not obliged, nor does it intend, to support any losses in this portfolio in excess of the net amount recognised as an asset on the balance sheet.

The contribution from these securitised assets, included in other operating income, is analysed below.

	2000 € m	1999 € m	1998 € m
Net interest income	5	4	10
Other income	-	1	2
Total operating income	5	5	12
Total operating expenses	1	1	1
	4	4	11
Provisions for bad and doubtful debts	-	1	6
Contribution from securitised assets <i>(note 8)</i>	4	3	5

				2000
	Book amount	Gross unrealised gains	Gross unrealised losses	Market value
	€ m	€ m	€ m	€ m
27 Debt securities				
Group				
Held as financial fixed assets				
Issued by public bodies:				
Government securities	6,113	40	(51)	6,102
Other public sector securities	4,001	18	(24)	3,995
Issued by other issuers:				
Bank and building society certificates of deposit	395	1	–	396
Other debt securities	6,136	46	(14)	6,168
	16,645	105	(89)	16,661
Held for trading purposes				
Issued by public bodies:				
Government securities	431			431
Other public sector securities	904			904
Issued by other issuers:				
Bank and building society certificates of deposit	46			46
Other debt securities	960			960
	2,341			2,341
	18,986	105	(89)	19,002
<hr/>				
				1999
	Book amount	Gross unrealised gains	Gross unrealised losses	Market value
	€ m	€ m	€ m	€ m
Group				
Held as financial fixed assets				
Issued by public bodies:				
Government securities	6,674	34	(119)	6,589
Other public sector securities	3,833	3	(115)	3,721
Issued by other issuers:				
Bank and building society certificates of deposit	192	–	–	192
Other debt securities	2,827	8	(19)	2,816
	13,526	45	(253)	13,318
Held for trading purposes				
Issued by public bodies:				
Government securities	210			210
Other public sector securities	571			571
Issued by other issuers:				
Bank and building society certificates of deposit	80			80
Other debt securities	721			721
	1,582			1,582
	15,108	45	(253)	14,900

Market value is market price for quoted securities and directors' estimate for unquoted securities.

				2000
	Book amount	Gross unrealised gains	Gross unrealised losses	Market value
	€ m	€ m	€ m	€ m
27 Debt securities (continued)				
Allied Irish Banks, p.l.c.				
Held as financial fixed assets				
Issued by public bodies:				
Government securities	4,395	37	(37)	4,395
Other public sector securities	645	–	(1)	644
Issued by other issuers:				
Bank and building society certificates of deposit	278	–	–	278
Other debt securities	4,948	42	(11)	4,979
	10,266	79	(49)	10,296
Held for trading purposes				
Issued by public bodies:				
Government securities	97			97
Other public sector securities	901			901
Issued by other issuers:				
Bank and building society certificates of deposit	–			–
Other debt securities	929			929
	1,927			1,927
	12,193	79	(49)	12,223
<hr/>				
				1999
	Book amount	Gross unrealised gains	Gross unrealised losses	Market value
	€ m	€ m	€ m	€ m
Allied Irish Banks, p.l.c.				
Held as financial fixed assets				
Issued by public bodies:				
Government securities	4,878	32	(88)	4,822
Other public sector securities	720	1	(3)	718
Issued by other issuers:				
Bank and building society certificates of deposit	128	–	–	128
Other debt securities	1,955	8	(12)	1,951
	7,681	41	(103)	7,619
Held for trading purposes				
Issued by public bodies:				
Government securities	119			119
Other public sector securities	569			569
Issued by other issuers:				
Bank and building society certificates of deposit	34			34
Other debt securities	721			721
	1,443			1,443
	9,124	41	(103)	9,062

Market value is market price for quoted securities and directors' estimate for unquoted securities.

27 Debt securities (continued)

	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
Analysed by remaining maturity				
Due within one year	3,874	2,377	2,198	1,162
Due one year and over	15,112	12,731	9,995	7,962
	18,986	15,108	12,193	9,124
Analysed by listing status				
	2000		1999	
	Book amount € m	Market value € m	Book amount € m	Market value € m
Group				
Held as financial fixed assets				
Listed on a recognised stock exchange	10,848	10,876	8,383	8,317
Quoted elsewhere	4,797	4,785	4,308	4,166
Unquoted	1,000	1,000	835	835
	16,645	16,661	13,526	13,318
Held for trading purposes				
Listed on a recognised stock exchange	2,251		1,457	
Quoted elsewhere	7		26	
Unquoted	83		99	
	2,341		1,582	
	18,986		15,108	

Debt securities with a book value of €1,106m (1999: €1,690m) were pledged to secure public funds, trust deposits, funds transactions and other purposes required by law. Debt securities subject to repurchase agreements amounted to €1,761m (1999: €1,461m).

Subordinated debt securities included as financial fixed assets amounted to €5m at 31 December 2000 (1999: €6m).

The amount of unamortised discounts net of premiums on debt securities held as financial fixed assets amounted to €86m (1999: €21m).

The cost of debt securities held for trading purposes amounted to €2,346m (1999: €1,580m).

27 Debt securities (continued)

	2000		1999	
	Book amount € m	Market value € m	Book amount € m	Market value € m
Analysed by listing status				
Allied Irish Banks, p.l.c.				
Held as financial fixed assets				
Listed on a recognised stock exchange	9,550	9,585	7,412	7,351
Quoted elsewhere	448	443	141	140
Unquoted	268	268	128	128
	10,266	10,296	7,681	7,619
Held for trading purposes				
Listed on a recognised stock exchange	1,927		1,384	
Quoted elsewhere	–		25	
Unquoted	–		34	
	1,927		1,443	
	12,193		9,124	

Debt securities subject to repurchase agreements amounted to €928m (1999: €832m).

The amount of unamortised premiums net of discounts on debt securities held as financial fixed assets was €24m (1999: €78m).

The cost of debt securities held for trading purposes was €1,921m (1999: €1,440m).

	Cost € m	Discounts and premiums € m	Amounts written off € m	Book amount € m
Analysis of movements in debt securities held as financial fixed assets				
Group				
At 1 January 2000	13,536	(8)	(2)	13,526
Exchange translation adjustments	362	1	–	363
Purchases	10,889	–	–	10,889
Realisations/maturities	(8,355)	4	2	(8,349)
Transfers	213	–	–	213
Credit against profit and loss account (note 11)	–	–	1	1
Amortisation of discounts net of (premiums)	–	2	–	2
At 31 December 2000	16,645	(1)	1	16,645
Allied Irish Banks, p.l.c.				
At 1 January 2000	7,715	(34)	–	7,681
Exchange translation adjustments	(53)	–	–	(53)
Purchases	6,398	–	–	6,398
Realisations/maturities	(3,746)	18	–	(3,728)
Amortisation of (premiums) net of discounts	–	(32)	–	(32)
At 31 December 2000	10,314	(48)	–	10,266

	2000		1999	
	Book amount € m	Market value € m	Book amount € m	Market value € m
28 Equity shares				
Group				
Held as financial fixed assets				
Listed on a recognised stock exchange	175	165	149	151
Unquoted	189	193	86	94
	364	358	235	245
Held for trading purposes				
Listed on a recognised stock exchange	48		62	
	412		297	
Allied Irish Banks, p.l.c.				
Held as financial fixed assets				
Unquoted	1	1	1	1
Held for trading purposes				
Listed on a recognised stock exchange	27		35	
	28		36	

	Cost € m	Amounts written off € m	Book amount € m
Analysis of movements in equity shares held as financial fixed assets			
Group			
At 1 January 2000	256	(21)	235
Exchange translation adjustments	16	(1)	15
Transfer from associated undertakings (note 29)	23	-	23
Purchases	162	-	162
Disposals	(71)	-	(71)
At 31 December 2000	386	(22)	364

29 Interests in associated undertakings	2000	1999
	€ m	€ m
At 1 January	22	23
Exchange translation adjustments	2	3
Transfer to equity shares (<i>note 28</i>)	(23)	–
Purchases	4	1
Disposals	–	(5)
Profit retained	3	–
At 31 December	8	22

At 31 December 2000 and 1999 there were no provisions carried in respect of the Group's interests in associated undertakings.

The movements in the provisions are as follows:

	2000	1999
	€ m	€ m
At 1 January	–	7
Disposals	–	(7)
At 31 December	–	–

The Group's interests in associated undertakings, all of which are non-credit institutions, are unlisted and are held by subsidiary undertakings.

The exemption permitted by the European Communities (Credit Institutions: Accounts) Regulations, 1992, has been availed of and, in accordance with the regulations, Allied Irish Banks, p.l.c. will annex a full listing of associated undertakings to its annual return to the companies registration office.

30 Shares in Group undertakings	2000	1999
	€ m	€ m
Allied Irish Banks, p.l.c.		
At 1 January	1,368	1,152
Exchange translation adjustments	89	168
Additions	–	48
At 31 December	1,457	1,368
At 31 December		
Credit institutions	1,255	1,170
Other	202	198
Total – all unquoted	1,457	1,368

The shares in Group undertakings are included in the accounts on a historical cost basis.

Principal subsidiary undertakings incorporated in the Republic of Ireland

Principal subsidiary undertakings incorporated in the Republic of Ireland	Nature of business
AIB Capital Markets plc*	Banking and financial services
AIB Corporate Finance Limited	Corporate finance
AIB Finance Limited*	Industrial banking
AIB Leasing Limited	Leasing
AIB Fund Management Limited ^(a)	Unit trust management
AIB Investment Managers Limited ^(a)	Investment management
AIB International Financial Services Limited	International financial services
Ark Life Assurance Company Limited*	Life assurance and pensions business
Goodbody Holdings Limited	Stockbroking and corporate finance

* *Group interest is held directly by Allied Irish Banks, p.l.c.*

^(a)The Group's interests in AIB Fund Management Limited and AIB Investment Managers Limited are held through the Group's equity interest of 85.86% in AIB Asset Management Holdings Limited.

The above subsidiary undertakings are incorporated in the Republic of Ireland and are wholly-owned unless otherwise stated. The issued share capital of each undertaking is denominated in ordinary shares.

30 Shares in Group undertakings (continued)

Principal subsidiary undertakings incorporated outside the Republic of Ireland

	Nature of business
Allfirst Bank	Banking and financial services
<i>Registered office:</i> 25 South Charles Street, Baltimore, Maryland 21201, USA (Common stock shares of US \$10 each – Group interest 100%)	
AIB Group (UK) p.l.c. trading as First Trust Bank in Northern Ireland trading as Allied Irish Bank (GB) in Great Britain	Banking and financial services
<i>Registered office:</i> 4 Queen's Square, Belfast, BT1 3DJ	
AIB Bank (CI) Limited*	Banking services
<i>Registered office:</i> AIB House, Grenville Street, St. Helier, Jersey	
AIB Bank (Isle of Man) Limited*	Banking services
<i>Registered office:</i> 10 Finch Road, Douglas, Isle of Man	
AIB Asset Management Holdings Limited	Funds management
<i>Registered office:</i> Shackleton House, 4 Battle Bridge Lane, London SE1 2HR (Ordinary shares of Stg £0.01 each – Group interest 85.86%) (Cumulative redeemable preference shares of Stg £0.01 each – Group interest 100%)	
Wielkopolski Bank Kredytowy S.A.	Banking and financial services
<i>Registered office:</i> Plac Wolności 16, 60-967 Poznań, Poland (Ordinary shares of PLN 1.25 each – Group interest 60.14%)	
Bank Zachodni S.A.	Banking and financial services
<i>Registered office:</i> Rynek 9/11, 50-950 Wrocław, Poland (Ordinary shares of PLN 10 each - Group interest 83.01%)	

* Group interest is held directly by Allied Irish Banks, p.l.c.

The above subsidiary undertakings are wholly-owned unless otherwise stated. The registered office of each is located in the principal country of operation. The issued share capital of each undertaking is denominated in ordinary shares unless otherwise indicated.

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, Allied Irish Banks, p.l.c. will annex a full listing of subsidiary undertakings to its annual return to the companies registration office.

31 Intangible fixed assets	2000	1999
	€ m	€ m
Goodwill		
Cost at 1 January	476	–
Arising on acquisitions during the year	24	475
Exchange translation adjustments	–	1
At 31 December	500	476
Accumulated amortisation at 1 January	8	–
Charge for the year (<i>note 10</i>)	26	8
At 31 December	34	8
Net book value		
At 31 December	466	468

Intangible fixed assets comprise purchased goodwill arising on acquisition of subsidiary and associated undertakings. Prior to 1 January 1998 goodwill arising on acquisition of subsidiary and associated undertakings was taken directly to profit and loss account reserves. The goodwill arising on acquisitions during 2000 and 1999 is set out in the following table:

	2000	1999
	€ m	€ m
Bank Zachodni S.A.	24	465
Other	–	10
	24	475

31 Intangible fixed assets (continued)

Acquisition of majority interest in Bank Zachodni S.A. ('BZ')

On 16 September 1999, the Group acquired an 80% shareholding in Bank Zachodni S.A. ('BZ'), from the Polish State Treasury through the purchase of 22.4 million shares at a price of PLN 102 per share. The total acquisition cost of PLN 2.285 billion was payable in cash. Under its agreement with the Polish State Treasury, AIB agreed to invest a further PLN 250 million by 16 April 2000 of which PLN 150 million was invested on 15 October 1999 and PLN 100 million was invested on 12 April 2000. A further PLN 100 million was invested on 22 November 2000 increasing the Group's shareholding in BZ to 83%.

The assets and liabilities of BZ have been recorded at fair value in accordance with the accounting policies of the Group. In completing the accounts for the year ended 31 December 1999 the fair values of the assets and liabilities of BZ were recorded on a provisional basis. The fair values have now been finalised and these are reflected in the table below. The fair value of the consideration has been revised to reflect the capital injections during 2000. The adjustments to the fair value of the net assets acquired together with the investment of additional capital during 2000 give rise to a revised goodwill amount of €489m, of which €24m and €465m arose during 2000 and 1999 respectively.

	Book value € m	Adjustments		Fair value € m
		Revaluation € m	Other € m	
Cash and balances at central banks	205	–	–	205
Central government bills & other eligible bills	225	–	–	225
Loans and advances to banks	117	–	–	117
Loans and advances to customers	1,071	–	(115)	956
Debt securities	100	(1)	–	99
Equity shares	10	4	–	14
Tangible fixed assets	87	20	–	107
Other assets	51	–	(9)	42
Deposits by banks	(94)	2	–	(92)
Customers accounts	(1,472)	1	–	(1,471)
Deferred taxation	(3)	(2)	54	49
Other liabilities	(116)	–	(18)	(134)
Net assets	181	24	(88)	117
Investment of additional capital				81
				198
Minority interest in net assets				34
Group share of net assets acquired				164
Costs incurred in the acquisition				6
Fair value of consideration				647
Goodwill arising on the acquisition of BZ				489

Acquisition accounting has been adopted in respect of the acquisition of BZ. The above figures have been translated at an exchange rate of €1 = PLN 4.2995, the exchange rate prevailing at 16 September 1999. Goodwill arising has been capitalised on the balance sheet and will be written off over 20 years.

The fair value adjustments made on the acquisition of the majority interest in BZ arise as follows:

Revaluation adjustments

Debt securities were reduced by €1m and equity shares were increased by €4m to reflect their market value. Revaluation of tangible fixed assets gave rise to a surplus of €20m. Deposits by banks and customer accounts were reduced by €2m and €1m respectively to reflect their fair value. The increase in the deferred taxation liability relates to the deferred taxation impact of the above adjustments.

31 Intangible fixed assets (continued)

Other adjustments

Loans and advances to customers were decreased by €115m to bring the provisioning policy of BZ into line with that of the Group. The reduction in other assets reflects the elimination of intangible assets in the accounts of BZ. The adjustment to deferred taxation relates primarily to the tax effect of the adjustment to loans and advances to customers as well as bringing BZ's accounting policy for deferred taxation into line with that of the Group. The adjustment to other liabilities includes an accrual of €12m in respect of employee past service benefits which have been accumulated by BZ employees, and a provision of €5m in respect of contingent liabilities.

