Form 20-F

(Mark One) [ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR l5(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR l5(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-10284

Allied Irish Banks,

public limited company

(Exact name of registrant as specified in its charter)

Ireland

(Jurisdiction of incorporation or organization)

Bankcentre, Ballsbridge, Dublin 4, Ireland

(Address of principal executive offices)

+353 1 6600311

(Telephone number of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Ordinary shares of EUR 0.32c each, represented by American Depositary Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Non-cumulative preference shares of US$25 each	250,000
Ordinary shares of EUR 0.32c each	879,207,610

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ______

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ______ Item 18 __X__

ALLIED IRISH BANKS, p.l.c.
ANNUAL REPORT ON FORM 20-F
FOR THE YEAR ENDED DECEMBER 31, 2000

TABLE OF CONTENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

REPORTING CURRENCY AND EXCHANGE RATES

Allied Irish Banks, p.l.c. ("AIB") and its subsidiaries (collectively "AIB Group" or "Group") publish consolidated financial statements in euros (€). On January 1, 1999 the euro came into being and became the official currency of the eleven participating member states (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain). On January 1, 2001 the euro also became the official currency of Greece. The national currency units of these participating currencies will co-exist with the euro, as denominations of the new single currency until December 31, 2001. Ireland joined the European Single Currency at the fixed translation rate of EUR 1=IR £0.787564 and all comparative figures have been translated into euros at this rate. Up to and including the accounts for the year ended December 31, 1998, the consolidated financial statements of the Group were prepared using the Irish pound as the reporting currency.

In this Annual Report, references to "US dollars", "dollars", "US$", "cents" or "¢" are to United States currency, references to "EUR", "euros", "€" or "c" are to euro currency, references to "sterling" or "Stg£" are to British currency, references to "zloty", "PLN" or "zl" are to Polish currency and references to "Yen" are to Japanese currency. Merely for convenience, this Annual Report contains translation of certain euro amounts into dollars at specified rates. These translations should not be construed as representations that the euro amounts actually represent such dollar amounts or could be converted into dollars at the rate indicated or at any other rate. Unless otherwise indicated, the translations of euros into dollars have been made at €1.00 to US$0.8794, the noon buying rate in the City of New York for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York ("the noon buying rate") on March 30, 2001.

The following table shows, for the periods and dates indicated, certain information regarding the noon buying rate, expressed in US dollars per euro.

	Period end(1)	Average rate(2)	High	Low
Year ended Dec. 31, 1996...............	1.3326	1.2662	1.3326	1.2251
Year ended Dec. 31, 1997................	1.1199	1.1867	1.2526	1.1199
Year ended Dec. 31, 1998................	1.1739	1.1216	1.1827	1.0707
Year ended Dec. 31, 1999................	1.0070	1.0588	1.1371	1.0070
Year ended Dec. 31, 2000................	0.9257	0.9184	1.0335	0.8271

(1) The noon buying rate at such dates differed from the rates used in the preparation of AIB Group's consolidated financial statements, which were US$1.3240, US$1.1265, US$1.1668, US$1.0046 and US$0.9305 to €1.00 at December 31, 1996, 1997, 1998, 1999 and 2000 respectively.

(2) The average rate for each period is the average of the noon buying rates on the last day of each full month during that period.

On April 17, 2001 the noon buying rate was EUR1.00 = US$0.8814

A significant portion of the assets and liabilities of AIB Group is denominated in currencies other than euros. Accordingly, fluctuations in the value of the euro relative to other currencies have had an effect on the euro value of assets, liabilities, interest income and interest expense denominated in such currencies.

FORWARD–LOOKING INFORMATION

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of the Group and certain of the plans and objectives of the Group. In particular, among other statements, certain statements in the Operating and financial review and prospects with regard to management objectives, trends in results of operations, margins, risk management, competition and European Monetary Union are forward-looking in nature. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in economic conditions globally and in the regions in which the Group conducts its business, changes in fiscal or other policies adopted by various governments and regulatory authorities, the effects of competition in the geographic and business areas in which the Group conducts its operations, the ability to increase market share and control expenses, the effects of changes in taxation or accounting standards and practices, acquisitions, future exchange and interest rates and the success of the Group in managing these events.

AIB cautions that the foregoing list of important factors is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report may not occur.

PART I

Item 3. Key information

Selected financial data

The financial information set forth below for the years ended December 31, 2000, 1999, 1998, 1997 and 1996 has been derived from the Consolidated Financial Statements of AIB Group for those periods, which have been audited by PricewaterhouseCoopers (formerly Coopers & Lybrand), independent chartered accountants and registered auditors. AIB Group's Consolidated Financial Statements are prepared in accordance with Irish Generally Accepted Accounting Principles ("IR GAAP"), which differ in certain significant respects from United States Generally Accepted Accounting Principles ("US GAAP"). For a discussion of significant differences between IR GAAP and US GAAP and a reconciliation to US GAAP, see note 48 to AIB's Consolidated Financial Statements. This information should be read in conjunction with, and is qualified by reference to, the accounting policies adopted, the Consolidated Financial Statements of AIB Group and notes thereon for the years ended December 31, 2000, 1999 and 1998 included in this Annual Report.

	Years ended December 31,					
	2000	2000	1999	1998	1997	1996
SUMMARY OF CONSOLIDATED STATEMENT OF INCOME[1] **Amounts in accordance with IR GAAP:**	**(Dollars in millions, except per share amounts)**	**(Euros in millions, except per share amounts)**				
Net interest income before exceptional item	$ 1,778	€ 2,022	€ 1,770	€ 1,609	€ 1,374	€ 1,063
Deposit interest retention tax[2]	(99)	(113)	-	-	-	-
Net interest income after exceptional item	1,679	1,909	1,770	1,609	1,374	1,063
Other income	1,147	1,304	1,052	980	757	591
Total operating income	2,826	3,213	2,822	2,589	2,131	1,654
Total operating expenses	1,714	1,949	1,618	1,442	1,384	1,067
Operating income before provisions	1,112	1,264	1,204	1,147	747	587
Provisions	118	134	92	134	94	67
Operating income-continuing operations	994	1,130	1,112	1,013	653	520
Income from associated companies	3	3	3	4	9	13
Income before disposals	997	1,133	1,115	1,017	662	533
Profit/(loss) on disposal of property	4	5	2	32	(2)	2
Income on disposal of business[3]	-	-	15	-	76	-
Income before taxes, minority interests and preference dividends	1,001	1,138	1,132	1,049	736	535
Income taxes	280	318	327	315	230	179
Impact of proposed change in Irish corporation tax rates on deferred tax balances[4]	-	-	-	55	-	-
	280	318	327	370	230	179
Equity and non-equity minority interests	33	38	28	29	23	12
Preference dividends	18	20	16	17	18	14
Net income	$ 670	€ 762	€ 761	€ 633	€ 465	€ 330
Per ordinary share						
Net income – basic	78.3¢	89.0c	89.5c	74.7c	60.9c	48.8c
Net income – adjusted	91.5¢	104.0c	90.5c	81.1c	-	-
Net income – diluted	77.5¢	88.1c	88.0c	73.7c	60.6c	48.8c
Dividends	34.1¢	38.75c	33.70c	28.06c	22.50c	19.0c
Amounts in accordance with US GAAP:						
Net income	$ 627	€ 712	€ 695	€ 657	€ 457	€ 323
Net income applicable to ordinary stockholders	609	692	680	640	442	309
Net income per ordinary share	71.1¢	80.9c	80.0c	75.5c	57.5c	45.5c
Net income per ADS	142.5¢	162c	160c	151c	115c	91c

SUMMARY OF CONSOLIDATED BALANCE SHEET	2000		2000		1999		1998		1997		1996
		December 31,									
Amounts in accordance with IR GAAP:	(Dollars in Millions)	(Euros in millions except per share amounts)									
Total assets	$ 70,077	€	79,688	€	67,070	€	53,720	€	47,777	€	33,137
Loans etc	44,181		50,239		43,127		35,496		32,390		22,354
Deposits etc	57,345		65,210		55,241		44,840		40,063		27,660
Dated capital notes	1,614		1,836		1,587		970		1,002		600
Undated capital notes	363		413		397		170		178		250
Equity and non-equity minority interests	239		272		227		213		219		141
Preference share capital	233		264		245		210		160		132
Ordinary stockholders' equity	3,778		4,296		3,651		2,829		2,299		1,626
Total capital resources	$ 6,227	€	7,081	€	6,107	€	4,392	€	3,858	€	2,749
Capital stock - ordinary shares											
Number of shares outstanding			879.2		866.0		859.9		853.3		680.2
Balance sheet amounts	$ 247	€	281	€	277	€	273	€	271	€	216
Capital stock – perference shares											
Number of shares outstanding			0.25		0.25		0.25		7.2		7.2
Balance sheet amounts	$ 233	€	264	€	245	€	210	€	160	€	132
Amounts in accordance with US GAAP:											
Ordinary stockholders' equity	$ 4,605	€	5,237	€	4,465	€	3,784	€	3,433	€	1,969
Total assets	68,767		78,198		65,942		53,483		48,124		32,972

	Years ended December 31, 2000	1999	1998	1997	1996
OTHER FINANCIAL DATA[5]					
Other financial data in accordance with IR GAAP:					
Return on average total assets	1.11[6] %	1.33 %	1.29 %	1.23 %	1.09 %
Return on average stockholders' equity	18.9[6]	23.5	25.4	23.6	21.3
Dividend payout ratio	43.9	37.8	37.9	38.0	39.3
Average ordinary stockholders' 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[7]	3.02	3.27	3.33	3.67	3.54
Tier 1 capital ratio[8]	6.3	6.4	7.5	7.4	7.8
Total capital ratio[8]	10.8	11.3	11.1	11.1	11.6
Other financial data in accordance with US GAAP:					
Return on average total assets	1.04[9] %	1.21 %	1.30 %	1.17 %	1.02 %
Return on average ordinary stockholders' equity	14.1[9]	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) On September 16, 1999, the Group acquired an 80% shareholding in Bank Zachodni S.A. ("BZ"). Under its agreement with the Polish State Treasury, AIB agreed to invest a further PLN 250 million by April 16, 2000 of which PLN 150 million was invested on October 15, 1999 and PLN 100 million was invested on April 12, 2000. A further PLN 100 million was invested on November 22, 2000 increasing the Group's shareholding in BZ to 83%. The acquisition of Dauphin Deposit Corporation was completed on July 8, 1997, by the merger of Dauphin into First Maryland Bancorp (now "Allfirst Financial, Inc."). In addition, Wielkopolski Bank Kredytowy S.A. ("WBK") became a subsidiary of the Group with effect from April 30, 1997 when AIB's shareholding increased to 60%. As a result the financial information provided above is not directly comparable as the results for the year ended December 31, 1997 include the results of Dauphin for 6 months and the results of WBK for 8 months in comparison to 12 months for 2000, 1999 and 1998, while the results for the year ended December 31, 1999 include the results of BZ for 3 months in comparison to 12 months for 2000.

(2) On October 3, 2000, AIB announced that it had reached a full and final settlement with the Irish Revenue Commissioners of IR£90.04 million (€114.33 million) in relation to DIRT, interest and penalties in Ireland for the period April 1986 to April 1999. The settlement included IR£1.08 million (€1.37 million) 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£88.96 million (€112.96 million) has been reflected in the accounts for the year ended December 31, 2000.

(3) 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 €15 million (tax charge €4 million). In August 1997, Allfirst Financial, Inc. sold its US$360 million Bell Atlantic bankcard loan portfolio to Chase Manhattan Corporation. In December 1997, Allfirst Financial, Inc. announced an agreement under which Bank of America N.A. acquired the credit card receivables portfolios of First Omni Bank, N.A. and Dauphin Deposit Bank, and the transaction closed in February 1998. A profit before taxation of €76 million (tax charge €29 million) was recognized in the accounts for the year ended December 31, 1997 in respect of these transactions.

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

(5) The calculation of the average balances include daily and monthly averages and are considered to be representative of the operations of the Group.

(6) 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 stockholders' equity was 21.6%.

(7) Net interest margin represents net interest income as a percentage of average interest earning assets. The net interest margin for the years ended December 31, 1996 and 2000 reflects a net interest income figure that has been adjusted to reflect a 365 day year for comparative purposes. The net interest margin for 2000 has been calculated excluding the impact of the DIRT settlement.

(8) The Board of Governors of the Federal Reserve System (the Federal Reserve Board) guidelines for risk-based capital requirements, applicable to all bank holding companies, require the minimum ratios of Tier 1 capital and Total capital to risk adjusted assets to be 4% and 8% respectively. The Central Bank of Ireland also has issued its guidelines for implementation of the requirements of the EC Council Directives on own funds, solvency ratios and capital adequacy in Ireland which, while similar to the Federal Reserve guidelines, require minimum Tier 1 and Total capital ratios of 4.25% and 8.5% respectively. Furthermore, the Federal Reserve Board has adopted leverage capital guidelines requiring bank holding companies to maintain a minimum ratio of Tier 1 capital to total quarterly average assets ("Tier 1 leverage ratio") of at least 3%, in the case of a bank holding company which has the highest regulatory examination rating and is not contemplating significant growth. All other bank holding companies are expected to maintain a Tier 1 leverage ratio at least 1% to 2% above the stated minimum.

(9) 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 stockholders' equity was 16.3%.

Risk factors

Business conditions and general economy

The profitability of the Group's businesses could be adversely affected by a worsening of general economic conditions in Ireland or elsewhere as well as by foreign and domestic trading market conditions. Such factors could also adversely affect the credit quality of the Group's on-balance sheet and off-balance sheet assets. An economic downturn or significantly higher interest rates could increase the risk that a greater number of the Group's customers would default on their loans or other obligations to the Group, or would refrain from seeking additional borrowing.

Government policies and economic controls

The Group's businesses and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond the Group's control.

For further discussion on the Group's businesses, the Irish economy, competition, and supervision and regulation in the main geographical areas the Group operates in, see Item 4 - "Business overview" on pages 7 to 17.

Risk management

A detailed discussion on the three major risks facing AIB Group - credit risk, market risk and operational risk; is contained in Item 11 – Quantitative and qualitative information about market risk on pages 55 to 76.

Item 4. Information on the company

The following additional statistical information may be found elsewhere as follows:

I. Average balance sheet - see Item 5 - “Average balance sheets and interest rates” on pages 23 and 24.

II. Investment portfolio - see Item 18 - note 48 on pages 131 to 133.

III. Loan portfolio
  (a) Types of loans - See Item 11 - “Loan portfolio” on page 65.
  (b) Maturities and sensitivities of loans to changes in interest rates - See Item 11 - “Interest rate sensitivity” on pages 59 and 60 and “Analysis of loans to customers by maturity and interest rate sensitivity” on page 68.
  (c) Risk elements
    - Non-accrual, past due and restructured loans - see Item 11 - “Risk elements in lending” on page 73.
    - Potential problem loans - see Item 11 - “Provision and allowance for loan losses” on page 68.
    - Foreign outstandings - see Item 11 - “Cross-border outstandings” on page 76.

IV. Summary of loan loss experience
  (a) Analysis of the allowance for loan losses - see Item 11 - “Movements in the allowance for loan losses” on page 69.
  (b) Allocation of the allowance for loan losses - see Item 11 - “Analysis of allowance for loan losses” on page 72.

V. Deposits and short-term borrowings
  See Item 5 - “Placings with banks”, “Deposits by customers”, “Customer deposits by currency” and “Short-term borrowings” on pages 37 to 39.

History and development of the company

History

AIB, originally named Allied Irish Banks Limited, was incorporated in Ireland in September 1966 in connection with the amalgamation of three long established banks (the “constituent banks”) with assets aggregating €324 million. At that time the shares of the Munster and Leinster Bank Limited (established 1885), the Provincial Bank of Ireland Limited (established 1825) and The Royal Bank of Ireland Limited (established 1836), were acquired by and were transferred to AIB as a holding company. In 1972, AIB became the sole banking entity in place of the three constituent banks, other than with regard to the currency note issue of the Provincial Bank of Ireland Limited in Northern Ireland, which was transferred to AIB in 1982. This power to issue bank notes in Northern Ireland was transferred to AIB Group (UK) p.l.c. with effect from January 10, 1994.

In December 1970, AIB commenced the expansion of its network of branches in Britain. Since 1972, AIB has opened overseas branches in New York, the Cayman Islands and Singapore. Subsidiary companies have been set up in the Isle of Man and Jersey (Channel Islands). Representative offices have been established in Frankfurt, Pennsylvania, California and Philadelphia.

In December 1983, AIB acquired 43% of the outstanding shares of First Maryland Bancorp (“FMB”), now Allfirst Financial, Inc. (“Allfirst”). On March 21, 1989, AIB completed the acquisition of 100% of the outstanding shares of common stock of Allfirst, thereby furthering its strategic objective of increasing the geographic diversification of its investments and operations.

Ark Life Assurance Company Limited (“Ark Life”), the AIB Group’s wholly-owned life assurance subsidiary, commenced trading on May 22, 1991.

In July 1991, AIB acquired TSB Bank Northern Ireland p.l.c. (“TSB NI”), a bank with 56 branches in Northern Ireland. The AIB and TSB NI businesses in Northern Ireland were integrated with the passage of enabling legislation, which came into effect on January 10, 1994 and the combined operations trade under the service mark “First Trust Bank”.

In February 1995, AIB acquired its initial minority shareholding of 16.3% of the outstanding shares of Wielkopolski Bank Kredytowy S.A. (“WBK”) and in June 1996 acquired a further shareholding of 20%. On May 13, 1997, the AIB Group increased its shareholding in WBK to 60.14%.

On December 29, 1995, AIB acquired the John Govett Group, a UK investment management business operating principally from offices in London, Singapore, San Francisco and Jersey. In December 1996, the asset management operations of AIB, excluding those conducted by FMB, were merged under a single holding company.

On July 8, 1997, Dauphin Deposit Bank and Trust Company (“Dauphin”) a Pennsylvania chartered commercial bank was acquired by FMB and all banking operations have been merged into Allfirst Bank since September 1999.

On June 2, 1999, AIB signed an in-principle agreement with Singapore based Keppel TatLee Bank Limited (now Keppel Capital Holdings Limited) ("KTL"), which gives AIB the right to acquire up to a 24.9% equity stake in the bank. In October 1999, AIB's private banking and treasury operations in Singapore were sold to KTL.

On September 16, 1999, AIB completed the acquisition of an 80% shareholding in Bank Zachodni S.A. ("BZ") from the State Treasury of the Republic of Poland. In accordance with the acquisition agreement AIB invested in additional shares of BZ on October 15, 1999, bringing the total shareholding to 81% at December 31, 1999. Further investments during 2000 have brought AIB's shareholding to 83% at December 31, 2000.

Recent developments

Merger of Wielkopolski Bank Kredytowy S.A. and Bank Zachodni S.A.

In November 2000, AIB announced that the Management Boards of WBK and BZ had approved a merger agreement in respect of the proposed merger of the two banks. The merger, which is subject to various regulatory approvals, received the approval of the shareholders of WBK and BZ at extraordinary general shareholders meetings for each bank held on December 20, 2000. During the year 2000, WBK and BZ announced a US$100 million joint investment, supported by AIB Group, to upgrade and enhance each bank's IT and systems to a common branch banking platform to strengthen their competitive position ("the B1 program"). After the proposed merger, the new bank will be a tier one Polish Bank whose combined assets will amount to PLN 21.2 billion. The process of obtaining all the necessary regulatory permissions has commenced and the merger is planned to take effect in May of 2001. It is proposed that the new entity will adopt the name Bank Zachodni WBK S.A. ("BZWBK") to reflect the strength of the individual franchises of the two banks. The registered office of the new company will be in Wroclaw. It is intended that BZWBK will be listed on the Warsaw Stock Exchange and that its shares will be traded from May 2001.

Appointment of Group Chief Executive Designate

It was announced on October 25, 2000, that Mr Michael Buckley, currently Managing Director AIB Poland Division, had been appointed to the position of Group Chief Executive Designate which he will take up on the retirement of Mr Tom Mulcahy in June 2001.

New Appointments to Top Management Team

In March 2000, following the appointment of Michael Buckley as AIB Group Chief Executive Designate in October 2000, and in view of the forthcoming retirements of current Group Chief Executive, Tom Mulcahy, and AIB Bank Managing Director, Kevin Kelly, AIB announced new appointments to its senior management team.

Gary Kennedy, currently AIB Group Financial Director, is being appointed Managing Director of a new division - AIB Group Technology and eBusiness. This division will have responsibility for Groupwide IT and eBusiness investment and the development and implementation of AIB Group's IT and eBusiness strategy.

Eugene Sheehy, currently General Manager Retail Operations, AIB Bank, will become Managing Director of AIB Bank in Ireland.

Aidan McKeon, currently General Manager Britain, will become Managing Director of a new UK Division incorporating the Allied Irish Bank (GB) business in Britain and First Trust Bank in Northern Ireland.

Con O'Sullivan, currently First Vice-President, WBK Bank in Poland, will become Head of a new Group Finance and Corporate Services Department which will comprise AIB Group Financial Control, Group Taxation, Group Corporate Development, The Group Law Agent Office and the Office of the Secretary.

All of the new appointments will report directly to Michael Buckley and will be effective from June 1, 2001. The appointees will also be members of the AIB Group Executive Committee, which is chaired by the AIB Group Chief Executive, and is responsible for setting corporate strategy and overseeing the management of AIB Group.

The other members of the AIB Group Executive Team, who will continue in their current roles, are:-

Frank Bramble, Chief Executive of AIB's USA Division
Gerry Byrne, Head of AIB's Poland Division
Colm Doherty, Managing Director, AIB Capital Markets
Mike Lewis, Head of AIB Strategic Human Resources
Pat Ryan, AIB Group Treasurer

Acquisition of Community Counselling Service Co., Inc.

In March 2001, AIB announced that it has reached an agreement to acquire the privately owned New York based Community Counselling Service Co., ("CCS"). CCS is the largest consultancy firm to the Not for Profit ("NFP") sector worldwide.

CCS is engaged primarily in the design and direction of fundraising initiatives for distinguished national and international charities, religious organizations and educational institutions. AIB provides a broad array of financial services to the NFP sector, including credit, credit enhancement, cash management, asset management and risk management services. AIB is also in the process of e-enabling many of these services for NFP clients. The association between these two companies will complement these activities and present significant cross selling opportunities for both entities.

This alliance is in line with AIB's strategy to further develop its presence in the NFP market in the USA and to significantly enhance the range of products and services offered to this market. The NFP sector in the USA, which generates over 8% of US GDP, consists of approximately 700,000 institutions involved in education, healthcare, social services, religion, cultural affairs, science institutes and trade associations.

The purchase of CCS is conditional on the approval of the appropriate regulatory authorities and will be effected through Allfirst Financial, Inc., AIB's subsidiary in the USA. CCS will have net assets on acquisition of approximately US$1 million.

Capital Raising

On February 5, 2001, AIB Group announced the issue of €500 million 7.5% Step-up Callable Perpetual Reserve Capital Instruments. This additional capital, which qualifies as Tier 1 capital will provide more flexibility in financing balance sheet growth and will strengthen AIB Group and parent capital ratios.

Business overview

Description of business

AIB Group provides a diverse range of banking, financial and related services, principally in Ireland, the United States ("US"), the United Kingdom ("UK") and Poland. At December 31, 2000 AIB Group was the largest Irish banking group in terms of income before taxes (on the basis of the latest published financial statements). AIB has almost 300 branches and outlets in Ireland, where the directors estimate its share of the total market for both euro loans and deposits to be approximately 20%.

In Northern Ireland, through its wholly-owned subsidiary AIB Group (UK) p.l.c., which trades there as First Trust Bank, AIB Group operates from some 60 branches and outlets. In Britain, AIB Group (UK) p.l.c., which trades there as Allied Irish Bank (GB), provides a range of banking services through 36 branches and outlets. In the US, through its subsidiary Allfirst Financial, Inc. ("Allfirst"), the Group operates from 261 full service branch offices in Maryland, adjoining states and the District of Columbia. In Poland, the Group operates from 405 branches and outlets through its 60% owned subsidiary WBK, together with its 83% owned subsidiary BZ.

AIB Group's activities are conducted through four major operating divisions - AIB Bank; USA; Capital Markets; and Poland. At December 31, 2000 AIB Group had assets of €79.7 billion and employed approximately 31,800 people on a full time equivalent basis.

At December 31, 2000 the distribution of assets and the number of employees between those major operating divisions was as follows:

	Assets			Employees	
Division		(Euros in millions)	%		%
AIB Bank	€	29,607	37	11,669	37
USA		20,458	26	5,738	18
Capital Markets		23,218	29	2,341	7
Poland		6,054	8	11,798	37
Group		351	-	232	1
Total	€	79,688	100	31,778	100

The Irish economy

The following statements concerning future economic conditions are forward-looking statements that involve risks and uncertainties and speak only as of the date hereof. Factors that may cause actual future economic conditions to differ materially from those contemplated by such forward-looking statements include, among other things, governmental, economic, fiscal, monetary or political events or policies.

As AIB Group activities in Ireland account for approximately 47% of total Group assets, the performance of the Irish economy is very important to AIB Group. Growth in the Irish economy averaged over 9% per annum in the five year period up to 2000, driven by a combination of higher exports and buoyant domestic demand. Ireland's strong export performance over the period has been the direct result of two factors: (i) a substantial improvement in cost competitiveness derived largely from the private sector pay provisions of the Programme for National Recovery (1988-90), the Programme for Economic and Social Progress (1991-93), the Programme for Competitiveness and Work (1994-96) and the Partnership 2000 Agreement (1997-99); and (ii) a significant increase in the economy's manufacturing capacity, reflecting the benefits of the Government's industrial policy in attracting foreign direct investment into Ireland. There was a General Government Surplus of 4.7% of GDP in 2000. The fiscal balance is expected to remain in surplus in 2001 and in later years. This reflects the strong resolve to adhere to the convergence criteria set out in the Treaty on European Union (the "Maastricht Treaty").

Real GDP growth in 2000 is estimated to have increased by 10.7%, the highest in the European Union ("EU"). The engine for growth was broadly based. Private consumer expenditure is estimated to have increased by approximately 8.5% and exports by 16.6%, while fixed capital investment recorded another year of strong growth of almost 11%. The impact of this broadly based growth pattern was very positive for both net job creation and unemployment. Employment rose by 4.5% in Ireland in 2000 after a growth of 6.4% in 1999 with unemployment levels continuing to decline. The average unemployment rate of 4.1% in 2000 was down from 14.7% in 1994. These developments took place in a low inflationary environment, where inflation rates averaged 1.6% in 1999 and 2.4% in 1998. However, inflation rose sharply in 2000 to 5.6% due to higher oil prices, the weakness of the euro and a significant rise in indirect taxes on tobacco prices. The public finances remain on track in the context of the Maastricht Treaty criteria, with the General Government Debt/GDP ratio reduced to below 40% in 2000 down from 95% in 1991. A current account balance of payments surplus of approximately 0.2% of GNP in 2000 has assisted the positive performance over recent years.

The prospects for growth in the Irish economy, in both the short and medium-term, are dependent on the continuation of non-inflationary fiscal and monetary policies and moderation in pay settlements. Prospects for continued non-inflationary economic growth over the medium-term were enhanced when, in March 2000, the social partners agreed a new partnership agreement, the "Program for Prosperity and Fairness".

Ireland is a member of the euro area where official interest rates are currently 4.75%. Little change in official rates is expected in 2001. In terms of the value of the euro versus the US dollar and sterling, these are at very competitive levels from an Irish viewpoint. In all, a competitive price outlook prevails which should contain long-term inflationary pressures. Inflation is expected to average 4.3% in 2001 with the end of the year expected to be close to 3%. The pace of Irish economic growth is moderating to a more sustainable medium-term rate. Latest forecasts indicate that real GDP will rise by around 7% in 2001 (higher than any EU economy). The latest forecasts make allowance for the impact on Ireland of the sharp slowdown in the US economy and acknowledge that the threat of Foot and Mouth Disease ("FMD") in the agricultural sector will adversely affect the Irish economy. If FMD turned out to be a bigger problem than at present, the outlook for Irish economic growth would deteriorate significantly. Estimates produced to date, based on restrictive assumptions, suggest that a full-blown outbreak of FMD in Ireland would reduce the rate of economic growth in Ireland by 1.5 - 2% in 2001. However, based on anecdotal evidence from the UK and Ireland, the collateral damage to the Irish non-agricultural economy could knock 3 percentage points off the growth rate for 2001.

The medium-term outlook is pointing to growth of 4.5% - 5% per annum in real terms and a return to inflation of about 2.5% per annum. Thus, the AIB Group is likely to be operating in a favorable domestic economic environment in the medium-term.

Divisional information

AIB Bank division

The AIB Bank division, with total assets of €29.6 billion at December 31, 2000, comprises the Group's retail and commercial banking operations in Ireland, Northern Ireland, Britain, Channel Islands and Isle of Man; AIB Finance & Leasing; Card Services and AIB's life and pensions subsidiary, Ark Life Assurance Company Limited.

AIB Bank in Ireland and First Trust Bank in Northern Ireland, provide branch banking services through their distribution network of almost 360 branches and outlets, and in excess of 580 automatic teller machines ("ATMs"). AIB/First Trust ATM card holders also have access to over 29,000 LINK ATMs in Britain and Northern Ireland as well as 500,000 Visa Plus serviced ATMs worldwide. A debit card "Laser" is operated jointly with other financial institutions in Ireland.

In addition, the Bank offers a 24 hour telephone access service for the routine transactions of personal customers in both Ireland and Northern Ireland. There is also 24 hour account access for personal customers via the internet through the "24-hour-online" service through which customers can pay bills, transfer money between accounts, search for cheques and view and order statements.

In Ireland and Northern Ireland, branch banking services are provided across the range of customer segments, including individuals, small and medium sized commercial customers, farmers and the corporate sector. Through the branch network, the Bank provides a variety of savings and deposit accounts and investment products, loans and overdrafts, home loans, home improvement loans, foreign exchange facilities and issues Visa ® and Mastercard ® credit cards.

AIB Finance & Leasing is AIB's asset financing arm in Ireland. It markets its services through the AIB branch network and through intermediaries with whom it has established relationships, such as motor dealers, equipment suppliers, brokers and other professionals, including solicitors, accountants and estate agents. It also lends directly to customers. Its lending services include vehicle, equipment and fleet leasing, retail and investment property loans, vehicle and equipment hire purchase, insurance premium financing and personal loans.

AIB's life assurance subsidiary, Ark Life Assurance Company Limited, provides a wide range of financial planning services including life assurance, savings and investment instruments, pensions and inheritance tax planning. In Ireland, general insurance products are sold in the branch network through alliances with partners in the insurance industry. In addition, First Trust Insurance Services Limited provides insurance services utilizing the First Trust branch network in Northern Ireland.

Allied Irish Bank (GB) operates from 36 branches and outlets throughout Britain, 16 of which are in the greater London area. It provides a core range of banking services including current accounts, overdraft and loan facilities, mortgage, lending, deposit and investment services and specialist corporate banking services to small and medium sized businesses and to the professional sector. Its pricing strategy is to be "at or below the level of the main high street banks". It continues to reinforce its sectoral approach of concentrating on the business and professional markets, rather than the mass market. For the fourth, and unprecedented time, it has won the title of Britain's Best Bank awarded by its customers via the Forum of Private Business research.

USA division

The USA division, with total assets of €20.5 billion at December 31, 2000, comprises the operations of Allfirst and of AIB's New York and Cayman Islands branches. Allfirst and its subsidiaries serve customers through a network of 261 full service offices and more than 580 automated teller machines in Maryland, adjoining states and the District of Columbia.