Revaluation and other adjustments arising during 2000

The following are the significant adjustments to the book values arising during 2000. Loans and advances to customers were decreased by €38m following a detailed review of the loan portfolio. The freehold and long leasehold property of BZ was revalued by external valuers, DTZ Sherry FitzGerald international property advisers, as at September 1999. Properties held as investment, for development, and surplus to requirements were valued on the basis of Open Market Value. Owner occupied properties were valued on the basis of Existing Use Value, with a Depreciated Replacement Cost valuation of adaptation works not reflected in the Existing Use Value. Both bases are in accordance with the Appraisal and Valuation Manual issued by the Society of Chartered Surveyors (SCS). Other liabilities were increased by €3m in respect of employee benefits and €3m in respect of contingent liabilities. The increase in the deferred tax asset reflects the deferred tax impact of the above adjustments.

The impact of the acquisition of BZ on the Group profit and loss account from the date of acquisition to 31 December 1999, including funding costs and amortisation of intangible assets, was as follows:

	1999 € m
Total operating income	39
Group operating profit before provisions	1
Group profit before taxation	(1)

				Property	Equipment	Total
	Freehold	Long leasehold	Leasehold under 50 years			
32 Tangible fixed assets	€ m	€ m	€ m	€ m	€ m	€ m
Group						
Cost or valuation at 1 January 2000	589	122	134	980		1,825
Additions	45	6	24	162		237
Acquisition of Group undertaking	20	-	-	-		20
Disposals	(19)	(1)	(6)	(89)		(115)
Exchange translation adjustments	22	-	5	31		58
At 31 December 2000	657	127	157	1,084		2,025
Accumulated depreciation at 1 January 2000	46	2	71	667		786
Depreciation charge for the year	18	4	10	113		145
Disposals	(2)	-	(3)	(51)		(56)
Exchange translation adjustments	4	-	2	17		23
At 31 December 2000	66	6	80	746		898
Net book value						
At 31 December 2000	591	121	77	338		1,127
At 31 December 1999	543	120	63	313		1,039

				Property	Equipment	Total
	Freehold	Long leasehold	Leasehold under 50 years	€ m	€ m	€ m
32 Tangible fixed assets (continued)	€ m	€ m	€ m			
Allied Irish Banks, p.l.c.						
Cost or valuation at 1 January 2000	279	111	36	459	885	
Additions	8	6	9	62	85	
Disposals	(1)	(1)	–	(4)	(6)	
Exchange translation adjustments	–	–	–	1	1	
At 31 December 2000	286	116	45	518	965	
Accumulated depreciation at 1 January 2000	4	2	19	353	378	
Depreciation charge for the year	7	3	3	45	58	
Disposals	–	–	–	(3)	(3)	
Exchange translation adjustments	–	–	–	1	1	
At 31 December 2000	11	5	22	396	434	
Net book value						
At 31 December 2000	275	111	23	122	531	
At 31 December 1999	275	109	17	106	507	

The net book value of property occupied by the Group for its own activities was € 751m (1999: € 692m).

The Group's freehold and long leasehold property was valued by external valuers, DTZ Sherry FitzGerald international property advisers, as at 31 December 1998. Properties held as investment, for development, and surplus to requirements were valued on the basis of Open Market Value. Owner occupied properties were valued on the basis of Existing Use Value, with a Depreciated Replacement Cost valuation of adaptation works not reflected in the Existing Use Value. Both bases are in accordance with the Appraisal and Valuation Manual issued by the Society of Chartered Surveyors (SCS). The external valuers have provided an additional valuation for a number of Group properties on the basis of Open Market Value for an alternative use, which, if recorded, would have resulted in a valuation of € 27m greater than the Existing Use Value provided. The Directors have adopted the transitional provisions of FRS 15 and therefore the valuation has not been updated.

The valuation exercise gave rise to a property revaluation surplus of € 141m of which € 128m arose in the parent company.

33 Own shares

Allfirst Financial, Inc. sponsors the Allfirst Stock Option Plans, for the benefit of key employees of Allfirst. Allfirst has lent US \$151m (1999: US \$106m) to a trust to enable it to purchase AIB ordinary shares in the form of American Depositary Shares in the open market. The shares purchased are used to satisfy options which have been granted to Allfirst employees. Proceeds of option exercises are used to repay the loan to the trust. Under the terms of the trust, the trustees receive dividends on the shares which are used to meet the expenses of the trust. Allfirst will provide funds as necessary to cover expenses net of dividend revenue. At 31 December 2000, 13.5 million ordinary shares (1999: 8.6 million) were held by the trust with a cost of € 162m (1999: € 108m) and a market value of € 170m (1999: € 90m).

In 1999, the Group sponsored a Save As You Earn Share Option Scheme, the AIB Group 1999 Sharesave Scheme for eligible employees in the UK. The trustees of the scheme have borrowed funds from Group companies, interest free, to enable them to purchase Allied Irish Banks, p.l.c. ordinary shares in the open market. These shares are used to satisfy commitments arising under the scheme. The trustees receive dividends on the shares which are used to meet the expenses of the scheme. The cost of providing these shares is charged to the profit and loss account on a systematic basis over the period that the employees are expected to benefit. At 31 December 2000, 1.4 million shares (1999: 1.4 million) were held by the trustees with a book value of € 15m (1999: € 17m) and a market value of € 17m (1999: € 16m).

In accordance with the requirements of UITF Abstract 13 the shares held by the above employee share schemes have been recognised on the balance sheet of the Group and the dividend income received by the schemes of € 3.4m (1999: € 2.0m) has been excluded in arriving at profit before taxation.

33 Own shares *(continued)*

In accordance with FRS 14 - Earnings per Share, the shares held by the Trusts are excluded from the earnings per share calculation. The accounting treatment is not intended to affect the legal characterisation of the transaction or to change the situation at law achieved by the parties to it. Thus, the inclusion of the shares on the Group balance sheet does not imply that they have been purchased by the company as a matter of law.

34 Long-term assurance business

The assets and liabilities of Ark Life Assurance Company Limited ('Ark Life') representing the value of the assurance business together with the policyholders' funds are:

	2000	1999
	€ m	€ m
Investments:		
Cash and short-term placings with banks	954	779
Debt securities	179	153
Equity shares	974	709
Property	43	30
	2,150	1,671
Value of investment in business	138	75
Other assets – net	91	121
	2,379	1,867
Long-term assurance liabilities to policyholders	(2,141)	(1,701)
Long-term assurance business attributable to shareholders	238	166
Represented by:		
Shares at cost	19	19
Reserves	218	149
Profit and loss account	1	(2)
	238	166

The increase in the value to the Group of Ark Life's long-term assurance and pensions business in force credited to the profit and loss account and included in other operating income amounted to €95m after grossing-up for taxation (1999: €64m; 1998: €49m).

35 Deposits by banks	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
Federal funds purchased	544	291	–	–
Securities sold under agreements to repurchase	1,484	514	1,165	509
Other borrowings from banks	10,450	7,803	19,226	14,726
	12,478	8,608	20,391	15,235
Of which:				
Domestic offices	7,396	5,893		
Foreign offices	5,082	2,715		
	12,478	8,608		
With agreed maturity dates or periods of notice, by remaining maturity:				
Over 5 years	429	260	299	143
5 years or less but over 1 year	260	385	65	99
1 year or less but over 3 months	792	1,195	694	986
3 months or less but not repayable on demand	6,837	5,691	6,341	5,459
	8,318	7,531	7,399	6,687
Repayable on demand	4,160	1,077	3,485	778
	12,478	8,608	10,884	7,465
Due to subsidiary undertakings			9,507	7,770
			20,391	15,235

Federal funds generally represent one-day transactions, a large portion of which arise because of Allfirst's market activity in federal funds for correspondent banks and other customers.

36 Customer accounts	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
Current accounts	12,701	9,609	6,008	4,398
Demand deposits	10,297	10,360	4,141	4,154
Time deposits	21,094	19,718	7,886	7,723
	44,092	39,687	18,035	16,275
Securities sold under agreements to repurchase	889	1,090	62	447
Other short-term borrowings	3,456	1,558	3,202	1,278
	4,345	2,648	3,264	1,725
	48,437	42,335	21,299	18,000
Of which:				
Non-interest bearing current accounts				
Domestic offices	4,655	3,987		
Foreign offices	4,515	3,787		
Interest bearing deposits, current accounts and short-term borrowings				
Domestic offices	16,552	14,657		
Foreign offices	22,715	19,904		
	48,437	42,335		
Analysed by remaining maturity:				
Over 5 years	601	640	170	136
5 years or less but over 1 year	2,005	1,557	439	526
1 year or less but over 3 months	3,679	2,701	872	419
3 months or less but not repayable on demand	19,161	17,701	9,238	7,775
	25,446	22,599	10,719	8,856
Repayable on demand	22,991	19,736	10,206	8,553
	48,437	42,335	20,925	17,409
Due to subsidiary undertakings			374	591
			21,299	18,000
Amounts include:				
Due to associated undertakings	2	2	2	2

Securities sold under agreements to repurchase are secured by Irish Government stock, US Treasury and US Government agency securities and mature within three months.

The aggregate market value of all securities sold under agreements to repurchase did not exceed 10% of total assets and the amount at risk with any individual counterparty or group of related counterparties did not exceed 10% of total stockholders' equity.

37 Debt securities in issue	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
Bonds and medium term notes:				
European medium term note programme	114	221	114	221
Allfirst adjustable rate federal home loan bank advances:				
due 4 December, 2000	-	199	-	-
due 20 August, 2001	215	199	-	-
	329	619	114	221
Other debt securities in issue:				
Master demand notes of Allfirst	323	330	-	-
Commercial paper	338	298	-	-
Commercial certificates of deposit	3,305	3,051	278	483
	3,966	3,679	278	483
	4,295	4,298	392	704

Analysed by remaining maturity				
Bonds and medium term notes:				
Over 5 years	-	42	-	42
5 years or less but over 1 year	114	333	114	134
1 year or less but over 3 months	215	237	-	38
3 months or less	-	7	-	7
	329	619	114	221
Other debt securities in issue:				
Over 5 years	-	-	-	-
5 years or less but over 1 year	200	9	44	3
1 year or less but over 3 months	2,136	1,533	234	82
3 months or less	1,630	2,137	-	398
	3,966	3,679	278	483
	4,295	4,298	392	704

38 Other liabilities	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
Notes in circulation	386	365	-	-
Taxation	121	166	69	114
Dividend (note 18)	221	188	221	188
Provisions for future commitments in relation to the funding of Icarom ⁽¹⁾	94	104	94	104
Short positions in securities	379	65	53	37
Other	1,878	1,472	406	434
	3,079	2,360	843	877

⁽¹⁾The provisions represent the present value of the cost of the future commitments arising under the 1985 and 1992 agreements in relation to the funding of Icarom. Discount rates of 5.95% and 6.35% were applied in the year ended 31 December 1993, in discounting the cost of the future commitments arising under the 1985 and 1992 agreements respectively. The undiscounted amount of the cost of the future commitments relating to these two agreements amounted to € 134m (1999: € 150m).

	Pension and similar obligations € m	Contingent liabilities and commitments € m	Other € m	Total € m
39 Provisions for liabilities and charges				
Group				
At 1 January 2000	91	13	21	125
Exchange translation adjustments	5	1	2	8
Acquisition of Group undertakings	–	3	–	3
Profit and loss account charge	70	2	11	83
Provisions utilised	(54)	(3)	(7)	(64)
At 31 December 2000	112 ⁽¹⁾	16	27	155
Allied Irish Banks, p.l.c.				
At 1 January 2000	6	5	5	16
Profit and loss account charge/(credit)	34	(1)	2	35
Provisions utilised	(33)	–	(1)	(34)
At 31 December 2000	7 ⁽¹⁾	4	6	17

⁽¹⁾Included in this figure is a provision in respect of commitments to pay annual pensions amounting to €97,543 in aggregate to a number of former directors.

	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
40 Deferred taxation				
Deferred taxation liabilities and (assets) in the accounts amount to:				
Short-term timing differences	(116)	(159)	(37)	(38)
Capital allowances on:				
Assets leased to customers	465	397	–	1
Assets used in the business	19	18	(3)	(5)
Timing differences on provisions for future commitments in relation to the funding of Icarom plc (under Administration)	(11)	(14)	(11)	(14)
	357	242	(51)	(56)

Due to the availability of roll-over relief and the expectation that the greater portion of land and buildings will be retained by the Group, no provision is made for taxation which might arise on disposal of properties at their revalued amounts.

	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
Analysis of movements in deferred taxation				
At 1 January	242	164	(56)	(43)
Exchange translation and other adjustments	(1)	7	–	(2)
Acquisition of Group undertakings	(8)	(41)	–	–
Profit and loss account taxation charge/(credit)	124	112	5	(11)
At 31 December	357	242	(51)	(56)

41 Subordinated liabilities	2000	1999
	€ m	€ m
Allied Irish Banks, p.l.c.		
Undated loan capital	413	397
Dated loan capital	1,088	897
	1,501	1,294
Allfirst Financial Inc.		
Dated loan capital	745	688
Wielkopolski Bank Kredytowy S.A.		
Dated loan capital	3	2
	2,249	1,984
Undated loan capital		
US \$100m Floating Rate Notes, Undated	107	99
US \$100m Floating Rate Primary Capital Perpetual Notes, Undated	108	100
€ 200m Fixed Rate Perpetual Subordinated Notes	198	198
	413	397
Dated loan capital		
Allied Irish Banks, p.l.c.		
European Medium Term Note Programme:		
US \$130m Floating Rate Notes due September 2006	140	129
US \$150m Floating Rate Notes due October 2006	161	149
US \$250m Floating Rate Notes due January 2010	268	248
IR £35.5m Floating Rate Notes due February 2007	45	45
IR £29.6m 7.25% Fixed Rate Notes due October 2007	38	38
Stg £35m 8% Fixed Rate Notes due October 2007	56	57
NLG 71m 6.7% Fixed Rate Notes due August 2009	32	32
€ 250m Floating Rate Notes due January 2010	248	199
€ 100m Floating Rate Notes due August 2010	100	-
	1,088	897
Allfirst Financial Inc.		
US \$100m 8.375% Fixed Rate Subordinated Notes due May 2002	107	99
US \$200m 7.2% Fixed Rate Subordinated Notes due July 2007	214	198
US \$100m 6.875% Fixed Rate Subordinated Notes due June 2009	106	98
US \$150m Floating Rate Subordinated Capital Income Securities due January 2027	159	147
US \$150m Floating Rate Subordinated Capital Income Securities due February 2027	159	146
	745	688
Wielkopolski Bank Kredytowy S.A.		
PLN 10m Fixed Rate Loan due July 2002	3	2
	1,836	1,587
The dated loan capital outstanding is repayable as follows:		
In one year or less, or on demand	-	-
Between 1 and 2 years	110	-
Between 2 and 5 years	-	101
In 5 years or more	1,726	1,486
	1,836	1,587

The loan capital of the Bank is unsecured and is subordinated in right of payment to the ordinary creditors, including depositors, of the Bank.

41 Subordinated liabilities (continued)

The US \$ Undated Floating Rate Loan capital notes have no final maturity but may be redeemed at par at the option of the Bank in or after November 1990 and July 1998 respectively. Interest is payable semi-annually on the US \$100m Undated Floating Rate Notes and quarterly on the US \$100m Floating Rate Primary Capital Perpetual Notes. The € 200m Fixed Rate Perpetual Subordinated Notes, with interest payable annually, have no final maturity but may be redeemed at the option of the Bank on each coupon payment date on or after 3 August 2009.

The European Medium Term Note Programme is subordinated in right of payment to the ordinary creditors, including depositors, of the Bank. The US \$130m Floating Rate Notes, the US \$150m Floating Rate Notes and the US \$250m Floating Rate Notes, with interest payable quarterly, may be redeemed, in whole but not in part, on any interest payment date falling in or after September 2001, October 2001 and January 2005, respectively. The IR £35.5m Floating Rate Notes, with interest payable quarterly, may be redeemed, in whole but not in part, on any interest payment date falling in February 2002 or any interest payment date thereafter subject to giving no less than fourteen business days notice to noteholders. The IR £29.6m Fixed Rate Notes and the Stg £35m Fixed Rate Notes, with interest payable semi-annually, are redeemable, in whole but not in part, on 1 October 2002 and 31 October 2002, respectively. The NLG 71m Fixed Rate Notes, with interest payable annually, may be redeemed, in whole but not in part, on 20 August 2004. The € 250m Floating Rate Notes, with interest payable quarterly, may be redeemed, in whole but not in part, in or after January 2005. The € 100m Floating Rate Notes, with interest payable quarterly, may be redeemed, in whole but not in part, on the interest payment date falling in August 2005.

The 8.375% and 7.2% Fixed Rate Subordinated Notes and the Floating Rate Subordinated Capital Income Securities of Allfirst are subordinated in right of payment to the ordinary creditors of Allfirst. The 8.375% Fixed Rate Subordinated Notes, with interest payable semi-annually, are not redeemable prior to maturity. The 7.2% Fixed Rate Subordinated Notes, with interest payable semi-annually, may not be redeemed prior to maturity and are not subject to any sinking fund. The 6.875% Fixed Rate Subordinated Notes mature on 1 June 2009, with interest payable semi-annually and are not redeemable prior to maturity. The US \$150m Floating Rate Subordinated Capital Income Securities due January 2027, with interest payable quarterly, are redeemable in whole or in part on or after 15 January 2007, or at any time, in whole but not in part, upon the occurrence of a special event. The US \$150m Floating Rate Subordinated Capital Income Securities due February 2027, with interest payable quarterly, are redeemable in whole or in part on or after 1 February 2007, or at any time, in whole but not in part, upon the occurrence of a special event. In either case such redemption is subject to the necessary prior approval of the Federal Reserve and the Central Bank of Ireland.

There is no exchange exposure as the proceeds of these notes are retained in their respective currencies.

42 Equity and non-equity minority interests in subsidiaries	2000 € m	1999 € m
Equity interest in subsidiaries	158	122
Non-equity interest in subsidiaries:		
Allfirst Financial, Inc.:		
Cumulative preferred stock ⁽¹⁾	9	8
Floating rate non-cumulative subordinated capital trust enhanced securities ⁽²⁾	105	97
	114	105
	272	227

⁽¹⁾Allfirst issued 90,000 cumulative preference shares of US \$5 par value each on 28 June 1997. These shares have a liquidation preference of US \$100 each and the holders are subject to dividend entitlements at a rate of 4.5% per annum on the liquidation preference amount. The preference shares are redeemable at the option of the issuer and the holder during the period commencing 1 July 2002 and ending on 30 June 2003 and are subordinated in right of payment to the ordinary creditors of Allfirst.

⁽²⁾ Allfirst issued 100,000 floating rate non-cumulative subordinated capital trust enhanced securities through a subsidiary on 13 July 1999. The distribution rate on the securities is three month LIBOR plus 1.5% of the stated liquidation amount of US \$1,000 per security, reset quarterly.

43 Shareholders' funds: non-equity interests	2000 € m	1999 € m
Called up preference share capital		
Non-cumulative preference shares of US \$25 each		
Authorised: 20.0 million shares (1999: 20.0 million)		
Issued: 0.25 million shares (1999: 0.25 million)	264	245
Non-cumulative preference shares of €1.27 each		
Authorised: 200.0 million shares (1999: 200.0 million)		
Issued: Nil	-	-
Non-cumulative preference shares of Stg £1 each		
Authorised: 200.0 million shares (1999: 200.0 million)		
Issued: Nil	-	-
Non-cumulative preference shares of Yen 175 each		
Authorised: 200.0 million shares (1999: 200.0 million)		
Issued: Nil	-	-
	264	245

On 5 May 1998, 250,000 non-cumulative preference shares of US \$25 each were issued at a price of US \$995.16 per share raising US \$248.8m before expenses. The holders of the non-cumulative preference shares are entitled to a non-cumulative preferential dividend, payable quarterly in arrears, at a floating rate equal to 3 month dollar LIBOR plus 0.875% on the liquidation preference amount of US \$1,000. The preference shares are redeemable at the option of the Bank, and with the agreement of the Central Bank of Ireland on or after 15 July 2008 (i) in whole or in part or (ii) prior to that date in certain circumstances in whole, but not in part. In each case, the preference shares will be redeemed at a price equal to US \$1,000 per share (consisting of a redemption price of US \$995.16 plus a special dividend of US \$4.84 per share), plus accrued dividends.

44 Called up ordinary share capital	2000	1999
	€ m	€ m
Authorised: Ordinary shares of €0.32 each	371	371
Issued and fully paid: Ordinary shares of €0.32 each		
At 1 January	277	273
Capitalisation of reserves on renominatisation of share capital	–	2
Other – see below	4	2
At 31 December	281	277

At the 1999 Annual General Meeting, shareholders resolved to redenominate the Company's Ordinary Shares of IR 25p each into euro units, and to renominalise those shares as shares of €0.32 each, resulting in the capitalisation, from reserves, of €2.2 million.

During the year ended 31 December 2000 the issued ordinary share capital was increased from 865,997,596 to 879,207,610 ordinary shares as follows:

- (a) under the dividend reinvestment plan 6,163,129 shares were allotted to shareholders, at €8.60 per share, in respect of the final dividend for the year ended 31 December 1999 and 2,625,046 shares were allotted to shareholders at €9.40 per share, in respect of the interim dividend for the year ended 31 December 2000. These allotments were made in lieu of dividends amounting to €77.7m;
- (b) by the issue of 2,266,171 shares to the trustees of the employees' profit sharing schemes at €7.85 per share; the consideration received for these shares was €17.8m;
- (c) by the issue of 1,951,248 shares to participants in the executive share option scheme at prices of €2.64, €3.36, €3.38, €3.68, €4.19, €5.80 and €6.25 per share; the consideration received for these shares was €7.7m;
- (d) by the issue of 204,420 shares to holders of Dauphin Deposit Corporation (now 'Allfirst') stock options, which were converted, on the acquisition of Dauphin, into options to purchase AIB American Depositary Shares. The consideration received for these shares was €1.7m.

Dividend reinvestment plan

At the 1999 Annual General Meeting, the directors were given authority for a five year period to offer shareholders the right to elect to receive additional ordinary shares in lieu of cash dividends. The price at which such shares are offered is the average of the middle market quotations of the Bank's shares on the Irish Stock Exchange for the five business days commencing on the first date on which the shares are quoted 'ex-dividend'.

Employee share schemes

The Company operates employee profit sharing schemes on terms approved by the shareholders. All employees, including executive directors, of the company and certain subsidiaries are eligible to participate, subject to a minimum of one year's continuous service at the end of the relevant financial period and subject also to their being in employment on the date on which the invitation to participate is issued. Under the schemes, the directors at their discretion may set aside each year, for allocation to the trustees of the schemes, a sum not exceeding 5% of eligible profits of participating companies in the Republic of Ireland and 4% of such profits in the UK. Employees may elect to receive their profit sharing allocations either in shares or in cash. The maximum market value of shares that may be appropriated to any employee in a year may not exceed € 12,697 (IR £10,000) in the Republic of Ireland or Stg £8,000 in the UK. Such shares are held by the trustees for a minimum period of two years and are required to be held for a total period of three years for the employee to obtain the maximum tax benefit.

Employees in the Republic of Ireland may elect to forego an amount of salary, subject to certain limitations, towards the acquisition of additional shares. The maximum market value of shares that may be appropriated to an employee in a year, in respect of profit sharing and the salary foregone option, may not exceed € 12,697 (IR £10,000).

In 1999 the Company introduced a Save As You Earn Share Option Scheme for eligible employees in the UK. Under that Scheme employees may opt to save fixed amounts on a regular basis, over a three-year period, subject to a maximum monthly saving of Stg £250 per employee, and to utilise amounts so saved in the acquisition of market-purchased shares in the Company.

44 Called up ordinary share capital (continued)

Executive share option scheme

The Company operates a share option scheme on terms approved by the shareholders. Officials may participate in the scheme at the discretion of the directors. Options are granted at the market price, being the middle market quotation of the Bank's shares on the Irish Stock Exchange on the day preceding the date on which the option is offered. The exercise of options granted since 1 January 1996 is conditional upon earnings per share showing growth of at least 2% per annum compound above the increase in the Consumer Price Index over a period of not less than three and not more than five years. Options may not be transferred or assigned and may be exercised only between the third and seventh anniversaries of their grant. At 31 December 2000, options were held by some 2,550 participants over 29,379,228 ordinary shares in aggregate (3.3% of the issued ordinary share capital) at prices ranging from €3.32 to €15.46 per share; these options may be exercised at various dates up to 5 May 2007.

Allfirst Financial, Inc. stock option plan

Under the terms of the Agreement and Plan of Merger between the Company, First Maryland Bancorp (now 'Allfirst') and Dauphin Deposit Corporation ('Dauphin', now 'Allfirst'), approved by shareholders at the 1997 Annual General Meeting, options to purchase Dauphin shares which were outstanding immediately prior to the merger were converted, at the holders' elections, into either cash or options to purchase a similar number of AIB American Depositary Shares. At 31 December 2000, options so converted were outstanding over 1,268,174 ordinary shares.

Limitations on profit sharing and executive share option schemes

Under the terms of the employees' profit sharing schemes, the aggregate number of shares which may be purchased/held by the trustees may not exceed 10% of the issued ordinary share capital. The aggregate number of shares issued under the Executive Share Option Scheme may not exceed 5% of the issued ordinary share capital. The company complies with guidelines issued by the Irish Association of Investment Managers in relation to those schemes.

	Group € m	Allied Irish Banks, p.l.c. € m
45 Share premium account		
At 1 January 2000	1,594	1,594
Premium arising on shares issued under:		
Employees' profit sharing schemes	17	17
Executive share option scheme	7	7
Allfirst Financial, Inc. stock option plan	2	2
At 31 December 2000	1,620	1,620
46 Reserves		
At 1 January 2000		
Capital reserves	182	–
Revaluation reserves	148	131
	330	131
Transfer from profit and loss account:		
Non-distributable reserves of Ark Life	70	–
Exchange translation and other adjustments	1	1
At 31 December 2000	401	132
At 31 December 2000		
Capital reserves	253	–
Revaluation reserves	148	132
	401	132

47 Profit and loss account	Group	Allied Irish Banks, p.l.c.
	€ m	€ m
At 1 January 2000		
Allied Irish Banks, p.l.c. and subsidiaries	1,447	529
Associated undertakings	3	–
	1,450	529
Profit retained for the year	357	174
Dividend reinvestment plan	75	75
Exchange translation adjustments	112	101
At 31 December 2000	1,994	879
At 31 December 2000		
Allied Irish Banks, p.l.c. and subsidiaries	1,990	
Associated undertakings	4	
	1,994	

The cumulative goodwill arising on acquisitions of subsidiary and associated undertakings which are still part of the Group, and charged against profit and loss account reserves of the Group, amounted to €1,670m at 31 December 2000 (1999: €1,570m).

48 Repurchase of ordinary shares

In September 1997, a subsidiary undertaking purchased 5.6 million ordinary shares of €0.32 each of Allied Irish Banks, p.l.c. on the open market at a price of €7.30 per share. The purchase was undertaken at foot of a resolution approved by shareholders at the Annual General Meeting held on 21 May 1997. In accordance with the Companies Act, 1990 the cost of the purchase of these shares, €42m including related expenses of €0.8m, has been deducted from distributable reserves. The issued ordinary share capital of Allied Irish Banks, p.l.c. continues to include these shares (nominal value €1.8m) as they have not been cancelled. The shares do not rank for dividend as the related dividend entitlements have been waived. The weighted average number of shares in the earnings per share calculation has been reduced to reflect the purchase of these shares.

49 Memorandum items: contingent liabilities and commitments

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk to meet the financing needs of customers.

These instruments involve, to varying degrees, elements of credit risk which are not reflected in the consolidated balance sheet. Credit risk is defined as the possibility of sustaining a loss because the other party to a financial instrument fails to perform in accordance with the terms of the contract.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The risk weighted amount is obtained by applying credit conversion factors and counterparty risk weightings in accordance with the Central Bank of Ireland's guidelines implementing the EC Own Funds and Solvency Ratio Directives.

The Group uses the same credit control and risk management policies in undertaking off-balance sheet commitments as it does for on balance sheet lending.

The following tables on pages 85 and 86 give, for the Group and Allied Irish Banks, p.l.c., the nominal or contract amounts and the risk weighted credit equivalent of contingent liabilities and commitments.

49 Memorandum items: contingent liabilities and commitments <i>(continued)</i>	2000		1999	
	Contract amount € m	Risk weighted amount € m	Contract amount € m	Risk weighted amount € m
Group				
Contingent liabilities				
Acceptances and endorsements	147	137	143	132
Guarantees and assets pledged as collateral security:				
Guarantees and irrevocable letters of credit	3,995	3,554	2,798	2,566
Assets pledged as collateral security	32	3	37	4
	4,027	3,557	2,835	2,570
Other contingent liabilities	1,089	546	933	476
	5,263	4,240	3,911	3,178
Commitments				
Sale and option to resell transactions	257	257	188	188
Other commitments:				
Documentary credits and short-term trade-related transactions	179	42	169	29
Forward asset purchases and forward deposits placed	83	82	–	–
Undrawn note issuance and revolving underwriting facilities	36	9	116	25
Undrawn formal standby facilities, credit lines and other commitments to lend:				
1 year and over	7,532	3,615	6,639	3,172
Less than 1 year ⁽¹⁾	8,025	–	7,194	–
	15,855	3,748	14,118	3,226
	16,112	4,005	14,306	3,414
	21,375	8,245	18,217	6,592

⁽¹⁾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.

49 Memorandum items: contingent liabilities and commitments <i>(continued)</i>	2000		1999	
	Contract amount € m	Risk weighted amount € m	Contract amount € m	Risk weighted amount € m
Allied Irish Banks, p.l.c.				
Contingent liabilities				
Acceptances and endorsements	130	130	113	113
Guarantees and irrevocable letters of credit	2,428	2,359	1,633	1,576
Other contingent liabilities	515	257	515	257
	3,073	2,746	2,261	1,946
Commitments				
Other commitments:				
Documentary credits and short-term trade-related transactions	88	18	107	21
Undrawn note issuance and revolving underwriting facilities	20	1	72	4
Undrawn formal standby facilities, credit lines and other commitments to lend:				
1 year and over	3,527	1,673	2,558	1,185
Less than 1 year ⁽¹⁾	3,246	–	3,170	–
	6,881	1,692	5,907	1,210
	9,954	4,438	8,168	3,156

⁽¹⁾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.

There exists a contingent liability to repay in whole or in part grants received on equipment leased to customers if certain events set out in the agreements occur.

Allied Irish Banks, p.l.c. has given guarantees in respect of the liabilities of certain of its subsidiaries and has also given guarantees for the satisfaction of the relevant regulatory authorities for the protection of the depositors of certain of its banking subsidiaries in the various jurisdictions in which such subsidiaries operate.

Charges in respect of the exchange of euro-zone currencies

On 28 June 2000 the Commission of the European Communities served a Statement of Objections and initiated proceedings under Article 81 of the Treaty establishing the European Community against AIB (together with Bank of Ireland, TSB Bank, Irish Life and Permanent plc, Ulster Bank Limited, National Irish Bank Limited, ACC Bank plc, the Irish Bankers' Federation and the Irish Mortgage and Savings Association (together with AIB the 'Addressees')).

It is understood that similar cases have been initiated against banks in Belgium, Portugal, Finland, the Netherlands, Germany and Austria. In its Statement of Objections the Commission alleges that the Addressees agreed to fix prices in Ireland for the exchange of banknotes of euro-zone currencies following the introduction of the euro as the single currency of the eleven participating Member States of the European Union. Defences have been filed by all the Addressees denying the alleged breach and contesting the Commission's allegations. In accordance with the Commission's procedure in cases of this nature an oral hearing at which the Addressees reiterated and elaborated upon their defences was held in Brussels on 13 and 14 November 2000. The Commission will now consider the defences of the Addressees. Having done so the Commission may decide to close its file without further action or may issue a decision that, either intentionally or negligently, there has been an infringement of Article 81. It may reach such a decision and impose no fine or it may impose fines of up to a maximum of €1 million or a greater sum not exceeding 10% of the turnover in the preceding business year of the enterprises in question. An appeal would lie against any such decision by the Commission to the Court of First Instance of the European Communities.