Allfirst is a bank holding company based in Baltimore, Maryland, with total stockholders' equity at December 31, 2000 of US$2.0 billion. At that date its total assets were US$18.4 billion and for the year ended December 31, 2000 its income before taxes was US$280 million and its net income was US$185 million. Since March 21, 1989 AIB has controlled 100% of the voting power of Allfirst's outstanding capital stock.

Allfirst, through its principal subsidiary Allfirst Bank, is engaged in general commercial and retail banking and treasury and trust businesses serving individuals, businesses and governmental units. Allfirst Bank operates throughout Maryland and adjoining states. Allfirst also engages in cash management services through Allfirst Financial Center N.A. Other subsidiaries of Allfirst are engaged primarily in equipment financing, and commercial real estate lending.

A range of banking services is also provided through the New York branch of AIB to corporate and retail customers. In addition, the branch provides treasury services and manages AIB's Cayman Islands branch. The New York branch also manages representative offices in Philadelphia, Los Angeles, Chicago and San Francisco.

Capital Markets division

AIB Capital Markets with total assets of €23.2 billion provides the Treasury, International, Investment and Corporate Banking services of the Group (with the exception of Allfirst, WBK and BZ) through three main business units: Treasury and International; Investment Banking; and AIB Corporate Banking.

Treasury & International through its treasury operations manages, on a global basis, the liquidity and funding requirements and the interest and exchange rate exposure of the Group (with the exception of Allfirst, WBK and BZ). In addition, it undertakes proprietary trading activities, and provides a wide range of treasury and risk management services to the corporate, commercial and retail customers of the Group (with the exception of Allfirst, WBK and BZ). International banking activities include import and export financial services.

Investment Banking provides a comprehensive range of services including discretionary investment management, corporate finance, stockbroking, international cross-border finance and custodial, trustee and fund administration services. AIB Investment Managers Limited and AIB Govett manage assets for institutional and retail clients principally from offices in Dublin, London, Singapore, Jersey and San Francisco. The combined operations have €15.9 billion of funds under management. The AIB/Bank of New York joint venture, AIB/BNY Fund Management (Ireland) Ltd., has €49.2 billion of funds under administration.

AIB Corporate Banking provides a fully integrated, relationship-based banking service to top-tier companies, both domestic and international, financial institutions and Irish commercial state companies. While AIB Corporate Banking operates primarily in Ireland, it also has teams based in the UK and USA.

In addition to its main base at Dublin's International Financial Services Centre, AIB Capital Markets division operates AIB's treasury operations in London and New York, its representative office in Frankfurt and offices of AIB International Financial Services Limited in Budapest and, having received regulatory approval in February 2001, in Zurich.

Poland division

Poland division, with total assets of €6.1 billion, comprises WBK in which AIB has a 60% shareholding, together with its subsidiaries and associates, and BZ, in which AIB has an 83% shareholding, together with its subsidiaries and associates.

WBK, is based in Poznan in western Poland. At December 31, 2000 WBK had total assets of PLN 12.7 billion, 197 branches and outlets and over 5,000 staff. It is engaged in general and commercial retail banking, treasury and the provision of brokerage services. Asset Management operations are carried out through WBK AIB Asset Management S.A. WBK operates mainly in Wielkopolska (the Central Western part of Poland) which is one of the most prosperous parts of the country.

BZ, based in Wroclaw in south western Poland, is engaged in general and commercial retail banking and brokerage services. At December 31, 2000 BZ had total assets of PLN 10.6 billion, 208 branches and outlets and over 6,700 staff.

On October 10, 2000, AIB announced a proposed merger of WBK and BZ. The proposal was ratified by the shareholders of both banks at extraordinary general meetings held on December 20, 2000. The merger, which is subject to regulatory approvals, is planned to take effect in June 2001 and it is proposed that the new entity will adopt the name Bank Zachodni WBK S.A.

Competition

There is strong competition among providers of retail banking services, based upon the quality and variety of products and services, customer relationship management, convenience of location, technological capability, and the level of interest rates charged to borrowers and paid to depositors.

Allied Irish Banks has committed itself to pursuing an integrated muti-channel strategy utilizing branches, telephone, internet and other direct channels in a complementary manner.

Ireland/Northern Ireland. AIB Group provides a diverse range of banking services in Ireland and Northern Ireland. It is subject to competition across the spectrum of banking activity. The major competitor is Bank of Ireland, which like AIB has its headquarters in Dublin. The other clearing bank competitors are Ulster Bank limited (which is a subsidiary of the UK Bank, Royal Bank of Scotland Group plc) and two subsidiaries of National Australia Bank, Northern Bank Limited (which operates in Northern Ireland) and National Irish Bank Limited (which operates in Ireland). There is, in addition, competition from mortgage specialists (existing and former building societies), credit unions, the Post Office, and some smaller financial institutions. In recent years UK based direct operators have entered the Irish market and supermarket retailers have begun to offer financial services products. A significant competitive development in Ireland in 2000 was the announcement of the purchase by Irish Life and Permanent, which is both the largest mortgage provider and the largest life assurance company, of the state owned Trustee Savings Bank which has a network of 82 branches and a sizeable share of the personal banking and mortgage markets.

AIB Group encounters competition in the merchant and corporate banking areas from domestic merchant banks and foreign banks, primarily mainland European and North American. In the life assurance market, Ark Life's main competitors are Irish Life, Bank of Ireland's life assurance subsidiaries Lifetime and New Ireland, and Canada Life. Greater European integration may result in increased competition from EU member state banks, although a number of continental banks have operated in Ireland for many years.

United States. The market for banking and bank-related services in the US is highly competitive. Passage of financial modernization legislation in November 1999, which removed barriers to affiliation among banks, broker-dealers and insurance companies, will increase competition in these markets. Allfirst and its subsidiaries compete with other providers of financial services such as other bank holding companies, commercial and savings banks, savings and loan associations, consumer finance companies, credit unions, money market and other mutual funds, mortgage companies, insurance companies and a growing list of other local, regional and national institutions which offer financial services. Mergers between financial institutions within Maryland and in neighboring states have added competitive pressure.

Britain. Allied Irish Bank (GB) is located in the main conurbation areas of Britain, operating in a market with over 500 authorized banking institutions. With the consolidation of the market and the continued conversion of many of the mutual building societies to public companies and e-banking new entrants to the market, banks have increasingly sought to expand the range of services. With the continued rationalization that is taking place in the European banking sector competition in the market continues to intensify.

The larger clearing banks continue to retrench their branch networks and develop the alternative forms of distribution – providing services direct to customers via internet and telephone banking rather than via the branch. All the banks and building societies have responded directly to the competition offered by new entrants, particularly e-banks.

In response to pressure from Government the banking industry is being forced to review its competitive approach to customers and its offerings of a value for money service both in the personal and business markets.

Inflation fell to its lowest level since 1976 in 2000 and as competition for deposits continues the public has become more sophisticated in relation to the quality of savings products available.

The UK is experiencing changing economic conditions and while growth has been slower than last year, the economy remains relatively stable in the low inflation environment although businesses question the Government's strategies, particularly in relation to the Euro.

Poland AIB Group, through its investment in BZ and WBK, has a 6% share of the Polish Financial Services market and important regional market concentration. Although WBK reports relatively small national market share (approx. 3%), its position in Wielkopolska is much stronger and in some areas exceeds 30%, while BZ has a market share of 20% in its region. The main competitors are banks with nationwide presence such as Pekao and PKO bp, which together share approximately 40% of the national market. Both BZ and WBK appear to be well positioned to compete with these other banks as they benefit from the transfer of knowledge and expertise from AIB Group. Additionally, a substantial number of Polish people do not have bank accounts and this creates a good opportunity for further expansion.

Supervision and regulation

Ireland. The regulation and supervision of banks in Ireland is a function of the Central Bank of Ireland ("the Central Bank") which was established by the Central Bank Act, 1942 and derives its power from the Central Bank Acts, 1942 to 1998, the European Communities (Licensing and Supervision of Credit Institutions) Regulations, 1992 ("the 1992 Regulations") and the European Communities (Consolidated Supervision of Credit Institutions) Regulations, 1992 (collectively "the Acts"). The carrying on of banking business in Ireland is restricted to holders of licenses granted under the Acts.

On February 20, 2001 proposals by the Government of Ireland for changes in financial services regulation in Ireland were announced. When implemented, it is intended that these would involve a new structure, the "Central Bank of Ireland and Financial Services Authority" which will include a new authority responsible for prudential regulation of both the banking and insurance sectors and for consumer protection. This new authority will be known as the "Irish Financial Services Regulatory Authority". It is expected that an interim board for the Irish Financial Services Regulatory Authority will be appointed on a non statutory basis pending the introduction and enactment legislation to establish the new regulatory structure.

The 1992 Regulations which gave effect in Irish Law to the provisions of the EC Second Council Directive 89/646 of December 15, 1989 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions ("the Second Banking Directive"), exempts credit institutions authorized to carry on such business in another member state of the European Union from the requirement to hold a license in order to establish a branch in Ireland or, without establishing such a branch, to provide services in Ireland covered by such authorization.

The Central Bank may, in its discretion, grant or refuse a license and may attach conditions to any licenses granted. Allied Irish Banks, p.l.c., AIB Capital Markets plc and AIB Finance Limited are the holders of licenses granted under the Acts and no such conditions are attached to those licenses. The Central Bank may, after consultation with the Minister for Finance, revoke a license under certain circumstances specified in the Acts.

The Central Bank has statutory power to carry out inspections of the books and records of license holders. Pursuant to this power, the Central Bank carries out regular review meetings and periodically sends its inspectors into the Head Offices of licensed banks. The Central Bank is also empowered by law to obtain information from license holders about their business.

The Central Bank is further empowered to prescribe ratios to be maintained between the assets and liabilities of licensed banks, to specify requirements as to the composition of the assets and liabilities of licensed banks and to make regulations for the prudent and orderly conduct of the banking business of such banks. The requirements and standards which the Central Bank uses to guide it in the assessment of application for licenses and in the supervision of the business carried on by credit institutions have been set out by it in its "Licensing and Supervision Requirements and Standards for Credit Institutions". These standards and criteria are applied in a flexible manner but in accordance with the principles of administrative law. Three important areas of these criteria relate to capital requirements, liquidity requirements and large exposures. In the area of capital adequacy, Ireland is bound by the terms of EC Council Directive 89/299 of April 17, 1989 on the own funds of credit institutions and EC Council Directive 89/647 of December 18, 1989 on a solvency ratio for credit institutions. In addition, EC Council Directive 93/6 of March 15, 1993 on the capital adequacy of investment and credit institutions has also been implemented by the Central Bank with effect from January 1, 1996. This requires (inter alia) credit institutions to provide capital on a defined basis, in respect of market risk. In the area of the monitoring and control of large exposures, Ireland is bound by the terms of EC Council Directive 92/121 of December 21, 1992 on the monitoring and control of large exposures of credit institutions. These directives have been implemented by the Central Bank. The second banking directive, Directives 89/299, 89/647 and 93/6 (and various amending directives) were, for reasons of clarity and rationality, codified and combined into a single text by Directive 2000/12/EC of March 20, 2000 relating to the taking up and pursuit of the business of credit institutions.

Under the Consumer Credit Act, 1995, an obligation is imposed upon licensed banks (and other credit institutions) to notify every proposal to impose new charges or to increase existing ones to the Director of Consumer Affairs who is given power to direct that a charge shall not be imposed or changed without his prior approval.

Under the European Communities (Deposit Guarantee Schemes) Regulations, 1995 the Central Bank maintains a Deposit Protection Account out of which the High Court may, on the application of the liquidator of a credit institution authorized or formerly authorized by the Central Bank which is unable to pay its debts and is being wound up, make payments by way of compensation to depositors covered under the Regulations for up to 90% of any amount of eligible unavailable deposits subject to a maximum amount payable equivalent to 15,000 euros. For the purposes of the Deposit Protection Account each credit institution is obliged to maintain on deposit with the Central Bank an amount of 0.2% of total deposits issued or held at offices of the credit institution in member states of the European Union.

All credit institutions are obliged to take the necessary measures to effectively counteract money laundering in accordance with the Criminal Justice Act, 1994 and the Guidance Notes for Credit Institutions which were issued with the approval of the Money Laundering Steering Committee. This committee was set up under the aegis of the Department of Finance and included representatives from other government departments, the Central Bank, the Garda Siochana (Police) and representative bodies from the financial sector. The Criminal Justice Act, 1994 and the Guidance Notes referred to above provide for measures to counteract money laundering and implement the provisions of EC Council Directive 91/308 of June 10, 1991 on prevention of the use of the financial system for the purpose of money laundering and to implement the Forty Recommendations of the Financial Action Task Force of the OECD.

The Acts require the approval of the Central Bank for the acquisition of over 10% of the total shares or voting rights in a licensed bank. In the case of such an acquisition in AIB (since AIB Group controls at least 20% of the total assets in Ireland of all holders of licenses) the Central Bank may neither give nor refuse its approval without the prior consent of the Minister for Finance.

Additionally, under the 1992 Regulations, any person who proposes to acquire, directly or indirectly, a "qualifying holding" in a credit institution (which includes AIB) must notify the Central Bank in advance of the proposed acquisition and must supply such details of the proposal as the Central Bank may specify. A "qualifying holding" for these purposes means: (i) a holding by a person, either on his own or in concert with another person, of 10% or more of the shares (which include certain interests therein) or in the voting rights attached to the shares in the credit institution; or (ii) a shareholding or interest held by a person in a credit institution which either confers a right to appoint or remove one or more members of the board of directors or of the committee of management of the credit institution, or otherwise allows that person to exercise a significant influence over the direction or management of the credit institution. Such a person must also notify the Central Bank of every proposal to increase his direct or indirect qualifying holding so that the holding would reach or exceed 20%, 33% or 50% of the shares, or of the voting rights attaching to the shares in the credit institution or, in the case of a person that is a corporate entity, if the person proposes to acquire any shares or interest in the credit institution which would make that institution its subsidiary for the purpose of the 1992 Regulations.

Under the 1992 Regulations, a person must not acquire a qualifying holding or increase the size of their qualifying holding as set out above until the earlier of three months elapsing from the date of notification to the Central Bank or receipt of notification from the Central Bank that it will not object to the proposed acquisition or increase.

Apart from the above provisions of the Acts, the Licensing and Supervision Requirements and Standards for Credit Institutions provide that a credit institution should not acquire, directly or indirectly, more than 10% of the shares or other interests in another company without the prior written approval of the Central Bank and that a credit institution must notify the Central Bank of its divestment of the whole or part of such holdings.

AIB's subsidiary company, Ark Life Assurance Company Limited, is regulated by the Department of Enterprise and Employment under the provisions of the Insurance Acts and Regulations.

Subsidiaries of AIB (which are not themselves credit institutions) which provide investment business services or investment advice (as those terms are defined), are subject to regulation, and require authorization, under the Investment Intermediaries Act, 1995 which implements in Irish law the provisions of EC Council Directive 93/22 of May 10, 1993 on investment services in the security field ("the Investment Services Directive"). Under Article 60 of the Treaty, the Council acting by a qualified majority, on a proposal from the Commission, may take action to interrupt or reduce capital movements and payments in respect of third countries where a common position or a joint action according to the provisions of the Treaty of the European Union relating to the common foreign and security policy of the Union has been adopted. As long as the Council has not taken any such action a Member State, for serious political reasons and on grounds of urgency, may take unilateral measures against a third country in respect of capital movements and payments but the Council may, acting on a qualified majority on a proposal from the Commission, decide that the Member State concerned is to amend or abolish such measures.

AIB's operations in overseas locations are subject to the regulations and reporting requirements of the regulatory and supervisory authorities in those locations.

United States. AIB's New York branch is licensed by the State of New York and is subject to examination by the New York State Banking Department. Furthermore, the branch is subject to the reserve requirements established by the Board of Governors of the Federal Reserve System (the "Board") pursuant to the International Banking Act of 1978 (the "IBA") and is subject to examination by the Board. In addition, AIB's New York branch is subject to regulation by the Federal Deposit Insurance Corporation ("FDIC"). The IBA also imposes limitations on the types of business conducted in the US and on the location and expansion of banking operations in the US. As the owner of Allfirst Bank, Allfirst Financial, Inc. is subject to the provisions of the Bank Holding Company Act of 1956, as amended (together with regulations thereunder, the "BHCA") and is subject to the supervision of, and regulation by, the Board. As the owner of Allfirst Financial, Inc. and Allfirst Financial Centre National Association ("AFC"), AIB is also subject to the provisions of the BHCA and is subject to the supervision of, and regulation by, the Board.

Allfirst Bank, as a state-chartered member bank of the Federal Reserve System, is subject to supervision and regulation by the Board and the Maryland Commissioner of Financial Regulation. AFC**,** a national banking association, is subject to supervision and regulation by the Office of the Comptroller of the Currency of the United States ("OCC"). Both banks, as federally insured institutions, are also subject to regulation by the FDIC. Deposits, reserves, investments, loans, consumer law compliance, issuance of securities, payment of dividends, mergers and consolidations, electronic funds transfers, management practices, and other aspects of the banks' operations are subject to regulation. The approval of the appropriate bank regulatory authority is required for the establishment of additional branch offices by either of the banks, subject to state branching restrictions.

Federal law regulates transactions among Allfirst Financial, Inc. and its affiliates, including the amount of banking affiliates' loans to or investments in nonbank affiliates and the amount of advances to third parties collateralized by securities of an affiliate. In addition, various requirements and restrictions under federal and state laws regulate the operations of the banking affiliates of Allfirst Financial, Inc. requiring the maintenance of reserves against deposits, limiting the nature of loans and interest that may be charged thereon and restricting investments and other activities.

A fundamental principle underlying the Board's supervision and regulation of bank holding companies is that bank holding companies should act as a source of financial strength to, and commit resources to support, each of its subsidiary banks. Subsidiary banks are in turn to be operated in a manner that protects the overall soundness of the institution and the safety of deposits. Bank regulators can take various remedial measures to deal with banks and bank holding companies that fail to meet legal and regulatory standards. Some of the aspects of the lending and deposit business of Allfirst Bank, which is subject to regulation by the Maryland Banking Commissioner and the Board, is subject to disclosure requirements in connection with personal and mortgage loans, interest on deposits, and reserve requirements. In addition, Allfirst Financial, Inc. banking subsidiaries are subject to numerous federal, state and local laws and regulations which set forth specific restrictions and procedural requirements with respect to extensions of credit (including to insiders), credit practices, disclosure of credit terms, and discrimination in credit transactions. Furthermore, there are regulatory limitations upon the amount of dividends the banking subsidiaries of Allfirst Financial, Inc. may pay to Allfirst Financial, Inc. without prior regulatory approval and, in addition, the banking regulators may prohibit the payment of any dividend which would constitute an "unsafe or unsound practice".

Under Federal law in effect through September 28, 1995, AIB was permitted to acquire a bank outside Maryland only if the law of the state in which such bank was located specifically authorized such an acquisition. On September 29, 1994, the President of the United States signed into law the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Interstate Banking Act"). The Interstate Banking Act amended Federal law to provide, among other things, that: (i) effective September 29, 1995, bank holding companies are permitted (subject to certain conditions) to acquire banks and bank holding companies across state lines without regard to whether such acquisition is prohibited (or not specifically authorized) by state law; (ii) effective June 1, 1997 (or earlier if both states opted-in to interstate branching), banks are permitted to merge across state lines provided neither state has opted-out of interstate branching; and (iii) a bank in one state may establish *de novo* a branch in another state provided that the other state's laws expressly permit the establishment of the branch.

On December 19, 1991, the President of the United States signed into law the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). In general, FDICIA subjects banks (including bank holding companies and US branches of foreign banks) to significantly increased regulation and supervision. It also provides for the recapitalization of the Bank Insurance Fund ("BIF") of the FDIC and authorizes the FDIC to impose significantly higher, risk-based, deposit insurance premiums.

Among other things, FDICIA requires Federal bank regulators to take prompt corrective action with respect to banks which do not meet minimum capital requirements and imposes certain restrictions upon banks which meet minimum capital requirements but are not deemed to be well capitalized. For example, banks which are critically undercapitalized (a term defined to include institutions which have a ratio of tangible equity to total assets of equal to or less than 2%) are generally subject to the mandatory appointment of a receiver or conservator. A bank which meets minimum capital requirements but is not deemed to be well capitalized is generally prohibited from accepting brokered deposits and is subject to certain limitations on the interest rates it may pay on deposits. AIB and all banking subsidiaries of Allfirst Financial, Inc. currently meet the definition of well-capitalized banks. Effective December 19, 1992, FDICIA generally prohibits a state-licensed branch of a foreign bank, such as AIB's New York branch, from engaging or continuing to engage in any activity which is not permissible for a national bank. To date, these restrictions have not had a materially adverse effect upon AIB and AIB does not believe that they will in the future.

The FDIC's deposit insurance assessments have moved under FDICIA from a flat-rate system to a risk-based system. Under this system, the FDIC places each insured bank in one of nine risk categories based on its level of capital and other relevant information (such as supervisory evaluations). Each insured bank's insurance assessment rate is then determined by the risk category in which it has been classified by the FDIC. Currently, the FDIC's risk-based system provides that the highest and lowest annual premiums assessed per $100 of deposits insured by the BIF or the Savings Association Insurance Fund ("SAIF") are $0.27 and $0. To date the implementation of this risk-based assessment system has not had a materially adverse effect upon AIB.

On September 30, 1996, the President of the United States signed into law provisions to recapitalize the SAIF and to provide for payment of Financing Corporation ("FICO") bonds issued in the 1980's as part of the resolution of the problems of the US savings and loan industry. Pursuant to such provisions, depository institutions are required to make quarterly assessment payments to the FDIC on both their BIF-assessable and SAIF-assessable deposits which will be paid to the FICO. This assessment is not expected to have a materially adverse effect on AIB.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") provides that a depository institution insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC after August 9, 1989 in connection with: (i) the default of a commonly controlled FDIC insured depository institution; or (ii) any assistance provided by the FDIC to a commonly controlled FDIC insured depository institution in danger of default. "Default" is defined generally as the appointment of a conservator or receiver for such institution and "in danger of default" is defined generally as the existence of certain conditions indicating that a "default" is likely to occur in the absence of regulator assistance.

Under Board policy, AIB is expected to act as a source of financial strength to its banking subsidiaries, and to commit resources to support these banking subsidiaries in circumstances where it might not do so absent from such policy.

In addition, FDICIA requires companies that have control of an insured depository institution to guarantee the institution's compliance with any capital restoration plan required under Section 38 of the Federal Deposit Insurance Act ("FDIA"). The company's guarantee liability is limited to the lesser of: (a) 5% of the institution's total assets at the time it became undercapitalized; or (b) the amount which is necessary to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time the institution fails to comply with the plan. As required by FDICIA, the federal bank regulators have amended their risk based capital regulations to provide for the explicit consideration of interest rate risk ("IRR") in their own overall evaluation of a bank's capital adequacy. IRR reflects the adverse effect which changes in market interest rates may have on the financial condition of a bank or bank holding company. The amendments are intended to require that banks effectively measure and monitor their IRR, and that they maintain capital adequate for that risk. Under the amendments, banking institutions deemed by the federal bank regulators to have excessive IRR may be required to maintain additional capital beyond that generally required. In view of AIB's current interest rate risk management policy, AIB does not believe that the amendments will have a materially adverse affect upon AIB.

Effective August 10, 1993, the FDIA was amended to provide that, in the liquidation or other resolution by any receiver of a bank (or US branch of a foreign bank) insured by the FDIC, the claims of depositors have priority over the general claims of other creditors. Hence, in the event of the liquidation or other dissolution of a banking subsidiary (or the New York branch) of AIB, the general claim of AIB as creditor of such banking subsidiary (or branch) would be subordinate to the claims of the depositors of such banking subsidiary (or branch), even if the claims of AIB were not by their terms so subordinated. In addition, this statute may, in certain circumstances, increase the costs to AIB's banking subsidiaries (and the New York branch) of obtaining funds through non-deposit liabilities.

On November 12, 1999, the President of the United States signed into law the Gramm-Leach-Bliley Act ("GLBA"), which provides for sweeping financial modernization for commercial banks, savings associations, securities firms, insurance companies, and other financial institutions operating in the United States. Among other things, the GLBA permits qualifying financial institutions to engage in expanded securities and insurance underwriting and sales activities. If AIB seeks to engage in these expanded activities directly or through AFC, it must meet certain capital adequacy and management criteria and elect status as a "financial holding company" with the Board. Allfirst Bank may also engage in certain expanded activities through an operating subsidiary after notice to the OCC. To date, neither AFC nor Allfirst Bank has sought to engage in expanded activities pursuant to the GLBA.

The GLBA also places limitations on the sharing of consumer financial information with unaffiliated third parties. Specifically, the GLBA requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and afford such customers the opportunity to "opt out" of the sharing of personal financial information with unaffiliated third parties. AIB will ensure that its U.S. subsidiaries comply with the privacy provisions of the GLBA in all retail customer relationships.

United Kingdom. AIB Group (UK) p.l.c. is a company incorporated in Northern Ireland and is an "authorized institution" under the Banking Act 1987 ("the 1987 Act"). It carries on business in Great Britain under the service mark "Allied Irish Bank (GB)" and in Northern Ireland as "First Trust Bank".

AIB Group (UK) p.l.c. has the statutory power to issue bank notes as local currency. In this connection it is subject to the provisions of the Bank Charter Act 1844, the Bankers (Northern Ireland) Acts 1845 and 1928, the Allied Irish Banks Act (Northern Ireland) 1971, the Allied Irish Banks Act 1981 and the Allied Irish Banks Act 1993.

The UK government is implementing a major overhaul of the UK financial regulatory system aimed at creating a new single statutory regulator, the Financial Services Authority ("FSA"), for the full range of financial businesses, including deposit-taking business, securities and other investment business and insurance business.

As part of the first stage of this programme, the Bank of England Act 1998 ("the 1998 Act") came into force on June 1, 1998. Under the 1998 Act, responsibility for banking supervision in the United Kingdom was transferred from the Bank of England to the FSA. The Bank of England retains its monetary policy role and responsibility for the overall stability of the financial system. The primary objective of the FSA (in its role as a bank supervisor) is to fulfil the responsibilities relating to the safety and soundness of banks placed on it by the 1987 Act with the aim of strengthening, but not ensuring, the protection of depositors.

The Financial Services and Markets Act 2000 is largely a consolidation of existing law and self regulatory requirements in order to provide a single legal framework for the FSA in the three sectors of financial services industry (insurance, investment business and banking).

The basic method of supervision employed by the FSA involves the regular reporting of statistical information in a set of returns giving both balance sheet and consolidated statement of income data, material on the maturity structure of assets and liabilities, sectoral analysis of business and details of concentration of risk in assets and deposits. Regular review meetings are held by the FSA with AIB Group (UK) p.l.c. management to discuss issues such as performance, risk management and strategy. Under the risk-based approach introduced for all banks in 1998 - "RATE" - the starting point for the FSA's supervision of all banks is based on a systematic analysis of the risk profile of each bank. The FSA also promulgates requirements that it expects banks (and groups containing banks which are subject to consolidated supervision) to meet on matters such as capital adequacy, limits on large exposures to individual entities and groups of closely connected entities, and liquidity.

Allied Irish Banks, p.l.c., having established a place of business in England in connection with its remaining operation in Great Britain, is subject to the provisions of the United Kingdom Companies Acts which affect overseas companies. AIB Group (UK) p.l.c., as a company incorporated in Northern Ireland, is subject to the provisions of the Companies Order (Northern Ireland) 1986.

Relevant provisions of the Financial Services Act 1986, the Consumer Credit Act 1974 and the 1987 Act apply to AIB Group (UK) p.l.c. and Allied Irish Banks, p.l.c.

Allied Irish Banks, p.l.c., as a credit institution incorporated and having its principal places of business in Ireland, a member state of the European Union, being authorized to act as a credit institution in Ireland by the Central Bank and having established a branch in the United Kingdom, is a "European institution" within the meaning of The Banking Coordination (Second Council Directive) Regulations 1992 ("the Regulations") which implement the provisions of the Second Banking Directive in the United Kingdom. As such, it is entitled to carry on in the United Kingdom any of the listed activities in the Second Banking Directive which it is authorized or permitted to carry on in Ireland.

Powers of the FSA in relation to European institutions are limited as, under the Second Banking Directive, the Central Bank, as the competent authority in Ireland, has primary responsibility for the supervision of credit institutions incorporated in Ireland. The FSA, however, has a specific responsibility to co-operate with the Central Bank in ensuring that branches of European credit institutions from Ireland maintain adequate liquidity in the United Kingdom. The FSA also has the responsibility to collaborate with the Central Bank in ensuring that Irish credit institutions, carrying on activities listed in the Second Banking Directive in the United Kingdom, take sufficient steps to cover risks arising from their open positions on financial markets in the United Kingdom.

Under the Regulations, the FSA is empowered in specified circumstances to impose a prohibition on, or to restrict the listed activities of, a European institution. Consistent with the allocation of supervisory responsibilities in the Second Banking Directive, the FSA would usually only exercise its powers after consulting the Central Bank, and indeed, in certain circumstances, the Regulations explicitly require such consultation. The FSA has a memorandum of understanding with the Central Bank which, inter alia, expresses the willingness of the respective authorities to exchange information in order to facilitate the effectiveness of the supervision of credit institutions in the European Union. It also provides for the exchange of information in crisis situations and in cases where the authorities become aware of contraventions of the law by institutions covered by the Second Banking Directive operating in their territory.

Poland. Both Wielkopolski Bank Kredytowy S.A., with its seat in Poznan and Bank Zachodni S.A. with its seat in Wroclaw, are established under Polish Law as joint stock companies authorized to carry out banking business in Poland.

They are subject to supervision by the Banking Supervision Commission and regulation by the Banking Supervision Commission and the National Bank of Poland.

The National Bank of Poland ("NBP") is the central bank of Poland. The Banking Supervision Commission ("BSC") is an authority placed outside the NBP structures and composed of representatives of the NBP, Polish Government, Securities and Exchanges Commission, Banking Guarantee Fund, and the President. Both the NBP and the BSC are regulated by the Act on the National Bank of Poland of 1997, as amended ("NBP Act").

The Banking Act of 1997, as amended ("Banking Act") provides a framework for the operation of the Polish banking system. The NBP does not engage in commercial banking, but performs regulatory functions in relation to the banks operating in Poland. The Monetary Policy Council (an internal body of the NBP) is responsible for the monetary, credit and exchange rate policy of Poland. The carrying on of banking business in Poland is restricted to holders of banking licences.

Pursuant to the Banking Act and the NBP Act the BSC has established a regulatory framework in order to supervise the activities of banks in Poland. These powers are exercised by the BSC supported by the General Inspectorate of Banking Supervisory within the NBP. In particular, the BSC is charged with issuing banking licenses and overseeing bankruptcy and liquidation proceedings in the banking sector.

The Banking Act and the NBP Act have established various prudential standards including limits on lending concentrations, classification of the quality of bank assets, limits on foreign exchange positions, constraints on equity investments, monthly reporting of liquidity levels and a capital adequacy (solvency) ratio. These standards are generally in line with international standards.

Banks in Poland are generally required to maintain an 8% risk-adjusted capital adequacy ratio and are required to file monthly reports with the NBP which include information on their current capital adequacy ratio.

The Banking Act sets limits on banks' commitments to individual customers. Generally, the total commitments to a customer (or a group of affiliated customers) should not exceed 25% of own funds.