50 Derivatives

The Group's objectives, policies and strategies in managing the risks that arise in connection with the use of financial instruments, including derivative financial instruments, are set out on pages 20 to 31 of the Financial Review.

The Group uses derivatives to service customer requirements, to manage the Group's interest, exchange rate and equity exposures and for trading purposes. Derivative instruments are contractual agreements whose value is derived from price movements in underlying assets, interest rates, foreign exchange rates or indices.

These instruments involve, to varying degrees, elements of market risk and credit risk which are not reflected in the consolidated balance sheet. Market risk is the exposure to potential loss through holding interest rate, exchange rate and equity positions in the face of absolute and relative price movements, interest rate volatility, movements in exchange rates and shifts in liquidity. Credit risk is the exposure to loss should the counterparty to a financial instrument fail to perform in accordance with the terms of the contract.

While notional principal amounts are used to express the volume of derivative transactions, the amounts subject to credit risk are much lower because derivative contracts typically involve payments based on the net differences between specified prices or rates. Credit risk arises to the extent that the default of a counterparty to the derivative transaction exposes the Group to the need to replace existing contracts at prices that are less favourable than when the contract was entered into. The potential loss to the Group is known as gross replacement cost. For risk management purposes, consideration is taken of the fact that not all counterparties to derivative positions are expected to default at the point where the Group is most exposed to them.

For derivatives, credit risk is calculated as the positive mark to market value for each contract plus an estimate of the additional credit risk that may arise over the contract's remaining life from an adverse movement in the value of the underlying asset or index. Any breach of credit risk limits on derivative contracts is reported to line management and reviewed by the appropriate credit authority. The counterparty credit exposure on derivatives is amalgamated with all other exposures to the counterparty to provide a comprehensive statement of individual counterparty risk.

The following tables present the notional principal amount and the gross replacement cost of interest rate, exchange rate and equity contracts at 31 December 2000 and 1999.

	Group		Allied Irish Banks, p.l.c.	
	2000 € m	1999 € m	2000 € m	1999 € m
Interest rate contracts⁽¹⁾				
Notional principal amount	130,945	129,571	126,502	123,416
Gross replacement cost	875	839	836	792
	€ m	€ m	€ m	€ m
Exchange rate contracts⁽¹⁾				
Notional principal amount	26,877	24,477	20,528	20,767
Gross replacement cost	901	769	499	656
	€ m	€ m	€ m	€ m
Equity contracts⁽¹⁾				
Notional principal amount	2,938	1,922	2,938	1,922
Gross replacement cost	297	313	297	313

⁽¹⁾ Interest rate, exchange rate and equity contracts have been entered into for both hedging and trading purposes.

The Group uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on balance sheet lending including counterparty credit approval, limit setting and monitoring procedures. In addition, in relation to derivative instruments, the Group's exposure to market risk is controlled within the risk limits in the Group's Interest Rate Risk and Foreign Exchange Risk Policies and is further constrained by the risk parameters incorporated in the Group's Derivatives Policy as approved by the Board.

50 Derivatives (continued)

Trading activities

AIB Group maintains trading positions in a variety of financial instruments including derivatives. These financial instruments include foreign exchange, interest rate and equity futures, interest rate swaps, interest rate caps and floors, forward rate agreements, and interest rate, foreign exchange and equity index options. Most of these positions arise as a result of activity generated by corporate customers while others represent trading decisions of the Group's derivative and foreign exchange traders with a view to generating incremental income. The managers and traders involved in financial derivatives have the technical expertise to trade these products and the active involvement of the traders in these markets allows the Group to offer competitive pricing to customers.

All trading activity is conducted within risk limits approved by the Board. Systems are in place which measure risks and profitability associated with derivative trading positions as market movements occur. Independent risk control units monitor these risks.

Nature and terms of trading instruments

The following table presents the notional amounts and fair values of the classes of derivative trading instruments at 31 December 2000 and 1999.

	Notional amounts ⁽¹⁾ € m	2000 Fair values € m	Notional amounts ⁽¹⁾ € m	1999 Fair values € m
Interest rate contracts:				
Interest rate swaps	21,525		18,042	
In a receivable position		195		159
In a payable position		(180)		(220)
Interest rate caps, floors and options	5,364		5,420	
Held		6		10
Written		(6)		(15)
Forward rate agreements	8,449		29,932	
In a favourable position		10		27
In an unfavourable position		(10)		(35)
Financial futures	1,880		3,406	
In a favourable position		1		5
In an unfavourable position		(2)		(3)
Other interest rate derivatives	53	-	44	-
Exchange rate contracts:				
Currency options	4,714	259	4,430	(18)
Forward FX contracts	16,300	(38)	2,640	3
Currency swaps	66	-	-	-
Equity derivatives	40	-	48	(2)

⁽¹⁾The notional amounts shown for the contracts represent the underlying amounts that the instruments are based upon and do not represent the amounts exchanged by the parties to the instruments. In addition, these amounts do not measure the Group's exposure to credit or market risks.

50 Derivatives (continued)

Details of debt securities held for trading purposes are outlined in note 27 to the financial statements.

The Group's credit exposure at 31 December 2000 and 1999 from derivatives held for trading purposes is represented by the fair value of instruments with a positive fair value. The risk that counterparties to derivative contracts might default on their obligations is monitored on an ongoing basis and the level of credit risk is minimised by dealing with counterparties of good credit standing. All trading instruments are subject to market risk. As the traded instruments are recognised at market value, these changes directly affect reported income for the period. Exposure to market risk is managed in accordance with risk limits approved by the Board through buying or selling instruments or entering into offsetting positions.

The Group undertakes trading activities in interest rate contracts with the Group being a party to interest rate swap, forward, futures, option, cap and floor contracts. The Group's largest activity is in interest rate swaps. The two parties to an interest rate swap agree to exchange, at agreed intervals, payment streams calculated on a specified notional principal amount. Forward rate agreements are also used by the Group in its trading activities. Forward rate agreements settle in cash at a specified future date based on the difference between agreed market rates applied to a notional principal amount. Most of these contracts have maturity terms up to one year.

Dealing profits

The following table summarises the Group's dealing profits by category of instrument.

	2000 € m	1999 € m	1998 € m
Foreign exchange contracts	69	30	52
Profits less losses from securities held for trading purposes	42	28	8
Interest rate contracts	(8)	16	9
Total	103	74	69

Risk management activities

In addition to meeting customer needs, the Group's principal objective in holding or issuing derivatives for purposes other than trading is the management of interest rate and foreign exchange rate and equity risks.

The operations of the Group are exposed to interest rate risk arising from the fact that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives are used to modify the repricing or maturity characteristics of assets and liabilities in a cost-efficient manner. This flexibility helps the Group to achieve liquidity and risk management objectives. Similarly, foreign exchange and equity derivatives are used to hedge the nature of the Group's exposure to foreign exchange and equity risk, as required.

Derivatives fluctuate in value as interest rates rise or fall just as on balance sheet assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of balance sheet items, the appreciation or depreciation of the derivatives, as interest rates change, will generally be offset by the unrealised depreciation or appreciation of the hedged items. This means that separate disclosure of market risk on derivatives used for hedging purposes is not meaningful.

To achieve its risk management objective, the Group uses a combination of derivative financial instruments, particularly interest rate swaps, futures and options, as well as other contracts. The tables on pages 90 and 91 present the notional and fair value amounts weighted average maturity and weighted average receive and pay rates for instruments held for risk management purposes entered into by the Group at 31 December 2000 and 1999.

50 Derivatives (continued)

	Notional amount		Weighted average maturity in years		Weighted average rate				Estimated fair value	
	2000	1999	2000	1999	Receive		Pay		2000	1999
	€ m	€ m			2000	1999	2000	1999	€ m	€ m
					%	%	%	%		
Interest rate swaps:										
Receive fixed										
1 year or less	14,692	8,535	0.42	0.50	5.31	5.16			207	88
1 - 5 years	12,263	12,833	2.37	2.63	5.51	5.02			155	(71)
5 - 10 years	1,647	1,705	7.30	7.59	4.95	6.02			35	(38)
	28,602	23,073	1.65	2.21	5.37	5.15	5.39	4.66	397	(21)
Pay fixed										
1 year or less	7,458	5,824	0.39	0.53			5.49	5.16	(48)	(70)
1 - 5 years	12,115	11,661	2.45	2.63			5.66	5.01	(144)	20
5 - 10 years	2,432	1,828	8.36	9.39			6.12	6.24	(39)	3
	22,005	19,313	2.40	2.64	5.61	5.33	5.66	5.17	(231)	(47)
Pay/receive floating										
1 year or less	11	25	0.26	0.50	7.77	5.53			-	-
1 - 5 years	13	23	2.18	2.81	6.56	6.10			-	-
	24	48	1.33	1.61	7.09	5.80	6.72	5.79	-	-
Forward rate agreements:										
Loans										
1 year or less	1,763	3,663	0.72	0.67	6.12	4.49			3	(7)
1 - 5 years	424	900	1.32	1.67	7.01	6.06			2	(2)
	2,187	4,563	0.84	0.87	6.29	4.80			5	(9)
Deposits										
1 year or less	2,385	3,655	0.70	0.67			5.64	4.76	(4)	5
1 - 5 years	140	255	1.40	1.50			6.96	5.76	(2)	-
	2,525	3,910	0.74	0.72			5.72	4.82	(6)	5
Interest rate options:										
Purchased										
1 year or less	9,012	1,685	0.40	0.33	6.32	5.91			1	1
1 - 5 years	2,660	2,009	2.06	2.54	5.11	5.10			5	3
5 - 10 years	25	20	9.10	5.33	6.53	6.75			1	1
	11,697	3,714	0.80	1.55	6.04	5.48			7	5
Written										
1 year or less	2,399	2,619	0.24	0.25	5.35	5.64			-	-
1 - 5 years	1,022	943	2.35	3.76	5.38	4.79			(2)	(2)
5 - 10 years	56	97	5.16	6.17	5.99	4.36			-	-
	3,477	3,659	0.94	1.31	5.37	5.39			(2)	(2)

50 Derivatives (continued)

	Notional amount		Weighted average maturity in years		Weighted average rate				Estimated fair value	
	2000	1999	2000	1999	Receive		Pay		2000	1999
	€ m	€ m			2000	1999	2000	1999	€ m	€ m
					%	%	%	%		
Financial futures:										
1 year or less	18,845	7,165	0.47	0.58	5.59	5.39			(17)	1
1 - 5 years	3,107	5,298	1.54	1.88	5.75	6.32			2	1
	21,952	12,463	0.62	1.13	5.62	5.79			(15)	2
Other interest rate derivatives:										
1 year or less	519	903	0.46	0.42	9.36	10.12			4	(10)
1 - 5 years	686	982	1.60	2.47	8.51	10.82			5	(11)
5 - 10 years	-	99	-	5.75	-	6.06			-	(1)
	1,205	1,984	1.11	1.70	8.88	10.26	9.63	11.30	9	(22)
Equity derivatives:										
1 year or less	1,174	156	0.46	0.42					-	(1)
1 - 5 years	1,655	1,594	2.58	2.21					(1)	2
5 - 10 years	69	124	5.22	5.33					-	(1)
	2,898	1,874	1.78	2.27					(1)	-

The carrying value of the interest rate derivative financial instruments held for risk management purposes was € 162 million (1999: € 57 million).

Reconciliation of movements in notional amounts of interest rate instruments held for risk management purposes	Interest rate swaps	FRA Deposits	FRA Loans
	€ m	€ m	€ m
At 31 December 1998	32,402	7,054	5,921
Additions	26,195	14,623	14,408
Maturities/amortisations	(15,380)	(18,043)	(16,166)
Cancellations	(1,176)	-	-
Exchange adjustments	393	276	400
At 31 December 1999	42,434	3,910	4,563
Additions	22,740	2,555	2,028
Maturities/amortisations	(14,068)	(3,933)	(4,415)
Cancellations	(815)	-	-
Exchange adjustments	340	(7)	11
At 31 December 2000	50,631	2,525	2,187

50 Derivatives (continued)

Non-trading derivative deferred balances

Set out hereunder are deferred balances relating to settled transactions. These balances will be released to the profit and loss account in the same periods as the income and expense flows from the underlying transactions. At 31 December 2000 the Group had deferred income of € 73m (1999: € 84m) and deferred expense of € 88m (1999: € 80m) relating to non-trading derivatives. € 38m (1999: € 41m) of deferred income and € 41m (1999: € 40m) of deferred expense is expected to be released to the profit and loss account in 2001. During the year ended 31 December 2000, net deferred income in relation to previous years of € 1m was released to the profit and loss account.

	2001 € 000	2002 € 000	2003 € 000	2004 € 000	2005 € 000	After 2005 € 000	Total € 000
Interest rate swaps							
Deferred income	8,767	4,192	2,742	2,762	163	513	19,139
Deferred expense	(2,276)	(1,498)	(717)	(4,563)	(131)	(38)	(9,223)
Forward rate agreements							
Deferred income	1,961	-	-	-	-	-	1,961
Deferred expense	(4,256)	(1,532)	-	-	-	-	(5,788)
Interest rate options							
Deferred income	4,204	3,488	2,386	413	252	66	10,809
Deferred expense	(4,515)	(4,171)	(2,972)	(578)	(226)	(306)	(12,768)
Financial futures							
Deferred income	23,629	10,077	4,009	1,303	980	960	40,958
Deferred expense	(30,071)	(17,057)	(6,032)	(2,003)	(1,856)	(3,578)	(60,597)
	(2,557)	(6,501)	(584)	(2,666)	(818)	(2,383)	(15,509)

The above deferred balances have related unrealised gains or losses on transactions which are on balance sheet. The matching of the income and expense flows from the related transactions will be effected through the deferral process. At 31 December 2000 the Group had deferred income of € 26m (1999: € 50m) relating to debt securities held for hedging purposes of which € 15m (1999: € 12m) is expected to be released to the profit and loss account in 2001. During the year ended 31 December 2000, deferred income in relation to previous years of € 12m was released to the profit and loss account.

Unrecognised gains and losses on derivatives hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items which are being hedged. The unrecognised net gain on instruments used for hedging as at 31 December 2000 was € 138m (1999: net loss of € 2m).

The net gain expected to be recognised in 2001 is € 52m (1999: net loss of € 6m) and thereafter a net gain of € 86m (1999: € 4m) is expected.

The net loss recognised in 2000 in respect of previous years was € 6m (1999: € 32m) and the net gain arising in 2000 which was not recognised in 2000 was € 134m (1999: € 61m).

51 Fair value of financial instruments

The term 'financial instruments' includes both financial assets and liabilities and also derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value is based upon quoted market prices where available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities and adjusted for differences between the quoted instrument and the instrument being valued. In certain cases, including some lendings to customers, where there are no ready markets, various techniques have been used to estimate the fair value of the instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position or to make comparisons with other institutions.

51 Fair value of financial instruments (continued)

Fair value information is not provided for certain financial instruments or for items that do not meet the definition of a financial instrument. These items include short-term debtors and creditors, intangible assets such as the value of the branch network and the long-term relationships with depositors, premises and equipment and shareholders' equity. These items are material and accordingly the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying value of the Group as a going concern at 31 December 2000.

The following table gives details of the carrying amounts and fair values of financial instruments at 31 December 2000 and 1999.

	31 December 2000		31 December 1999	
	Carrying amount € m	Fair value € m	Carrying amount € m	Fair value € m
Trading financial instruments				
Debt securities ⁽¹⁾	2,341	2,341	1,582	1,582
Equity shares ⁽¹⁾	48	48	62	62
Central government and other eligible bills ⁽¹⁾	15	15	70	70
<i>Off-balance sheet assets/(liabilities):</i>				
Interest rate contracts ⁽¹⁾	14	14	(72)	(72)
Exchange rate contracts ⁽¹⁾	221	221	(15)	(15)
Equity contracts ⁽¹⁾	–	–	(2)	(2)
Non-trading financial instruments				
<i>Assets:</i>				
Cash and balances at central banks ⁽¹⁾	938	938	1,119	1,119
Items in course of collection ⁽¹⁾	1,116	1,116	916	916
Central government bills and other eligible bills	282	284	648	647
Loans and advances to banks	4,193	4,197	3,831	3,805
Loans and advances to customers ⁽²⁾	45,880	46,267	39,171	39,325
Securitised assets ⁽¹⁾	166	166	125	125
Debt securities	16,645	16,661	13,526	13,318
Equity shares	364	358	235	245
<i>Liabilities:</i>				
Deposits by banks	12,478	12,507	8,608	8,638
Customer accounts	48,437	48,527	42,335	42,330
Debt securities in issue	4,295	4,310	4,298	4,312
Subordinated liabilities	2,249	2,235	1,984	1,975
Shareholders' funds: non-equity interests	264	267	245	248
<i>Off-balance sheet assets/(liabilities):</i>				
Interest rate contracts	162	164	57	(89)
Exchange rate contracts	21	158	16	160
Equity contracts	–	(1)	–	–

⁽¹⁾The fair value of these financial instruments is considered equal to the carrying value. These instruments are either carried at market value or have minimal credit losses.

⁽²⁾The carrying values are net of the provisions for bad and doubtful debts and related unearned income.

51 Fair value of financial instruments (continued)

The following methods and assumptions were used in estimating the fair value of financial instruments.

Central government bills and other eligible bills

The fair value of central government bills and other eligible bills is based on quoted market prices.

Loans and advances to banks and loans and advances to customers

The Group provides lending facilities of varying rates and maturities to corporate and personal customers. Several different techniques are employed, as considered appropriate, in estimating the fair value of loans. Where secondary market prices were available, these were used. The carrying amount of variable rate loans was considered to be at market value if there was no significant change in the credit risk of the borrower. The fair value of fixed rate loans was calculated by discounting expected cash flows using discount rates that reflected the credit and interest rate risk in the portfolio.

The fair value of money market funds and loans and advances to banks was estimated using discounted cash flows applying either market rates, where practicable, or rates currently offered by other financial institutions for placings with similar characteristics.

Debt securities and equity shares

The fair value of listed debt securities and equity shares is based on market prices received from external pricing services or bid quotations received from external securities dealers. The estimated value of unlisted debt securities and equity shares is based on the anticipated future cashflows arising from these items.

Deposits by banks, customer accounts and debt securities in issue

The fair value of current accounts and deposit liabilities payable on demand is equal to their book value. The fair value of all other deposits and other borrowings is estimated using discounted cash flows applying either market rates, where applicable, or interest rates currently offered by the Group.

Subordinated liabilities

The estimated fair value of subordinated liabilities is based upon quoted market rates.

Commitments pertaining to credit-related instruments

Details of the various credit-related commitments entered into by the Group and other off-balance sheet financial guarantees are included in note 49. Fees for these instruments may be billed in advance or in arrears on an annual, quarterly or monthly basis. In addition, the fees charged vary on the basis of instrument type and associated credit risk. As a result it is not considered practicable to estimate the fair value of these instruments because each customer relationship would have to be separately evaluated.

Derivatives

The Group uses various derivatives, designated as hedges, to manage its exposure to fluctuations in interest and exchange rates. The fair value of these instruments is estimated using market prices or pricing models consistent with the methods used for valuing similar instruments used for trading purposes. Derivatives used for trading purposes are marked to market using independent prices and are included in other assets/other liabilities on the consolidated balance sheet at 31 December 2000 and 1999.

Details of derivatives in place, including fair values, are included in note 50.

Shareholders' funds: non-equity interests

The fair value of these instruments is based on quoted market prices.

52 Consolidated cash flow statement	Notes	2000 € m	1999 € m
(a) Returns on investments and servicing of finance			
Interest paid on subordinated liabilities		(150)	(84)
Dividends paid on non-equity shares		(20)	(14)
Dividends paid to non-equity minority interests in subsidiaries		(14)	(10)
Net cash outflows from returns on investments and servicing of finance		(184)	(108)
(b) Taxation			
Tax paid, Republic of Ireland		(82)	(101)
Foreign tax paid		(117)	(136)
Net cash outflow from taxation		(199)	(237)
(c) Capital expenditure			
Net increase in debt securities		(2,763)	(1,231)
Net increase in equity shares		(67)	(17)
Additions to tangible fixed assets		(237)	(177)
Disposals of tangible fixed assets		63	20
Net cash outflow from capital expenditure		(3,004)	(1,405)
(d) Acquisitions and disposals			
Acquisition of Group undertakings		–	(602)
Net cash acquired with Group undertakings		–	205
Investments in associated undertakings		(4)	(2)
Disposals of investments in associated undertakings		6	8
Net cash inflow/(outflow) from acquisitions and disposals		2	(391)
(e) Financing			
Issue of ordinary share capital		15	14
Redemption of subordinated liabilities		–	(57)
Issue of subordinated liabilities		149	733
Issue proceeds net of redemption of non-equity minority interests in subsidiaries		–	(50)
Net cash inflow from financing	52(h)	164	640
(f) Analysis of changes in cash			
At 1 January		3,130	1,523
Net cash (outflow)/inflow before the effect of exchange translation adjustments		(1,016)	1,477
Effect of exchange translation adjustments		108	130
At 31 December	52(g)	2,222	3,130

52 Consolidated cash flow statement (continued)	2000 € m	1999 € m	Change in year € m
(g) Analysis of cash			
Cash and balances at central banks	938	1,119	(181)
Loans and advances to banks (repayable on demand)	1,284	2,011	(727)
	2,222	3,130	(908)

The Group is required to maintain balances with the Central Bank of Ireland which amounted to €304m (1999: €336m).

The Group is also required by law to maintain reserve balances with the Federal Reserve Bank in the United States of America, the Bank of England and with the National Bank of Poland. Such reserve balances amounted to €385m (1999: €383m).

	Share capital (including premium)		Subordinated liabilities		Non-equity minority interests	
	2000 € m	1999 € m	2000 € m	1999 € m	2000 € m	1999 € m
(h) Analysis of changes in financing						
At 1 January	2,116	2,050	1,984	1,140	105	137
Effect of exchange translation adjustments	19	35	115	168	8	18
Cash inflow/(outflow) from financing	15	14	149	676	–	(50)
Other movements	15	17	–	–	1	–
Amortisation of issue costs	–	–	1	–	–	–
At 31 December	2,165	2,116	2,249	1,984	114	105

53 Report on directors' remuneration and interests

Remuneration policy

The Company's policy in respect of the remuneration of the executive directors is to provide remuneration packages which attract, retain, motivate and reward the executives concerned and, by ensuring strong links between performance and reward, encourage them to enhance the Company's performance. In considering such packages, cognisance is taken of: the levels of remuneration for comparable positions, as advised by external consultants; the responsibilities of the individuals concerned; their individual performances measured against specific and challenging objectives; and overall Group performance.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises only non-executive directors; during 2000 its members were: Mr Lochlann Quinn (Chairman), Mr Adrian Burke and Mr John B McGuckian. The Committee has a wide remit which includes, inter alia, determining, under advice to the Board, the specific remuneration packages of the executive directors.

53 Report on directors' remuneration and interests (continued)
Remuneration

	Fees ⁽¹⁾	Salary	Bonus ⁽²⁾	Profit share ⁽³⁾	Taxable benefits ⁽⁴⁾	Pension contributions ⁽⁵⁾	2000 Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive directors							
Frank P Bramble	29	783	470	–	15	424	1,721
Michael Buckley	29	307	157	13	149	50	705
Kevin J Kelly	29	309	159	13	38	50	598
Gary Kennedy	29	252	129	11	42	38	501
Thomas P Mulcahy	29	698	349	13	40	109	1,238
	145	2,349	1,264	50	284	671	4,763
Non-executive directors							
Adrian Burke	65					–	65
Padraic M Fallon	36					–	36
Dermot Gleeson	24					–	24
Don Godson	42					–	42
Derek A Higgs	4					–	4
John B McGuckian	86					–	86
Carol Moffett	41					–	41
Denis J Murphy	38					–	38
Lochlann Quinn	198					–	198
	534					–	534
Former directors							
Pensions ⁽⁶⁾							98
Other payments ⁽⁷⁾							327
							425
Total							5,722

53 Report on directors' remuneration and interests (continued)

Remuneration (continued)

							1999
	Fees ⁽¹⁾	Salary	Bonus ⁽²⁾	Profit share ⁽³⁾	Taxable benefits ⁽⁴⁾	Pension contributions ⁽⁵⁾	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive directors							
Frank P Bramble	28	609	487	–	13	444	1,581
Michael Buckley	28	272	143	12	87	45	587
Kevin J Kelly	28	278	143	12	33	46	540
Gary Kennedy	28	228	117	11	46	34	464
Thomas P Mulcahy	28	603	301	13	39	94	1,078
	140	1,990	1,191	48	218	663	4,250
Non-executive directors							
Adrian Burke	43					–	43
Padraic M Fallon	35					6	41
Don Godson	41					–	41
John B McGuckian	66					6	72
Raymond J McLoughlin	16					–	16
Carol Moffett	40					–	40
Denis J Murphy	43					10	53
Miriam Hederman O'Brien	45					16	61
Lochlann Quinn	189					–	189
	518					38	556
Former directors							
Pensions ⁽⁶⁾							175
Other payments ⁽⁷⁾							1,474
							1,649
Total							6,455

(1) Fees comprise a fee paid in respect of service as a director, and additional remuneration paid to any non-executive director who holds the office of Chairman, serves on the board of a subsidiary company, or performs services outside the ordinary duties of a director, such as through membership of Board Committees.

(2) The executive directors participate in a discretionary, performance-related, incentive scheme for senior executives under which bonuses may be earned on the achievement of specific, performance-related objectives, reviewed annually. The bonus may range from 0% to 50% of annual salary, except that the bonus for Mr Frank P Bramble, Chief Executive, USA division, may range from 0% to 120% of annual salary.

(3) Information on the employees' profit sharing schemes, which are operated on terms approved by the shareholders, is given in note 44.

(4) Taxable benefits include the use of a company car or an allowance in lieu thereof, benefit arising from loans made at preferential rates, and any allowances related to the undertaking of international assignments within the Group.

(5) Pension contributions represent payments to defined benefit pension plans, in accordance with actuarial advice, to provide post-retirement pensions. The fees of the non-executive directors who joined the Board since 1990 are not pensionable. In respect of the US-based executive director, pension benefits are computed on the basis of salary and annual bonus in accordance with US practice. The pension benefits earned during the year, and accrued at year end, are as follows:

53 Report on directors' remuneration and interests (continued)

Remuneration (continued)

	Increase in accrued benefits during 2000 ^(a) € 000	Accrued benefit at year-end ^(b) € 000	Transfer values ^(c) € 000
Executive directors			
Frank P Bramble	68	300	534
Michael Buckley	20	162	243
Kevin J Kelly	29	222	428
Gary Kennedy	9	29	57
Thomas P Mulcahy	54	481	804
Non-executive directors			
Padraic M Fallon	0.7	10	5
John B McGuckian	0.5	16	5
Denis J Murphy	0.6	19	8

^(a) Increases are after adjustment for inflation, and reflect additional pensionable service and earnings.

^(b) Figures represent the accumulated total amounts at 31 December 2000 of accrued benefits payable at normal retirement dates.

^(c) Figures show the transfer values of the increases in accrued benefits during 2000. These transfer values do not represent sums paid or due, but the amounts that the pension plan would transfer to another pension plan, in relation to the benefits accrued in 2000, in the event of the member leaving service.

⁽⁶⁾ Pensions represent the payment of pensions to former directors or their dependants, granted on an ex-gratia basis and fully provided for in the balance sheet.

⁽⁷⁾ Other payments comprise fees of € 42,228 paid to a former non-executive director serving on the board of a subsidiary company (1999: € 65,911, in respect of two such directors), and remuneration of € 285,049 paid to Mr Jeremiah E Casey under the terms of a post-retirement consultancy contract approved by shareholders at the 1999 Annual General Meeting (1999: € 648,450 in respect of consultancy, and € 759,610 in respect of the salary, bonus, pension contributions and taxable benefits of Mr Casey prior to his retirement as Chief Executive, USA division on 30 April 1999).

Share options

To encourage focus on long-term shareholder value, executive directors are eligible for grants of share options. Options are usually granted on a phased basis and the exercise of options granted since 1 January 1996 is conditional on the achievement of earnings per share growth of at least 2% per annum compound above the increase in the Consumer Price Index over a period of not less than three and not more than five years from date of grant. The percentage of share capital which may be issued under the share option scheme, and individual grant limits, comply with the requirements of the Irish Association of Investment Managers.

Details of the executive directors' share options are given on page 100, and additional information in relation to the Executive Share Option Scheme is given in note 44. Non-executive directors do not participate in that scheme.

Service contracts

There are no service contracts in force for any director with the Company or any of its subsidiaries.

53 Report on directors' remuneration and interests (continued)

Interests in shares

The beneficial interests of the directors and the secretary and of their spouses and minor children are as follows:

(a) Ordinary shares	31 December 2000	1 January 2000*
Directors:		
Frank P Bramble#	133,548	136,416
Michael Buckley	128,690	85,589
Adrian Burke	10,642	6,611
Padraic M Fallon	8,011	7,768
Dermot Gleeson	2,000	2,000
Don Godson	25,099	15,000
Derek A Higgs	-	-
Kevin J Kelly	107,578	68,653
Gary Kennedy	9,191	7,568
John B McGuckian	66,113	64,475
Carol Moffett	15,675	15,350
Thomas P Mulcahy	365,929	255,441
Denis J Murphy	3,039	2,947
Lochlann Quinn	309,309	300,000
Secretary:		
W M Kinsella	13,005	11,732

* or later date of appointment

Mr Bramble's interests on 31 December 1998 and 1 January 1999 related to 140,016 ordinary shares, and on 31 December 1999 to 136,416 ordinary shares. These restated interests, which reflect transfers of shares to irrevocable trusts established for the benefit of his children and grandchildren, were advised to the Company and announced to the Stock Exchanges in January 2001.

(b) Options to subscribe for shares

	31 December 2000	1 January 2000	Since 1 January 2000		Price of options exercised	Market price at date of exercise	Weighted average subscription price of options outstanding at 31 December 2000
			Granted	Exercised			
Directors:							
Michael Buckley	181,500	246,500	35,000	100,000	€ 3.36	€ 10.80	€ 7.41
Kevin J Kelly	157,500	257,500	-	100,000	3.36	10.83	6.18
Gary Kennedy	235,000	220,000	15,000	-	-	-	6.49
Thomas P Mulcahy	336,728	536,728	-	200,000	3.68	10.97	6.10
Secretary:							
W M Kinsella	65,000	50,000	15,000	-	-	-	7.15

The options outstanding at 31 December, 2000 are exercisable at various dates between 2001 and 2007. Details of these are shown in the Register of Directors' and Secretary's Interests, which may be inspected at the Company's Registered Office.

53 Report on directors' remuneration and interests *(continued)*

Interests in shares *(continued)*

(c) Other options

On 1 January 2000, Mr Frank P Bramble held options over 440,000 AIB American Depositary Receipts ('ADRs') (equivalent to 880,000 ordinary shares) at a weighted average price of US \$23.66 per ADR, under the terms of the Allfirst Financial, Inc. 1997 Stock Option Plan (*note 33*) and the Allfirst Financial, Inc. 1999 Stock Option Plan. During the year, Mr Bramble was granted options over 210,000 ADRs (equivalent to 420,000 ordinary shares) at a weighted average price of US \$19.92 per ADR. At 31 December 2000, Mr Bramble held options over 650,000 ADRs (1,300,000 ordinary shares) at a weighted average price of US \$22.45 per ADR.

Under the terms of the aforementioned Plans, ADRs are purchased in the market by a trust which holds the ADRs, and Plan participants are granted options over ADRs so held. The options granted to Mr Bramble in 2000 will vest and become exercisable not earlier than 1 January 2003 and not later than 23 November 2010 subject to the following criteria, set by the Management and Compensation Committee of Allfirst Financial, Inc. and approved by the Nomination and Remuneration Committee, being satisfied:

- 35% of the grant on the achievement, by Allfirst, of tangible net income growth of 7.5% per annum, compound, over the two year period following the date of grant;
- 35% of the grant on the achievement, by Allfirst, of a tangible cost/income ratio of less than 55.0% for the two year period following the date of grant;
- 30% of the grant on the achievement of growth in AIB tangible earnings per share over the three year period following the date of grant at least equal to the growth in the Consumer Price Index plus 5% per annum, compound, over that period.