The aggregate commitment to all such customers to which the bank's commitment is in excess of 10% of its own funds should not exceed 800% of such funds. Banks must report to the BSC on each commitment in excess of 10% of the bank's own funds.

Pursuant to the Banking Act the investment of a bank in listed and unlisted equity and trust funds should not exceed 15% of such bank's own funds in relation to one entity. This restriction does not apply to investments in other banks and pension funds. The Banking Act prohibits banks from holding aggregate investments in equity and real estate exceeding 60% of their own funds.

With respect to the accounting and reporting obligations, the NBP and the BSC have set specific principles for banks which are consistent with the general framework established by the Accounting Law of 1994, as amended. Banks must submit reports to the BSC with details relating to their liquidity, capital adequacy, credit exposures and other prudential standards. The BSC has a statutory power to carry out inspections of the books and records of the banks. Pursuant to this power, the BSC carries out review meetings and sends its inspectors into head offices and branches of banks. Banks are required to allow BSC access to balance sheets, records, registers, reports, plans and other documents and, on written request, to allow such officers to copy these documents.

The Law on the Banking Guarantee Fund of 1994, as amended, created a fund to provide deposit insurance for all banks. The Law stipulates that all banks contribute up to 0.4% of the value of their risk-adjusted assets and guarantees to the Banking Guarantee Fund. The scheme provides for full coverage for each depositor up to the PLN equivalent of €1,000, with the surplus being guaranteed at the rate of 90% up to the PLN equivalent of €15,000.

European economic and monetary union (EMU)

On January 1, 1999 the euro came into being and became the official currency of the eleven participating member states (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain). On January 1, 2001 the euro also became the official currency of Greece. The notes and coins of the former national currencies of these countries will continue to be used for cash transactions up to January 1, 2002 ("the transition period") when the euro notes and coins become legal tender. The council of ministers has decided that by March 31, 2002 the national currency notes and coins will have been withdrawn from circulation and the changeover to the euro will be complete.

Since the launch of the euro on January 1, 1999, AIB Group is in a position to deliver to our customers their full banking requirements in relation to the euro. Core existing products including current accounts, deposits, home mortgages etc. are available in both Irish pound and euro expressions. With regard to cross border payments, the Group has access to the important euro payment and settlement systems, including TARGET, the inter-linking system for national Real Time Gross Settlement (RTGS) systems. AIB Group continues to maintain settlement services with other banks in the eurozone and these, combined with TARGET and other payment and settlement systems, will allow utilization of cost effective high quality settlement arrangements for euro payment transactions.

The introduction of the euro has resulted in a common interest rate structure, European Inter-Bank Offered Rate (EURIBOR), prevailing throughout the eurozone. This new interest rate structure has resulted in a lower interest rate environment. The lower interest rate environment, while boosting economic growth, consumer demand and business confidence particularly in Ireland, negatively impacts net interest margins.

The estimated direct cost of the Group's preparation for EMU and the introduction of the euro is some €56 million, of which €16 million had been incurred by December 2000. Costs incurred to date relate to systems developments, communications and education programs. The estimated remaining expenditure of €40 million includes costs in respect of further systems developments, communication/training programs and currency/coinage related costs.

Organizational structure

The business of AIB Group is conducted through four major operating divisions and AIB and its principal subsidiaries as follows:

Divisions

AIB BANK DIVISION

Allied Irish Banks, p.l.c.
General retail and commercial banking through almost 300 branches and outlets in the Republic of Ireland.

AIB Group (UK) p.l.c.
36 branches and outlets in Britain, focused primarily on small and medium sized enterprises, and trading as ***Allied Irish Bank (GB)***.
60 branches and outlets in Northern Ireland, trading as ***First Trust Bank***, focused on general retail and commercial banking and also asset finance and leasing.

AIB Finance Ltd.
Asset financing company providing instalment/variable rate loans and deposit products in Ireland.

AIB Leasing Ltd.
Asset financing company providing leasing products in Ireland.

Ark Life Assurance Company Ltd.
Provider of life assurance services principally in Ireland, Britain and Northern Ireland, and pension and investment services in Ireland. These services are delivered primarily through the branch networks.

AIB Insurance Services Ltd.
Insurance broking.

AIB Bank (CI) Ltd.
Jersey (Channel Islands) based banking company; provides financial services and trust services through subsidiary companies.

AIB Bank (Isle of Man) Ltd.
Isle of Man based banking company; provides trust and corporate services through subsidiary companies.

USA DIVISION

Allfirst Financial, Inc.
Bank holding company.

Allfirst Bank
General commercial and retail banking, through 261 full service offices in Maryland, Pennsylvania, Northern Virginia and the District of Columbia, as well as treasury and trust services.

Allfirst Financial Center, N.A.
Cash management services.

Allfirst Leasing Corporation
Equipment finance company.

Allfirst Mortgage Corporation
Commercial mortgage banking.

Allied Investment Advisors, Inc.
Provision of investment advisory and asset management services.

Allied Irish Banks, p.l.c.
Provision of corporate, retail and treasury services through its New York branch. Manages AIB's Cayman Islands branch and representative offices in Philadelphia, Los Angeles, Chicago and San Francisco.

POLAND DIVISION

Wielkopolski Bank Kredytowy S.A.
A commercial and retail bank which operates through 197 branches and outlets in western Poland.

Bank Zachodni S.A.
A commercial and retail bank, which operates through 208 branches and outlets in south western Poland.

CAPITAL MARKETS DIVISION

Allied Irish Banks, p.l.c.
Management of liquidity and funding needs; interest and exchange rate exposures; financial market trading activities; provision of lending; trade and commercial treasury services and custodial and trustee services.

AIB Capital Markets plc
Merchant banking operations including corporate advisory services, provision of venture capital and corporate finance.

AIB Corporate Finance Ltd.
Provision of advice to companies wishing to raise capital through public or private offerings and placements.

Allied Irish Capital Management Ltd.
Acts as a commodity trading advisor and is engaged in advising clients in the purchase/sale of equities, foreign exchange and futures commodities.

Goodbody Holdings Ltd.
Provision of a broad range of stockbroking services, through its subsidiary, Goodbody Stockbrokers.

AIB International Financial Services Ltd.
Specializes in international financial services activities, including tax efficient cross-border investments, management of investment companies, advisory services and the provision of back office services.

AIB Asset Management Holdings Ltd.
Asset management and funds management for institutional and retail clients principally through offices in Dublin, London, Singapore, Jersey and San Francisco.

The above subsidiary undertakings are wholly-owned with the exception of AIB Asset Management Holdings Limited (85.86%), Wielkopolski Bank Kredytowy S.A. (60.14%) and Bank Zachodni S.A. (83.01%). The registered office of each is located in the principal country of operation.

See Item 4 – "Recent developments" on page 6 for details on the recent top management team restructure.

Description of property

At December 31, 2000 AIB Group operated from over 1,000 branches and outlets worldwide, principally in Ireland, Northern Ireland, Britain, the United States of America and Poland. A majority of the branches and offices are owned outright, with the remainder being held under commercial leases.

AIB Group owns its headquarters building at Bankcentre, Ballsbridge, Dublin 4, a campus style complex of interlinked buildings on a site of approximately 13 acres completed in 1979. It contains approximately 468,000 square feet of space (gross) and houses most of AIB Group's support functions.

In addition, AIB Group owns the AIB International Centre in Dublin's International Financial Services Centre containing approximately 101,000 square feet of office space. This building is occupied by the Capital Markets division, accommodating their global treasury management and other activities.

In the US, Allfirst is a major tenant in a building located at 25 South Charles Street, Baltimore, Maryland, occupying approximately 82% of the 343,000 square feet of office space available in the building as of December 31, 2000. Allfirst's lease for this space expires in 2006, with a renewal option to the year 2011. During 2000, the annual rental for the space less amounts received on subleases to others was US$4.5 million.

Allfirst is the sole tenant at First Center located at 110 South Paca Street, Baltimore, Maryland. The building contains 267,000 square feet of office space and houses certain staff and operations functions of Allfirst. The current lease term expires on December 31, 2011. During 2000, the annual base rental for the space was US$2.6 million. Allfirst is a limited partner with a 0.2% operating interest and a 50% residual interest in the limited partnership which owns the building.

Allfirst Financial Center, located at Mitchell Street, Millsboro, Delaware is owned by Allfirst. This building, acquired in 1981, contains approximately 300,000 square feet of space, sits on approximately 60 acres of land, and houses certain retail operations functions of Allfirst.

One South Market Square Office Tower located at 213 Market Street, Harrisburg, Pennsylvania is also owned by Allfirst. The building contains approximately 185,000 square feet of office space and houses, among other things, certain executive offices and commercial operations functions of Allfirst Bank.

In addition to the above office space, Allfirst owns and leases office space in various other office buildings and locations.

In Britain, AIB Group is the major tenant of Bankcentre - Britain, located at Belmont Road, Uxbridge, West London, occupying approximately 63% of the 74,000 square feet of office space. The building, held under a 25 year lease from completion of construction in 1988, serves as headquarters for AIB Group operations in Britain.

In Northern Ireland, AIB Group owns the First Trust Centre, a building containing 90,000 square feet of office space and located at 92 Ann Street, Belfast. This, together with a building at 4 Queens Square, Belfast comprising of 32,000 square feet serves as headquarters for AIB Group operations in Northern Ireland.

In Poland, WBK has a long-leasehold interest in its head office building at Plac Wolności 15-16 in Poznán, and BZ owns its head office building at Ofiar Oewiecimskich 38/40 in Wroclaw.

Item 5. Operating and Financial Review and prospects

Operating results

The following discussion should be read in conjunction with the consolidated Financial Statements of AIB Group included elsewhere in this Report. These financial statements were prepared in accordance with generally accepted accounting principles applicable in Ireland ("IR GAAP") which differ in certain significant respects from those applicable in the United States of America ("US GAAP"). Reconciliations of certain items in these financial statements to US GAAP are set forth in note 48 to AIB's Consolidated Financial Statements. The principal accounting policies adopted by AIB Group are set forth on pages 78 to 81 of AlB's Consolidated Financial Statements.

The Group results for the year to December 2000 are not directly comparable with the previous year to December 1999 due to the acquisition of BZ. The results for the year ended December 31, 2000 include a full year contribution from BZ while the results for the year ended December 31, 1999 include only 3 months contribution from BZ.

Net income for the year ended December 31, 2000 was €762 million compared with €761 million for the year ended December 31, 1999. The results include an exceptional charge of €113 million in respect of the full and final settlement reached with the Irish Revenue Commissioners in relation to DIRT, including interest and penalties for the period April 1986 to April 1999. Capital ratios remained strong with the tier 1 ratio at 6.3% and the total capital ratio at 10.8%.

Exceptional item

The exceptional item refers to a payment made on October 3, 2000 of €113 million to the Irish Revenue Commissioners in full and final settlement of DIRT, including interest and penalties for the period April 1986 to April 1999. 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.

Commentary on 2000 results

Net income for the year ended December 31, 2000 was €762 million compared with €761 million for the year ended December 31, 1999. Average assets increased from €60,475 million for 1999 to €73,590 million for 2000 and the return on average assets was 1.25%[#] for 2000, compared with 1.33% for 1999. Average ordinary stockholders' equity increased to €4,029 million for 2000 from €3,240 million for 1999 while the return on average ordinary stockholders' equity was 21.6%[#] for 2000 compared to 23.5% for 1999.

In 2000 income before taxes increased 10.5% to €1,251 million excluding the exceptional item compared with €1,132 million for 1999. Group operating income from continuing activities excluding the exceptional item amounted to €1,243 million, up 12% on the 1999 figure of €1,112 million. AIB Group loans to customers and customer accounts increased by 17% and 11% respectively since December 1999. Excluding currency factors, loans to customers increased by 13% while customer accounts grew by 8%.

 # adjusted to exclude the impact of the Deposit Interest Retention Tax (DIRT)

Commentary on 1999 results

Net income for the year ended December 31, 1999 was €761 million compared with €633 million for the year ended December 31, 1998. Average assets increased from €52,687 million for 1998 to €60,475 million for 1999 and the return on average assets was 1.33% for 1999, compared with 1.39%* for 1998. Average ordinary stockholders' equity increased to €3,240 million for 1999 from €2,494 million for 1998 while the return on average ordinary stockholders' equity was 23.5% for 1999 compared to 27.3%* for 1998.

In 1999 income before taxes increased 8% to €1,132 million compared with €1,049 million for 1998. Group operating income amounted to €1,112 million, up 10% on the 1998 figure of €1,013 million. AIB Group loans to customers and customer accounts increased by 30% and 17% respectively since December 1998. Excluding BZ and currency factors, loans to customers increased by 17% while customer accounts grew by 4%.

** adjusted to exclude the impact of the phased reduction in Irish corporation tax rates on deferred tax balances*

Net interest income

The following table shows net interest income for the years ended December 31, 2000, 1999 and 1998.

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Interest income	€ 5,127	€ 3,842	€ 3,966
Interest expense	(3,105)	(2,072)	(2,357)
Net interest income before exceptional item	€ 2,022	€ 1,770	€ 1,609
Deposit interest retention tax	(113)	-	-
Net interest income after exceptional item	€ 1,909	€ 1,770	€ 1,609

The main factors affecting the level of net interest are the volume of interest earning assets, the difference between the average rate of interest earned on interest earning assets and the average rate of interest paid on interest bearing liabilities (the interest rate spread), the proportion of interest earning assets financed by interest-free liabilities and the general level of interest rates. Net interest income, which is the principal element of AIB Group's income, mainly arises from the loan and deposit taking activities of AIB Group.

Commentary on net interest income performance in 2000

In 2000 net interest income was €2,022 million (€1,909 million including the exceptional item) compared with €1,770 million for 1999, an increase of €252 million (14%). Excluding the impact of BZ and currency factors, net interest income increased by 4%. Including acquisitions, average interest earning assets increased by €12,913 million (24%) when compared with 1999. Group lending increased by 13% on an underlying basis (see table below) since December 31, 1999. On a geographic basis loans in Ireland increased by 19%, in Northern Ireland by 16%, in Britain by 20%, in USA by 3%, and Poland reported loan growth of 9%. Group deposits increased by 8% with growth of 14% in Ireland, 9% in Northern Ireland, 3% in the USA, 16% in Poland. In Britain deposits decreased by 6% due to the movement of some large deposits from customer accounts to money market funds. Branch customer accounts in Britain were up 23%. The general level of interest rates in the Group's main markets was higher in 2000 relative to 1999.

The volume increase and the increase in gross yield has been partly offset by a decrease in the interest rate spread. The interest rate spread reduced by 50 basis points on a Group basis during 2000. Overall the net interest margin reduced to 3.02% in 2000 from 3.27% in 1999. The domestic margin reduced by 22 basis points since December 1999 to 2.75% while the foreign margin reduced by 31 basis points since December 1999 to 3.23%.

Commentary on net interest income performance in 1999

In 1999 net interest income was €1,770 million compared with €1,609 million for 1998, an increase of €161 million (10%). Excluding the impact of BZ and currency factors, net interest income was up 7%. Including acquisitions, average interest earning assets increased by €5,851 million (12%) when compared with 1998. Group lending volumes increased by 17% on an underlying basis (see table below) since December 31, 1998. On a geographic basis loans in Ireland increased by 25%, in Northern Ireland by 11%, in Britain by 32%, in USA by 3%, and Poland reported loan growth of 33%. Group deposits increased by 4% with growth of 12% in Ireland, 7% in Northern Ireland, 8% in Britain and 34% in Poland. In the USA, deposits decreased by 13% mainly reflecting a migration of predominantly low margin funds from the traditional deposit account into mutual funds and other investment products. The general level of interest rates in the Group's main markets was lower in 1999 relative to 1998.

Although the Group interest rate spread in 1999 improved marginally to 2.7% from 2.6% in 1998, the gross yield reduced from 7.9% to 6.6%. This reduction in the gross yield offset the volume increase in interest earning assets giving rise to a decrease in the net interest margin to 3.27% in 1999 from 3.33% in 1998. The domestic margin reduced by 12 basis points since December 1998 to 2.97% while the foreign margin reduced by 2 basis points since December 1998 to 3.54%. Net interest income includes €2 million in net funding costs relating to AIB's strategic alliance with KTL.

The following table shows the year on year percentage changes in loans to customers and customer accounts on an underlying basis.

	% change December 2000 v December 1999[(1)]		% change December 1999 v December 1998[(2)]	
Loans to customers and customer accounts	**Loans to Customers % Change**	**Customer Accounts % Change**	**Loans to Customers % Change**	**Customer Accounts % Change**
Ireland	19	14	25	12
Northern Ireland	16	9	11	7
Britain	20	-6	32	8
USA	3	3	3	-13
Poland	9	16	33	34
AIB Group	13	8	17	4

(1) Excluding money market funds and currency factors.
(2) Excluding money market funds, currency factors and BZ.

Average interest rates, gross yields, spreads and margins

The following table shows interest rates prevailing at December 31, 2000 together with average prevailing interest rates, gross yields, spreads and margins for the years ended December 31, 2000, 1999 and 1998.

	At Dec. 31,	Years ended December 31,		
	2000	2000	1999	1998
Interest rates				
Ireland				
AIB Group's prime lending rate	5.5%	4.8%	3.4%	6.4%
European inter-bank offered rate(1)				
One month euro	4.9	4.2	2.9	5.8
Three month euro	4.9	4.4	3.0	5.5
United Kingdom				
AIB Group's base rate	6.0	6.0	5.3	7.2
London inter-bank offered rate				
One month sterling	5.8	5.9	5.4	7.4
Three month sterling	5.8	6.1	5.5	7.4
United States				
Prime rate	9.5	9.2	8.0	8.4
Poland	21.5	16.1	14.5	21.5
Gross yields, spreads and margins(2)				
Gross yield(3)				
Group		7.3	6.6	7.9
Domestic		6.2	5.6	7.2
Foreign		8.2	7.5	8.5
Interest rate spread(4)				
Group		2.2	2.7	2.6
Domestic		1.9	2.3	2.4
Foreign		2.5	3.0	2.8
Net interest margin(5)				
Group		3.02	3.27	3.33
Domestic		2.75	2.97	3.09
Foreign		3.23	3.54	3.56

Average interest earning assets	2000	1999	1998
		(Euros in millions)	
Group	€ 67,026	€ 54,113	€ 48,262
Domestic	29,819	25,611	23,172
Foreign	37,207	28,502	25,090

(1) EURIBOR (European Inter-Bank Offered Rate) information provided for 2000 and 1999. DIBOR (Dublin Inter-Bank Offered Rate) information provided for 1998. Since the introduction of the euro on January 1, 1999 the traded market rate is EURIBOR and replaces the previously traded DIBOR rate.

(2) The gross yields, spreads and margins presented in this table are extracted from the average balance sheets and interest rates presented on page 23 of this Report and this breakdown into domestic and foreign has been compiled on the basis of location of office. The percentages for the year ended December 31, 2000 have been calculated excluding the impact of the DIRT settlement.

(3) Gross yield represents the average interest rate earned on interest earning assets.

(4) Interest rate spread represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

(5) Net interest margin represents net interest income as a percentage of average interest earning assets.

Average Balance Sheets and Interest Rates

	Years ended December 31,								
	2000			1999			1998		
	Average Balance €	Interest €	Average Rate %	Average Balance €	Interest €	Average Rate %	Average Balance €	Interest €	Average Rate %
	(Euros in millions)								
ASSETS									
Placings with banks									
Domestic offices	2,410	114	4.7	2,572	81	3.2	6,170	366	5.9
Foreign offices	1,897	123	6.5	1,342	76	5.7	1,689	121	7.1
Loans to customers[1]									
Domestic offices	18,570	1,239	6.7	15,416	974	6.3	12,303	987	8.0
Foreign offices	22,772	2,056	9.0	17,476	1,430	8.2	15,364	1,395	9.1
Placings with banks and loans to customers[1]									
Domestic offices	20,980	1,353	6.4	17,988	1,055	5.9	18,473	1,353	7.3
Foreign offices	24,669	2,179	8.8	18,818	1,506	8.0	17,053	1,516	8.9
Funds sold									
Domestic offices	-	-	-	-	-	-	-	-	-
Foreign offices	75	5	6.4	36	2	5.1	94	5	5.5
Investment securities									
Domestic offices	7,100	398	5.6	6,263	299	4.8	3,623	231	6.4
Foreign offices	11,014	775	7.0	8,495	551	6.5	6,967	541	7.8
Installment credit and finance lease receivables									
Domestic offices	1,739	109	6.3	1,360	89	6.5	1,076	81	7.5
Foreign offices	1,449	96	6.6	1,153	80	7.0	976	67	6.8
Total interest earning assets									
Domestic offices	29,819	1,860	6.2	25,611	1,443	5.6	23,172	1,665	7.2
Foreign offices	37,207	3,055	8.2	28,502	2,139	7.5	25,090	2,129	8.5
	67,026	4,915	7.3	54,113	3,582	6.6	48,262	3,794	7.9
Allowance for loan losses	(828)			(656)			(519)		
Non-interest earning assets	7,392			7,018			4,944		
Total assets	73,590	4,915	6.7	60,475	3,582	5.9	52,687	3,794	7.2
Percentage of assets applicable to foreign activities			56.0			52.9			53.0
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest bearing deposits and other short-term borrowings									
Domestic offices	22,797	944[2]	4.1[2]	19,886	633	3.2	19,040	911	4.8
Foreign offices	30,058	1,701	5.7	23,157	1,012	4.4	19,944	1,130	5.7
Funds purchased									
Domestic offices	-	-	-	-	-	-	-	-	-
Foreign offices	1,522	93	6.1	1,498	72	4.8	1,219	62	5.1
Subordinated liabilities									
Domestic offices	1,478	97	6.6	835	49	5.8	601	38	6.3
Foreign offices	750	58	7.7	678	46	6.8	589	44	7.6
Total interest bearing liabilities									
Domestic offices	24,275	1,041[2]	4.3[2]	20,721	682	3.3	19,641	949	4.8
Foreign offices	32,330	1,852	5.7	25,333	1,130	4.5	21,752	1,236	5.7
	56,605	2,893[2]	5.1[2]	46,054	1,812	3.9	41,393	2,185	5.3
Interest-free liabilities									
Current accounts	8,503			6,712			5,343		
Other liabilities	3,941			4,025			3,020		
Minority equity and non-equity interests	246			214			224		
Preference share capital	266			230			213		
Ordinary stockholders' equity	4,029			3,240			2,494		
Total liabilities and stockholders' equity	73,590	2,893[2]	3.9[2]	60,475	1,812	3.0	52,687	2,185	4.1
Percentage of liabilities applicable to foreign activities			55.7			51.6			52.3

[1] Loans to customers include non-accrual loans and loans classified as problem loans. See Item 11 – Credit risk management – "Provision and allowance for loan losses".

[(2)] The interest amount and the average rate have been presented gross to eliminate the effect of the deposit interest retention tax settlement.

The following table allocates changes in net interest income between volume and rate for the year ended December 31, 2000 compared with the year ended December 31, 1999 and for the year ended December 31, 1999 compared to the year ended December 31, 1998. Volume and rate variances have been calculated based on the movements in average balances over the period and changes in interest rates on average interest earning assets and average interest bearing liabilities respectively. Changes due to a combination of volume and rate are allocated ratably to volume and rate.

	December 2000 over December 1999			December 1999 over December 1998		
	Increase/(decrease) due to changes in:					
	Average Volume	Average Rate	Net Change	Average Volume	Average Rate	Net Change
	(Euros in millions)					
INTEREST EARNING ASSETS						
Placings with banks						
Domestic offices	€ (5)	€ 38	€ 33	€ (160)	€ (125)	€ (285)
Foreign offices	35	12	47	(23)	(22)	(45)
Loans to customers						
Domestic offices	202	63	265	221	(234)	(13)
Foreign offices	474	152	626	181	(146)	35
Placings with banks and loans to customers						
Domestic offices	197	101	298	61	(359)	(298)
Foreign offices	509	164	673	158	(168)	(10)
Funds sold						
Domestic offices	-	-	-	-	-	-
Foreign offices	2	1	3	(3)	-	(3)
Investment securities						
Domestic offices	44	55	99	137	(69)	68
Foreign offices	178	46	224	109	(99)	10
Installment credit and finance lease receivables						
Domestic offices	23	(3)	20	20	(12)	8
Foreign offices	21	(5)	16	11	2	13
Total interest income	€ 974	€ 359	€ 1,333	€ 493	€ (705)	€ (212)
INTEREST BEARING LIABILITIES						
Interest bearing deposits and other short-term borrowings						
Domestic offices	€ 107	€ 205	€ 312	€ 43	€ (321)	€ (278)
Foreign offices	346	343	689	284	(402)	(118)
Funds purchased						
Domestic offices	-	-	-	-	-	-
Foreign offices	1	20	21	14	(4)	10
Subordinated liabilities						
Domestic offices	41	7	48	14	(3)	11
Foreign offices	5	7	12	7	(5)	2
Total interest expense	€ 500	€ 582	€ 1,082	€ 362	€ (735)	€ (373)
Net interest income						
Domestic offices	€ 116	€ (59)	€ 57	€ 161	€ (116)	€ 45
Foreign offices	358	(164)	194	(30)	146	116
Net interest income	€ 474	€ (223)	€ 251	€ 131	€ 30	€ 161

Other income

The following table shows other income for the years ended December 31, 2000, 1999 and 1998.

	Years ended December 31,		
	2000	**1999**	**1998**
	(Euros in millions)		
Dividend income	€ 6	€ 2	€ 1
Banking fees and commissions	807	643	555
Asset management fees	187	152	142
Investment banking fees	107	114	80
Fees and commissions receivable[1]	1,101	909	777
Fees and commissions payable	(108)	(93)	(84)
Dealing profits[2]	103	74	69
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 securitized assets	4	3	5
Mortgage origination and servicing income	3	3	16
Miscellaneous operating income	72	56	54
	202	160	217
Total other income	€ 1,304	€ 1,052	€ 980

(1) Includes the fees and commissions related to foreign exchange activities which were €80 million, €68 million and €62 million for 2000, 1999 and 1998, respectively.

(2) Includes dealing profits relating to foreign exchange activities which were €69 million, €30 million and €52 million for 2000, 1999 and 1998, respectively.

Commentary on other income performance in 2000

In the year ended December 31, 2000 other income was €1,304 million compared with €1,052 million for the year ended December 31, 1999, an increase of €252 million (24%). Excluding the impact of BZ and currency factors, the increase was 14%.

Other income represented 39% of total income compared with 37% in 1999.

The following commentary is based on underlying percentage growth adjusting for the impact of currency movements and excluding BZ in both years.

- Contribution of life assurance company up 48%
- Investment banking fees down 8% or up 33% excluding 1999 privatization 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 increased 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 privatization in the Irish market, investment banking fees increased by 33% mainly due to a strong performance from stockbroking, corporate finance and international financial services activities.

Dealing profits increased by 33% with buoyant revenues from 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.

Commentary on other income performance in 1999

In the year ended December 31, 1999 other income was €1,052 million compared with €980 million for the year ended December 31, 1998, an increase of €72 million (7%). Excluding the impact of BZ and currency factors, the increase was 5%.

Other income represented 37% of total income compared with 38% in 1998.

The following commentary is based on underlying percentage growth adjusting for the impact of currency movements and excluding BZ in both years.

- Contribution of life assurance company up 31%
- Investment banking fees up 42% or down 3% excluding 1999 privatization revenues
- Banking fees and commissions up 12%
- Asset management fees up 4%

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 increased due to good business growth in Ireland coupled with higher trust and investment advisory fees in Allfirst. Excluding fees received in 1999 where AIB Capital Markets acted as advisor to the Irish Government on the Initial Public Offering on a major privatization, investment banking fees were down 3% mainly in USA Division as a result of discontinued operations in 1999 offset by strong performance from stockbroking, corporate finance and international financial services activities.

Dealing profits were €74 million for 1999 compared with €69 million for 1998, an increase of €5 million (7%) with Treasury availing of the opportunities which the volatility in the financial markets presented.

Other operating income was €160 million for 1999 compared with €217 million for 1998. This decrease was impacted by securities gains realized in Allfirst in 1998, €54 million compared with €5 million in 1999, and the sale of our mortgage origination business in Allfirst in 1998 offset by a higher contribution from Ark Life Assurance Company Limited ("Ark Life") which increased by 31% from €49 million in 1998 to €64 million in 1999 reflecting a 31% increase in Annual Premium Equivalent sales. Miscellaneous operating income increased from €54 million in 1998 to €56 million in 1999. Total funds under management in the Group amounted to approximately €39 billion at December 31, 1999.

Operating expenses

The following table shows operating expenses for the years ended December 31, 2000, 1999 and 1998.

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Staff costs	€ 1,144	€ 970	€ 867
Other administrative expenses	634	521	446
Depreciation	145	119	109
Amortization of goodwill	26	8	-
Integration costs in continuing businesses	-	-	20
Total operating expenses	€ 1,949	€ 1,618	€ 1,442

Commentary on operating expenses in 2000

In 2000 operating expenses increased by €331 million (20%) to €1,949 million from €1,618 million in 1999. Excluding the impact of BZ and currency factors, operating expenses increased by 7%. The increase in operating expenses was mainly attributable to increased business activity, technology and e-business expenditure, including development work on a standalone internet bank and branch network expansion in Poland. 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 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.

In 2000 staff costs were €1,144 million compared with €970 million for 1999, an increase of €174 million (18%) reflecting normal growth in salaries and growth in business activities across the Group. Excluding the impact of BZ acquisition and currency factors, staff costs increased by 6%.

Other administrative expenses increased by €113 million (22%) to €634 million for 2000 compared with €521 million for 1999. Excluding the impact of BZ and currency factors, other administrative expenses increased by 9%.

The depreciation charge for 2000 was €145 million compared with €119 million for 1999, an increase of €26 million (22%). Arising from the implementation of a new accounting standard in the UK, the depreciation charge for freehold and long leasehold property increased by €9 million. In addition, there were increased investments in technology and systems.

Commentary on operating expenses in 1999

In 1999 operating expenses increased by €176 million (12%) to €1,618 million from €1,442 million in 1998. Excluding the impact of BZ, integration costs in USA in 1998 and currency factors, operating expenses increased by 9%. The increase was mainly as a result of increased business activity, technology, electronic and e-business expenditure, and branch network expansion in Poland. Operating expenses included amortization of goodwill of €8 million mainly related to the Bank Zachodni acquisition.

In 1999 staff costs were €970 million compared with €867 million for 1998, an increase of €103 million (12%) reflecting normal growth in salaries and substantial growth in business activities across the Group. Excluding the impact of the BZ acquisition, integration costs in USA in 1998 and currency factors, staff costs increased by 8%. Efficiency continued to improve and the cost income ratio in Ireland reduced further to 52%. In Capital Markets there were additional staff costs associated with a major privatization in the Irish market. In the USA staff costs decreased as a result of savings following the integration of our franchises and sales of businesses in recent years.

Other administrative expenses increased by €75 million (17%) to €521 million for 1999 compared with €446 million for 1998. Excluding the impact of BZ, integration costs in USA in 1998 and currency factors, other administrative expenses increased by 12%. Costs increased due to increased business activities, technology expenditure and the opening of 23 new outlets and 51 new ATM's by WBK in Poland.

The depreciation charge for 1999 was €119 million compared with €109 million for 1998, an increase of €10 million (9%). This increase was driven by increased investment in technology and systems.

Provisions for loan losses

The following table shows the provisions for loan losses charged to income for each of the three years ended December 31, 2000, 1999 and 1998.

	Years ended December 31,		
	2000	1999	1998
	(Euros in millions)		
Provisions for loan losses	€ 133	€ 85	€ 126
As a percentage of average loans[1]	0.30%	0.24%	0.44%

[1] Average loans, before provisions less unearned income, include leasing and installment credit.

The provisions for loan losses increased from €85 million for the year ended December 31, 1999 to €133 million for the year ended December 31, 2000. The charge for 1999 was €101 million or 0.28% of advances when the impact of the write back of Latin American provisions is excluded. This is reflected in the annualized rate of provisions for loan losses as a percentage of average loans which increased from 0.24% for the year ended December 31, 1999 to 0.30% for the year ended December 31, 2000.

In the Republic of Ireland, the provisions for loan losses remained static at €51 million for the year ended December 31, 2000 compared to the year ended December 31, 1999.

In the United Kingdom, the provisions for loan losses increased from €6 million for the year ended December 31, 1999 to €23 million for the year ended December 31, 2000, reflecting a combination of a fall-off in the very strong recoveries recorded in 1999 and an increase in corporate case provisions.

In the United States, the provisions for loan losses increased from €29 million for the year ended December 31, 1999 to €33 million for the year ended December 31, 2000. Higher levels of commercial loan provisions were partially offset by lower retail and residential mortgage provisioning.

In Poland, the provisions for loan losses increased from €6 million for the year ended December 31, 1999 to €26 million for the year ended December 31, 2000, largely due to the inclusion of Bank Zachodni for a full year following its acquisition in September 1999.

In the Rest of the World, the provisions for loan losses were a net recovery of €7 million for the year ended December 31, 1999, which included a write back of Latin American provisions, compared to no net provision in the year to December 31, 2000, where recoveries offset new provisions.

The provisions for loan losses decreased from €126 million for the year ended December 31, 1998 to €85 million for the year ended December 31, 1999. This is reflected in the annualized rate of provisions for loan losses as a percentage of average loans which decreased from 0.44% for the year ended December 31, 1998 to 0.24% for the year ended December 31, 1999. The charge for 1999 was €101 million or 0.28% of advances when the impact of the writeback of Latin American provisions is excluded.

In the Republic of Ireland, the provisions for loan losses decreased from €48 million for the year ended December 31, 1998 to €51 million for the year ended December 31, 1999. This increase reflects growth in the loan portfolio of 27% and a prudent approach to provisioning.

In the United Kingdom, the provisions for loan losses decreased from €22 million for the year ended December 31, 1998 to €6 million for the year ended December 31, 1999, reflecting a generally improved provisioning experience and stronger recoveries.

In the United States, the provisions for loan losses increased from €5 million for the year ended December 31, 1998 to €29 million for the year ended December 31, 1999 reflecting higher levels of consumer and retail provisioning.

In Poland, the provisions for loan losses decreased from €11 million for the year ended December 31, 1998 to €6 million for the year ended December 31, 1999.

In the Rest of the World, the provisions for loan losses decreased from €40 million for the year ended December 31, 1998 to a net recovery of €7 million for the year ended December 31, 1999 reflecting the lower provisioning in the foreign maritime portfolio and a write-back of Latin American provisions.

Applicable taxes

The following table shows applicable income taxes and tax rates for the years ended December 31, 2000, 1999 and 1998.

	Years ended December 31,		
	2000	1999 (Euros in millions)	1998
Applicable income taxes	€ 318	€ 327	€ 315
Impact of phased reduction in Irish corporation tax rates on deferred tax balances	-	-	55
	€ 318	€ 327	€ 370
Irish corporation tax rate	24.0 %	28.0 %	32.0 %
Effective tax rate	28.0 %	28.9 %	35.2 %
Effective tax rate - adjusted	26.3 %(1)	28.9 %	30.1 %(2)

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

(2) 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 tax rates.

The above table shows the components of the tax charge and effective tax rate for AIB Group for December 31, 2000, 1999 and 1998.

The taxation charge was €318 million in 2000 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.

The taxation charge was €327 million in 1999 compared with €370 million in 1998. The charge for 1998 included €55 million reflecting the impact on deferred tax balances of the phased reduction in Irish corporation tax rates to 12½% by the year 2003. The effective tax rate for the year was 28.9% down from 30.1% *(excluding the deferred tax rate adjustment)* in 1998. The main impact was due to the decrease in the standard rate of Irish corporation tax from 32% in 1998 to 28% in 1999.

The Irish government proposals to progressively reduce the standard rate of Irish corporation tax to 12½% by January 2003 and the reduction in the rate of corporation tax applying to non-trading income to 25% from January 1, 2000 will have a positive impact on future earnings in Ireland. As it is not anticipated that foreign tax rates will fall in line with Irish tax rates, the effective tax rate in future years will continue to be in excess of the standard rate of Irish corporation tax.

Performance by division

Income before taxes by division for the years ended December 31, 2000, 1999 and 1998 was as follows:

	Years ended December 31,		
	2000	**1999**	**1998**
Income before taxes[(1)]		(Euros in millions)	
AIB Bank	€ 696	€ 587	€ 537
USA	337	307	302
Capital Markets	156	151	118
Poland	88	63	49
Group	(26)	24	43
	1,251	1,132	1,049
Deposit interest retention tax	(113)	-	-
Total	€ 1,138	€ 1,132	€ 1,049

[(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.

The following commentary on the performance by division excludes the impact of the exceptional item.

AIB Bank division

AIB Bank division includes the Group's retail and commercial banking operations in Ireland, Northern Ireland, Britain, Channel Islands and Isle of Man; AIB Finance & Leasing; Card Services; and AIB's life and pensions subsidiary Ark Life Assurance Company.

2000 performance

Income before taxes increased by 19% in AIB Bank to €696 million from €587 million in 1999 reflecting a strong performance in all key business units and geographical areas 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.

Ireland

Banking operations in 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 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 sales were up 25% to €158 million.

Northern Ireland

First Trust Bank income before taxes increased by 17%, reflecting a very strong performance with 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.

Britain

In *Britain*, there was strong growth in income before taxes of 18%. 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.

1999 performance

Income before taxes increased by 9% in AIB Bank to €587 million from €537 million in 1998 reflecting a strong performance in all business units. The divisional cost income ratio remained relatively stable at 53.5%.

Ireland

Branch Banking - AIB's retail and commercial operations in Ireland experienced strong growth in business volumes with loans up 25% and customer accounts up 10%. The growth in business volumes reflects the continued strong performance of the Irish economy. Demand for credit was well spread across all economic sectors. The favourable impact of volume growth was partly offset by lower margins. The cost income ratio further improved from 57% in 1998 to 56% in 1999. Asset quality trends were positive with lower non-performing loans and a lower provision for loan losses for the year.

Home mortgages experienced good demand with a 22% increase in lending since December 1998. The quality of the mortgage book remains good as prudent criteria for loan approval continue to be applied. The average loan to value ratio for new business nationally was 53% while in Dublin the ratio was 49% in 1999.

AIB Finance & Leasing experienced strong customer demand with loan growth of 35%. All core sectors performed well and there was significant growth in motor, commercial vehicles and equipment finance.

Card Services performed strongly, benefiting from increased cardholder spending and good growth in international merchant acquiring income. Cardholder balances increased by 13% since December 1998.

Ark Life reported growth in income before taxes of 31% to €64 million for the year to December 1999. There was significant growth in single premium products with sales of over €400 million, up 49% on 1998. New regular premium business amounted to €85 million, an increase of 24%, including 20% growth in new regular life business and 40% growth in new regular pensions business. Annual Premium Equivalent sales rose by 31% to €126 million.

Northern Ireland

First Trust Bank income before taxes increased by 6% reflecting good volume growth and increased sales of investment products partly offset by some once-off costs and lower margins. There was good growth in other income mainly in branch commissions, current account fees and credit card revenue. In 1999 First Trust Bank became the first bank in Northern Ireland to offer an Internet banking service. Loans increased by 11% and customer accounts were up 7% since December 1998.

Britain

In *Britain*, there was a substantial growth in income before taxes of 23% reflecting expansion in the professional, higher education and other sectors. There was good growth from existing business and in the home mortgage book. We have continued to be successful in providing tailor-made and innovative services to the business and professional market where AIB has developed into a strong niche player. Branch loan and deposit volumes increased by 14% and 12% respectively.

USA division

USA division 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. To eliminate the effect of foreign exchange rate movements on income, the discussion which follows on the USA division is in US dollars.

2000 performance

Income before taxes of USA division decreased by 5% to US$312 million for the year ended December 31, 2000 compared with US$328 million for the year ended December 31, 1999.

Income before taxes in Allfirst was lower by US$16 million compared with 1999. On an after tax basis Allfirst was down 2% on 1999. Net interest income decreased 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 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%.

Costs increased by 2% mainly in advertising which was attributable to several advertising campaigns during 2000. Provisions for loan losses decreased due to the significant improvement in the foreign maritime portfolio.

Non-performing assets amounted to US$108 million or 0.98% of loans, other real estate and other assets owned at December 31, 2000, compared to US$80 million, or 0.74% at December 31, 1999. The allowance for credit losses totaled US$153 million at December 31, 2000, equal to 191% of non-performing loans.

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.

1999 performance

Income before taxes of USA division decreased by 3% to US$328 million for the year ended December 31, 1999 compared with US$339 million for the year ended December 31, 1998. Income before taxes in Allfirst was lower by US$14 million compared with 1998, which included net securities gains of US$54 million compared to US$5 million in 1999. Performance highlights included strong growth of 18% in electronic banking income, 15% in trust revenues and 5% in deposit service charges. Leasing, retail loan and commercial loan balances increased by 16%, 7% and 3% respectively since December 1998. Customer accounts decreased by 13% mainly reflecting a migration of predominantly low margin funds from the traditional deposit account into mutual funds and other investment products. Allfirst recorded growth of US$1.5 billion in assets under management.

Costs declined by 11% due to savings following the integration of our franchises and sale of businesses in 1998 with manpower numbers decreasing by over 600 since December 1998. Provisions for loan losses remained at the same level as in 1998. Foreign maritime loan charge-offs decreased to US$11 million (€10 million) in 1999, with US$10 million (€9 million) incurred in the first half, compared to US$19 million (€17 million) in 1998.

Non-performing assets amounted to US$80 million or 0.74% of loans, real estate and other assets owned at December 31, 1999, compared to US$101 million, or 0.95% at December 31, 1998. The allowance for credit losses totaled US$157 million at December 31, 1999, equal to 304% of non-performing loans.

A milestone in the integration of First National Bank of Maryland and Dauphin Deposit Corporation was reached on June 28, 1999 when their trading units changed their names to Allfirst Bank.

AIB's operations had another successful year and continued to expand its charity and church sector business geographically from offices in New York, Philadelphia and Los Angeles. The business growth in this sector in particular was reflected in strong loan growth of 31% and a 22% increase in other income.

Capital Markets division

Capital Markets division comprises Corporate Banking, Investment Banking and Treasury & International.

2000 performance

Income before taxes of Capital Markets division was €156 million for the year ended December 31, 2000 a growth of 3% compared with €151 million for the year ended December 31, 1999. Excluding fees received in 1999 in relation to a major privatization in the Irish market, profit growth was in excess of 20%. There has been substantial growth in recent years in corporate banking, asset management, International Financial Services Centre ("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 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 IFSC 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.

1999 performance

Capital Markets achieved a 28% increase in income before taxes to €151 million for the year ended December 31, 1999 with growth in income before taxes achieved across all major business units compared with €118 million for the year ended December 31, 1998.

Corporate Banking had strong growth in operating income before provisions in 1999. AIB provided significant funding and structured finance support to large corporate customers in Ireland and the UK. Loan growth increased by 37%, fee income was up 32% and corporate debt underwriting increased significantly. There was a substantial increase in general and specific unallocated provisions in 1999.

AIB's credit and relationship skills in Ireland have been successfully exported to the UK and other markets and good progress has been made in meeting the needs of new customers. AIB participated in a number of major international financings.

Investment Banking activities achieved a significant growth in income before taxes. AIB Capital Markets acted as advisor to the Irish government on the Initial Public Offering for a major privatization in the Irish market. AIB Corporate Finance and Goodbody Stockbrokers also obtained a number of additional advisory mandates from both the public and private sectors.

Goodbody Stockbrokers had a strong performance, benefiting from buoyant trading conditions and a substantial increase in retail business. Goodbody has been appointed as stockbroker to eircom p.l.c., and continues to build market share across their institutional, private client and corporate broking businesses.

The *Asset Management* business performed well in Ireland producing good growth in income before taxes and winning new business mandates. This performance was offset by lower income before taxes in the UK due mainly to redemption of certain investment trusts in 1998 and increased investment in technology and business development.

Income before taxes from our international financial services centre operations was higher due to increased volumes of business.

Our Custodial and Funds Administration businesses have experienced strong growth. The joint venture with Bank of New York benefited from the growth of fund administration activities in the IFSC and has a strong business pipeline.

Treasury & International successfully managed the challenges and opportunities associated with the introduction of the euro and reported a strong growth in income before taxes in the year, benefiting from the management of our investment securities portfolio. There was only a marginal reduction in foreign exchange income following the introduction of the euro due to a good revenue performance by corporate and commercial treasury. The business unit is continuing to invest significantly in technological infrastructures to maintain and grow the business.

Poland

Poland comprises 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.

2000 performance

Poland contributed €88 million in 2000, a 40% increase in income before taxes of €63 million in 1999. A majority shareholding in BZ was acquired in September 1999. The Poland results include BZ for the full year in 2000 and for the period from September 16, 1999 to December 31, 1999.

WBK achieved record income before taxes 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 income 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.

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 in 2000, 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 October 10, 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 December 20, 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.

1999 performance

Poland contributed €63 million in 1999, a 29% increase in income before taxes of €49 million in 1998. The Poland results include the contribution from BZ from September 16, 1999 to December 31, 1999, which was negligible after goodwill amortisation.

WBK achieved strong growth in income before taxes and expanded its franchise with 23 new outlets and 51 new ATM's. Further expansion and technology development included the introduction of the WBK 24-hour service which includes GSM (mobile phone), Internet and telephone banking.

WBK was also successful in the sale of pension products following the reform of the Polish pension system. A statutory based privately managed pension business was established in Poland in April 1999, consisting of a mandatory defined contribution scheme for people aged under 30 and a voluntary scheme for those aged between 30 and 50. WBK has effectively a 15% stake in Commercial Union's ("CGNU plc") Polish pension business.

The strong results reflect substantial growth in business volumes. WBK loans and customer accounts increased by 33% and 34% respectively. The declining average interest rate environment and competitive pressures on deposit pricing resulted in a reduction of 60 basis points in the net interest margin but this was offset by loan and deposit volume growth.

There was substantial growth of 27% in other income reflecting a 161% increase in card fees and growth of 31% in current account fees and branch commissions. The strong performance reflects the ongoing development programme in WBK where investment in new products, processes and delivery channels is starting to deliver returns. Costs increased as a result of expansion and development of the branch network, technology enhancement and concentration on improved customer service across the organization.

Group

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

2000 performance

Group reported a loss before taxes of €26 million in 2000, compared with income before taxes 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 KTL.

1999 performance

Group reported income before taxes of €24 million in 1999, decreasing from €43 million in 1998. This decrease was primarily due to higher operating expenses, hedging costs in relation to the translation of our foreign currency profits, the funding cost of the BZ acquisition and costs relating to a number of sponsorships and donations to local community initiatives associated with the advent of the new millennium.

Liquidity & capital resources

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

The following table shows AIB Group's capital resources at December 31, 2000, 1999 and 1998:

	December 31,		
	2000	**1999**	**1998**
		(Euros in millions)	
Ordinary stockholders' equity	€ 4,296	€ 3,651	€ 2,829
Preference share capital	264	245	210
Equity and non-equity minority interests	272	227	213
Undated capital notes	413	397	170
Dated capital notes	1,836	1,587	970
	€ 7,081	€ 6,107	€ 4,392

Capital resources increased by €974 million during the year ended December 31, 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.

Capital resources increased by €1,715 million during the year ended December 31, 1999. The increase arose primarily as a result of the net retentions of €473 and a net increase in capital notes of €844 million. The value of sterling and the US dollar strengthened against the euro by 16% and 13% respectively, resulting in a positive foreign currency translation adjustment of €281 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 analyzes 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 minimize the impact of exchange rate fluctuations on the Group's key capital ratios.

The following table shows the components and calculation of the Group's tier 1 and total capital ratios at December 31, 2000 and 1999.

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Adjusted 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
	€ 60,222	€ 49,275
Capital ratios		
Tier 1 capital	6.3%	6.4%
Total capital	10.8%	11.3%

The Group's capital ratios remained strong with the tier 1 capital 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 February 5, 2001, AIB issued €500 million of 7.5% Step-up Callable Perpetual Reserve Capital Instruments, which on proforma basis increases the tier 1 and total capital ratios at December 31, 2000 to 7.2% and 11.7% respectively.

Capital expenditure commitments

At December 31, 2000, the total estimated outstanding commitments for capital expenditure not provided for in the accounts amounted to €69 million. AIB Group believes that its capital resources are adequate to meet such commitments.

Placings with banks

The following table analyzes placings with banks, based on the offices from which the placing is made.

	December 31, 2000	December 31, 1999	December 31, 1998
	(Euros in millions)		
Placings with banks, repayable within 30 days:			
Domestic offices	€ 2,056	€ 2,072	€ 2,188
Foreign offices	1,516	675	1,051
	€ 3,572	€ 2,747	€ 3,239
Placings with banks, repayable beyond 30 days:			
Domestic offices	€ 400	€ 441	€ 1,416
Foreign offices	221	643	370
	€ 621	€ 1,084	€ 1,786
Total	€ 4,193	€ 3,831	€ 5,025

AIB Group places funds with other banks for a number of reasons, including liquidity management, the facilitation of international money transfers and the conduct of documentary credit business with correspondent banks.

Limits on the aggregate amount of placings that may be made with individual institutions are established in accordance with AIB Group credit policy.

Deposits by customers

The following table analyzes average deposits by customers based on the location of the offices in which the deposits are recorded.

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Domestic offices			
Current accounts	€ 4,778	€ 3,442	€ 2,396
Deposits:			
Demand	4,386	4,096	3,489
Time	9,109	8,785	8,731
	€ 18,273	€ 16,323	€ 14,616
Foreign offices			
Current accounts	€ 6,478	€ 4,872	€ 4,657
Deposits:			
Demand	5,951	5,183	4,506
Time	11,801	9,990	9,336
	€ 24,230	€ 20,045	€ 18,499
Total	€ 42,503	€ 36,368	€ 33,115

Current accounts are primarily non-interest bearing checking accounts raised through AIB Group’s branch network in Ireland, Northern Ireland, Britain, the United States and Poland.

Demand deposits attract interest rates which vary from time to time in line with movements in market rates and according to size criteria. Such accounts are not subject to withdrawal by check or similar instrument and have no fixed maturity dates.

Time deposits are generally larger, attract higher rates of interest than demand deposits and have predetermined maturity dates.

Customer deposits by currency

The following table analyzes customer deposits by currency.

	December 31, 2000	1999	1998
	(Euros in millions)		
Eurozone	€ 19,602	€ 17,041	€ 14,486
US dollars	14,758	12,673	11,800
Sterling	9,909	9,009	7,292
Polish zloty	3,949	3,414	1,388
Other currencies	219	198	479
	€ 48,437	€ 42,335	€ 35,445

The following table shows details of the Group's large time deposits and certificates of deposit (US$100,000 and over or the equivalent in other currencies) by time remaining until maturity.

	December 31, 2000			
	3 months or less	After 3 months but within 6 months	After 6 months but within 12 months	After 12 months
	(Euros in millions)			
Large time deposits				
Domestic offices	€ 5,931	€ 154	€ 133	€ 176
Foreign offices	2,873	286	281	316
Certificates of deposit				
Foreign offices	1,012	293	1,802	200
	€ 9,816	€ 733	€ 2,216	€ 692

Short-term borrowings

The following table shows details of short-term borrowings of AIB Group for the years ended December 31, 2000, 1999 and 1998.

	Years ended December 31,		
	2000	1999	1998
	(Euros in millions)		
Commercial paper:			
End of year outstandings	€ 338	€ 298	€ 274
Highest month-end balance	338	298	281
Average balance	249	243	251
Average rate of interest			
At end of year	4.94%	3.28%	3.94%
During year	4.18%	3.00%	5.86%
Federal funds purchased:			
End of year outstandings	€ 544	€ 291	€ 1,169
Highest month-end balance	1,137	1,169	1,367
Average balance	737	767	740
Average rate of interest			
At end of year	6.46%	5.49%	5.40%
During year	6.19%	4.96%	5.28%
Repurchase agreements:			
End of year outstandings	€ 2,363	€ 1,604	€ 1,291
Highest month-end balance	3,067	2,607	3,263
Average balance	2,115	1,475	1,889
Average rate of interest			
At end of year	5.25%	4.35%	4.53%
During year	4.72%	4.38%	5.75%
Master demand notes of Allfirst Financial, Inc.:			
End of year outstanding	€ 323	€ 330	€ 274
Highest month-end balance	366	330	295
Average balance	328	297	275
Average rate of interest			
At end of year	5.75%	5.15%	4.65%
During year	5.49%	4.78%	4.98%
Other short-term borrowings:			
End of year outstandings	€ 15,806	€ 11,465	€ 7,044
Highest month-end balance	18,895	15,592	10,164
Average balance	15,010	10,319	7,727
Average rate of interest			
At end of year	5.82%	5.08%	5.51%
During year	5.79%	4.91%	5.78%

Average interest rates during the year are computed by dividing total interest expense by the average amount borrowed. Average interest rates at the year end are average rates for a single day and as such may reflect one-day market distortions which may not be indicative of generally prevailing rates. “Other short-term borrowings” consist principally of borrowings in the inter-bank market included within “Deposits by banks” in the Consolidated Financial Statements and generally have remaining maturities of one year or less. The maturity profiles of the above outstandings are disclosed in notes 31, 32 and 33 of the Consolidated Financial Statements on pages 110 to 112.

Trend information

See Item 5 – “Operating results” on pages 20 to 34.

Directors & senior management

Certain information in respect of the Directors and Executive Officers is set out below, with the age of each such person as at December 31, 2000 in parentheses and, in the case of Executive Directors, the year of appointment to their present position in square brackets. At each Annual General Meeting, the terms of office of Directors appointed since the previous Annual General Meeting, together with the terms of one-third by rotation of the remaining Directors expire. Such Directors are eligible to stand for re-appointment.

	Name	Principal occupation	Year in which appointed Director
	Chairman		
†	Lochlann Quinn (59)	Chairman of AIB and Deputy Chairman, Glen Dimplex	1995
	Group Chief Executive		
*	Thomas P. Mulcahy (59) [1994]	Group Chief Executive	1990
	Directors		
*	Frank P. Bramble (52) [1998]	Chief Executive, USA Division	1998
*	Michael Buckley (55) [1999]	Group Chief Executive Designate, and Former Managing Director, Poland Division and Capital Markets Division	1995
#†	Adrian Burke (59)	Chartered Accountant	1997
	Padraic M. Fallon (54)	Chairman, Euromoney Institutional Investor PLC	1988
#	Dermot Gleeson (52)	Barrister	2000
#	Don Godson (61)	Company Director	1997
	Derek A. Higgs (56)	Company Director	2000
*	Kevin J. Kelly (59) [1995]	Managing Director, AIB Bank Division	1991
*	Gary Kennedy (42) [1997]	Group Financial Director	1997

Name **Principal occupation** **Year in which**

Directors & senior management-continued

			appointed Director
†	John B. McGuckian (61)	Chairman of Ulster Television plc	1977
	Carol Moffett (48)	Bank Director	1995
◊	Denis J. Murphy (67)	Chairman, St. Patrick's Woollen Mills Limited	1977

** Indicates Executive Director*
† Indicates member of Nomination and Remuneration Committee
 # Indicates member of Audit Committee
◊ Retired from Board December 31, 2000

Other executive officers

		Year in which appointed to present position
Colm Doherty (42)	Managing Director, Capital Markets Division	1999
Michael J. Lewis (52)	Head of Strategic Human Resources	1997
Declan McSweeney (47)	Chief Financial Officer	1997
Patrick Ryan (54)	Group Treasurer	1995

Compensation

Aggregate remuneration of Directors and Officers

The aggregate remuneration for the years ended December 31, 2000 and 1999 of all Directors and Executive Officers as a group amounted to €7.565 million; the corresponding figure for the year ended December 31, 1999 was €7.780 million. These sums include amounts paid under the Group's Employees' Profit Sharing Plans, together with pension and other remuneration paid to former Directors (2000: €0.425 million; 1999: €1.649 million).

Included above is an aggregate amount set aside by AIB, in the years ended December 31, 2000 and 1999, to provide pension benefits for Directors and Executive Officers of AIB which amounted to €0.789 million and €0.807 million respectively.

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, cognizance 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.

Remuneration

	December 31, 2000

	Fees[1]	Salary	Bonus[2]	Profit share[3]	Taxable benefits[4]	Pension contributions[5]	Total
				(Euros in thousands)			
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

	December 31, 1999						
	Fees[1]	Salary	Bonus[2]	Profit share[3]	Taxable benefits[4]	Pension contributions[5]	Total
				(Euros in thousands)			
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 plans, which are operated on terms approved by the shareholders, is given on page 46.

(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:

		Increase in accrued benefits during 2000[(a)]		Accrued benefit at year end[(b)]		Transfer values[(c)]
				(Euros in thousands)		
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 December 31, 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 salary, bonus, pension contributions and taxable benefits paid to Mr Casey prior to his retirement as Chief Executive, USA Division on April 30, 1999).

Board practices

Changes in directorate during 2000

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

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

Audit committee

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

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.

Service contracts

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

Share ownership

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 January 1, 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 plan, 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 45, and additional information in relation to the Executive Share Option Plans is given on pages 46 and 47. Non-executive directors do not participate in that plan.

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	Ordinary shares of €0.32 December 31, 2000	January 1, 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 December 31, 1998 and January 1, 1999 related to 140,016 ordinary shares, and on December 31, 1999 to 136,416 ordinary shares. These restated interests, which reflects 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

	December 31, 2000	January 1, 2000	Since January 1, 2000 Granted	Since January 1, 2000 Exercised	Price of options exercised	Market price at date of exercise	Weighted average subscription price of options outstanding at December 31, 2000
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 December 31, 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.

(c) Other options

On January 1, 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 39*) 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 December 31, 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 January 1, 2003 and not later than November 23, 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 December 31, 2000 and February 20, 2001.

Employee share plans

The Company operates employees' profit sharing plans 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 financial period and subject also to their being in employment on the date on which the invitation to participate is issued. Under the plans, the directors at their discretion may set aside each year, for allocation to the trustees of the plans, a sum not exceeding 5% of eligible profits of participating companies in the Republic of Ireland and 4% of such profits in the United Kingdom. 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 United Kingdom. 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 Plan for eligible employees in the United Kingdom. Under that plan 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 utilize amounts so saved in the acquisition of market-purchased shares in the Company.

Executive share option plans

All employees, including executive directors, of the Company and certain subsidiaries are eligible to participate in the plan 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 granted. The exercise of options granted since January 1, 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 December 31, 2000 options were outstanding over 29,379,228 ordinary shares (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 May 5, 2007.

Subscription price	Exercise period
€3.36	March 1997 - March 2001
€3.32	April 1997 - April 2001
€3.38	March 1998 - March 2002
€3.69	June 1998 - June 2002
€4.19	March 1999 - March 2003
€5.80/€6.25	May 2000 - May 2004
€7.61	October 2000 - October 2004
€11.90/€12.20	April 2001 - April 2005
€14.05/€15.46	May 2002 - May 2006
€10.02	May 2003 - May 2007

At December 31, 2000, Executive Directors and Officers as a group held options, under the AIB Executive Share Option Scheme, over a total of 1,384,728 ordinary €0.32 shares.

The following is a summary of the changes in outstanding options under the AIB Executive Share Option Scheme for the years ended December 31, 2000, 1999 and 1998.

	Years ended December 31,		
	2000	1999	1998

Shares subject to options at January 1	19,973,976	14,778,476	13,363,081
Options exercised at €1.98	-	(200,000)	(140,000)
Options exercised at €2.27	-	-	(338,353)
Options exercised at €2.64	(30,000)	(160,000)	(70,000)
Options exercised at €3.36	(680,500)	(257,500)	(233,000)
Options exercised at €3.38	(476,748)	(283,000)	(1,005,252)
Options exercised at €3.68	(200,000)	-	-
Options exercised at €4.19	(165,000)	(538,000)	-
Options exercised at €5.80	(384,000)	-	-
Options exercised at €6.25	(15,000)	-	-
Options granted	11,668,700	6,634,000	3,202,000
Options lapsed, in respect of former employees	(312,200)	-	-
Shares subject to options at December 31	29,379,228	19,973,976	14,778,476

Limitations on profit-sharing and executive share option plans

Under the terms of the Employees' Profit Sharing Plans 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 Plan 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 plans.

Employees

As at December 31, 2000 AIB Group employed approximately 31,800 staff (1999: approximately 31,600 staff) on a world-wide basis in Ireland, Northern Ireland, Great Britain, USA, Poland and Asia operating out of approximately 1,000 offices. The number of employees within the major operating divisions for the years ended December 31, 2000, 1999 and 1998 were as follows:

	Number of employees		
	2000	**1999**	**1998**
AIB Bank	11,669	11,355	10,484
USA	5,738	5,677	6,236
Capital Markets	2,341	1,874	1,857
Poland	11,798	12,479	5,219
Group	232	213	206
Total	31,778	31,598	24,002

AIB Group offers a wide range of staff relations programs and the continued success of the group, in part, can be attributed to the positive commitment and dedication of our employees throughout the areas in which we operate.

The AIB European Staff Forum continues to meet on an annual basis since it was formed in 1999. By means of the AIB Staff Consultative Process, staff are provided with the opportunity to meet with management and obtain feedback on matters affecting staff.

The sole recognized trade union for Bank Officials in Ireland, Northern Ireland, and Great Britain is the Irish Bank Officials Association (IBOA). On February 2, 2000 AIB and IBOA signed off on partnership principles which underpin our approach to all employee relations/industrial relations matters. Both AIB and IBOA are committed to developing this partnership ethos into the future. AIB is fully committed to social as well as enterprise level partnership.

In Ireland, the current national pay agreement the "Program for Prosperity & Fairness" (PPF), which runs from 2000 – 2002, provided for a 5.5% increase in 2000, and a further increase of 5.5% in 2001. This agreement has been reviewed and an additional 2% will be paid in 2001. The bank has recently concluded, with staff representatives, a new salary structure for junior staff, which more clearly aligns with labour market norms. In addition, all staff salaries were adjusted by 3% to reflect early payment under the adjusted PPF as well as to reflect staff contribution to the success of the organization.

In the USA, Allfirst developed initiatives on communication, diversity and employee referral programs. In an effort to become the employer of choice, a Director of Diversity was appointed. Allfirst has an attractive employee posting and referral program. Throughout 2000, Allfirst successfully filled 723 positions through the job posting program and 541 positions through the employee referral program. Allfirst is continuing with their Carebridge program which provides assistance for work/life issues including childcare, elder care, financial planning and college preparation.

Item 7. Major shareholders and related party transactions

Major shareholders

AIB is not directly or indirectly owned or controlled by another corporation or any foreign government. There are no arrangements known to AIB, the operation of which may at a subsequent date result in a change of control of AIB. The following substantial interests in the Ordinary share capital had been notified to the Company at February 20, 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 aggregated 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 39 to AIB's Consolidated Financial Statements on page 119)*, 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.