The year-end market price, on the Irish Stock Exchange, of the Company's ordinary shares was € 12.35 per share; during the year the price ranged from € 7.89 to € 13.10 per share.

There were no changes in the above interests between 31 December 2000 and 20 February 2001.

54 Transactions with directors

Loans to non-executive directors are made in the ordinary course of business on commercial terms. Loans to executive directors are made on the terms applicable to other employees within the Group, in accordance with established policy. At 31 December 2000, the aggregate amount outstanding in loans to persons who at any time during the year were directors was € 44.4m in respect of 8 persons; the amount outstanding in respect of quasi-loans, to 6 persons, was € 0.03m (1999: € 37.2m in respect of loans to 9 persons and € 0.05m in respect of quasi-loans to 9 persons).

Under the terms of a 'Change of Control Agreement' between Mr Frank P Bramble and Allfirst Financial, Inc., which agreement existed at the time of his co-option to the Board of Allied Irish Banks, p.l.c., Mr Bramble would be entitled to a severance package in the event of his discharge or constructive discharge within two years following a change of control. Essentially, a change of control would be deemed to have occurred if a third party became the beneficial owner of 50% or more of the equity of AIB, or 25% or more of the equity of Allfirst Financial, Inc. or its subsidiary Allfirst Bank or if, arising from any merger, consolidation, sale of assets or contested election, the persons who were directors of AIB, Allfirst Financial, Inc. or Allfirst Bank immediately before that transaction should cease to constitute a majority of the Board of such entity, or the persons who were shareholders of AIB or Allfirst Financial, Inc., as applicable, immediately before the transaction should cease to own at least 50% of the equity of the applicable entity. The severance package provides for the payment, within US Internal Revenue limits, of: three times annual salary; short-term bonus; target payments under long-term incentive awards; vesting of all stock awards; contribution of fringe benefits for up to two years; and out-placement.

55 Commitments

Capital expenditure

Estimated outstanding commitments for capital expenditure not provided for in the accounts amounted to €69m (1999: €46m). Capital expenditure authorised, but not yet contracted for, amounted to €190m (1999: €27m).

Operating lease rentals

The Group had annual commitments under non-cancellable operating leases as set out below.

	Property		Equipment	
	2000 € m	1999 € m	2000 € m	1999 € m
Operating leases which expire:				
Within one year	3	2	-	-
In the second to fifth year	9	10	1	1
Over five years	35	30	-	-
	47	42	1	1

The operating lease rentals in respect of property are subject to rent reviews.

56 Employees

The average full-time equivalent employee numbers by division were as follows:

	2000	1999
AIB Bank	11,663	11,183
USA	5,658	5,523
Capital Markets	2,175	2,023
Poland	11,926	7,322
Group support functions	226	213
	31,648	26,264

57 Companies (Amendment) Act, 1983

The Companies (Amendment) Act, 1983, requires that, when the net assets of a company are half or less than half of its called up share capital, an extraordinary general meeting be convened. The Act further requires an expression of opinion by the auditors as to whether the financial situation of the company at the balance sheet date is such as would require the convening of such a meeting.

58 Form 20-F

An annual report on Form 20-F will be filed with the Securities and Exchange Commission, Washington D.C. and, when filed, will be available to shareholders on application to the Company Secretary.

59 Reporting currency

The currency used in these accounts is the euro which is denoted by 'EUR' or the symbol €. The euro was introduced on 1 January 1999. The countries participating in the European Single Currency are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Spain and Ireland. The national currency units of these participating currencies will co-exist with the euro, as denominations of the new single currency until 31 December 2001. Ireland joined the European Single Currency at the fixed translation rate of EUR 1=IR £0.787564. Each euro is made up of one hundred cents, denoted by the symbol 'c' in these accounts.

60 Financial and other information	2000	1999
Operating ratios		
Operating expenses/operating income	58.6% ⁽¹⁾	57.3%
Tangible operating expenses ⁽²⁾ /operating income	57.8% ⁽¹⁾	57.1%
Other income/operating income	39.2% ⁽¹⁾	37.3%
Net interest margin:		
Group	3.02% ⁽³⁾	3.27%
Domestic	2.75% ⁽³⁾	2.97%
Foreign	3.23%	3.54%
Rates of exchange		
€/US \$		
Closing	0.9305	1.0046
Average	0.9259	1.0671
€/Stg £		
Closing	0.6241	0.6217
Average	0.6091	0.6596
€/PLN		
Closing	3.8498	4.1587
Average	4.0121	4.2231

⁽¹⁾Adjusted to exclude the impact of the deposit interest retention tax settlement ('DIRT'). Including DIRT, operating expenses/operating income was 60.7%, tangible operating expenses/operating income was 59.8% and other income/operating income was 40.6%.

⁽²⁾Excludes amortisation of goodwill of € 26.3m (1999: € 8.0m).

⁽³⁾The Group and domestic net interest margins have been adjusted to exclude the impact of the deposit interest retention tax settlement.

Capital adequacy information	2000	1999
	€ m	€ m
Risk weighted assets		
Banking book:		
On balance sheet	49,396	40,623
Off-balance sheet	8,779	7,184
	58,175	47,807
Trading book:		
Market risks	1,956	1,401
Counterparty and settlement risks	91	67
	2,047	1,468
Total risk weighted assets	60,222	49,275
Capital		
Tier 1	3,814	3,168
Tier 2	2,926	2,551
	6,740	5,719
Supervisory deductions	214	149
Total	6,526	5,570

Currency information	Assets		Liabilities	
	2000	1999	2000	1999
	€ m	€ m	€ m	€ m
Euro	32,398	25,415	32,297	25,911
Other	47,290	41,655	47,391	41,159
	79,688	67,070	79,688	67,070

61 Average balance sheets and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the years ended 31 December 2000 and 1999. The calculation of average balances include daily and monthly averages for reporting units. The average balances used are considered to be representative of the operations of the Group.

Assets	Year ended 31 December 2000			Year ended 31 December 1999		
	Average balance € m	Interest € m	Average rate %	Average balance € m	Interest € m	Average rate %
Placings with banks						
Domestic offices	2,410	114	4.7	2,572	81	3.2
Foreign offices	1,897	123	6.5	1,342	76	5.7
Loans to customers ⁽¹⁾						
Domestic offices	18,570	1,239	6.7	15,416	974	6.3
Foreign offices	22,772	2,056	9.0	17,476	1,430	8.2
Placings with banks and loans to customers ⁽¹⁾						
Domestic offices	20,980	1,353	6.4	17,988	1,055	5.9
Foreign offices	24,669	2,179	8.8	18,818	1,506	8.0
Funds sold						
Domestic offices	–	–	–	–	–	–
Foreign offices	75	5	6.4	36	2	5.1
Debt securities and government bills						
Domestic offices	7,100	398	5.6	6,263	299	4.8
Foreign offices	11,014	775	7.0	8,495	551	6.5
Instalment credit and finance lease receivables						
Domestic offices	1,739	109	6.3	1,360	89	6.5
Foreign offices	1,449	96	6.6	1,153	80	7.0
Total interest earning assets						
Domestic offices	29,819	1,860	6.2	25,611	1,443	5.6
Foreign offices	37,207	3,055	8.2	28,502	2,139	7.5
	67,026	4,915	7.3	54,113	3,582	6.6
Allowance for loan losses	(828)			(656)		
Non-interest earning assets	7,392			7,018		
Total assets	73,590	4,915	6.7	60,475	3,582	5.9
Percentage of assets applicable to foreign activities			56.0			52.9

⁽¹⁾Loans to customers include money market funds. Non-accrual loans and loans classified as problem loans are also included within this caption.

61 Average balance sheets and interest rates (continued)

	Year ended 31 December 2000			Year ended 31 December 1999		
	Average balance € m	Interest € m	Average rate %	Average balance € m	Interest € m	Average rate %
Liabilities and stockholders' equity						
Interest bearing deposits and other short-term borrowings						
Domestic offices	22,797	944 ⁽¹⁾	4.1 ⁽¹⁾	19,886	633	3.2
Foreign offices	30,058	1,701	5.7	23,157	1,012	4.4
Funds purchased						
Domestic offices	–	–	–	–	–	–
Foreign offices	1,522	93	6.1	1,498	72	4.8
Subordinated liabilities						
Domestic offices	1,478	97	6.6	835	49	5.8
Foreign offices	750	58	7.7	678	46	6.8
Total interest bearing liabilities						
Domestic offices	24,275	1,041 ⁽¹⁾	4.3 ⁽¹⁾	20,721	682	3.3
Foreign offices	32,330	1,852	5.7	25,333	1,130	4.5
	56,605	2,893 ⁽¹⁾	5.1 ⁽¹⁾	46,054	1,812	3.9
Interest-free liabilities						
Current accounts	8,503			6,712		
Other liabilities	3,941			4,025		
Minority equity and non-equity interests	246			214		
Preference share capital	266			230		
Ordinary stockholders' equity	4,029			3,240		
Total liabilities and stockholders' equity	73,590	2,893⁽¹⁾	3.9⁽¹⁾	60,475	1,812	3.0
Percentage of liabilities applicable to foreign activities			55.7			51.6

⁽¹⁾The interest amount and the average rate have been presented to eliminate the effect of the deposit interest retention tax settlement (note 5).

62 Group financial information for US investors

Summary of significant differences between Irish and United States accounting principles

The following is a description of the significant differences between Irish generally accepted accounting principles (IR GAAP) and those applicable in the United States of America (US GAAP).

Debt securities and equity securities

In preparing its US GAAP information, the Group has applied SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities'.

Because AIB periodically sells and buys long-term debt securities in response to identified market conditions, including fluctuations in interest rates, debt securities classified as financial fixed assets in the Group balance sheet in the amount of € 16,645 million at December 31, 2000 would be classified for US GAAP purposes as 'available-for-sale'. The purpose of these securities transactions is to minimise the risk associated with the AIB investment portfolio. At December 31, 2000 the market value of such securities was € 16,661 million. At December 31, 2000 the book amount of derivative financial instruments held to hedge the debt securities within the 'available-for-sale' portfolio exceeded the fair value of these instruments by € 63 million. The excess of market value over amortised cost of the debt securities of € 16 million, offset by the excess of the book amount over fair value of the derivative financial instruments of € 63 million, gave rise to an after tax reconciling item of € 37 million negative in the consolidated ordinary stockholders' equity for US GAAP purposes.

62 Group financial information for US investors (continued)**Summary of significant differences between Irish and United States accounting principles (continued)****Debt securities and equity securities (continued)**

At December 31, 1999 debt securities in the amount of € 13,526 million would be classified for US GAAP purposes as 'available-for-sale'. The purpose of these securities transactions is to minimise the risk associated with the AIB investment portfolio. At December 31, 1999 the market value of such securities was € 13,318 million. At December 31, 1999 the book amount of derivative financial instruments held to hedge the debt securities within the 'available-for-sale' portfolio exceeded the fair value of these instruments by € 17 million. The excess of amortised cost over market value of the debt securities of € 208 million, along with the excess of the book amount over fair value of the derivative financial instruments of € 17 million, gave rise to an after tax reconciling item of € 148 million negative in the consolidated ordinary stockholders' equity for US GAAP purposes.

At December 31, 2000 equity securities classified as financial fixed assets in the Group balance sheet in the amount of € 364 million would be classified as 'available-for-sale'. At December 31, 2000 the market value of such securities was € 358 million. The excess of book amount of such securities over market value was € 6 million giving rise to an after tax reconciling item of € 4 million negative in the consolidated ordinary stockholders' equity for US GAAP purposes.

At December 31, 1999 equity securities classified as financial fixed assets in the Group balance sheet in the amount of € 235 million would be classified as 'available-for-sale'. At December 31, 1999 the market value of such securities was € 245 million. The excess of market value of such securities over book amount was € 10 million giving rise to an after tax reconciling item of € 7 million positive in the consolidated ordinary stockholders' equity for US GAAP purposes.

Debt securities held for hedging purposes

Certain debt securities held as financial fixed assets are held to hedge the Group's sensitivity to movements in market interest rates. Profits and losses on disposal of these debt securities are deferred and amortised to the profit and loss account over the lives of the underlying transactions.

Under US GAAP, profits and losses on disposal of debt securities are recognised immediately in the profit and loss account.

Internal derivative trades

Under IR GAAP, where underlying Group subsidiaries and business units undertake internal derivative trades with the Group central treasury to transfer risk from the banking book to the trading book, the Group central treasury is allowed to aggregate and/or offset trades with similar characteristics for the purposes of establishing an effective hedge position against the underlying risk.

Under IR GAAP, where positions established with external counterparties offset the net risk, hedge accounting is to be applied to internal derivative trades. The accounting policy for derivatives under IR GAAP is described more fully on page 41.

Under US GAAP, contemporaneous offset with external counterparties is required if hedge accounting is to be applied to internal derivative trades. As a consequence, trades not satisfying this requirement have been accounted for at fair value for US GAAP purposes.

Revaluation of property

In Ireland, property may be carried at either original cost or subsequent valuation less related depreciation, calculated where applicable on the revalued amount.

In the US, revaluations are not permitted to be reflected in the financial statements.

Deferred taxation

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

Under SFAS No. 109 'Accounting for Income Taxes' the liability method is also used but deferred tax assets and liabilities are calculated for all temporary differences. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realised.

Arising from the phased reduction in Irish corporation tax rates announced in 1998 (*note 15*) deferred taxation of € 55m was charged to the profit and loss account under IR GAAP at December 31, 1998.

In the US, the impact of the phased reduction in tax rates is not recognised until the enactment of the appropriate legislation.

62 Group financial information for US investors (continued)

Summary of significant differences between Irish and United States accounting principles (continued)

Depreciation

Up to December 31, 1999 depreciation was generally not charged by AIB Group on freehold and long leasehold properties as their estimated useful economic lives and residual values made it insignificant. Since January 1, 2000 AIB has adopted a policy of depreciating its freehold and long leasehold property over a period not exceeding 50 years, in accordance with US GAAP.

In the US, freehold and long leasehold property must be depreciated. In AIB's case, a period of 50 years has been used in preparing its US GAAP information.

Goodwill

Goodwill arising on acquisition of subsidiary and associated undertakings prior to December 31, 1997 has been written off to reserves in the year of acquisition and is written back in the year of disposal.

In the US, goodwill is capitalised and amortised through income over the estimated useful life. In AIB's case, a period of 20 years has been used in preparing its US GAAP information.

Core deposit intangibles

In the US, a component of goodwill arising on acquisition of bank subsidiary undertakings which relates to retail depositors is termed core deposit intangibles. Under IR GAAP, core deposit intangibles arising prior to December 31, 1997 have been written off to reserves in the year of acquisition, as a component of goodwill.

In the US, capitalized core deposit intangibles are amortised through income over the estimated average life of the retail depositor relationship. In AIB's case a period of 10 years has been used in preparing its US GAAP information.

Profit on disposal of US credit card business

Under IR GAAP, the profit on disposal of the US credit card business was reflected in the profit and loss account for the year ended December 31, 1997 as regulatory approval for the transaction had been received prior to the announcement of the Group's results.

As the transaction did not close until the first quarter of 1998, the profit was not recognized under US GAAP in the profit and loss account for the year ended December 31, 1997.

Under US GAAP the profit was recognised in 1998 when the transaction was completed.

Long-term assurance policies

The shareholders' interest in the long-term assurance fund is valued as the discounted value of the cash flows expected to be generated from in-force policies together with the net assets in excess of the statutory liabilities.

Under US GAAP, premiums are recognized as revenue when due from policyholders. The costs of claims are recognized when insured events occur. For traditional business, the present value of estimated future policy benefits is accrued when premium revenue is recognized. Acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized. For unit-linked business, acquisition costs are amortised over the life of the contracts at a constant rate based on the present value of estimated gross profits. Initial income in respect of future services is not earned in the period assessed but recognized as income over the same amortization period and using the same amortization schedule as for acquisition costs.