The following table sets forth information, at December 31, 2000, with respect to the percentage of Ordinary shares owned by Directors and Executive Officers of AIB as a group:

Title of class	Identity of person or group	Number owned	Percent of class
Ordinary shares	Directors and Executive Officers of AIB as a group	1,330,966	0.15%

Interest of management in certain transactions

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 December 31, 2000 the aggregate amount outstanding in loans to persons who at any time during the year were directors was €44.4 million in respect of 8 persons; the amount outstanding in respect of quasi-loans, to 6 persons, was €0.03 million (1999: €37.2 million in respect of loans to 9 persons and €0.05 million 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.

Item 8. Financial information

Consolidated statements and other financial information

(See Item 18 – Financial Statements and Exhibits on pages 78 to 156 of this Annual Report)

Significant changes

No significant change has occurred since the date of the Annual Financial Statements included in this annual report. Detailed below are legal proceedings and prospective accounting changes arising from accounting standards recently issued in the UK and the United States.

Legal proceedings

Charges in respect of the exchange of euro-zone currencies

Information regarding proceedings by the Commission of the European Communities relating to charges for the exchange of bank notes of euro-zone currencies is incorporated by reference herein from note 41 - "Memorandum items: contingent liabilities and commitments" of the notes to the Consolidated Financial Statements included under Item 18 of this report.

Other matters

There are no other material legal proceedings pending or, as far as AIB is aware, threatened, against AIB Group.

Prospective accounting changes

Financial Reporting Standard 17, "Retirement Benefits" ("FRS 17")

In November 2000, FRS 17 was issued by the UK Accounting Standards Board and is to be implemented on a three year phased basis. The first implementation relates solely to disclosures and is effective for accounting periods ending on or after June 22, 2001. The standard sets out the requirements for accounting for retirement benefits. It requires that scheme assets are valued at fair value and scheme liabilities are measured using the projected unit method. The pension charge in the profit and loss account is to consist of two elements, the current service cost and the net of the expected return on pension assets and the interest cost of the pension liabilities. Actuarial gains or losses are to be recognized through the statement of total recognized gains or losses and not amortized through the profit and loss account. The standard also sets out additional disclosure requirements. The full impact of FRS 17 on AIB Group has not yet been determined.

Financial Reporting Standard 18, "Accounting Policies" ("FRS 18")

In December 2000, FRS 18 was issued by the UK Accounting Standards Board and is effective for accounting periods ending on or after June 22, 2001. The standard sets out the principles to be followed in selecting accounting policies and the disclosures needed to help users of accounts to understand the policies adopted and how they have been applied. The impact of FRS 18 on AIB Group is not expected to be material.

Financial Reporting Standard 19, "Deferred Tax" ("FRS 19")

In December 2000, FRS 19 was issued by the UK Accounting Standards Board and is effective for accounting periods ending on or after January 23, 2002. The standard requires full provision to be made for deferred tax assets and liabilities and sets out other requirements regarding the measurement and presentation of deferred tax assets and liabilities. The impact of FRS 19 on AIB Group has not yet been determined.

Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133")

SFAS 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of Effective Date of FASB Statement 133" and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – An Amendment of SFAS 133" is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative financial instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign currency denominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

SFAS 133 contains transitional rules with specific requirements dependent upon the nature of the hedge deemed to exist before the adoption of SFAS 133. In adopting SFAS 133 in its US GAAP reconciliation from January 1, 2001, AIB Group has designated its derivative instruments anew for US reporting purposes on that date. The transition adjustment arising from this action would be an increase of €93 million in net income and an increase in other comprehensive income of €41 million in 2001. The transition amounts were determined based on the interpretative guidance issued by the Financial Accounting Standards Board to date. The future impact of this statement could depend on a variety of factors, including AIB Group's financial position, the future interest rate environment, and the nature and purpose of the derivative instruments in use at that time.

Statement of Financial Accounting Standard No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140")

SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125", was issued in September 2000. While most of the provisions of Statement No. 125 have been carried forward without reconsideration, certain provisions of Statement 125 were reconsidered and amended or clarified by Statement No. 140. The new statement clarifies accounting for transfers of financial assets where the entity has continuing involvement. These transfers may be considered sales of all or part of the assets or as secured borrowings, depending on the circumstances. The statement also addresses how transferors and transferees should account for sales and secured borrowings and requires certain additional disclosures related to transferred assets.

This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Certain provisions related to recognition, reclassification, and disclosures of collateral as well as disclosures relating to securitization transactions became effective for year end 2000 reporting. The impact of adopting the requirements of this Standard on AIB Group's financial position, results of operations, and cash flow is expected to be immaterial.

Item 9. The Offer and Listing

Offer and listing details

Trading market for Ordinary shares of AIB

At December 31, 2000, AIB had outstanding 879,207,610 ordinary shares of €0.32 each. The principal trading markets for AIB ordinary shares are the Irish Stock Exchange and the London Stock Exchange. Listing of the ordinary shares, in the form of American Depositary Shares ("ADS"), was obtained on the New York Stock Exchange ("NYSE") effective November 28, 1990. Each ADS is traded under the symbol "AIB" and is evidenced by an American Depositary Receipt ("ADR"). The ADR depositary is The Bank of New York.

At December 31, 2000, a total of 71 million ADSs were outstanding, representing 16% of total outstanding ordinary shares held by 5,639 registered stockholders and 22,361 shareholder accounts in street names. Since certain of the ordinary shares and ADRs were held by brokers or other nominees, the number of recorded holders in the US may not be representative of the number of beneficial holders or of their country of residence.

The following table sets forth the high and low sales prices of the ordinary shares during the periods indicated, based on mid-market prices at close of business on the Irish Stock Exchange and the high and low sales prices for ADSs, as reported on the NYSE composite tape.

	€0.32 ordinary shares		American Depositary Shares(1)	
	High	Low	High	Low
	(Euros)		(Dollars)	
Year ended December 31,				
1996	5.08	3.89	13 15/24	10
1997	8.82	4.96	19 47/48	25 5/6
1998	15.27	8.61	36 19/24	19 1/4
1999	18.15	10.86	40 43/64	21 1/8
2000	13.10	7.93	23 1/2	15 1/8
Calendar year				
1999				
First quarter	18.15	14.80	40 43/64	31 37/64
Second quarter	16.30	12.50	35 5/64	25 3/4
Third quarter	14.10	10.86	27 15/16	22 11/16
Fourth quarter	13.70	11.00	28	21 1/8
2000				
First quarter	11.20	7.93	23 1/8	15 1/8
Second quarter	11.20	9.05	21 9/16	17 1/4
Third quarter	12.22	8.80	21 7/8	16 1/4
Fourth quarter	13.10	11.30	23 1/2	19
Month ended				
October 2000	12.19	11.30	20 5/8	19
November 2000	13.10	12.00	22 7/16	20 1/2
December 2000	13.03	12.30	23 1/2	21 11/16
January 2001	13.55	12.65	25 9/16	23 3/13
February 2001	13.02	11.75	24 1/4	21 2/5
March 2001	11.92	10.38	22 4/57	17 9/10

(1) An American Depositary Share represents two ordinary shares of €0.32 each.

Trading market for Preference shares of AIB

In May 1998, AIB issued 250,000 non-cumulative Preference shares, Floating Rate Series A. The ADSs have not been and will not be registered under the Securities Act and will be traded in the United States only by qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act and to non-US persons in reliance on Regulation S.

Markets

See Item 9 – "Offer and listing details" above.

Item 10. Additional information

Memorandum & Articles of Association

There have been no amendments to the Memorandum & Articles of Association of Allied Irish Banks, p.l.c.

Exchange controls

There are no restrictions under AIB's Articles of Association or under Irish law, as currently in force, that limit the right of non-resident or foreign owners, as such, to hold securities of AIB freely or, when entitled, to vote such securities freely. There are currently no restrictions under Irish law, decrees, or regulations affecting the remittance of dividends or other payments to non-resident holders of AIB securities except (i) in respect of residents of Iraq to whom, or by whose order or on behalf of whom, no such remittance or payment may be made, without the permission of the Central Bank of Ireland; (ii) certain restrictions on the "transfer of funds and other financial assets" (a phrase which is defined as including dividends) to the state or government of the Federal Republic of Yugoslavia and of the Republic of Serbia or to any person or business having any connection with the Republic of Serbia or any person acting on behalf of any of the foregoing; (iii) certain restrictions arising from the freezing of "funds" (a phrase which is defined as including dividends) and other financial resources under EC Council Regulation No. 467/2001 of March 6, 2001 imposing sanctions in respect of the Taliban of Afghanistan; and (iv) certain restrictions arising from the freezing of the "funds" (a phrase which is defined as including dividends) and other financial resources of certain persons involved in governmental functions in Burma/Myanmar under EC Council Regulation No. 1081/2000 of May 22, 2000 imposing sanctions in respect of that country. All of these exceptions arise from United Nations and/or European Union sanctions.

Taxation

The tax discussion set forth below is intended only as a descriptive summary of certain consequences to Eligible US Holders (as defined below) of the purchase, ownership and disposition of a beneficial interest in AIB shares or ADSs and does not purport to be a complete technical analysis or listing of all potential tax effects or considerations that may be relevant. This discussion does not purport to deal with the tax consequences of owning a beneficial interest in AIB shares or ADSs for all categories of investors, some of which (such as insurance companies, tax-exempt organizations and dealers in securities) may be subject to special rules. The summary deals only with Eligible US Holders that will hold AIB shares or ADSs as capital assets for Irish and US Federal income tax purposes. It does not purport to deal with the tax position of those that are not Eligible US holders, who are advised to consult their own local tax advisors.

An "Eligible US Holder" is an owner of a beneficial interest in an Ordinary or a Preference share or an ADS who is (a) a resident of the United States for the purposes of US Federal income tax, (b) not a resident of Ireland for the purposes of Irish taxes, and (c) not engaged in trade or business in Ireland through a permanent establishment.

This summary is based upon the Double Taxation Convention between Ireland and the United States in effect as of January 1, 1998 ("the Tax Treaty"), tax laws, judicial decisions, regulations and administrative rulings and practices of Ireland and the United States as currently in effect.

Owners of a beneficial interest in ADSs will be treated as the owners, as appropriate, of the underlying Ordinary or Preference shares for United States Federal income tax purposes and for purposes of the Tax Treaty.

Purchasers of a beneficial interest in AIB shares or ADSs are advised to consult their own tax advisors as to the Irish, United States or any other tax consequences of the purchase, ownership and disposition of an interest in AIB shares or ADSs, including the effect of any foreign, state or local tax laws.

Irish taxation

Dividends. Dividends paid by AIB with respect to AIB shares or ADSs and received by an Eligible US Holder who is not ordinarily resident in Ireland in a year of assessment are not liable to Irish income tax.

W*ithholding Tax on Dividend*s. Dividends paid by Irish companies are subject to dividend withholding tax ("DWT"). The rate of DWT was 24% for dividends paid in the year ended April 5, 2000 and 22% in the year ended April 5, 2001. The Irish Finance Act 2001 has changed the rate to 20% with effect from April 6, 2001. Subject to certain conditions, exemption from DWT applies where the beneficial owner of the dividend is resident in a country with which Ireland has a double taxation treaty, such as the United States, and is not resident or ordinarily resident in Ireland. In the year ended April 5, 2000, which was the first year of operation of DWT, exemption applied where the shareholder as shown in the dividend paying company's register had an address in the United States. From April 6, 2000 it is necessary to distinguish between persons holding AIB shares and holders of ADSs as evidenced by American Depository Receipts ("ADRs") when considering exemption from DWT. Persons holding AIB shares are required to file a declaration with AIB's registrar declaring that they are beneficially entitled to the dividend. This must be accompanied by a certificate from the Internal Revenue Service certifying that the person is resident in the United States. In the absence of a change in the person's circumstances such declarations are valid for a period of five years. Persons holding ADSs, evidenced by

ADRs, who are beneficially entitled to the dividend and whose address in the register of ADRs is in the United States are exempt from DWT. This is conditional on the depository bank, in whose books the ADRs are registered, becoming a "qualifying intermediary" ("QI") and entering into an agreement with the Irish Revenue Commissioners. The Bank of New York is a QI and has entered into such an agreement. Where the registered owner is not the beneficial owner, dividends may still be paid without DWT where the ADSs are in turn held through one or more specified intermediaries provided the address of the beneficial owner of the ADSs, as shown in the register of the ultimate specified intermediary, is located in the United States. Eligible US Holders who have DWT applied to their dividend may be entitled to a refund by making an application to:

DWT Section, Office of the Revenue Commissioners, Government Offices, St Conlan's Road, Nenagh, County Tipperary, Ireland

Gain on sale, exchange or other disposition. A gain realized on the sale, exchange or other disposition of the Ordinary shares or the Preference shares (including redemption of the Preference shares) or ADSs by a beneficial owner thereof that is not resident or ordinarily resident in Ireland for Irish tax purposes is not subject to Irish capital gains tax, except in the case of Ordinary shares or Preference shares (but not ADSs) used in or for the purposes of a trade carried on by such beneficial owner in Ireland through a branch or agency.

Irish stamp duty. Under current Irish legislation, no stamp duty is payable in Ireland on transfers of, or agreements to transfer ADRs where the ADRs (or the underlying securities which they represent) are dealt in and quoted on a recognised stock exchange in the United States. The AIB Ordinary shares which are listed and traded on the New York Stock Exchange ("NYSE"), in the form of ADSs evidenced by ADRs, fall within this exemption. With regard to the AIB Preference shares, by concession of the Irish Revenue Commissioners, for so long as the Preference share ADSs continue to be Portal designated securities on the Portal Market, they will be regarded as being "dealt in and quoted on a recognised Stock Exchange in the United States of America" and transfers, or agreements to transfer the Preference share ADSs will also be exempt from Irish stamp duty.

In the case of a transfer or sale of AIB Ordinary or Preference shares, stamp duty will be charged at a rate of €1 for every €100 (or part thereof) of the amount or value of the consideration (i.e. the purchase price). A transfer of the underlying Ordinary or Preference shares from the Depositary for the ADSs upon surrender of a beneficial interest in an ADR for the purpose of withdrawal of the underlying AIB Ordinary or Preference shares in accordance with the terms of the relevant Deposit Agreement will be similarly chargeable unless the transfer does not relate to a sale or contemplated sale of, or other change in the beneficial interest in, such AIB Ordinary or Preference shares, in which case the transfer will be chargeable with nominal duty of €12.69.

Inheritance and gift taxation. See "United States and Irish Inheritance and Gift Taxation" below.

United States income taxation

Dividends. Dividends received by an Eligible US Holder of an Ordinary or a Preference share or an ADS are taxable as dividend income for US federal income tax purposes. This tax treatment is dependent upon AIB having sufficient current or accumulated earnings and profits, as determined under US Federal income tax principles pursuant to the Internal Revenue code of 1986, as amended ("Code"). To the extent that any distributions on the Ordinary or Preference shares or ADSs in the future are not made out of current or accumulated earnings and profits, such dividends would constitute a non-taxable return of capital to the extent of the US Holder's basis in his Ordinary or Preference shares or ADSs and to that extent would reduce the US holder's basis in his Ordinary or Preference shares or ADSs. To the extent that such distributions exceeded the US holder's basis in his shares, such distributions would be treated for US Federal tax purposes as capital gains, provided the Ordinary or Preference shares or ADSs are capital assets in the hands of such US Holder.

Dividends received deduction. Dividends paid by AIB with respect to both the Ordinary and the Preference shares and received by or on behalf of the holder of an ADS, will not generally qualify for the dividend received deduction otherwise available to US corporate stockholders.

Dividend reinvestment program. Holders of Ordinary shares represented by ADSs, may elect to participate in a dividend reinvestment program provided by the Depositary, which under its BuyDirect program will reinvest shareholders' AIB dividends by purchasing additional AIB stock in the open market. The US tax treatment, as set out in the preceding paragraphs, applies to dividends received by such holders.

Dividend reinvestment plan. Holders of Ordinary shares, other than holders of Ordinary shares represented by ADSs, may elect to participate in the Dividend Reinvestment Plan and receive new Ordinary shares in lieu of cash dividends. A US holder who participates in the Dividend Reinvestment Plan will be treated as having received a distribution for US Federal income tax purposes at the time of receipt of any Ordinary shares or cash distributed pursuant to the Plan provided such distribution does not exceed the current or accumulated earnings and profits of AIB (as determined under US Federal income tax principles). The amount of the distribution will be equal to the sum of: (i) the amount of any cash dividend received (if any); (ii) the fair market value of the Ordinary shares on the date that they are received; and (iii) the amount of any residual cash dividend entitlement that is carried forward to the next dividend payment date as a result of the provision that no fractional Ordinary shares are allotted under the Dividend Reinvestment Plan. The tax basis of an Ordinary share received under the Dividend Reinvestment Plan will be equal to its fair market value on the date of receipt and the holding period of such a share will commence on the date of receipt.

Gain on disposition. Upon the sale, exchange or other disposition of Ordinary or Preference shares or ADSs, a US Holder will recognize a gain or loss, if any, equal to the difference between the amount realized upon the sale, exchange, or disposition and the US Holder's tax basis. Generally, a holder's tax basis in Ordinary or Preference shares or ADSs will be the US Holder's cost. Such gain or loss will generally be capital gain or loss if the Ordinary or Preference shares or ADSs were held as a capital asset. Any gain will generally be treated as US source.

Withholding tax. A holder of ADSs may, under certain circumstances, be subject to US backup withholding tax at a rate of 31% with respect to dividends paid on the ADSs or the proceeds of sale of the ADSs. A US holder of ADSs is subject to backup withholding unless such holder: (i) is a corporation or comes within the certain other exempt categories and, when required, demonstrates this fact; or (ii) provides a correct taxpayer identification number ("T.I.N."), certifying that such holder is not subject to backup withholding tax and otherwise complies with applicable requirements of the backup withholding tax rules. A non-US holder of ADSs must complete and provide AIB or its agent with the applicable Form W-8 ("Certificate of Foreign Status") certifying that such person is a foreign person exempt from backup withholding tax. Any amount withheld under the U.S. backup withholding tax rules will be creditable against the holder's US federal income tax liability. Form W-8 does not exempt the non-US holder of ADSs from normal withholding tax on dividend distributions which are subject to a 30% or lower treaty withholding rate.

A US holder of Ordinary or Preference shares may be exempted from or entitled to a refund of Irish dividend withholding tax. See "Irish Taxation - Withholding Tax on Dividends" above.

State and local taxes

Holders of Ordinary or Preference shares or ADSs may be liable for state and local taxes on distributions with respect to such shares or ADSs. Investors are advised to consult their own tax advisors about state, local, and any other tax consequences to them of the purchase, ownership and disposition of Ordinary or Preference shares or ADSs.

United States and Irish Inheritance and Gift Taxation

Irish Capital Acquisitions Tax ("CAT") would apply to gifts and bequests of Ordinary or Preference shares. CAT may also apply to gifts and bequests of ADSs representing Ordinary or Preference shares, depending on the tax residence, ordinary residence and domicile positions of the donor and the successor or donee. Following the enactment of the Irish Finance Act 2000, CAT is charged at a single rate of 20% above a tax-free threshold. This tax-free threshold is determined by the amount of the current benefit and of previous benefits within the charge to CAT and the relationship between the donor and the successor or donee. Gifts and inheritances between spouses are not subject to CAT. An Irish Probate Tax is charged at 2% on the value of estates of deceased persons which exceed a specified threshold subject to certain exemptions. To the extent that a beneficial interest in Ordinary or Preference shares or ADSs passes under a will or on intestacy, it would be within this charge to Probate Tax. The Irish Finance Act 2001 has abolished the Probate Tax in respect of all deaths occurring on or after December 6, 2000.

There is no gift and inheritance tax convention between the United States and Ireland. Although an estate tax convention between the two countries was ratified in 1951, estate duty was abolished in Ireland in 1975 and it is not clear whether the convention is applicable to Irish gift and inheritance taxes that replaced the former estate duty. Nonetheless, under the Code any such inheritance tax payable in Ireland generally will be allowed as a credit, subject to certain limitations, against so much of the US Federal estate tax as is payable on the same property. Transfers of Ordinary or Preference shares or ADSs upon death may be subject to US Federal estate tax subject to certain threshold exemptions.

US Federal gift tax may apply to gifts of Ordinary or Preference shares or ADSs subject to certain thresholds and exemptions. No credit against Federal gift tax for Irish gift tax paid on the same property is allowable.

Item 11. Quantitative and qualitative disclosures about market risk

Risk management

Taking and managing risk for an appropriate return is central to creating shareholder value. Day to day risk management in AIB Group centers 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 the 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 57.

Organizational structure for managing risk

AIB Group has a well-developed organizational 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 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 centralized 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, Northern 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 ensure 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.

As reflected in the consolidated cash flow statement, there was a net decrease in cash of €1,016 million during the year ended December 31, 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.

As reflected in the consolidated cash flow statement, there was a net increase in cash of €1,477 million during the year ended December 31, 1999. Net cash inflow from operating activities was €3,191 million, which arose primarily as a result of a net cash inflow from trading activities of €1,687 million and strong growth in customer accounts and debt securities in issue. This cash inflow was offset by outflows of €237 million for taxation, equity dividends of €215 million and expenditure on property and equipment of €177 million. Further outflows arose from increases in debt and equity securities of €1,248 million and €391 million from acquisitions. Financing, primarily the issue of subordinated debt, generated a net cash inflow of €640 million.

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 programs.

An element of AIB's structured ORM program 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 on the following page using both one-month holding 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.

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 on page 61. 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.

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

	December 31, 2000		December 31, 1999	
	Trading	Non-Trading	Trading	Non-Trading
Interest rate risk	(Euros in millions)		(Euros in millions)	
1 month holding period:				
Average	4.1	83.5	6.0	82.6
High	5.3	90.5	8.0	93.8
Low	2.8	72.6	3.6	65.1
December 31	3.2	72.6	3.6	87.3
1 day holding period:				
Average	0.9	18.7	1.3	18.5
High	1.2	20.2	1.8	21.0
Low	0.6	16.2	0.8	14.6
December 31	0.7	16.2	0.8	19.5

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. Recognizing 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 recognized 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 December 31, 2000 and 1999 is illustrated in the tables below and on page 60. 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 show 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.

	December 31, 2000							
	0-3 months	3-6 months	6-12 months	1-5 years	5 years +	Non-interest bearing	Trading	Total
				(Euros in millions)				
Assets								
Central Government 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	€ 8,382	€ (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)	

	December 31, 1999							
	0-3 months	3-6 months	6-12 months	1-5 years	5 years +	Non-interest bearing	Trading	Total
				(Euros in millions)				
Assets								
Central Government 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 – structural

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

	December 31, 2000	December 31, 1999
	(Euros in millions)	
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 December 31, 2000 would result in an amount taken to reserves of €254 million (1999: €230 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 minimize 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 December 31, 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.

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 December 31, 2000 and 1999.

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Foreign exchange rate risk-trading		
1 month holding period:		
Average	2.2	2.4
High	3.8	5.0
Low	0.9	1.2
December 31	1.9	1.9
1 day holding period:		
Average	0.5	0.5
High	0.9	1.1
Low	0.2	0.3
December 31	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 recognized Stock Exchanges. The following table illustrates the VAR figures for equity risk for the year ended December 31, 2000.

	December 31, 2000	
	Trading	Non-Trading
	(Euros in millions)	
Equity risk		
1 month holding period:		
Average	10.7	0.4
High	13.2	0.6
Low	8.4	0.3
December 31, 2000	13.2	0.5
1 day holding period:		
Average	2.4	0.1
High	2.9	0.1
Low	1.9	0.1
December 31, 2000	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 rate, foreign exchange rate and equity exposures and for trading purposes. The table below shows the notional amount and gross replacement cost for trading and non-trading interest rate, exchange rate and equity contracts at December 31, 2000 and 1999.

	December 31, 2000		December 31, 1999	
	Notional amount	Gross replacement cost	Notional amount	Gross replacement cost
	(Euros in millions)			
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

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 recognizes 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 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 consolidated statement of income 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 standardized 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 following table shows the nominal or contract amounts and the risk weighted credit equivalent of contingent liabilities and commitments at December 31, 2000 and 1999.

	December 31, 2000		December 31, 1999	
	Contract amount	Risk weighted amount	Contract amount	Risk weighted amount
	(Euros in millions)			
Contingent liabilities				
Acceptances and endorsements	€ 147	€ 137	€ 143	€ 132
Guarantees and assets pledged as collateral security	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	15,855	3,748	14,118	3,226
	€ 16,112	€ 4,005	€ 14,306	€ 3,414

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 of Directors.

The Group recognizes 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.

Credit risk management

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 Shareholder Based Value Management ("SBVM") 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 Group Credit Committee ("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 improvements of the credit assessment, control and monitoring processes. High priority is given to having a credit culture that is resilient through business cycles.

The Group's provisions for loan losses for the year ended December 31, 2000 are discussed under "*Provision and allowance for loan losses*" on page 68.

Loan portfolio

AIB Group's loan portfolio comprises loans (including overdrafts) and installment credit and finance lease receivables.

The overdraft provides a demand credit facility combined with a checking account. Borrowings occur when the customer's drawings take the checking account into debit. The balance may therefore fluctuate with the requirements of the customer. Although overdrafts are contractually repayable on demand (unless a fixed term has been agreed), provided the account is deemed to be satisfactory, full repayment is not generally demanded without notice.

An important factor influencing the quality of AIB Group's earnings is the diversification of its credit portfolio within each of its geographic markets (Ireland, United Kingdom, United States of America and Poland) by spread of locations, industry classification and individual customer. No one industry in any geographic market accounts for more than 10% of AIB Group's total loan portfolio.

The following table shows AIB Group's total loan portfolio by categories of loans at December 31, 2000, 1999, 1998, 1997 and 1996.

	December 31,				
	2000[1]	**1999[1]**	**1998**	**1997**	**1996**
	(Euros in millions)				
IRELAND					
Agriculture	€ 1,233	€ 1,261	€ 1,053	€ 952	€ 854
Energy	385	234	137	51	38
Manufacturing	2,485	1,729	1,531	1,293	1,099
Construction and property	3,455	2,665	1,294	929	657
Distribution	2,960	2,412	2,010	1,579	1,169
Transport	404	505	270	218	141
Financial	392	804	845	399	313
Services	1,300	978	1,027	786	851
Personal - Residential mortgages	4,922	3,915	3,038	2,545	2,175
- Overdraft/installment	2,531	2,274	2,002	1,643	1,358
Lease financing	1,336	1,202	951	828	633
Guaranteed by Irish Government	51	7	8	10	56
	€ 21,454	€ 17,986	€ 14,166	€ 11,233	€ 9,344

[1] During 2000, a review of sector classification in Ireland was undertaken. December 1999 classifications in the above table have been restated to reflect the impact of reclassifications which took place. 1998, 1997 and 1996 classifications are shown as originally reported.

	2000	1999	1998	1997	1996
UNITED KINGDOM					
Agriculture	€ 136	€ 120	€ 104	€ 105	€ 80
Energy	87	25	26	45	36
Manufacturing	780	659	372	418	236
Construction and property	1,850	1,473	1,128	1,015	773
Distribution	1,319	1,307	871	814	706
Transport	149	60	59	35	28
Financial	521	268	93	92	63
Services	1,522	1,440	1,052	932	779
Personal - Residential mortgages	1,775	1,523	1,166	1,096	845
- Overdraft/installment	872	742	572	515	396
	€ 9,011	€ 7,617	€ 5,443	€ 5,067	€ 3,942
UNITED STATES OF AMERICA					
Commercial	€ 5,107	€ 4,262	€ 3,446	€ 2,870	€ 1,513
Real Estate	2,862	2,556	2,209	2,223	1,252
Residential mortgages	705	691	717	1,300	725
Retail	3,049	2,911	2,346	2,274	1,046
Bankcard	16	15	13	130	449
Leases receivable	1,321	1,202	891	845	419
	€ 13,060	€ 11,637	€ 9,622	€ 9,642	€ 5,404
POLAND[2]					
Commercial	€ 2,486	€ 2,184	€ 871	€ 648	€ -
Personal	418	294	96	100	-
	€ 2,904	€ 2,478	€ 967	€ 748	€ -
REST OF THE WORLD	€ 220	€ 301	€ 483	€ 551	€ 318
Total loans to customers	€ 46,649	€ 40,019	€ 30,681	€ 27,241	€ 19,008
Unearned income	(329)	(293)	(223)	(201)	(119)
Allowance for loan losses	(869)	(768)	(538)	(501)	(362)
	€ 45,451	€ 38,958	€ 29,920	€ 26,539	€ 18,527

[2] A common standard for sectoral reporting of loans for WBK and Bank Zachodni was only established in 2000.

The following table shows the percentages of total loans by each category of loan at December 31, 2000, 1999, 1998, 1997 and 1996.

	December 31,				
	2000[(1)]	1999[(1)]	1998	1997	1996
IRELAND					
Agriculture	2.6%	3.1%	3.4%	3.5%	4.5%
Energy	0.8	0.6	0.5	0.2	0.2
Manufacturing	5.3	4.3	5.0	4.8	5.8
Construction and property	7.4	6.7	4.2	3.4	3.5
Distribution	6.4	6.0	6.6	5.8	6.2
Transport	0.9	1.3	0.9	0.8	0.7
Financial	0.8	2.0	2.8	1.5	1.6
Services	2.8	2.4	3.3	2.9	4.5
Personal - Residential mortgages	10.6	9.8	9.9	9.3	11.4
- Overdraft/installment	5.4	5.7	6.5	6.0	7.2
Lease financing	2.9	3.0	3.1	3.0	3.3
Guaranteed by Irish Government	0.1	-	-	-	0.3
	46.0%	44.9%	46.2%	41.2%	49.2%

(1) During 2000, a review of sector classification in Ireland was undertaken. December 1999 classifications in the above table have been restated to reflect the impact of reclassifications which took place. 1998, 1997 and 1996 classifications are shown as originally reported.

	2000	1999	1998	1997	1996
UNITED KINGDOM					
Agriculture	0.3%	0.3%	0.3%	0.4%	0.4%
Energy	0.2	0.1	0.1	0.2	0.2
Manufacturing	1.7	1.6	1.2	1.5	1.2
Construction and property	4.0	3.7	3.7	3.7	4.1
Transport	2.8	3.3	2.8	3.0	3.7
Distribution	0.3	0.1	0.2	0.1	0.1
Financial	1.1	0.7	0.3	0.3	0.3
Services	3.2	3.6	3.4	3.5	4.1
Personal - Residential mortgages	3.8	3.8	3.8	4.0	4.5
- Overdraft/installment	1.9	1.8	1.9	1.9	2.1
	19.3%	19.0%	17.7%	18.6%	20.7%
UNITED STATES OF AMERICA					
Commercial	11.0%	10.7%	11.2%	10.5%	8.0%
Real Estate	6.2	6.4	7.2	8.2	6.6
Residential mortgages	1.5	1.7	2.3	4.8	3.8
Retail	6.5	7.3	7.7	8.3	5.5
Bankcard	-	-	0.1	0.5	2.3
Leases receivable	2.8	3.0	2.9	3.1	2.2
	28.0%	29.1%	31.4%	35.4%	28.4%
POLAND[(2)]					
Commercial	5.3%	5.5%	2.8%	2.4%	-
Personal	0.9	0.7	0.3	0.4	-
	6.2%	6.2%	3.1%	2.8%	-
REST OF THE WORLD	0.5%	0.8%	1.6%	2.0%	1.7%
Total loans to customers	100.0%	100.0%	100.0%	100.0%	100.0%

(2) A common standard for sectoral reporting of loans for WBK and BZ was only established in 2000.