Dividends payable on ordinary shares

In accordance with Irish accounting principles, AIB records proposed dividends on ordinary shares, which are declared after period end, in the period to which they relate.

Under accounting principles generally accepted in the US, dividends are recorded in the period in which they are declared.

62 Group financial information for US investors (continued)**Summary of significant differences between Irish and United States accounting principles (continued)****Dividends on preference shares**

In accordance with Irish accounting principles, AIB records dividends on preference shares in the profit and loss account on an accruals basis. Under accounting principles generally accepted in the US, dividends are recorded as a charge against ordinary stockholders' equity in the period in which they are declared.

Acceptances

The Group presents acceptances as a contingent liability in a footnote. In the US, acceptances outstanding are presented as a liability, with an equal amount presented as an asset, 'customers' acceptance liability'.

Pensions

Pension contributions are charged against income at rates determined on the projected unit valuation method to provide retirement benefits based on projected final salaries and length of service. The most recent actuarial valuations confirmed that, based on current salaries, accrued pension liabilities were fully funded.

Pension accounting in the US has to apply the provisions of SFAS No. 87 'Employers' Accounting for Pensions'. This differs from IR GAAP with regard to certain assumptions primarily in relation to asset valuation and amortization methods.

The Group has applied SFAS No. 87 'Employers' Accounting for Pensions' in preparing its US GAAP information.

Post-retirement benefits

Post-retirement benefit liabilities are assessed actuarially on a similar basis to pension liabilities and are discounted at a long-term interest cost. Variations from regular cost are expressed as a percentage of payroll and are spread over the average remaining service lives of current eligible employees.

Under SFAS No. 106 'Employers' Accounting for Post-retirement Benefits other than Pensions' there are certain differences in the actuarial method used and variations in the computation of regular cost as compared with IR GAAP.

Own shares

In accordance with Irish accounting principles, own shares are recorded at cost and reflected as fixed asset investments in the consolidated balance sheet.

Under US GAAP, own shares are recorded at cost and reflected as a reduction to the consolidated ordinary stockholders' equity.

Internal use computer software

In accordance with Irish accounting principles, certain specific costs incurred in respect of software for internal use can be capitalised and amortised. All other costs are expensed.

Under US GAAP, the same treatment applies, however there are additional specific costs that are capitalised which would be expensed under Irish GAAP. These costs are being depreciated on a straight line basis over five years.

62 Group financial information for US investors (continued)

Summary of significant differences between Irish and United States accounting principles (continued)

Adjustments to financial statements

The Group financial statements conform with accounting principles generally accepted in Ireland. The following tables provide the significant adjustments to the consolidated net income (*Group profit attributable to the stockholders of AIB*) and consolidated ordinary stockholders' equity, total assets and total liabilities, which would be required if accounting principles generally accepted in the United States (US GAAP) had been applied instead of those generally accepted in Ireland (IR GAAP).

Consolidated net income	Year ended December 31		
	2000	1999	1998
	<i>(millions except per share amounts)</i>		
Net income (<i>Group profit attributable to the stockholders of AIB</i>)			
as in the consolidated profit and loss account	€ 762	€ 761	€ 633
Adjustments in respect of:			
Depreciation of freehold and long leasehold property	–	(5)	(4)
Long-term assurance policies	(70)	(43)	(50)
Goodwill	(78)	(73)	(61)
Premium on core deposit intangibles	(9)	(11)	(14)
Profit on disposal of US credit card business	–	–	53
Pension cost	122	97	47
Preference dividends	20	16	17
Securities held for hedging purposes	(25)	34	(5)
Derivatives hedging available-for-sale securities	(9)	–	–
Internal derivative trades	(6)	(3)	–
Post-retirement benefits	(1)	(1)	(1)
Internal use computer software	11	–	–
Deferred tax effect of the above adjustments	(5)	(22)	(13)
Impact of phased reduction in Irish corporation tax rates	–	(55)	55
Net income in accordance with US GAAP	€ 712	€ 695	€ 657
Net income applicable to ordinary stockholders of AIB in accordance with US GAAP	€ 692	€ 680	€ 640
Equivalent to	US \$ 644		
Income per American Depositary Share (ADS*) in accordance with US GAAP	€ 1.62	€ 1.60	€ 1.51
Equivalent to	US \$ 1.50		
Year end exchange rate €/US \$	0.9305		

*An American Depositary Share represents two ordinary shares of €0.32 each.

Comprehensive income	Year ended December 31		
	2000	1999	1998
	<i>(millions)</i>		
Net income in accordance with US GAAP	€ 712	€ 695	€ 657
Net movement in unrealized holding gains/(losses) on debt and equity securities arising during the period	110	(237)	39
Exchange translation adjustments	220	489	(121)
Comprehensive income	€ 1,042	€ 947	€ 575

62 Group financial information for US investors (continued)

Adjustments to financial statements (continued)

Consolidated ordinary stockholders' equity	2000	1999
	<i>(millions except per share amounts)</i>	
Ordinary stockholders' equity as in the consolidated balance sheet	€ 4,296	€ 3,651
Revaluation of property	(210)	(211)
Depreciation of freehold and long leasehold property	(27)	(27)
Goodwill	1,097	1,074
Core deposit intangibles	26	33
Dividends payable on ordinary shares	221	188
Preference dividend declared	-	(1)
Long-term assurance policies	(150)	(97)
Unrealized (losses)/gains not yet recognised on:		
Available-for-sale debt securities	16	(208)
Available-for-sale equity securities	(6)	10
Derivatives hedging available-for-sale securities	(63)	(17)
Securities held for hedging purposes	26	51
Internal derivative trades	(10)	(3)
Pension cost	256	138
Post-retirement benefits	(5)	(4)
Internal use computer software	11	-
Own shares	(177)	(123)
Deferred tax effect of the above adjustments	(64)	11
Ordinary stockholders' equity in accordance with US GAAP	€ 5,237	€ 4,465
Equivalent to	US \$ 4,873	
Ordinary stockholders' equity per ADS in accordance with US GAAP	€ 11.99	€ 10.38
Equivalent to	US \$ 11.16	
Ordinary stockholders' equity per ADS in accordance with IR GAAP	€ 9.84	€ 8.49
Equivalent to	US \$ 9.15	
Consolidated total assets	2000	1999
	<i>(millions)</i>	
Total assets as in the consolidated balance sheet	€ 79,688	€ 67,070
Revaluation of property	(210)	(211)
Depreciation of freehold and long leasehold property	(27)	(27)
Goodwill	1,097	1,074
Core deposit intangibles	26	33
Available-for-sale debt securities	16	(208)
Available-for-sale equity securities	(6)	10
Derivatives hedging available-for-sale securities	(63)	(17)
Internal derivative trades	(10)	(3)
Internal use computer software	11	-
Own shares	(177)	(123)
Long-term assurance policies	(150)	(97)
Long-term assurance assets attributable to policyholders	(2,141)	(1,701)
Securitized assets	(3)	(1)
Acceptances	147	143
Total assets in accordance with US GAAP	€ 78,198	€ 65,942
Equivalent to	US \$ 72,763	

62 Group financial information for US investors (continued)

Adjustments to financial statements (continued)

Consolidated total liabilities and ordinary stockholders' equity	2000	1999
	<i>(millions)</i>	
Total liabilities and ordinary stockholders' equity as in the consolidated balance sheet	€ 79,688	€ 67,070
Ordinary stockholders' equity	941	814
Dividends payable on ordinary shares	(221)	(188)
Preference dividend declared	-	1
Acceptances	147	143
Securities held for hedging purposes	(26)	(51)
Pension cost	(256)	(138)
Securitized assets	(3)	(1)
Deferred taxation	64	(11)
Post-retirement benefits	5	4
Long-term assurance liabilities to policyholders	(2,141)	(1,701)
Total liabilities and stockholders' equity in accordance with US GAAP	€ 78,198	€ 65,942
Equivalent to	US \$ 72,763	

Statement of changes in stockholders' equity

	2000	1999
	<i>(millions)</i>	
Opening balance	€ 4,465	€ 3,784
Net income	712	695
Dividends payable on ordinary shares	(302)	(252)
Preference dividend	(20)	(14)
Issue of shares	105	67
Unrealized gains/(losses) on debt securities and equity shares held as available-for-sale and derivatives hedging available-for-sale securities	110	(237)
Own shares	(55)	(66)
Exchange translation adjustments	220	489
Other movements	2	(1)
	€ 5,237	€ 4,465

63 Approval of accounts

The accounts were approved by the board of directors on 20 February 2001.

Statement of Directors' responsibilities in relation to the Accounts

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out within their audit report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Acts to prepare accounts 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 for the financial year.

Following discussions with the auditors, the directors consider that in preparing the accounts on pages 39 to 111, which have been prepared on a going concern basis, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed (subject to any explanations and any material departures disclosed in the notes to the accounts).

The directors have responsibility for taking all reasonable steps to secure that the Company causes to be kept proper books of account, whether in the form of documents or otherwise, that correctly record and explain the transactions of the Company, that will at any time enable the financial position of the Company to be readily and properly audited, and that will enable the directors to ensure that the accounts comply with the requirements of the Companies Acts.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors, having prepared the accounts, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

Auditors' report

To the Members of Allied Irish Banks, p.l.c.

We have audited the accounts on pages 39 to 111 which have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments, and the accounting policies set out on pages 39 to 41.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 112, this includes responsibility for preparing the accounts in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board, the Listing Rules of the Irish Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the accounts 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 Company balance sheet is 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 accounts; 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 Company 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 or the Listing Rules 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 accounts.

We review whether the statement on page 37 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.



Auditors' report *(continued)*

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 2000 and of the 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 Company balance sheet is in agreement with the books of account.

In our opinion, the information given in the Report of the Directors on pages 32 and 33 is consistent with the accounts.

The net assets of the Company, as stated in the balance sheet on page 45, are more than half the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 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 20 February 2001

Accounts in sterling, US dollars and Polish zloty

Summary of consolidated profit and loss account for the year ended 31 December 2000	€ m	STG £m STG £0.6241 = €1	US \$m US \$0.9305 = €1	PLN m PLN 3.8498 = €1
Group operating profit before provisions and exceptional item	1,377	859	1,281	5,302
Deposit interest retention tax	(113)	(70)	(105)	(435)
Group operating profit before provisions	1,264	789	1,176	4,867
Provisions	134	84	125	517
Group operating profit	1,130	705	1,051	4,350
Income from associated undertakings	3	2	3	13
Profit on disposal of property	5	3	5	18
Group profit on ordinary activities before taxation	1,138	710	1,059	4,381
Taxation	318	198	296	1,225
Group profit on ordinary activities after taxation	820	512	763	3,156
Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.	762	475	709	2,932
Dividends on equity shares	335	209	311	1,288
Earnings per € 0.32 share – basic	89.0c	55.5p	82.8c	342.5 PLN
Earnings per € 0.32 share – adjusted	104.0c	64.9p	96.8c	400.5 PLN
Earnings per € 0.32 share – diluted	88.1c	55.0p	81.9c	339.0 PLN
Summary of consolidated balance sheet 31 December 2000	€ m	Stg £m	US \$m	PLN m
Assets				
Loans and advances to banks	4,193	2,617	3,902	16,142
Loans and advances to customers	45,880	28,634	42,691	176,629
Debt securities and equity shares	19,398	12,106	18,050	74,680
Intangible fixed assets	466	291	433	1,793
Tangible fixed assets	1,127	704	1,049	4,340
Other assets	6,483	4,045	6,032	24,955
Long-term assurance assets attributable to policyholders	2,141	1,336	1,992	8,242
	79,688	49,733	74,149	306,781
Liabilities				
Deposits by banks	12,478	7,787	11,611	48,038
Customer accounts	48,437	30,230	45,071	186,473
Debt securities in issue	4,295	2,680	3,996	16,533
Other liabilities	5,256	3,281	4,891	20,236
Subordinated liabilities	2,249	1,403	2,092	8,656
Equity and non-equity minority interests in subsidiaries	272	170	253	1,046
Shareholders' funds: non-equity interests	264	165	246	1,018
Shareholders' funds: equity interests	4,296	2,681	3,997	16,539
Long-term assurance liabilities to policyholders	2,141	1,336	1,992	8,242
	79,688	49,733	74,149	306,781

Five year financial summary

2000 US \$m	Summary of consolidated profit and loss account	Year ended 31 December				
		2000 € m	1999 €m	1998 €m	1997 €m	1996 €m
1,882	Net interest income before exceptional item	2,022	1,770	1,609	1,374	1,063
(105)	Deposit interest retention tax	(113)	-	-	-	-
1,777	Net interest income after exceptional item	1,909	1,770	1,609	1,374	1,063
1,213	Other income	1,304	1,052	980	757	591
2,990	Total operating income	3,213	2,822	2,589	2,131	1,654
1,814	Total operating expenses	1,949	1,618	1,442	1,384	1,067
1,176	Group operating profit before provisions	1,264	1,204	1,147	747	587
125	Provisions	134	92	134	94	67
1,051	Group operating profit	1,130	1,112	1,013	653	520
3	Income from associated undertakings	3	3	4	9	13
5	Profit/(loss) on disposal of property	5	2	32	(2)	2
-	Profit on disposal of business	-	15	-	76	-
1,059	Group profit before taxation	1,138	1,132	1,049	736	535
296	Taxation on ordinary activities	318	327	315	230	179
-	Impact of phased reduction in Irish corporation tax rates on deferred tax balances	-	-	55	-	-
296		318	327	370	230	179
35	Equity and non-equity minority interests	38	28	29	23	12
19	Dividends on non-equity shares	20	16	17	18	14
709	Group profit attributable to the ordinary shareholders of Allied Irish Banks, p.l.c.	762	761	633	465	330
311	Dividends on equity shares	335	288	239	177	129
2.3	Dividend cover – times	2.3	2.6	2.7	2.6	2.5
82.8c	Earnings per € 0.32 share – basic	89.0c	89.5c	74.7c	60.9c	48.8c
96.8c	Earnings per € 0.32 share – adjusted	104.0c	90.5c	81.1c	-	-
81.9c	Earnings per € 0.32 share – diluted	88.1c	88.0c	73.7c	60.6c	48.8c

2000 US \$m	Summary of consolidated balance sheet	Year ended 31 December				
		2000 € m	1999 €m	1998 €m	1997 €m	1996 €m
74,149	Total assets	79,688	67,070	53,720	47,777	33,137
46,747	Loans etc	50,239	43,127	35,496	32,390	22,354
60,678	Deposits etc	65,210	55,241	44,840	40,063	27,660
1,708	Dated capital notes	1,836	1,587	970	1,002	600
384	Undated capital notes	413	397	170	178	250
253	Equity and non-equity minority interests in subsidiaries	272	227	213	219	141
246	Shareholders' funds: non-equity interests	264	245	210	160	132
3,997	Shareholders' funds: equity interests	4,296	3,651	2,829	2,299	1,626
6,588	Total capital resources	7,081	6,107	4,392	3,858	2,749

Other financial data	Year ended 31 December				
	2000 %	1999 %	1998 %	1997 %	1996 %
Return on average total assets	1.11 ⁽¹⁾	1.33	1.29 ⁽²⁾	1.23	1.09
Return on average ordinary shareholders' equity	18.9 ⁽¹⁾	23.5	25.4 ⁽²⁾	23.6	21.3
Dividend payout ratio	43.9	37.8	37.9	38.0	39.3
Average ordinary shareholders' equity as a percentage of average total assets	5.5	5.4	4.7	4.8	4.8
Allowance for loan losses as a percentage of total loans to customers at year end	1.9	1.9	1.8	1.9	1.9
Net interest margin	3.02	3.27	3.33	3.67	3.54
Tier 1 capital ratio	6.3	6.4	7.5	7.4	7.8
Total capital ratio	10.8	11.3	11.1	11.1	11.6

⁽¹⁾Excluding the impact of the deposit interest retention tax settlement, the return on average total assets was 1.25% and the return on average ordinary shareholders' equity was 21.6%.

⁽²⁾Excluding the impact of the phased reduction in Irish corporation tax rates on deferred tax balances the return on average total assets was 1.39% and the return on average ordinary shareholders' equity was 27.3%.

US \$	Supplementary information for US investors	Year ended 31 December				
		2000 €	1999 €	1998 €	1997 €	1996 €
	Per American Depositary Share (ADS):⁽¹⁾					
1.66 ⁽²⁾	Net income	1.78 ⁽²⁾	1.79	1.49	1.22	0.97
0.74	Dividend ⁽³⁾	0.79	0.68	0.56	0.46	0.38
-	Tax credit on dividend ⁽⁴⁾	-	-	0.07	0.10	0.15
9.15	Net assets	9.84	8.49	6.62	4.27	3.80
	Amounts in accordance with US GAAP:					
663m ⁽⁵⁾	Net income	712m ⁽⁵⁾	695m	657m	457m	323m
644m ⁽⁶⁾	Net income attributable to ordinary stockholders	692m ⁽⁶⁾	680m	640m	442m	309m
1.50 ⁽⁷⁾	Net income per ADS	1.62 ⁽⁷⁾	1.60	1.51	1.15	0.91
11.16	Net assets per ADS	11.99	10.38	8.86	6.38	4.60
72,763m	Total assets	78,198m	65,942m	53,483m	48,124m	32,972m
4,873m	Ordinary stockholders' equity	5,237m	4,465m	3,784m	3,433m	1,969m

⁽¹⁾With effect from close of business on 13 May 1999 the number of ordinary shares represented by one American Depositary Share was amended from six to two. Prior year data has been restated to reflect this change.

⁽²⁾€ 2.02 (US \$ 1.88) when adjusted to exclude the impact of the deposit interest retention tax settlement.

⁽³⁾The actual dividend payable to US stockholders will depend on the €/US \$ exchange rate prevailing.

⁽⁴⁾For dividends payable after 5 April 1999 the tax credit is zero.

⁽⁵⁾€ 815m (US \$ 759m) when adjusted to exclude the impact of the deposit interest retention tax settlement.

⁽⁶⁾€ 795m (US \$ 740m) when adjusted to exclude the impact of the deposit interest retention tax settlement.

⁽⁷⁾€ 1.86 (US \$ 1.73) when adjusted to exclude the impact of the deposit interest retention tax settlement.

Other financial data in accordance with US GAAP:	Year ended 31 December				
	2000 %	1999 %	1998 %	1997 %	1996 %
Return on average total assets	1.04 ⁽¹⁾	1.21	1.30	1.17	1.02
Return on average ordinary stockholders' equity	14.1 ⁽¹⁾	16.5	18.0	16.3	16.5
Dividend payout ratio	48.4	42.3	37.3	39.9	41.8
Average ordinary stockholders' equity as a percentage of average total assets	6.8	6.9	6.8	6.6	5.7

⁽¹⁾Excluding the impact of the deposit interest retention tax settlement, the return on average total assets was 1.18% and the return on average ordinary shareholders' equity was 16.3%.



Principal addresses

Ireland & Britain

Group Headquarters

Bankcentre, PO Box 452, Ballsbridge,
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<http://www.aibgroup.com>

AIB Bank

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Office of General Manager –

Area Dublin

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Telephone + 353 1 660 0311
Facsimile + 353 1 660 1974

Office of General Manager –

Area East/West

Bankcentre, Ballsbridge, Dublin 4.
Telephone + 353 1 660 0311
Facsimile + 353 1 660 2487

Office of General Manager –

Area South

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From ROI 048 9032 5599
Facsimile + 44 28 9032 1754
From ROI 048 9032 1754
ftonline@aib.ie

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aibfinl@aib.ie

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email@aibgovett.co.uk

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Telephone + 353 1 661 7077
Facsimile + 353 1 661 7038
aibim@iol.ie

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AIB Frankfurt

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AIB Bank (Isle of Man) Limited

PO Box 186, 10 Finch Road,
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Facsimile + 44 1624 639636

All numbers are listed with international codes. To dial a location from within the same jurisdiction, drop the country code after the + sign and place a 0 before the area code. This does not apply to calls to First Trust from Ireland (Republic).

1. **Stock Exchange Listings**

Allied Irish Banks, p.l.c. is an Irish registered company. Its ordinary shares are traded on the Irish Stock Exchange, the London Stock Exchange and, in the form of American Depositary Shares (ADS), on the New York Stock Exchange (symbol AIB). Each ADS represents two ordinary shares and is evidenced by an American Depositary Receipt (ADR). The Company's non-cumulative preference shares are listed on the Irish Stock Exchange, and are eligible for trading in the USA, in the form of American Depositary Shares, in the National Association of Securities Dealers, Inc.'s PORTAL system under rule 144A.

2. **Registrar**

The Company's Registrar is:

Computershare Investor Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.

Telephone: +353-1-216 3100. Facsimile: +353-1-216 3151.

Website: [http:// www.computershare.com](http://www.computershare.com) e-mail: web.queries@computershare.ie

Ordinary Shareholders with access to the internet may check their accounts on the Company's Share Register by accessing AIB's website at www.aibgroup.com and clicking on the 'Check Shareholding' option or by accessing the Registrar's website at www.computershare.com. This facility allows shareholders to check their shareholdings and recent dividend payment details, and to download standard forms required to initiate changes in details held by the Registrar.

3. **Payment of Dividends direct to a bank account**

Ordinary Shareholders resident in Ireland or the UK may have their dividends paid by electronic transfer direct to a designated bank account, under advice from the Company of full details of the amounts so credited. Shareholders who wish to avail of this facility should contact the Registrar (see 2 above).

4. **Payment of Dividends in euros**

Ordinary Shareholders resident in Ireland may elect to have their dividends paid in euros. Shareholders who wish to avail of this facility should contact the Registrar (see 2 above).

5. **Dividend Reinvestment Plan - Ordinary Shareholders**

In accordance with the terms of the Dividend Reinvestment Plan, Ordinary Shareholders were offered the right to elect to receive new shares in lieu of cash in respect of the proposed final dividend, announced on 21 February 2001.

6. **American Depositary Shares**

American Depositary Shares provide US residents wishing to invest in overseas securities with a share certificate and dividend payment in a form familiar and convenient to them.

The Company's ordinary share and non-cumulative preference share ADR programmes are administered by The Bank of New York (see address on page 124).

7. **Dividend Reinvestment Plan - US ADR Holders**

AIB's ordinary share ADR holders who wish to re-invest their dividends may participate in The Bank of New York's *Global Buy Direct* program, details of which may be obtained from The Bank of New York at 1-800-943-9715.

8. **Direct Deposit of Dividend Payments - US ADR Holders**

Ordinary share ADR holders may elect to have their dividends deposited direct into a bank account through electronic funds transfer. Information concerning this service may be obtained from The Bank of New York at 1-888-269-2377.

9. Dividend Withholding Tax ('DWT')

Note: The following information, which is given for the general guidance of shareholders, does not purport to be a definitive guide to relevant taxation provisions. It is based on the law and practice as provided for under the (Irish) Finance Acts 1999 and 2000. Shareholders should take professional advice if they are in any doubt about their individual tax positions. Further information concerning DWT may be obtained from: DWT Section, Office of the Revenue Commissioners, St. Conlon's Road, Nenagh, Co. Tipperary, Ireland.

Telephone: +353-67-33533. Facsimile: +353-67-33822. E-mail: infodwt@revenue.ie.

General

With certain exceptions, dividends paid by Irish resident companies on or after 6 April 1999 are subject to DWT at the standard rate of income tax, to apply at the reduced rate of 20% from 6 April 2001. DWT, where applicable, is deducted by the Bank from dividends paid in cash or as new shares issued under the Dividend Reinvestment Plan (see 5 above); participants in the Plan thus receive shares to the value of the dividend after deduction of DWT. The following summarises the position in respect of different categories of shareholder:

A. Irish Resident Shareholders

– Individuals

DWT is deducted from dividends received, whether in the form of cash or as new shares, by individuals resident in the Republic of Ireland for tax purposes. Individual shareholders are liable to Irish income tax on the amount of the dividend before deduction of DWT, and the DWT is available for offset against their income tax liability; where the DWT exceeds such liability, the shareholder may apply to the Revenue Commissioners, at the address shown above, for a refund of the excess.

– Shareholders not liable to DWT

The following classes of shareholder who receive the dividend in a beneficial capacity are exempt from DWT, provided the shareholder furnishes a properly completed declaration, on a standard form (available from the Irish Revenue Commissioners and from the Company's Registrar), to the Registrar not less than three working days prior to the relevant dividend payment record date:

- Companies resident in the Republic of Ireland for tax purposes;
- Qualifying Employee Share Ownership Trusts;
- Exempt Approved Pension Schemes;
- Collective Investment Undertakings;
- Charities exempt from income tax on their income;
- Athletic/amateur sports bodies whose income is exempt from income tax;
- Designated stockbrokers receiving a dividend for the benefit of the holder of a Special Portfolio Investment Account ('SPIA').

Copies of the relevant declaration form may be obtained from the Company's Registrar at the address shown at 2 above, or from the Revenue Commissioners at the above address.

Once lodged with the Company's Registrar, the declaration form remains current from its date of issue until 31 December in the fifth year following the year of issue, or, within such period, until the exempt shareholder notifies the Registrar that entitlement to exemption is no longer applicable. Where DWT is deducted from dividends paid to shareholders not liable to DWT, the shareholder may apply to the Revenue Commissioners, at the address shown above, for a refund of the DWT so deducted.

– Qualifying Intermediaries (other than American Depository Banks – see D below)

Dividends received by a shareholder who is a qualifying intermediary on behalf of a shareholder not liable to DWT may be received without deduction of DWT. A 'qualifying intermediary' is a person who receives dividends on behalf of a third party, is resident for tax purposes in the Republic of Ireland or in a relevant territory*, and:

*A 'relevant territory' means a member state of the European Communities, other than the Republic of Ireland, or a country with which the Republic of Ireland has entered into a double taxation agreement.

9. Dividend Withholding Tax ('DWT') *(continued)*

- holds a licence under the Central Bank Act, 1971, or a similar authorisation under the law of a relevant territory, or is owned by a company which holds such a licence;
- is a member firm of the Irish Stock Exchange or of a recognised stock exchange in a relevant territory; or
- otherwise is, in the opinion of the Irish Revenue Commissioners, a person suitable to be a qualifying intermediary; and who (a) enters into a qualifying intermediary agreement with the Irish Revenue Commissioners and (b) is authorised by them as a qualifying intermediary.

Information concerning the conditions to be satisfied by intending qualifying intermediaries may be obtained from the Irish Revenue Commissioners at the address shown above. A qualifying intermediary should ensure that it receives completed declarations from underlying shareholders eligible for DWT exemption, so as to be in a position to notify the Company's Registrar, in advance of each dividend record payment date, of the extent to which the dividend payable to the qualifying intermediary is to be paid without deduction of DWT.

A shareholder wishing to ascertain whether an entity is a qualifying intermediary should contact the Irish Revenue Commissioners at the address shown above.

B. Shareholders not resident for tax purposes in the Republic of Ireland

The following categories of shareholder not resident for tax purposes in the Republic of Ireland may claim exemption from DWT, as outlined below:

- (a) an individual who is neither resident nor ordinarily resident in the Republic of Ireland and who is resident for tax purposes in a relevant territory (as defined at * above);
- (b) an unincorporated entity resident for tax purposes in a relevant territory;
- (c) a company not resident in the Republic of Ireland and which is controlled by a person or persons resident for tax purposes in a relevant territory; or a company resident in a relevant territory controlled by a non-Irish resident/residents; or
- (d) a company not resident in the Republic of Ireland, the principal class of whose shares are traded on a recognised stock exchange in a relevant territory or on such other stock exchange as may be approved by the Minister for Finance, including a company which is a 75% subsidiary of such a company; or
- a company not resident in the Republic of Ireland that is wholly-owned by two or more companies, each of whose principal class of shares is so traded.

To claim exemption, any such shareholder must furnish a valid declaration, on a standard form (available from the Irish Revenue Commissioners and from the Company's Registrar), to the Registrar not less than three working days in advance of the relevant dividend payment record date, accompanied by:

- **Categories (a) and (b) above:** The declaration must be certified by the tax authority of the country in which the shareholder is resident for tax purposes. Where the shareholder is a trust, the declaration must be accompanied by a certificate signed by the trustee(s) showing the name and address of each settlor and beneficiary. Such trustee(s) certificate must be noted by the Irish Revenue Commissioners.
- **Categories (c) and (d) above:** The company's auditor must certify the declaration.

Dividends received by a shareholder who is a qualifying intermediary on behalf of a qualifying non-resident person may be received without deduction of DWT – see 'Qualifying Intermediaries' under 'Irish Resident Shareholders' at A above.

C. Dividend Statements

Each shareholder, including those receiving shares under the Dividend Reinvestment Plan, receives a statement showing the shareholder's name and address, the dividend payment date, the amount of the dividend, and the amount of DWT, if any, deducted therefrom. In accordance with the requirements of legislation, this information is also furnished to the Irish Revenue Commissioners.

9. Dividend Withholding Tax ('DWT') (continued)

D. American Depositary Receipt ('ADR') Holders

An ADR holder whose address:

- on the register of ADRs maintained by AIB's ADR programme administrator, The Bank of New York, or
- in the records of a further intermediary through which the dividend is paid,

is located in the United States of America is exempt from DWT, provided the intermediary concerned satisfies certain conditions. In such circumstances, there is no requirement for the holder to make a declaration in order to obtain exemption from Irish DWT.

US Withholding Tax

Notwithstanding entitlement to exemption from *Irish* DWT, referred to above, ADR holders should note that, under provisions introduced by the US Internal Revenue authorities, effective from 1 January, 2001, US-resident holders of ADRs may, in certain circumstances, be liable to a US withholding tax on dividends received on such ADRs. This would arise, for example, where a US resident, being the beneficial owner of ADRs issued by an overseas company, fails to provide the depositary bank - or, where applicable, the Registered Broker - with a Form W-9 (tax certified document), showing, inter alia, the holder's Social Security Number or Taxpayer Identification Number. Non-US residents holding ADRs are required to submit a Form W-8BEN to the depositary bank / Registered Broker, as appropriate, to become tax certified and to avoid US withholding tax.

ADR holders with queries in this regard should contact either (i) The Bank of New York, in the case of holders registered direct with that institution - see address on page 124; (ii) the holder's Registered Broker, where applicable; or (iii) the holder's financial/ taxation adviser.

Shareholding analysis

as at 31 December 2000

Size of shareholding	Shareholder Accounts		Number	Shares %
	Number	%		
1 – 1,000	37,703	38	14,615,000	2
1,001 – 5,000	41,116	42	106,633,272	12
5,001 – 10,000	14,874	15	106,881,489	12
10,001 – 100,000	4,592	5	111,185,071	13
100,001 – over	348	–	539,892,778	61
Total	98,633	100	879,207,610	100

Geographical division

Republic of Ireland	59,783	61	359,005,290	41
Overseas	38,850	39	520,202,320	59
Total	98,633	100	879,207,610	100

Financial calendar

Annual General Meeting

Wednesday, 25 April 2001

Dividend payment dates – Ordinary Shares

Final Dividend 2000 - 26 April 2001

Interim Dividend 2001 - 28 September 2001

Interim results

Unaudited interim results for the half-year ending

30 June 2001 will be announced on 1 August 2001.

Shareholder enquiries should be addressed to:

For holders of Ordinary Shares:

Computershare Investor Services (Ireland) Ltd.

Heron House

Corrig Road

Sandyford Industrial Estate

Dublin 18

Ireland

Telephone +353 1 216 3100

Facsimile +353 1 216 3151

Website (for on-line shareholder enquiries):

www.aibgroup.com – click on the 'Check

Shareholding' option

or

www.computershare.com

For holders of ADRs in the United States:

The Bank of New York

Shareholder Relations

PO Box 11258

Church Street Station

New York, NY 10286-1258

USA

Telephone 1-888-BNY-ADRS

1-888-269-2377

Website: <http://www.bankofny.com>

or

Allfirst

Shareholder Relations

213 Market Street, PO Box 2961

Harrisburg, PA 17105-2961

Telephone 1-800-458 0348

Email: ann.l.kerman@allfirst.com

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