Analysis of loans to customers by maturity and interest rate sensitivity

The following table analyzes loans to customers by maturity and interest rate sensitivity. Overdrafts, which in the aggregate represent approximately 7% of the portfolio, are classified as repayable within one year. Approximately 28% of AIB Group's loan portfolio is provided on a fixed rate basis. Fixed rate loans are defined as those loans for which the interest rate is fixed for the full term of the loan. The interest rate risk exposure is managed by Treasury within agreed policy parameters.

	December 31, 2000			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(Euros in millions)			
Ireland	€ 8,325	€ 5,560	€ 7,568	€ 21,453
United Kingdom	2,336	2,241	4,435	9,012
United States of America	2,942	7,287	2,825	13,054
Poland	1,270	881	752	2,903
Rest of the World	1	-	-	1
Total loans by maturity	€ 14,874	€ 15,969	€ 15,580	€ 46,423

	Fixed rate	Variable rate	Total
	(Euros in millions)		
Ireland	€ 5,164	€ 16,289	€ 21,453
United Kingdom	927	8,085	9,012
United States of America	6,484	6,570	13,054
Poland	517	2,386	2,903
Rest of the World	1	-	1
	€ 13,093	€ 33,330	€ 46,423

Provision and allowance for loan losses

A provision for loan losses is taken as a charge to income and added to the allowance for loan losses to bring the allowance to a level considered sufficient, having regard to both specific and general factors. Any subsequent charge off (write-off) is charged against the allowance.

A specific provision is made against problem loans when, in the judgement of management, the estimated repayment realizable from the obligor, including the value of any security available, is likely to fall short of the amount of principal and interest outstanding on the obligor's loan or overdraft account. The amount of the specific provision made in AIB Group's consolidated financial statements is intended to cover the difference between the balance outstanding and any estimated recoveries. The management process for the identification of loans requiring provision is underpinned by independent tiers of review. Credit quality and loan loss provisioning are independently monitored by head office personnel on a regular basis. A groupwide system for grading advances according to agreed risk/quality criteria exists with an important objective being the identification of vulnerable loans so that remedial action can be taken at the earliest opportunity.

The general provision arises in relation to losses which, although not separately identified, are known from experience to be present in any portfolio of bank loans. The amount of the general provision, which is determined by the Board of Directors and senior management on an annual basis, reflects management's assumptions and estimates with respect to a number of factors, including loan loss trends, portfolio grade profiles, local and international economic climate and conditions in various industries to which AIB Group is exposed.

When a loan has been subjected to a specific provision, the provision may subsequently be increased or decreased to reflect changes in the prospects for recovery. If the prospects do not improve, a point will come when it may be concluded that there is no realistic prospect of recovery. When that point is reached, the amount of the loan which is considered to be beyond prospect of recovery is charged off.

Movements in the allowance for loan losses

	Years ended December 31,				
	2000	1999	1998	1997	1996
	(Euros in millions)				
Total allowance at beginning of period	€ 771	€ 538	€ 501	€ 362	€ 375
Acquisition of subsidiary companies	35	184	-	105	8
Allowance of disposed loans	-	-	(6)	(19)	-
Transfer from provisions for contingent liabilities	-	-	4	-	-
Currency translation and other adjustments	33	43	(13)	43	(5)
Recoveries of provisions previously charged off	32	28	24	27	25
Amounts charged off					
Ireland	(33)	(31)	(30)	(35)	(34)
United Kingdom	(17)	(16)	(23)	(27)	(35)
United States of America	(44)	(43)	(24)	(45)	(35)
Poland	(18)	(6)	(5)	(3)	-
Rest of the World	(20)	(11)	(16)	-	(4)
	(132)	(107)	(98)	(110)	(108)
Provisions charged against income[(1)]					
Ireland	80	80	79	67	58
United Kingdom	40	31	43	36	47
United States of America	44	38	19	33	9
Poland	91	22	27	11	-
Rest of the World	3	7	42	1	4
	258	178	210	148	118
Recoveries of provisions against income[(1)]					
Ireland	(14)	(15)	(16)	(8)	(11)
United Kingdom	(11)	(21)	(20)	(14)	(13)
United States of America	(1)	-	(6)	-	(1)
Poland	(64)	(15)	(16)	(5)	-
Rest of the World	(3)	(14)	(2)	(1)	(1)
	(93)	(65)	(60)	(28)	(26)
Recoveries of provisions previously charged off[(1)]					
Ireland	(15)	(14)	(15)	(16)	(15)
United Kingdom	(6)	(4)	(1)	(4)	(2)
United States of America	(10)	(9)	(8)	(7)	(8)
Poland	(1)	(1)	-	-	-
Rest of the World	-	-	-	-	-
	(32)	(28)	(24)	(27)	(25)
Total allowance at end of period	€ 872	€ 771	€ 538	€ 501	€ 362
Allowance at end of period					
Specific	€ 452	€ 401	€ 258	€ 258	€ 175
General	€ 420	€ 370	€ 280	€ 243	€ 187
Total	€ 872	€ 771	€ 538	€ 501	€ 362
Amounts include:					
Loans and advances to banks	€ 3	€ 3	€ -	€ -	€ -
Loans and advances to customers	€ 869	€ 768	€ 538	€ 501	€ 362
	€ 872	€ 771	€ 538	€ 501	€ 362

[(1)]The aggregate of these sets of figures represents the total provisions for loan losses charged to income.

The following table reconciles the total provisions for loan losses charged to income as shown in (A) and the table on page 69 above relating to "Movements in the allowance for loan losses", with that shown in (B), AIB Group's "Consolidated statement of income".

	Years ended December 31,		
	2000	**1999**	**1998**
	(Euros in millions)		
(A)			
Provisions charged against income	€ 258	€ 178	€ 210
Recoveries of provisions charged against income	(93)	(65)	(60)
Recoveries of loans previously charged off	(32)	(28)	(24)
Total charged to income	€ 133	€ 85	€ 126
(B)			
Provisions for loan losses	€ 133	€ 85	€ 126

The following table presents additional information with respect to the provision and allowance for loan losses for the years ended December 31, 2000, 1999, 1998, 1997 and 1996.

	Years ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Allowance at end of period as a percentage of total loans, less unearned income, at end of period					
Specific allowance	0.97%	1.01%	0.85%	0.95%	0.92%
General allowance	0.91%	0.93%	0.92%	0.90%	0.99%
	1.88%	1.94%	1.77%	1.85%	1.91%

	Years ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Provisions charged to income and net loans charged off as a percentage of average loans					
Total provisions charged to income	0.30%	0.24%	0.44%	0.39%	0.37%
Net loans charged off	0.23%	0.22%	0.26%	0.33%	0.47%

The following table presents an analysis of AIB Group's loans charged off for the years ended December 31, 2000 and 1999.

Analysis of loans charged off

	Years ended December 31,			
	2000		1999	
	Loans charged off	Recoveries of loans previously charged off	Loans charged off	Recoveries of loans previously charged off
	(Euros in millions)			
IRELAND				
Agriculture	€ 2.4	€ 1.0	€ 2.5	€ 1.1
Manufacturing	1.7	0.8	1.9	0.9
Construction and property	2.1	0.9	1.2	0.6
Distribution	3.6	1.6	4.1	1.8
Transport	0.8	0.4	0.5	0.2
Financial	0.4	0.2	0.1	-
Services	2.0	0.9	4.4	2.0
Personal - Residential mortgages	0.1	-	0.3	0.1
- Overdraft/installment	16.6	7.4	15.0	6.7
Lease financing	2.9	1.3	1.0	0.4
	€ 32.6	€ 14.5	€ 31.0	€ 13.8
UNITED KINGDOM				
Agriculture	€ 0.9	€ -	€ -	€ -
Manufacturing	0.8	0.1	0.2	-
Construction and property	1.0	0.3	2.1	0.4
Distribution	4.3	1.7	7.9	1.9
Transport	0.1	-	0.1	-
Financial	0.1	0.1	-	-
Services	4.4	2.8	3.3	0.7
Personal - Residential mortgages	0.1	-	-	-
- Overdraft/installment	5.4	1.1	2.9	0.5
	€ 17.1	€ 6.1	€ 16.5	€ 3.5
UNITED STATES OF AMERICA				
Commercial	€ 17.0	€ 0.9	€ 18.3	€ 1.0
Real Estate	3.1	2.7	0.5	2.6
Residential mortgages	3.1	1.0	4.3	0.9
Retail	17.2	4.7	17.5	4.3
Bankcard	0.2	0.1	0.2	-
Leases receivable	3.3	0.4	1.8	0.3
	€ 43.9	€ 9.8	€ 42.6	€ 9.1
POLAND	€ 18.2	€ 1.1	€ 5.6	€ 1.4
REST OF THE WORLD	€ 20.1	€ 0.2	€ 11.4	€ 0.2
TOTAL	€ 131.9	€ 31.7	€ 107.1	€ 28.0

The following table presents an analysis of AIB Group's allowance for loan losses at December 31, 2000, 1999 and 1998.

	December 31, 2000	December 31, 1999	December 31, 1998
	(Euros in millions)		
IRELAND			
Agriculture	€ 9	€ 7	€ 7
Manufacturing	9	7	7
Construction and property	4	4	7
Distribution	5	7	10
Transport	1	1	1
Financial	1	1	1
Services	7	8	7
Personal - Residential mortgages	3	2	2
- Overdraft/installment	35	36	27
Lease financing	15	11	8
	€ 89	€ 84	€ 77
UNITED KINGDOM			
Agriculture	€ 2	€ 2	€ 2
Energy	1	3	3
Manufacturing	17	7	1
Construction and property	7	5	17
Distribution	11	13	18
Transport	1	1	1
Financial	1	-	-
Services	22	22	12
Personal - Residential mortgages	4	1	1
- Overdraft/installment	4	10	7
	€ 70	€ 64	€ 62
UNITED STATES OF AMERICA			
Commercial	€ 8	€ 4	€ 9
Real Estate	1	2	1
Residential mortgages	6	4	3
Retail	17	15	12
Bankcard	-	-	-
	€ 32	€ 25	€ 25
POLAND			
Commercial	€ 233	€ 188	€ 53
Personal	23	15	7
	€ 256	€ 203	€ 60
REST OF THE WORLD	€ 5	€ 25	€ 34
TOTAL SPECIFIC ALLOWANCE	€ 452	€ 401	€ 258
TOTAL GENERAL ALLOWANCE	€ 420	€ 370	€ 280
TOTAL ALLOWANCE	€ 872	€ 771	€ 538
Amounts include:			
Loans and advances to banks	€ 3	€ 3	€ -
Loans and advances to customers	869	768	538
	€ 872	€ 771	€ 538

Risk elements in lending

AIB Group makes provisions for loan losses in accordance with the method described under "Provision and allowance for loan losses". Outside of the US, its loan control and review procedures generally do not include the classification of loans as non-accrual, accruing past due, restructured and potential problem loans, as defined by the US Securities and Exchange Commission ("SEC"). Management has, however, set out below the amount of loans, without giving effect to available security and before deduction of provisions, which would have been so classified had the SEC's classification been used:

	December 31,				
	2000	1999	1998	1997	1996
	(Euros in millions)				
Loans accounted for on a non-accrual basis[1]					
Ireland	€ 162	€ 146	€ 141	€ 124	€ 131
United Kingdom	98	101	128	168	199
United States of America	85	44	49	56	35
Poland[2]	523	436	91	91	-
Rest of the World	3	26	27	4	3
	€ 871	€ 753	€ 436	€ 443	€ 368
Accruing loans which are contractually past due 90 days or more as to principal or interest[3]					
Ireland	€ 79	€ 57	€ 48	€ 54	€ 50
United Kingdom	38	27	6	11	11
United States of America	36	32	34	21	18
	€ 153	€ 116	€ 88	€ 86	€ 79
Restructured loans not included above[4]	€ -	€ -	€ -	€ 3	€ -
Other real estate and other assets owned	€ 30	€ 29	€ 36	€ 15	€ 10

(1) Total interest income that would have been recorded during the year ended December 31, 2000 had interest on non-accrual loans been included in income amounted to €12 million for Ireland, €8 million for the United Kingdom, €7 million for the United States of America, €95 million for Poland and zero for rest of the world. Interest on non-accrual loans included in income for the year ended December 31, 2000 totaled €42 million.

(2) The increase in non-accrual loans in Poland in 1999 reflected the impact of the acquisition of BZ.

(3) Overdrafts generally have no fixed repayment schedule and consequently are not included in this category.

(4) Outside of the United States, AIB Group does not normally renegotiate doubtful loans at concessionary rates of interest.

AIB Group generally expects that loans where known information about possible credit problems causes management to have serious doubt as to the ability of borrowers to comply with loan repayment terms would be included under its definition of non-performing and would therefore have been reported in the above table. However, management's best estimate of loans, not included above, that are current as to payment of principal and interest but concerning which AIB Group has serious doubts as to the ability of the borrower to comply with loan repayment terms, totaled approximately €127 million at December 31, 2000.

AIB Group's policy is that, whenever doubt exists, interest is not taken into income if it may subsequently have to be reversed. Consequently, interest is accounted for on a cash received basis and loans are designated as "non-accrual" when interest thereon is 90 days or more past due, except: (i) where there is sufficient evidence that repayment in full, including all interest up to the time of repayment (including costs) will be made within a reasonable and identifiable time period, either from realization of security, refinancing commitment or other sources; (ii) where there is independent evidence that the balance due, including interest, is adequately secured; or (iii) in certain exceptional cases where there is clear evidence from cash flow projections, provided such projections have been independently examined to the satisfaction of AIB Group, that payments will be brought up to date within a reasonable period of time not to exceed six months.

However, the definition of non-accrual in Poland includes loans that are 30 days past due, but accruing, to ensure Polish regulation compliance.

The following table presents an analysis of AIB Group's loans which are accounted for on a non-accrual basis at December 31, 2000, 1999 and 1998.

	December 31,		
	2000	**1999**	**1998**
	(Euros in millions)		
IRELAND			
Agriculture	€ 27	€ 18	€ 18
Manufacturing	16	15	11
Construction and property	10	7	11
Distribution	15	14	13
Transport	2	2	1
Financial	2	2	2
Services	15	13	13
Personal - Residential mortgages	17	17	16
- Overdraft/installment	48	51	51
Lease financing	10	7	5
	€ 162	€ 146	€ 141
UNITED KINGDOM			
Agriculture	€ 3	€ 3	€ 3
Energy	1	1	3
Manufacturing	14	6	2
Construction and property	10	12	33
Distribution	20	20	27
Transport	3	2	2
Services	22	29	37
Personal - Residential mortgages	10	14	8
- Overdraft/installment	15	14	13
	€ 98	€ 101	€ 128
UNITED STATES OF AMERICA			
Commercial	€ 58	€ 13	€ 23
Real Estate	8	10	7
Residential mortgages	19	21	19
	€ 85	€ 44	€ 49
POLAND			
Commercial	€ 493	€ 412	€ 80
Personal	30	24	11
	€ 523	€ 436	€ 91
REST OF THE WORLD	€ 3	€ 26	€ 27
TOTAL	€ 871	€ 753	€ 436

Substantially all of the loans reported on a non-accrual basis at December 31, 2000, 1999 and 1998 were 90 days or more past due as to principal or interest. Group loans accounted for on a non-accrual basis increased by €118 million between December 31, 1999 and December 31, 2000 (€79 million net of foreign exchange movements) but remained at 1.9% of advances. In the Republic of Ireland, loans accounted for on a non-accrual basis increased by €16 million during the year to December 31, 2000 but remained stable as percentage of advances. In the United Kingdom, there was a decrease of €3 million in loans accounted for on a non-accrual basis during the year to December 31, 2000. In the United States of America, non-accrual loans increased by €41 million (€38 million net of foreign exchange movements) during the year to December 31, 2000 influenced by the downgrade of a small number of cases. In Poland, the increase of €87 million (€52 million net of foreign exchange movements) in loans accounted for on a non-accrual basis in the year ended December 31, 2000, mainly reflected the identification of a small number of large cases in Bank Zachodni as part of the fair value exercise which continued during the year. In the Rest of the World, the decrease of €23 million in loans accounted for on a non-accrual basis reflected an improvement in credit quality in the foreign maritime portfolio and the charge-off of one large debt.

The classification of a loan as non-accrual does not necessarily indicate that the principal amount of the loan is uncollectable in whole or in part. As described above under “Provision and allowance for loan losses”, the provision made in respect of any particular loan is calculated net of any realizable security value and other identifiable repayment sources, while the full principal amount of the loan is reflected as non-accrual before any deduction for provisions, security values or other elements of loans that may be partially recoverable.

The allowance for loan losses as a percentage of loans accounted for on a non-accrual basis decreased from 102% as at December 31, 1999 to 100% as at December 31, 2000.

In accordance with AIB Group’s provisioning policy for loan losses, it is considered that adequate provisions for the above risks in lending have been made. See “Provision and allowance for loan losses” on page 68.

Cross-border outstandings

Cross-border outstandings, which exclude finance provided within AIB Group, are based on the country of domicile of the borrower and comprise placings with banks and money at call and short notice, loans to customers, finance lease receivables and installment credit, acceptances and other monetary assets, including non-local currency claims of overseas offices on local residents. AIB Group monitors geographic breakdown based on the country of the borrower and the guarantor of ultimate risk.

Cross-border outstandings exceeding 1% of total assets are shown in the following table.

	As % of total assets[1]		Total		Banks and other financial institutions		Government and official institutions		Commercial industrial and other private sector
				(Euros in millions)					
December 31, 2000									
United Kingdom	5.6%	€	4,465	€	1,832	€	388	€	2,245
Germany	3.2%		2,548		1,754		641		153
United States	2.5%		1,968		265		923		780
Italy	1.2%		921		404		506		11
December 31, 1999									
United Kingdom	4.7%	€	3,144	€	650	€	946	€	1,548
United States	4.1%		2,731		1,012		1,058		661
Germany	2.2%		1,469		599		824		46
December 31, 1998									
United Kingdom	3.5%	€	1,884	€	1,048	€	119	€	717
United States	2.3%		1,234		581		433		220
Germany	1.2%		646		349		67		230

(1) Assets, consisting of total assets as reported in the consolidated balance sheet and acceptances, totaled €79,835 million at December 31, 2000 (1999: €67,213 million; 1998: €53,920 million).

At December 31, 2000 cross-border outstandings to borrowers in Poland, Spain and the Netherlands amounted to 0.91%, 0.77% and 0.75% respectively. At December 31, 1999 cross-border outstandings to borrowers in Poland and Italy amounted to 0.92% and 0.87% respectively.

Concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to AIB Group's total credit exposure. Although AIB Group's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, material transactions are completed with other financial institutions, particularly in securities trading, derivative, and foreign exchange business.

PART II

Item 13. ***Defaults, dividend arrearages and delinquencies***

(a) None
(b) None

Item 14. ***Material modifications to the rights of security holders and use of proceeds***

(a) None
(b) None
(c) Not applicable
(d) No changes
(e) Not applicable

Item 15. ***Reserved***

Item 16. ***Reserved***

PART III

Item 17. ***Financial statements***

(Not responded to as Item 18 is complied with)

Item 18 and 19. ***Financial statements and exhibits***

(a) Financial statements

(b) Exhibits
Not applicable

Accounting policies

The accounts on pages 82 to 150 have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments, and comply with the requirements of the Companies Acts 1963 to 1999 and the European Communities (Credit Institutions: Accounts) Regulations, 1992, and with accounting standards generally accepted in Ireland. Up to and including the year ended December 31, 1998, the Consolidated Financial Statements of the Group were prepared using the Irish pound as the reporting currency. Arising from the introduction of the euro on January 1, 1999 the accounts of the Group are prepared using the euro as the reporting currency (note 46) and all comparative figures have been translated into euros. The directors believe that the consolidated Financial Statements reported in euro depict the same trends as previously reported. The preparation of financial statements 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 judgment 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 stockholders' equity had US Generally Accepted Accounting Principles ("US GAAP") been applied in the preparation of these accounts is set out in note 48.

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

(a) **Basis of consolidation**

The Group accounts include the financial statements of Allied Irish Banks, p.l.c. *(the parent company)* and its subsidiary undertakings made up to the end of the financial year. All intercompany balances and transactions are eliminated from the consolidated financial statements.

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.

(b) **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 statement of income 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.

(c) **Income and expense recognition**

Interest income and expense is recognized 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 recognized when earned. Expenses are, in general, charged to statement of income as accrued. However, in some cases, expenses incurred in the setting up of transactions are deferred and are charged to statement of income over the lives of the transactions.

(d) **Allowance for loan losses**

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 allowance for loan losses *(note 22)* 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.

(e) **Debt securities**

Premiums and discounts on Government and other debt securities having a fixed redemption date, which are not held for trading purposes, are amortized over the period from date of purchase to redemption and an appropriate proportion is taken to the statement of income each year and included in interest income. Securities held for investment purposes are stated in the balance sheet at amortized 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 recognized immediately in the statement of income. The realized and unrealized 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 amortized over the lives of the underlying transactions, and included in net interest income.

(f) **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 the statement of income on the same basis.

(g) **Hire purchase and installment finance**

Interest and charges on hire purchase and on installment credit agreements are taken to the statement of income by the sum of the digits method over the period of the agreements after deducting the costs of setting up the transactions.

(h) **Securitized assets**

Securitized assets are included in the balance sheet at their gross amount less non-returnable proceeds received on securitization, 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 securitized assets is included in other operating income.

(i) **Operating leases**

Rentals are charged to statement of income in equal installments over the terms of the leases.

(j) **Depreciation**

Up to December 31, 1999, freehold and long leasehold properties were not depreciated. Since January 1, 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 year's depreciation charge was €9 million. The costs of adapting buildings to their use for the Group have been separately identified and these are written off over their estimated useful lives subject to a maximum period of 20 years.

Leasehold properties with less than 50 years unexpired are written off by equal annual installments 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 (1999 and 1998: €14 million) on the development of computer systems has been capitalized 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 statement of income.

(k) **Discounting of future commitments**

The Group provided in the year ended December 31, 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 34).*

(l) **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 recognized immediately in the statement of income. Equity shares held for trading purposes are marked to market with full recognition in the statement of income of changes in market value.

(m) **Pensions and other post-retirement benefits**

It is the Group's policy to provide for defined benefit pension plans and other post-retirement benefits at rates recommended by independent qualified actuaries *(note 13)*. The costs of the Group's defined contribution plans are charged to the statement of income for the period in which they are incurred.

(n) **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 crystallize.

(o) **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 and the profit and loss account reserves.

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 currency translation adjustments on the profit and loss account.

(p) **Capital instruments**

Issue expenses of capital instruments are deducted from the proceeds of issue and, where appropriate, are amortized to the statement of income 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 amortized to the statement of income are subsequently transferred to the share premium account.

(q) **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 January 1, 1998 are capitalized as assets on the balance sheet and amortized 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 December 31, 1997 has been written off to 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.

(r) **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 42).* 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 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. Trading instruments are recognized in the financial statements 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 statement of income using the mark to market method of accounting.

Derivative transactions entered into for hedging purposes are recognized in the financial statements 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 amortized 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 realized gain or loss is deferred and amortized 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 statement of income immediately.

(s) **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.

(t) **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 statement of income.

ALLIED IRISH BANKS, p.l.c.

Consolidated Statements of Income

	N	2000	1999	1998
		Years ended December 31, (Euros in millions)		
Interest income:				
Interest income and similar income arising from debt securities and other fixed income securities		€ 1,140	€ 833	€ 772
Other interest receivable and similar income	4	3,987	3,009	3,194
Less: interest expense	5	(3,105)	(2,072)	(2,357)
Deposit interest retention tax	6	(113)	-	-
Net interest income		1,909	1,770	1,609
Dividend income	7	6	2	1
Fees and commissions receivable		1,101	909	777
Less: fees and commissions payable		(108)	(93)	(84)
Dealing profits	8	103	74	69
Other operating income	9	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	6	(113)	-	-
Administrative expenses:				
Staff and other administration expenses	10(a)	1,778	1,491	1,313
Integration costs in continuing businesses	10(b)	-	-	20
Administrative expenses		1,778	1,491	1,333
Depreciation and amortization	11	171	127	109
Total operating expenses		1,949	1,618	1,442
Group operating income before provisions		1,264	1,204	1,147
Before exceptional item		1,377	1,204	1,147
Deposit interest retention tax	6	(113)	-	-
Provisions for loan losses		133	85	126
Provisions for contingent liabilities and commitments		2	2	1
Amounts (written back)/written off fixed asset investments	12	(1)	5	7
		134	92	134
Group operating income - continuing operations		1,130	1,112	1,013
Before exceptional item		1,243	1,112	1,013
Deposit interest retention tax	6	(113)	-	-
Income from associated undertakings		3	3	4
Income on disposal of property		5	2	32
Income on disposal of business	14	-	15	-
Income before taxes *(carried forward)*		€ 1,138	€ 1,132	€ 1,049
Before exceptional item		1,251	1,132	1,013
Deposit interest retention tax	6	(113)	-	-

Consolidated Statements of Income - (Continued)

	Notes	2000	1999	1998
		Years ended December 31,		
		(Euros in millions)		
Income before taxes *(brought forward)*		€ 1,138	€ 1,132	€ 1,049
Applicable taxes		318	327	315
Impact of phased reduction in Irish corporation tax rates on deferred tax balances		-	-	55
	15	318	327	370
Income after taxes		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
Net income		€ 762	€ 761	€ 633
Earnings per €0.32 ordinary share - basic	19(a)	89.0c	89.5c	74.7c
Earnings per €0.32 ordinary share - adjusted	19(b)	104.0c	90.5c	81.1c
Earnings per €0.32 ordinary share - diluted	19(c)	88.1c	88.0c	73.7c
Net income in accordance with accounting principles generally accepted in the United States	48	€ 712	€ 695	€ 657

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

	Notes	December 31, 2000	1999
		(Euros in millions)	
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	20	297	718
Loans and advances to banks	21	4,193	3,831
Gross loans and advances to customers		46,423	39,804
Allowance for loan losses		(869)	(768)
Unearned interest		(103)	(78)
Loans and advances to customers net		45,451	38,958
Money market funds		429	213
	22	45,880	39,171
Securitized assets		933	598
Less: non-returnable proceeds		(767)	(473)
	23	166	125
Debt securities (market value of €19,002 million and €14,900 million)	24	18,986	15,108
Equity shares	25	412	297
Interests in associated undertakings	26	8	22
Intangible fixed assets	27	466	468
Property and equipment	28	1,127	1,039
Own shares	29	177	123
Other assets		1,708	1,071
Prepayments and accrued income		1,835	1,195
Long-term assurance business attributable to shareholders	30	238	166
		€ 77,547	€ 65,369
Long-term assurance assets attributable to policyholders	30	2,141	1,701
		€ 79,688	€ 67,070
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits by banks	31	€ 12,478	€ 8,608
Customer accounts	32	48,437	42,335
Debt securities in issue	33	4,295	4,298
Other liabilities	34	3,079	2,360
Accruals and deferred income		1,665	1,294
Provisions for liabilities and charges	35	155	125
Deferred taxation	36	357	242
Subordinated liabilities	37	2,249	1,984
Memorandum items: contingent liabilities and commitments	41		
Equity and non-equity minority interests in consolidated subsidiaries	38	272	227
Preference share capital			
Non-cumulative preference shares of US$25 each: 20 million authorized (1999: 20 million) 0.25 million issued and outstanding	39	264	245
Ordinary stockholders' equity			
Ordinary shares of €0.32 each: 1,160 million authorized (1999: 1,160 million), 879.2 million and 866.0 million issued and outstanding as at December 31, 2000 and 1999 respectively	39	281	277
Share premium account		1,620	1,594
Reserves		401	330
Profit and loss account reserves		1,994	1,450
Shareholders' funds: equity interests		4,296	3,651
		€ 77,547	€ 65,369
Long-term assurance liabilities to policyholders	30	2,141	1,701
		€ 79,688	€ 67,070

See note 48 for ordinary stockholders' equity in accordance with accounting principles generally accepted in the United States.

The accompanying notes are an integral part of these consolidated financial statements.

ALLIED IRISH BANKS, p.l.c.

Consolidated Statements of Changes in Stockholders' Equity

	Years ended December 31,		
	2000	1999	1998
		(Euros in millions)	
PREFERENCE SHARE CAPITAL			
Balance, January 1	€ 245	€ 210	€ 160
Redemption of shares	-	-	(160)
Share issue	-	-	5
Share premium on issue	-	-	214
Currency translation and other adjustments	19	35	(9)
Balance, December 31	€ 264	€ 245	€ 210
ORDINARY SHARE CAPITAL			
Balance, January 1	277	273	271
Capitalization of reserves on renominalization of share capital	-	2	-
Issued under:			
Dividend reinvestment plan *(note 39)*	3	1	1
Other *(note 39)*	1	1	1
Balance, December 31	€ 281	€ 277	€ 273
SHARE PREMIUM ACCOUNT			
Balance, January 1	1,594	1,567	1,543
Premium arising on shares issued under:			
Employees' profit sharing plans	17	19	9
Executive share option plan	7	4	5
Allfirst Financial, Inc. stock option plans	2	4	10
Balance, December 31	€ 1,620	€ 1,594	€ 1,567
RESERVES			
Balance, January 1	330	279	105
Profit and loss account	70	45	32
Currency translation and other adjustments	1	6	1
Unrealized surplus on revaluation of properties	-	-	141
Balance, December 31	€ 401	€ 330	€ 279
PROFIT AND LOSS ACCOUNT RESERVES			
Balance, January 1	1,450	710	380
Net income	762	761	633
Dividends on equity shares *(note 18)*	(335)	(288)	(239)
Dividend reinvestment plan	75	38	28
Reserves	-	-	(2)
Reserves capitalized	(70)	(45)	(32)
Capitalization of reserves on renominalization of share capital	-	(2)	-
Currency translation adjustments	112	275	(58)
Goodwill written back	-	1	-
Balance, December 31	€ 1,994	€ 1,450	€ 710
TOTAL STOCKHOLDERS' EQUITY	€ 4,560	€ 3,896	€ 3,039

The accompanying notes are an integral part of these consolidated financial statements.

ALLIED IRISH BANKS, p.l.c.

Consolidated Cash Flow Statements

	Notes	2000	1999	1998
		Years ended December 31, (Euros in millions)		
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	40 (a)	(184)	(108)	(110)
Equity dividends paid		(228)	(215)	(176)
Taxation	40 (b)	(199)	(237)	(204)
Capital expenditure	40 (c)	(3,004)	(1,405)	(2,774)
Acquisitions and disposals	40 (d)	2	(391)	22
Financing	40 (e)	164	640	67
(Decrease)/increase in cash	40 (f)	€ (1,016)	€ 1,477	€ 549
Reconciliation of Group operating income to net cash inflow from operating activities				
Group operating income		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 loan losses		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 amortization		171	127	109
Amortization of own shares		1	-	-
Income on disposal of business		-	15	-
Interest on subordinated liabilities		155	95	82
Income on disposal of debt securities and equity shares		(23)	(31)	(79)
Averaged gains on debt securities held for hedging purposes		(16)	(18)	(15)
Income on disposal of associated undertakings		(5)	(3)	(14)
Amortization 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 currency 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

The accompanying notes are an integral part of these consolidated financial statements.

ALLIED IRISH BANKS, p.l.c.

Statements of Total Recognized Gains and Losses

	Years ended December 31,		
	2000	**1999**	**1998**
		(Euros in millions)	
Net income	€ 762	€ 761	€ 633
Unrealised surplus on revaluation of properties *(note 28)*	-	-	141
Currency translation differences on foreign currency net investments	113	281	(60)
	€ 875	€ 1,042	€ 714

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.

The accompanying notes are an integral part of these consolidated financial statements.

ALLIED IRISH BANKS, p.l.c.

Notes to Consolidated Financial Statements

1. NOTES IN CIRCULATION

AIB Group (UK) p.l.c. (formerly AIB Group Northern Ireland plc) is authorized to issue bank notes in Northern Ireland under the provisions of the Bank Charter Act 1844, the Bankers (Northern Ireland) Acts 1845 and 1928, the Allied Irish Banks Act (Northern Ireland) 1971, the Allied Irish Banks Act 1981 and the Allied Irish Banks Act 1993 *(note 34)*.

2. OPERATIONS BY GEOGRAPHICAL SEGMENT

	Years ended December 31,		
	2000	**1999**	**1998**
		(Euros in millions)	
Interest income			
Ireland	€ 1,951	€ 1,581	€ 1,794
United States	1,359	1,082	1,038
United Kingdom	1,059	820	790
Poland	756	349	325
Rest of the World	2	10	19
	€ 5,127	€ 3,842	€ 3,966
Dividend income			
Ireland	€ 1	€ 1	€ 1
Poland	4	1	-
Rest of the World	1	-	-
	€ 6	€ 2	€ 1
Fees and commissions receivable			
Ireland	€ 428	€ 407	€ 333
United States	355	282	255
United Kingdom	207	162	150
Poland	109	56	38
Rest of the World	2	2	1
	€ 1,101	€ 909	€ 777
Dealing profits			
Ireland	€ 25	€ 29	€ 19
United States	2	7	9
United Kingdom	44	36	27
Poland	32	1	-
Rest of the World	-	1	14
	€ 103	€ 74	€ 69
Other operating income			
Ireland	€ 121	€ 79	€ 81
United States	37	39	81
United Kingdom	20	7	19
Poland	24	36	36
Rest of the World	-	(1)	-
	€ 202	€ 160	€ 217
Gross income			
Ireland	€ 2,526	€ 2,097	€ 2,228
United States	1,753	1,410	1,383
United Kingdom	1,330	1,025	986
Poland	925	443	399
Rest of the World	5	12	34
	€ 6,539	€ 4,987	€ 5,030

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Total operating expenses			
Ireland	€ 770	€ 690	€ 581
United States	557	473	502
United Kingdom	327	291	255
Poland	292	154	94
Rest of the World	3	10	10
	€ 1,949	€ 1,618	€ 1,442
Provisions			
Ireland	€ 51	€ 48	€ 53
United States	38	22	33
United Kingdom	23	10	20
Poland	23	9	13
Rest of the World	(1)	3	15
	€ 134	€ 92	€ 134
Income before taxes, minority interests and preference dividends			
Ireland	€ 540	€ 499	€ 454
United States	309	318	303
United Kingdom	285	231	202
Poland	105	72	63
Rest of the World	4	(8)	(9)
	1,243	1,112	1,013
Income from associated undertakings	3	3	4
Income on disposals	5	17	32
Deposit interest retention tax	(113)	-	-
	€ 1,138	€ 1,132	€ 1,049

	December 31, 2000	1999
	(Euros in millions)	
Total assets		
Ireland	€ 37,502	€ 30,970
United States	19,716	18,137
United Kingdom	16,162	12,721
Poland	6,060	5,000
Rest of the World	248	242
	€ 79,688	€ 67,070
Ordinary stockholders' equity		
Ireland	€ 1,746	€ 1,491
United States	1,477	1,264
United Kingdom	794	668
Poland	261	210
Rest of the World	18	18
	€ 4,296	€ 3,651

With the exception of ordinary stockholders' equity, the geographical distribution is based on the location of the office recording the transaction.

The fungible nature of liabilities within the banking industry inevitably leads to the allocation 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 ordinary stockholders' equity.

3. OPERATIONS BY BUSINESS SEGMENT[1]

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Net interest income			
AIB Bank division	€ 1,056	€ 932	€ 844
USA division	537	506	490
Capital Markets division	127	141	116
Poland division	252	139	95
Group	50	52	64
	€ 2,022	€ 1,770	€ 1,609
Deposit interest retention tax	(113)	-	-
	€ 1,909	€ 1,770	€ 1,609

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Other income			
AIB Bank division	€ 508	€ 422	€ 385
USA division	381	296	334
Capital Markets division	304	270	213
Poland division	153	87	62
Group	(42)	(23)	(14)
	€ 1,304	€ 1,052	€ 980

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Total operating income			
AIB Bank division	€ 1,564	€ 1,354	€ 1,229
USA division	918	802	824
Capital Markets division	431	411	329
Poland division	405	226	157
Group	8	29	50
	€ 3,326	€ 2,822	€ 2,589
Deposit interest retention tax	(113)	-	-
	€ 3,213	€ 2,822	€ 2,589

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Total operating expenses			
AIB Bank division	€ 816	€ 724	€ 656
USA division	543	463	492
Capital Markets division	260	239	186
Poland division	295	154	95
Group	35	38	13
	€ 1,949	€ 1,618	€ 1,442

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Provisions			
AIB Bank division	€ 56	€ 45	€ 68
USA division	38	33	32
Capital Markets division	18	23	27
Poland division	23	9	13
Group	(1)	(18)	(6)
	€ 134	€ 92	€ 134

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Income before taxes, minority interests and preference dividends			
AIB Bank division	€ 692	€ 585	€ 505
USA division	337	306	300
Capital Markets division	153	149	116
Poland division	87	63	49
Group	(26)	9	43
	1,243	1,112	1,013
Income from associated undertakings	3	3	4
Income on disposals	5	17	32
Deposit interest retention tax	(113)	-	-
	€ 1,138	€ 1,132	€ 1,049

	December 31, 2000	1999
	(Euros in millions)	
Total loans		
AIB Bank division	€ 23,112	€ 19,306
USA division	12,995	11,769
Capital Markets division	10,386	9,013
Poland division	3,645	2,754
Group	101	285
	€ 50,239	€ 43,127

	December 31, 2000	1999
	(Euros in millions)	
Total deposits		
AIB Bank division	€ 25,019	€ 21,956
USA division	15,941	14,357
Capital Markets division	19,271	14,758
Poland division	4,897	3,993
Group	82	177
	€ 65,210	€ 55,241

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Total assets		
AIB Bank division	€ 29,607	€ 25,008
USA division	20,458	17,834
Capital Markets division	23,218	18,675
Poland division	6,054	4,990
Group	351	563
	€ 79,688	€ 67,070
Total risk weighted assets		
AIB Bank division	€ 21,133	€ 17,919
USA division	20,318	16,898
Capital Markets division	14,837	11,375
Poland division	3,655	2,838
Group	279	245
	€ 60,222	€ 49,275
Ordinary stockholders' equity		
AIB Bank division	€ 1,508	€ 1,328
USA division	1,449	1,252
Capital Markets division	1,058	843
Poland division	261	210
Group	20	18
	€ 4,296	€ 3,651

(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 expenses are reported in Group.

The fungible nature of liabilities within the banking industry inevitably leads to the allocation 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 ordinary stockholders' equity.

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Years ended December 31, 2000	1999	1998
		(Euros in millions)	
Interest on loans and advances to banks	€ 238	€ 157	€ 487
Interest on loans and advances to customers	3,544	2,683	2,559
Finance leasing and installment credit income	205	169	148
Total other interest receivable and similar income	€ 3,987	€ 3,009	€ 3,194

	Years ended December 31, 2000	1999	1998
		(Euros in millions)	
Income from leasing and installment credit agreements has been accounted for as follows:			
Investment period method (leasing)	€ 135	€ 113	€ 106
Sum of the digits method (installment credit)	70	56	42
	€ 205	€ 169	€ 148

5. INTEREST EXPENSE

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
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
Total interest expense	€ 3,105	€ 2,072	€ 2,357

6. DEPOSIT INTEREST RETENTION TAX

On October 3, 2000, AIB announced that it had reached a full and final settlement with the Irish Revenue Commissioners of IR£90.04 million (€114.33 million) in relation to DIRT, interest and penalties in Ireland for the period April 1986 to April 1999. The settlement included IR£1.08 million (€1.37 million) 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£88.96 million (€112.96 million) has been reflected in the accounts for the year ended December 31, 2000.

7. DIVIDEND INCOME

The dividend income relates to income from equity shares.

8. DEALING PROFITS

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Foreign currency 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 headings within operating expenses *(note 10(a))*.

9. OTHER OPERATING INCOME

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
(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 securitized assets *(note 23)*	4	3	5
Mortgage origination and servicing income	3	3	16
Miscellaneous operating income	72	56	54
Total operating income	€ 202	€ 160	€ 217

10. OPERATING EXPENSES

(a) Staff and other administrative expenses	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
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 *(note 13)*	70	69	66
Other staff costs	55	48	35
	1,144	970	867
Other administrative expenses:			
Auditors' remuneration:			
Audit services: Statutory audit	2	1	2
Audit related services	1	1	-
	3	2	2
Non-audit services: IT consultancy	4	-	-
Taxation services	1	1	1
Other consultancy	1	-	-
	6	1	1
Operating lease rentals:			
Property	46	40	36
Equipment	4	3	3
	50	43	39
Other administrative expenses	575	475	404
Staff and other administrative expenses	€ 1,778	€ 1,491	€ 1,313

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 December 31, 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.

(b) Integration costs in continuing businesses

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

11. DEPRECIATION AND AMORTIZATION

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Depreciation of property and equipment:			
Property depreciation	€ 32	€ 20	€ 19
Equipment depreciation	113	99	90
	145	119	109
Amortization of goodwill *(note 27)*	26	8	-
	€ 171	€ 127	€ 109

12. AMOUNTS (WRITTEN BACK)/WRITTEN OFF FIXED ASSET INVESTMENTS

	Years ended December 31,		
	2000	1999	1998
	(Euros in millions)		
Debt securities	€ (1)	€ 2	€ (4)
Equity shares	-	3	5
Interests in associated undertakings	-	-	6
	€ (1)	€ 5	€ 7

13. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The majority of the pension plans 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 €64 million (1999: €64 million; 1998: €61 million). The costs relating to all plans have been assessed in accordance with the advice of independent qualified actuaries. The majority of the plans are funded.

Independent actuarial valuations, for the main Irish and UK plans are carried out on a triennial basis by Mercer Ltd., Actuaries and Consultants. The last such valuation was carried out at January 1, 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 plans was €2,709 million 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 plans takes account of this funding level. The actuarial valuations are available for inspection only to the members of the plans.

The main US defined benefit plan is valued annually and is fully funded. The obligation for pension benefits in respect of unfunded plans was €18 million. For defined contribution plans the charge against profits was the amount of contributions payable to these plans during the year ended December 31, 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 amortization of the accrued obligation at transition of €24 million, is being charged to the statement of income 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 €6 million (1999 and 1998: €5 million).

14. INCOME 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 €15 million (tax charge €4 million).

15. APPLICABLE TAXES

	Years ended December 31,		
	2000	**1999**	**1998**
		(Euros in millions)	
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 January 1, 1999 to achieve a 12½% corporation tax rate for all trading income with effect from January 1, 2003. The Irish Finance Act 1999, provided for the reduction in the standard rate of corporation tax to 28% with effect from January 1, 1999 and to 24% with effect from January 1, 2000, with further reductions to 20% and 16% on January 1, 2001 and 2002 respectively. From January 1, 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 €55 million was made in the year ended December 31, 1998.

(2) The adjusted effective tax rate has been presented to eliminate the effect of the deposit interest retention tax settlement *(note 6)*.

(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 tax rates.

The reconciliation of the statutory corporation tax rate on ordinary activities is as follows:

	Years ended December 31,		
	2000	**1999**	**1998**
Statutory corporation tax rate	24.0%	28.0%	32.0%
Tax on foreign income	3.3	2.1	-
Tax exempted income and income at reduced rate	(1.6)	(2.3)	(2.2)
Others – net	0.6	1.1	0.3
Effective tax rate - adjusted	26.3	28.9	30.1
Impact of deposit interest retention tax settlement	1.7	-	-
Impact of phased reduction in Irish corporation tax rates on deferred tax balances	-	-	5.1
Effective tax rate	28.0%	28.9%	35.2%

The deferred taxation charge arises from the following sources:

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Ordinary activities			
Leasing transactions	€ 40	€ 74	€ 52
Short-term timing differences	84	38	33
Impact of phased reduction in Irish corporation tax rates on deferred tax balances	-	-	55
	€ 124	€ 112	€ 140

16. EQUITY AND NON-EQUITY MINORITY INTERESTS IN SUBSIDIARIES

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
The profit attributable to minority interests is analyzed 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

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Non-cumulative preference shares of US$25 each			
Dividends paid and accrued[1]	€ 20	€ 16	€ 17
Amortization of issue costs	-	-	-
	€ 20	€ 16	€ 17

[1] The charge in respect of preference dividends for the year ended December 31, 2000 includes an amount of €4 million which has been accrued (1999: €4 million; 1998: €3 million).

The holders of the US Dollar Preference shares are entitled, in preference to the holders of any other shares of AIB, 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.

18. DIVIDENDS ON EQUITY SHARES

Holders of Ordinary shares are entitled to receive such dividends out of the profits of AIB as are available by law for distribution and as may be declared by the shareholders at general meeting, but no dividends may be declared in excess of an amount recommended by AIB's Board of Directors. The Board may, without obtaining prior shareholder approval, pay to the shareholders such interim dividends as appear to the Board to be justified by the net income of AIB.

No dividend can be declared or interim dividend paid unless the dividend on any outstanding Preference shares most recently payable shall have been paid in cash.

	Years ended December 31, 2000	1999	1998	Years ended December 31, 2000	1999	1998
	(cents per €0.32 share)			(Euros in millions)		
Ordinary shares						
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 14 "Earnings per Share" (FRS 14), dividends of €3.4 million (1999: €2.0 million; 1998: €0.9 million) arising on the shares held by certain employee share trusts *(note 29)* are excluded in arriving at income before taxes and deducted from the aggregate of dividends paid and proposed.

19. EARNINGS PER €0.32 ORDINARY SHARE

	Years ended December 31, 2000	1999	1998
(a) Basic			
Net income 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 29)* are excluded in arriving at income before taxes 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.

	Earnings per share €0.32 2000	1999	1998
(b) Adjusted		(cent per €0.32 share)	
As reported	89.0	89.5	74.7
Adjustment			
Deposit interest retention tax	12.0	-	-
Goodwill amortization *(note 27)*	3.0	1.0	-
Impact of phased reduction in Irish corporation tax rates on deferred tax balances (*note 15)*	-	-	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 amortization in 2000 and 1999 and the deferred tax charge arising from the phased reduction in Irish corporation tax rates in 1998 *(note 15)*.

(c) Diluted	Years ended December 31, 2000	1999	1998
		(Number of shares in millions)	
Weighted average number of shares in issue during 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 29)*, the Executive Share Option Plan *(note 39)* and the Allfirst Stock Option Plan *(note 39)*.

20. CENTRAL GOVERNMENT BILLS AND OTHER ELIGIBLE BILLS

	December 31, 2000		December 31, 1999	
	Book amount	Market value	Book amount	Market value
	(Euros in millions)			
Held as financial fixed assets				
Treasury bills and similar securities	€ 282	€ 284	€ 648	€ 647
Held for trading purposes				
Treasury bills	15		70	
	€ 297		€ 718	

	Euros in millions 2000
Analysis of movements in central government bills and other eligible bills held as financial fixed assets:	
At January 1	€ 648
Currency translation adjustments	18
Purchases	6,740
Disposals	(7,173)
Amortization of discounts	49
At December 31	€ 282

21. LOANS AND ADVANCES TO BANKS

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Funds placed with the Central Bank of Ireland	€ 304	€ 425
Funds placed with other central banks	385	383
Funds placed with other banks[(1)]	3,504	3,023
	€ 4,193	€ 3,831

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Analyzed by remaining maturity:		
Repayable on demand	€ 1,284	€ 2,011
Other loans and advances by remaining maturity:		
Over 5 years	206	185
5 years or less but over 1 year	25	78
1 year or less but over 3 months	183	211
3 months or less but not repayable on demand	2,498	1,349
	4,196	3,834
Allowance for loan losses *(note 22)*	(3)	(3)
	€ 4,193	€ 3,831

(1) At December 31, 2000 and 1999, securities purchased under agreements to resell amounted to €73 million and €146 million, respectively. All securities were delivered either directly to the Group or to an agent for safekeeping.

22. LOANS AND ADVANCES TO CUSTOMERS LESS ALLOWANCE FOR LOAN LOSSES

	Years ended December 31, 2000	1999
	(Euros in millions)	
Loans and advances to customers	€ 43,017	€ 36,779
Finance lease receivables and installment credit	3,406	3,025
Money market funds[1]	429	213
	46,852	40,017
Allowance for loan losses	(869)	(768)
Unearned interest	(103)	(78)
	€ 45,880	€ 39,171
Analyzed by remaining maturity:		
Over 5 years	15,577	€ 12,370
5 years or less but over 1 year	15,902	13,204
1 year or less but over 3 months	6,629	5,686
3 months or less	8,641	8,679
	46,749	39,939
Allowance for loan losses	(869)	(768)
	€ 45,880	€ 39,171
Of which repayable on demand or at short notice	€ 9,108	€ 8,105

[1] At December 31, 2000 and 1999, there were no securities purchased under agreements to resell.

The cost of assets acquired in the period for leasing to customers under finance leases and installment credit amounted to €1,703 million (December 31, 1999: €1,882 million).

Allowance for loan losses	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Allowance at beginning of year	€ 771	€ 538	€ 501
Disposed loans	-	-	(6)
Acquisition of Group undertakings	35	184	-
Transfer from provisions for contingent liabilities	-	-	4
Currency translation and other adjustments	33	43	(13)
Recoveries of provisions previously charged off	32	28	24
Amounts charged off	(132)	(107)	(98)
Charge against income	133	85	126
Allowance at end of year	€ 872	€ 771	€ 538
Analyzed as to:			
Loans and advances to banks *(note 21)*	€ 3	€ 3	€ -
Loans and advances to customers	869	768	538
	€ 872	€ 771	€ 538

23. SECURITIZED ASSETS

	December 31, 2000			December 31, 1999		
	Manufactured *Housing*	*Asset Backed Securities*	**Total**	**Manufactured** *Housing*	*Asset Backed Securities*	*Total*
	(Euros in millions)			(Euros in millions)		
Securitized assets	€ 16	€ 917	€ 933	€ 21	€ 577	€ 598
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, securitized and sold manufactured housing receivables amounting to US$133 million. At December 31, 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 securitized 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 recognized as an asset on the balance sheet.

The contribution from securitized assets, included in other operating income *(note 9)*, is analyzed below.

	Years ended December 31,		
	2000	**1999**	**1998**
	(Euros in millions)		
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 loan losses	-	1	6
Contribution from securitized assets	€ 4	€ 3	€ 5

24. DEBT SECURITIES

	December 31, 2000			
	Book amount	Gross unrealized gains	Gross unrealized losses	Market value
	(Euros in millions)			
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

	December 31, 1999			
	Book amount	Gross unrealized gains	Gross unrealized losses	Market value
	(Euros in millions)			
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.

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Analyzed by remaining maturity		
Due within one year	€ 3,874	€ 2,377
Due one year and over	15,112	12,731
	€ 18,986	€ 15,108

	December 31, 2000 Book amount	December 31, 2000 Market value	December 31, 1999 Book amount	December 31, 1999 Market value
	(Euros in millions)			
Analyzed by listing status				
Held as financial fixed assets				
Listed on a recognized 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 recognized 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 amount of €1,106 million and €1,690 million at December 31, 2000 and 1999, respectively, were pledged to secure public funds, trust deposits, funds transactions and other purposes required by law. Debt securities subject to repurchase agreements amounted to €1,761 million (1999: €1,461 million).

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

The amount of unamortized discounts net of premiums on debt securities held as financial fixed assets amounted to €86 million at December 31, 2000 (1999: €21 million).

The cost of debt securities held for trading purposes at December 31, 2000 and 1999 amounted to €2,346 million and €1,580 million, respectively.

Analysis of movements in debt securities held as financial fixed assets	Cost	Discounts and premiums	Amounts written off	Book amount
	(Euros in millions)			
At January 1, 2000	€ 13,536	€ (8)	€ (2)	€ 13,526
Currency translation adjustments	362	1	-	363
Purchases	10,889	-	-	10,889
Realizations/maturities	(8,355)	4	2	(8,349)
Transfers	213	-	-	213
Charge against statement of income	-	-	1	1
Amortization of discounts net of premiums	-	2	-	2
At December 31, 2000	€ 16,645	€ (1)	€ 1	€ 16,645

25. EQUITY SHARES

	December 31, 2000			
	Book amount	Gross unrealized gains	Gross unrealized losses	Market value
	(Euros in millions)			
Held as financial fixed assets				
Listed on a recognized stock exchange	€ 175	€ 7	€ (17)	€ 165
Unquoted	189	6	(2)	193
	364	13	(19)	358
Held for trading purposes				
Listed on a recognized stock exchange	48	-	-	48
	€ 412	€ 13	€ (19)	€ 406

	December 31, 1999			
	Book amount	Gross unrealized gains	Gross unrealized losses	Market value
	(Euros in millions)			
Held as financial fixed assets				
Listed on a recognized stock exchange	€ 149	€ 5	€ (3)	€ 151
Unquoted	86	8	-	94
	235	13	(3)	245
Held for trading purposes				
Listed on a recognized stock exchange	62	-	-	62
	€ 297	€ 13	€ (3)	€ 307

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

Analysis of movements in equity shares held as financial fixed assets	Cost	Amounts written off	Book amount
	(Euros in millions)		
At January 1, 2000	€ 256	€ (21)	€ 235
Currency translation adjustments	16	(1)	15
Transfer from associated undertakings *(note 26)*	23	-	23
Purchases	162	-	162
Disposals	(71)	-	(71)
At December 31, 2000	€ 386	€ (22)	€ 364

26. INTERESTS IN ASSOCIATED UNDERTAKINGS

	Years ended December 31, 2000	1999
	(Euros in millions)	
At January 1	€ 22	€ 23
Currency translation adjustments	2	3
Transfer to equity shares *(note 25)*	(23)	-
Purchases	4	1
Disposals	-	(5)
Profit retained	3	-
At December 31	€ 8	€ 22

At December 31, 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:

	Years ended December 31, 2000	1999
	(Euros in millions)	
At January 1	€ -	€ 7
Disposals	-	(7)
At December 31	€ -	€ -

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.

27. INTANGIBLE FIXED ASSETS

	Years ended December 31, 2000	1999
Goodwill:	(Euros in millions)	
Cost at January 1	€ 476	€ -
Arising on acquisitions during the year	24	475
Currency translation adjustment	-	1
At December 31	€ 500	€ 476
Accumulated amortization at January 1	€ 8	€ -
Charge for the year *(note 11)*	26	8
At December 31	€ 34	€ 8
Net book value:		
At December 31	€ 466	€ 468

Intangible fixed assets comprise purchased goodwill arising on acquisition of subsidiary and associated undertakings. Prior to January 1, 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:

	Years ended December 31, 2000	Years ended December 31, 1999
	(Euros in millions)	
Bank Zachodni S.A.	€ 24	€ 465
Other	-	10
	€ 24	€ 475

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

On September 16, 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 April 16, 2000 of which PLN 150 million was invested on October 15, 1999 and PLN 100 million was invested on April 12, 2000. A further PLN 100 million was invested on November 22, 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 December 31, 1999 the fair values of the assets and liabilities of BZ were recorded on a provisional basis. The fair values have now been finalized 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 €489 million, of which €24 million and €465 million arose during 2000 and 1999 respectively.

	December 31, 2000			
		Adjustments		
	Book value	*Revaluation*	Other	Fair value
	(Euros in millions)			
Cash and balances at central banks	€ 205	€ -	€ -	€ 205
Central government bills and 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
Property and equipment	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 September 16, 1999. Goodwill arising has been capitalized 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 €1 million and equity shares were increased by €4 million to reflect their market value. Revaluation of tangible fixed assets gave rise to a surplus of €20 million. Deposits by banks and customer accounts were reduced by €2 million and €1 million respectively to reflect their fair value. The increase in the deferred taxation liability relates to the deferred taxation impact of the above adjustments.

Other adjustments

Loans and advances to customers were decreased by €115 million 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 €12 million in respect of employee past service benefits which have been accumulated by BZ employees, and a provision of €5 million 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 €38 million 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 advisors, 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 €3 million in respect of employee benefits and €3 million 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 statement of income from the date of acquisition to December 31, 1999 including funding costs and amortization of intangible assets, was as follows:

	Euros in millions 1999
Total operating income	€ 39
Group operating income before provisions	1
Group income before taxes	(1)

28. PROPERTY AND EQUIPMENT

	Property			Equipment	Total
	Freehold	Long leasehold	Leasehold under 50 years		
			(Euros in millions)		
Cost or valuation:					
At January 1, 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)
Currency translation adjustments	22	-	5	31	58
At December 31, 2000	€ 657	€ 127	€ 157	€ 1,084	€ 2,025
Accumulated depreciation:					
At January 1, 2000	€ 46	€ 2	€ 71	€ 667	€ 786
Depreciation charge for the year	18	4	10	113	145
Disposals	(2)	-	(3)	(51)	(56)
Currency translation adjustments	4	-	2	17	23
At December 31, 2000	€ 66	€ 6	€ 80	€ 746	€ 898
Net book value:					
At December 31, 2000	€ 591	€ 121	€ 77	€ 338	€ 1,127
At December 31, 1999	€ 543	€ 120	€ 63	€ 313	€ 1,039

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

The Group's freehold and leasehold property was valued by external valuers, DTZ Sherry FitzGerald international property advisers, as at December 31, 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 €27 million 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 €141 million.

29. OWN SHARES

Allfirst Financial, Inc. sponsors the Allfirst Stock Option Plan, for the benefit of key employees of Allfirst. Allfirst has lent US$151 million (1999: US$106 million) 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 December 31, 2000 13.5 million ordinary shares (1999: 8.6 million) were held by the trust with a cost of €162 million (1999: €108 million) and a market value of €170 million (1999: €90 million).

In 1999, the Group sponsored a Save As You Earn Share Option Scheme, the AIB Group 1999 Sharesave Plan 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 plan. The trustees receive dividends on the shares which are used to meet the expenses of the plan. The cost of providing these shares is charged to the statement of income on a systematic basis over the period that the employees are expected to benefit. At December 31, 2000 1.4 million shares (1999: 1.4 million) were held by the trustees with a book value of €15 million (1999: €17 million) and a market value of €17 million (1999: €16 million).

In accordance with the requirements of UITF Abstract 13 the shares held by the above employees share plans have been recognized on the balance sheet of the Group and the dividend income received by the plans of €3.4 million (1999: €2.0 million) has been excluded in arriving at income before taxes.

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 characterization 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.

30. 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:

	December 31, 2000	December 31, 1999
	(Euros in millions)	
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 stockholders	€ 238	€ 166
Represented by:		
Shares at cost	€ 19	€ 19
Reserves	218	149
Profit and loss account reserves	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 consolidated statement of income and included in other operating income for the years ended December 31, 2000, 1999 and 1998, amounted to €95 million, €64 million and €49 million respectively, after grossing-up for taxation.

Ark Life Assurance Company Limited is a wholly-owned subsidiary of Allied Irish Banks, p.l.c.

31. DEPOSITS BY BANKS

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Federal funds purchased	€ 544	€ 291
Securities sold under agreements to repurchase	1,484	514
Other borrowings from banks	10,450	7,803
	€ 12,478	€ 8,608
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
5 years or less but over 1 year	260	385
1 year or less but over 3 months	792	1,195
3 months or less but not repayable on demand	6,837	5,691
	8,318	7,531
Repayable on demand	4,160	1,077
	€ 12,478	€ 8,608

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.

32. CUSTOMER ACCOUNTS

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Current accounts	€ 12,701	€ 9,609
Demand deposits	10,297	10,360
Time deposits	21,094	19,718
	€ 44,092	€ 39,687
Securities sold under agreements to repurchase	889	1,090
Other short-term borrowings	3,456	1,558
	€ 4,345	€ 2,648
	€ 48,437	€ 42,335
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
Analyzed by remaining maturity:		
Over 5 years	€ 601	€ 640
5 years or less but over 1 year	2,005	1,557
1 year or less but over 3 months	3,679	2,701
3 months or less but not repayable on demand	19,161	17,701
	25,446	22,599
Repayable on demand	22,991	19,736
	€ 48,437	€ 42,335
Amounts include:		
Due to associated undertakings	€ 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.

33. DEBT SECURITIES IN ISSUE

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Bonds and medium term notes:		
European Medium Term Note Programme	€ 114	€ 221
Allfirst adjustable rate federal home loan bank advances:		
due December 4, 2000	-	199
due August 20, 2001	215	199
	€ 329	€ 619
Other debt securities in issue:		
Master demand notes of Allfirst	€ 323	€ 330
Commercial paper	338	298
Commercial certificates of deposit	3,305	3,051
	€ 3,966	€ 3,679
	€ 4,295	€ 4,298

Maturity analysis

	2000	1999
Bonds and medium term notes, by remaining maturity:		
Over 5 years	€ -	€ 42
5 years or less but over 1 year	114	333
1 year or less but over 3 months	215	237
3 months or less	-	7
	€ 329	€ 619
Other debt securities in issue, by remaining maturity:		
Over 5 years	€ -	€ -
5 years or less but over 1 year	200	9
1 year or less but over 3 months	2,136	1,533
3 months or less	1,630	2,137
	€ 3,966	€ 3,679
	€ 4,295	€ 4,298

During the year ended December 31, 2000, the weighted average interest rates applicable to the European Medium Term Notes, the master demand notes of Allfirst and the Allfirst federal home loan bank advances were 3.2%, 5.5% and 6.3% respectively.

Allied Irish Banks, p.l.c. has power to issue unsubordinated and subordinated notes up to a maximum principal amount of €2,500 million (or its equivalent in other currencies as set out in the Agreement) under its European Medium Term Note Programme.

34. OTHER LIABILITIES

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Notes in circulation *(note 1)*	€ 386	€ 365
Current taxation	121	166
Dividend *(note 18)*	221	188
Provisions for future commitments in relation to the funding of Icarom[1]	94	104
Short positions in securities	379	65
Other	1,878	1,472
	€ 3,079	€ 2,360

[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 (see Accounting Policies - note (k), Discounting of future commitments). Discount rates of 5.95% and 6.35% were applied in the year ended December 31, 1993 in discounting the cost of the future commitments arising under the 1985 and 1992 agreements respectively. As at December 31, 2000 the undiscounted amount of the cost of the future commitments relating to these agreements amounted to €134.1 million (1999: €150.5 million). Of the €134.1 million, €11.2 million is payable for the years ended December 31, 2001 and 2002, with the remaining €111.7 million payable thereafter. The 1985 agreement was repaid in October 2000.

35. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension and similar obligations	Contingent liabilities and commitments	Other	Total
		(Euros in millions)		
At January 1, 2000	€ 91	€ 13	€ 21	€ 125
Currency translation adjustments	5	1	2	8
Acquisition of Group undertakings	-	3	-	3
Charge against statement of income	70	2	11	83
Provisions utilized	(54)	(3)	(7)	(64)
At December 31, 2000	€ 112[1]	€ 16	€ 27	€ 155

[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.

36. DEFERRED TAXATION

The tax effects of temporary timing differences that give rise to significant elements of the deferred tax assets and deferred tax liabilities at December 31, 2000 and 1999 are presented below.

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Deferred tax assets:		
Allowance for loan losses	€ (158)	€ (144)
Amortized income	(23)	(10)
Deferred compensation	(12)	(10)
Timing differences on provisions for future Commitments in relation to the funding of Icarom plc (under Administration)	(11)	(14)
Other	(11)	(12)
Total gross deferred tax assets	€ (215)	€ (190)
Deferred tax liabilities:		
Assets leased to customers	€ 465	€ 397
Assets used in the business	19	18
Debt securities	27	12
Other	61	5
Total gross deferred tax liabilities	€ 572	€ 432
Net deferred tax liabilities	€ 357	€ 242

For the years ended December 31, 2000 and 1999, full provision has been made for capital allowances and other timing differences.

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.

	Years ended December 31, 2000	Years ended December 31, 1999
	(Euros in millions)	
Analysis of movements in deferred taxation:		
At January 1	€ 242	€ 164
Currency translation and other adjustments	(1)	7
Acquisition of Group undertakings	(8)	(41)
Taxation charged against statement of income	124	112
At December 31	€ 357	€ 242

37. SUBORDINATED LIABILITIES

	December 31, 2000	December 31, 1999
	(Euros in millions)	
Allied Irish Banks, p.l.c.		
Undated capital notes	€ 413	€ 397
Dated capital notes	1,088	897
	1,501	1,294
Allfirst Financial, Inc.		
Dated capital notes	745	688
Wielkopolski Bank Kredytowy S.A.		
Dated capital notes	3	2
	€ 2,249	€ 1,984
Undated capital notes		
US$100 million Floating Rate Notes, Undated	€ 107	€ 99
US$100 million Floating Rate Primary Capital Perpetual Notes, Undated	108	100
€200 million Fixed Rate Perpetual Subordinated Notes	198	198
	€ 413	€ 397
Dated capital notes		
Allied Irish Banks, p.l.c.		
European Medium Term Note Programme:		
US$130 million Floating Rate Notes due September 2006	€ 140	€ 129
US$150 million Floating Rate Notes due October 2006	161	149
US$250 million Floating Rate Notes due January 2010	268	248
IR£35.5 million Floating Rate Notes due February 2007	45	45
IR£29.6 million 7.25% Fixed Rate Notes due October 2007	38	38
Stg£35 million 8% Fixed Rate Notes due October 2007	56	57
NLG 71 million 6.7% Fixed Rate Notes due August 2009	32	32
€250 million Floating Rate Notes due January 2010	248	199
€100 million Floating Rate Notes due August 2010	100	-
	1,088	897
Allfirst Financial, Inc.		
US$100 million 8.375% Fixed Rate Subordinated Notes due May 2002	107	99
US$200 million 7.2% Fixed Rate Subordinated Notes due July 2007	214	198
US$100 million 6.875% Fixed Rate Subordinated Notes due June 2009	106	98
US$150 million Floating Rate Subordinated Capital Income Securities due January 2027	159	147
US$150 million Floating Rate Subordinated Capital Income Securities due February 2027	159	146
Wielkopolski Bank Kredytowy S.A.		
PLN 10 million Fixed Rate Loan due July 2002	3	2
	€ 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. There is no provision in any of the notes for a sinking fund.

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$100 million Undated Floating Rate Notes and the weighted average interest rate applicable for the year ended December 31, 2000 was 7.4%. Interest is payable quarterly on the US$100 million Floating Rate Primary Capital Perpetual Notes and the weighted average interest rate applicable for the year ended December 31, 2000 was 7.3%. The €200 million Fixed Rate Perpetual Subordinated Notes, with interest payable annually at a fixed rate of 6.2% have no final maturity but may be redeemed at the option of the Bank on each coupon payment date on or after August 3, 2009.

The European Medium Term Note Programme is subordinated in right of payments to the ordinary creditors, including depositors, of Allied Irish Banks, p.l.c. The US$130 million Floating Rate Notes, the US$150 million Floating Rate Notes and the US$250 million 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£35.5 million 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£29.6 million Fixed Rate Notes and the Stg£35 million Fixed Rate Notes, with interest payable semi-annually, are redeemable, in whole but not in part, on October 1, 2002 and October 31, 2002 respectively. The NLG 71 million Fixed Rate Notes, with interest payable annually, may be redeemed, in whole but not in part, on August 20, 2004. The €250 million Floating Rate Notes, with interest payable quarterly, maybe redeemed, in whole but not in part, in or after January 2005. The €100 million Floating Rate Notes, with interest payable quarterly, maybe 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 June 1, 2009 with interest payable semi-annually and are not redeemable prior to maturity.

The US$150 million Floating Rate Subordinated Capital Income Securities due January 2027, with interest payable quarterly, are redeemable in whole or in part on or after January 15, 2007 or at any time, in whole but not in part, upon the occurrence of a special event. The US$150 million Floating Rate Subordinated Capital Income Securities due February 2027, with interest payable quarterly, are redeemable in whole or in part on or after February 1, 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. Interest is paid quarterly and the weighted average interest rates applicable to these Capital Income Securities for the year ended December 31, 2000 was 7.83%.

The subordinated floating rate notes pay a rate of interest related to the London Inter - Bank Offered Rate (LIBOR) or the European Inter - Bank Offered Rate (EURIBOR) of the currency of denomination, as appropriate.

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

The maturity profile of the dated capital notes outstanding at December 31, 2000 is as follows:

Maturity during the year ended December 31,	**(Euros in millions)**
2001	€ -
2002	110
2003	-
2004	-
2005	-
	€ 110
Thereafter	1,726
	€ 1,836

38. EQUITY AND NON-EQUITY MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES

	December 31,	
	2000	1999
	(Euros in millions)	
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 June 28, 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 July 1, 2002 and ending on June 30, 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 July 13, 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.

39. SHARE CAPITAL

	December 31,	
	2000	1999
	(Euros in millions)	
Ordinary shares of €0.32 each		
Number of shares authorized (millions)	1,160.0	1,160.0
Number of shares issued (millions)	879.2	866.0
Issued and fully paid	€ 281.3	€ 277.0
Non-cumulative preference shares of €1.27 each		
Number of shares authorized (millions)	200.0	200.0
Number of shares issued (millions)	-	-
Non-cumulative preference shares of US$25 each		
Number of shares authorized (millions)	20.0	20.0
Number of shares issued (millions)	0.25	0.25
Issued and fully paid	€ 264.0	€ 245.0
Non-cumulative preference shares of Stg£1 each		
Number of shares authorized (millions)	200.0	200.0
Number of shares issued (millions)	-	-
Non-cumulative preference shares of Yen 175 each		
Number of shares authorized (millions)	200.0	200.0
Number of shares issued (millions)	-	-

At the 1999 Annual General Meeting, shareholders resolved to redenominate the Company's Ordinary Shares of IR25p each into euro units, and to renominalize those shares as shares of €0.32 each, resulting in the capitalization, from reserves, of €2.2 million.

During the year ended December 31, 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 December 31, 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 December 31, 2000. These allotments were made in lieu of dividends amounting to €77.7 million;
(b) by the issue of 2,266,171 shares to the trustees of the employees' profit sharing plans at €7.85 per share; the consideration received for these shares was €17.8 million;
(c) by the issue of 1,951,248 shares to participants in the executive share option plan 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 €7.7 million;
(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 €1.7 million.

During the year ended December 31, 1999 the issued ordinary share capital was increased from 859,881,145 to 865,997,596 ordinary shares as follows:

(a) under the dividend reinvestment plan 1,633,779 shares were allotted to shareholders, at €15.49 per share, in respect of the final dividend for the year ended December 31, 1998 and 1,180,162 shares were allotted to shareholders at €11.84 per share, in respect of the interim dividend for the year ended December 31, 1999. These allotments were made in lieu of dividends amounting to €39.3 million;
(b) by the issue of 1,303,312 shares to the trustees of the employees' profit sharing plans at €15.10 per share; the consideration received for these shares was €19.7 million;
(c) by the issue of 1,438,500 shares to participants in the executive share option plan at prices of €1.98, €2.64, €3.36, €3.38 and €4.19 per share; the consideration received for these shares was €4.9 million;
(d) by the issue of 560,698 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 €3.9 million.

Employee Profit Sharing Plans and Executive Share Option Plan

These plans are detailed in Item 6 – Directors, senior management and employees – "Share ownership", on pages 44 to 47 of this Report.

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'.

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 acquire a similar number of AIB American Depositary Shares, each of which represents two ordinary shares. At December 31, 2000, options so converted were outstanding over 1,268,174 ordinary shares.

Non-cumulative preference shares of US$25 each

On May 5, 1998, 250,000 non-cumulative preference shares of US$25 each were issued at a price of US$995.16 per share raising US$248.8 million 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 July 15, 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.

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 May 21, 1997. In accordance with the Companies Act, 1990 the cost of the purchase of these shares, €41.6 million including related expenses of €0.8 million, 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 €1.8 million) 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.

40. CASH FLOW STATEMENT

	Years ended December 31, 2000	1999 (Euros in millions)	1998
(a) Returns on investments and servicing of finance			
Interest paid on subordinated liabilities	€ (150)	€ (84)	€ (81)
Dividends paid on non-equity shares	(20)	(14)	(18)
Dividends paid to non-equity minority interests in subsidiaries	(14)	(10)	(11)
Net cash outflows from returns on investments and servicing of finance	€ (184)	€ (108)	€ (110)

	Years ended December 31, 2000	1999 (Euros in millions)	1998
(b) Taxation			
Tax paid, Republic of Ireland	€ (82)	€ (101)	€ (84)
Foreign tax paid	(117)	(136)	(120)
Net cash outflow from taxation	€ (199)	€ (237)	€ (204)

	Years ended December 31, 2000	1999 (Euros in millions)	1998
(c) Capital expenditure			
Net increase in debt securities	€ (2,763)	€ (1,231)	€ (2,682)
Net (increase)/decrease in equity shares	(67)	(17)	15
Additions to property and equipment	(237)	(177)	(168)
Disposals of property and equipment	63	20	61
Net cash outflow from capital expenditure	€ (3,004)	€ (1,405)	€ (2,774)

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
(d) Acquisitions and disposals			
Acquisition of Group undertakings	€ -	€ (602)	€ -
Net cash acquired with Group undertakings	-	205	-
Investments in associated undertakings	(4)	(2)	(4)
Disposals of investments in associated undertakings	6	8	26
Net cash inflow/(outflow) from acquisitions and disposals	€ 2	€ (391)	€ 22

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
(e) Financing			
Issue of ordinary share capital	€ 15	€ 14	€ 16
Redemption of subordinated liabilities	-	(57)	-
Issue of subordinated liabilities	149	733	-
Redemption of preference shares	-	-	(160)
Issue proceeds net of redemption of non-equity Minority interests in subsidiaries	-	(50)	(9)
Issue of preference shares	-	-	220
Net cash inflow from financing	€ 164	€ 640	€ 67

(f) Analysis of changes in cash

AIB Group defines cash for the purposes of the cash flow statements as cash in hand and deposits repayable on demand with any bank or other financial institution.

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
At beginning of year	€ 3,130	€ 1,523	€ 996
Net cash (outflow)/inflow before the effect of currency translation adjustments	(1,016)	1,477	549
Effect of currency translation adjustments	108	130	(22)
At end of year	€ 2,222	€ 3,130	€ 1,523

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
(g) Analysis of cash			
Cash and balances at central banks	€ 938	€ 1,119	€ 611
Loans and advances to banks (repayable on demand)	1,284	2,011	912
	€ 2,222	€ 3,130	€ 1,523

The Group is required to maintain balances with the Central Bank of Ireland which, at December 31, 2000 amounted to €304 million (1999: €336 million; 1998: €390 million). 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 €385 million at December 31, 2000 (1999: €383 million; 1998: €380 million).

	Share capital (including share premium) Years ended December 31,		
	2000	1999	1998
		(Euros in millions)	
(h) Analysis of changes in financing			
At beginning of year	€ 2,116	€ 2,050	€ 1,973
Effect of currency translation adjustments	19	35	(10)
Cash inflow from financing	15	14	76
Other movements	15	17	11
At end of year	€ 2,165	€ 2,116	€ 2,050

The above table does not include a further €41.6 million paid in respect of the repurchase of 5.6 million ordinary shares in September 1997.

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

	Subordinated liabilities Years ended December 31,		
	2000	1999	1998
		(Euros in millions)	
At beginning of year	€ 1,984	€ 1,140	€ 1,179
Effect of currency translation adjustments	115	168	(39)
Cash inflow from financing	149	676	-
Amortization of issue costs	1	-	-
At end of year	€ 2,249	€ 1,984	€ 1,140

	Non - equity minority interests Years ended December 31,		
	2000	1999	1998
		(Euros in millions)	
At beginning of year	€ 105	€ 137	€ 154
Effect of currency translation adjustments	8	18	(5)
Cash outflow from financing	-	(50)	(9)
Other movements	1	-	(4)
Amortization of issue costs	-	-	1
At end of year	€ 114	€ 105	€ 137

41. 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 counterparty 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 counterparty 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.

At December 31, 2000 and 1999, the nominal or contract amounts and the risk weighted credit equivalent of contingent liabilities and commitments were:

	December 31, 2000		December 31, 1999	
	Contract amount	Risk weighted amount	*Contract* amount	Risk weighted amount
	(Euros in millions)			
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 cancelable 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 June 28, 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 November 13 and 14, 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.

42. 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 55 to 64.

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 December 31, 2000 and 1999.

	December 31, 2000		December 31, 1999	
	Notional amount	Gross replacement cost	Notional amount	Gross replacement cost
	(Euros in millions)			
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

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 of Directors.

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 of Directors. 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 December 31, 2000 and 1999 as well as the average fair values during 2000 and 1999.

	Notional amounts[1]		Fair values At December 31,		Fair values Average	
	2000	1999	2000	1999	2000	1999
			(Euros in millions)			
Interest rate contracts:						
Interest rate swaps	€ 21,525	€ 18,042	€	€	€ 5	€ (55)
In a receivable position			195	159		
In a payable position			(180)	(220)		
Interest rate caps, floors and options	5,364	5,420			(4)	(11)
Held			6	10		
Written			(6)	(15)		
Forward rate agreements	8,449	29,932			-	(10)
In a favorable position			10	27		
In an unfavorable position			(10)	(35)		
Financial futures	1,880	3,406			-	1
In a favorable position			1	5		
In an unfavorable position			(2)	(3)		
Other interest rate derivatives	53	44	-	-	-	-
Foreign exchange contracts:						
Currency options	4,714	4,430	259	(18)	136	39
Forward FX contracts	16,300	2,640	(38)	3	(24)	2
Currency swaps	66	-	-	-	-	-
Equity derivatives	40	48	-	(2)	-	1

[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.

Details of debt securities held for trading purposes are outlined in note 24 to the financial statements.

The Group's credit exposure at December 31, 2000 and 1999 from derivatives held for trading purposes is represented by the fair value of instruments with a positive fair value as set out above. 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 minimized by dealing with counterparties of good credit standing. All trading instruments are subject to market risk. As the traded instruments are recognized 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 of Directors 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.

Net trading income

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

	Years ended December 31,		
	2000	1999	1998
	(Euros in millions)		
Foreign currency contracts	€ 69	€ 30	€ 52
Profits less losses from securities held for trading purposes	42	28	8
Interest rate contracts	(8)	16	9
Total[1]	€ 103	€ 74	€ 69

[1] Included as the caption of dealing profits in the Consolidated Statement of Income.

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, 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 unrealized depreciation or appreciation of the hedged items. This means that separate disclosure of market risk on derivatives used for hedging purposes is not meaningful.

The Group's use of derivatives as hedges is detailed on page 63 of Item 11 - Quantitative and qualitative information about market risk – "The use of off-balance sheet financial instruments by the Group" and represents the type of activities undertaken by the Group, the related risks associated with such activity and provides details of the types of derivatives used in managing such risks.

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 following tables on pages 127 and 128 present the notional and fair value amounts, weighted average maturity and weighted average receive and pay rates for the instruments held for risk management purposes entered into by the Group at December 31, 2000 and 1999.

	Notional amount		Weighted average maturity in years		Weighted average rate: Receive		Weighted average rate: Pay		Estimated fair value	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
	(Euros in millions)				%	%	%	%	(Euros in millions)	
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)
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)

	Notional amount 2000	Notional amount 1999	Weighted average maturity in years 2000	Weighted average maturity in years 1999	Weighted average rate Receive 2000	Receive 1999	Pay 2000	Pay 1999	Estimated fair value 2000	Estimated fair value 1999
	(Euros in millions)				%	%	%	%	(Euros in millions)	
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 at December 31, 2000 was €162 million (1999: €57 million).

Reconciliation of movements in notional amounts of interest rate instruments held for risk management purposes

	Interest rate swaps	FRAs Deposits	FRAs Loans
	(Euros in millions)		
At December 31, 1998	€ 32,402	€ 7,054	€ 5,921
Additions	26,195	14,623	14,408
Maturities/amortizations	(15,380)	(18,043)	(16,166)
Cancellations	(1,176)	-	-
Exchange adjustments	393	276	400
At December 31, 1999	€ 42,434	€ 3,910	€ 4,563
Additions	22,740	2,555	2,028
Maturities/amortizations	(14,068)	(3,933)	(4,415)
Cancellations	(815)	-	-
Exchange adjustments	340	(7)	11
At December 31, 2000	€ 50,631	€ 2,525	€ 2,187

Non-trading derivative deferred balances

Set out hereunder are deferred balances relating to settled transactions. These balances will be released to the Consolidated Statement of Income in the same periods as the income and expense flows from the underlying transactions.

At December 31, 2000 the Group had deferred income of €73 million (1999: €84 million) and deferred expense of €88 million (1999: €80 million) relating to non-trading derivatives. At December 31, 2000 €38 million (1999: €41 million) of deferred income and €41 million (1999: €40 million) of deferred expense is expected to be released to the statement of income in 2001. During the year ended December 31, 2000 net deferred income in relation to previous years of €1 million was released to the statement of income.

	2001	2002	2003	2004	2005	After 2005	Total
	(Euros in thousands)						
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 deferred balances on page 128 have related unrealized 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 December 31, 2000 the Group had deferred income of €26 million (1999: €50 million) relating to debt securities held for hedging purposes of which €15 million (1999: €12 million) is expected to be released to the statement of income in 2001. During the year ended December 31, 2000 deferred income in relation to previous years of €12 million was released to the statement of income.

Unrecognized gains and losses on derivatives hedges

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

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

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

The disclosure of the fair value of financial instruments as required by FRS13 is provided in note 49 on pages 149 and 150.

43. COMMITMENTS

Capital expenditure

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

Operating lease rentals

The Group occupies various properties under lease arrangements, virtually all of which are operating leases. Rental expense in respect of property and equipment held under non-cancelable operating leases is outlined in note 10 to the financial statements.

At December 31, 2000 the Group had annual commitments under non-cancelable operating leases as set out below.

	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
				(Euros in millions)			
Property	3	3	2	2	2	35	47
Equipment	-	-	1	-	-	-	1
	3	3	3	2	2	35	48

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

Obligations under finance leases

At December 31, 2000 and 1999 the Group had total commitments under finance leases amounting to €2 million and €3 million respectively.

44. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS

Information relating to Directors' remuneration and interests is included in Items 6 and 7 of this Report on pages 40 to 48.

45. CURRENCY INFORMATION

	Assets		**Liabilities**	
	2000	**1999**	**2000**	**1999**
	(Euros in millions)		**(Euros in millions)**	
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

46. REPORTING CURRENCY

The currency used in these financial statements is the euro which is denoted by "EUR" or the symbol €. The euro was introduced on January 1, 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 December 31, 2001. The Irish pound joined the euro 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 financial statements.

47. CAPITAL ADEQUACY INFORMATION

	December 31,	
	2000	**1999**
	(Euros in millions)	
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
	€ 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

48. 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 minimize the risk associated with the AIB investment portfolio. The market value of such securities was €16,661 million. Gross unrealized gains were €105 million and gross unrealized losses were €89 million at December 31, 2000. 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 amortized 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.

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 market value of such securities was €13,318 million. Gross unrealized gains were €45 million and gross unrealized losses were €253 million at December 31, 1999. 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 amortized 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.

The following table sets forth the amortized cost and market value of the available-for-sale investment portfolio owned by the Group at December 31, 2000 and 1999.

	December 31, 2000		December 31, 1999	
	Amortized cost	Market value[1]	Amortized cost	Market value[1]
	(Euros in millions)			
Irish Government	€ 1,279	€ 1,246	€ 1,792	€ 1,724
Other European Government	3,367	3,399	3,797	3,811
US Treasury & US Government agencies	183	185	361	354
Mortgage-backed obligations of federal agencies	2,201	2,179	1,991	1,887
Collateralized mortgage obligations [2]	2,297	2,294	1,928	1,911
US State & Municipal bonds	538	551	470	459
Other asset backed securities	724	722	503	496
Other securities	6,056	6,085	2,684	2,676
Total	€ 16,645	€ 16,661	€ 13,526	€ 13,318

[1] Under US GAAP the book value of debt securities classified as available-for-sale equates to market value.
[2] At December 31, 2000 and 1999, €1,503 million and €1,481 million of the amortized cost of CMO's, respectively, were issues of the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.

The following table shows the maturity distribution of the available-for-sale investment portfolio of the Group at December 31, 2000 based upon amortized cost.

	December 31, 2000				
	Maturing				
	In one year or less	After one year through 5 years	After five years through 10 years	After 10 years	Total
			(Euros in millions)		
Irish Government	€ 419	€ 583	€ 205	€ 72	€ 1,279
Other European Government	1,073	2,068	55	171	3,367
US Treasury and US Government agencies	138	18	27	-	183
Mortgage-backed obligations of federal agencies[(1)]	274	874	730	323	2,201
Collateralized mortgage obligations[(1)]	408	758	162	969	2,297
US State & Municipal bonds.	52	114	32	340	538
Other asset backed securities	139	570	13	2	724
Other securities	1,198	3,919	799	140	6,056
Total	€ 3,701	€ 8,904	€ 2,023	€ 2,017	€ 16,645

[(1)] The maturity distribution is based upon long-term cash flow estimates for each security type and coupon rate.

The following table shows the book value of AIB Group's debt securities at December 31, 2000, 1999 and 1998.

	December 31,		
	2000	1999	1998
	(Euros in millions)		
Irish Government	€ 1,538	€ 1,842	€ 1,687
Other European Government	4,147	3,956	2,746
US Treasury and US Government agencies	77	362	239
Mortgage - backed obligations of federal agencies	2,195	1,991	2,217
Collateralized mortgage obligations [(1)]	2,938	2,497	2,108
US State and Municipal bonds	538	470	390
Other asset backed securities	1,145	522	384
Other securities [(2)]	6,408	3,468	2,365
Total	€ 18,986	€ 15,108	€ 12,136

(1) At December 31, 2000, €1,691 million of CMO's were issues of the Federal Home Loan Mortgage Corporation and of the Federal National Mortgage Association (1999: €1,528 million; 1998: €930 million).

(2) Other securities included certificates of deposit issued by financial institutions totaling €378 million at December 31, 2000 (1999: €273 million; 1998: €256 million), and quoted securities comprising Eurobonds issued by banks and large corporations totaling €5,174 million at December 31, 2000 (1999: €2,596 million; 1998: €1,937 million).

The market value of AIB Group's Irish Government securities at December 31, 2000 was €1,506 million (1999: €1,775 million; 1998: €1,756 million).

The following table categorizes AIB Group's debt securities (excluding €2,341 million of trading securities) by maturity and weighted average yield at December 31, 2000.

	December 31, 2000							
	Within 1 year		After 1 but within 5 years		After 5 but within 10 years		After 10 years	
	Euros	Yield %	*Euros*	Yield %	*Euros*	Yield %	*Euros*	Yield %
	(Euros in millions)							
Irish Government	€ 419	6.8	€ 583	3.5	€ 205	5.1	€ 72	4.6
Other European Government	1,073	5.3	2,068	6.5	55	10.6	171	5.7
US Treasury and US Government agencies	138	5.3	18	6.7	27	3.5	-	-
Mortgage-backed obligations of federal agencies	274	6.1	874	6.1	730	6.0	323	6.0
Collateralized mortgage obligations	408	6.5	758	6.9	162	6.5	969	6.6
US State and Municipal bonds	52	8.3	114	7.1	32	7.5	340	7.9
Other asset backed securities	139	6.9	570	6.6	13	6.9	2	6.9
Other securities	1,198	8.3	3,919	6.2	799	7.4	140	6.8
Total book value	€ 3,701	6.7	€ 8,904	6.2	€ 2,023	6.6	€ 2,017	6.6
Total market value	€ 3,691		€ 8,926		€ 2,020		€ 2,024	

The weighted average yield for each range of maturities is calculated by dividing the annual interest prevailing at the balance sheet date by the book value of securities held at that date.

Investment securities sales

In the available-for-sale portfolio, proceeds from sales of debt securities during the years ended December 31, 2000 and 1999 amounted to €7 billion and €16 billion, respectively. Gross realized gains and losses arising on the sale of these debt securities were as follows:

	Years ended December 31,	
	2000	1999
	(Euros in millions)	
Gross realized gains	€ 4	€ 79
Gross realized losses	(14)	(11)
	€ (10)	€ 68

There were no investment securities classified as held-to-maturity during the years ended December 31, 2000 and 1999. The cost of securities sold by the Group is determined using both the portfolio method of average cost and the specific identification method.

Equity securities

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. Gross unrealized gains were €13 million and gross unrealized losses were €19 million at December 31, 2000.

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. Gross unrealized gains were €13 million and gross unrealized losses were €3 million at December 31, 1999.

Equity securities sales

In the "available-for-sale" portfolio, proceeds from sales of equity securities during the years ended December 31, 2000 and 1999 amounted to €72 million and €71 million, respectively. Gross realized gains arising on the sale of these equity securities were €23 million in December 2000 (1999: €8 million) and gross realized losses arising on the sale of these equity securities were €2 million in December 2000. There were no realized losses on sale of "available-for-sale" equity securities in December 1999.

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 disposals of these debt securities are deferred and amortized to the statement of income over the lives of the underlying transactions.

Under US GAAP, profits and losses on disposal of debt securities are recognized immediately in the statement of income.

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.

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 81.

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.

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 realized.

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

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

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 capitalized and amortized 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 amortized 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.

Income on disposal of US credit card business

Under IR GAAP, the income on disposal of the US credit card business was reflected in the statement of income 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 income was not recognized under US GAAP in the income statement for the year ended December 31, 1997.

Under US GAAP the profit was recognized 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 amortized 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.

Dividends on preference shares

In accordance with Irish accounting principles, AIB records dividends on preference shares in the statement of income 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.

Securitized assets

Under Irish accounting principles, there are three alternative approaches to accounting for securitizations: continued recognition, linked presentation and derecognition, depending on the terms of the securitizations. The AIB securitized assets qualify for the linked presentation method as the Group has retained significant rights to benefits and the Group's maximum loss is limited to a fixed monetary amount. Under this method only the net amount at risk is consolidated. However, on the face of the Group balance sheet, the related gross amounts are disclosed.

Under accounting principles generally accepted in the US, only the net contingent liability is accrued. This difference affects total assets and liabilities under US GAAP but does not affect net income or shareholders' equity.

Acceptances

Under Irish accounting principles 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".

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 expenses incurred in respect of software for internal use can be capitalized and amortized. All other costs are expensed.

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

Pensions

Under Irish accounting principles, 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 disclosure requirements of SFAS No. 87 have been amended by SFAS No. 132 "Employers Disclosures about Pensions and Other Post-Retirement Benefits".

The Group has applied SFAS No. 87 and SFAS No.132 in preparing its US GAAP information.

The impact of this pronouncement has been included in the US GAAP reconciliation in respect of the main AIB pension plan. This plan makes up over 90% of AIB Group's plans in terms of assets and actuarial liabilities.

The components of total pension expense for the main AIB pension plan which arise under SFAS No. 87 are estimated to be as follows:

	Years ended December 31,		
	2000	1999	1998
		(Euros in millions)	
Service cost	€ 56.3	€ 53.7	€ 51.2
Interest cost	114.1	103.5	99.8
Actual return on plan assets	(16.7)	(501.8)	(365.9)
Other components	(219.8)	310.3	218.5
	€ (66.1)	€ (34.3)	€ 3.6

An expected rate of return of 7.5% on plan assets was used in determining the net periodic pension cost for the year ended December 31, 2000 (1999 and 1998: 7.5%).

Actuarial assumptions used in determining the projected benefit obligation at December 31, 2000 included a discount rate of 6% (1999 and 1998: 6%), and an increase in future compensation expense of 3.5% (1999 and 1998: 3.5%).

The following is a reconciliation of the beginning and ending balances of the benefit obligation, the fair value of the plan assets and an analysis of the funded status of the plans for the years ended December 31, 2000 and 1999.

	December 31,	
	2000	1999
Change in benefit obligation	(Euros in millions)	
Benefit obligation at beginning of year	€ 1,546.3	€ 1,402.7
Service cost	56.3	53.7
Interest cost	114.1	103.5
Actuarial (loss)/gain	(0.9)	37.8
Benefits paid	(55.0)	(51.4)
Benefit obligation at end of year	€ 1,660.8	€ 1,546.3
Change in plan assets		
Fair value of plan assets at beginning of year	€ 2,710.3	€ 2,206.5
Employers contributions	46.5	53.4
Actual return on plan assets	14.3	501.8
Benefit payments	(55.0)	(51.4)
Fair value of plan assets at end of year	€ 2,716.1	€ 2,710.3

	December 31,	
	2000	1999
	(Euros in millions)	
Funded status	€ 1,054.7	€ 1,164.0
Unrecognized transition obligation	83.9	91.4
Unrecognized net gain	(819.8)	(1,041.7)
Unrecognized prior service credit	(92.6)	(100.1)
Prepaid pension cost	€ 226.2	€ 113.6

The unrecognized prior service credit arose during the nine months ended December 31, 1992 mainly as a result of changes in the terms of the plans, following the restructure of the main Irish and UK plans during 1991.

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. The disclosure requirements of SFAS No. 106 have been amended by SFAS No. 132 "Employers Disclosures about Pensions and Other Post-Retirement Benefits".

The Group has applied SFAS No. 106 and SFAS No. 132 in preparing its US GAAP information.

The following table shows the components of the net periodic post-retirement benefit cost for the years ended December 31, 2000, 1999 and 1998.

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
Service cost	€ 2.2	€ 2.2	€ 2.0
Interest cost	3.5	2.9	2.9
Amortization of unrecognized transition obligation	1.4	1.3	1.1
Amortization of prior service cost	(0.4)	(0.4)	(0.2)
Recognized net actuarial losses	(0.2)	-	0.1
	€ 6.5	€ 6.0	€ 5.9

The weighted average annual assumed rate of increase in the per capita cost of covered benefits is 6.5% for 2000 and is assumed to decrease gradually to 4.5% in the year 2002 and will remain at that level thereafter. Increasing or decreasing the assumed health care cost trend rates by one percentage point in each future year would have an immaterial impact on post-retirement benefits costs.

The following is a reconciliation of the beginning and ending balances of the benefit obligation and an analysis of the funded status and the amounts recognized in the Group's consolidated statement of condition.

	December 31, 2000	1999
Change in benefit obligation	(Euros in millions)	
Benefit obligation at beginning of year	€ 48.1	€ 45.4
Service cost	2.2	2.2
Interest cost	3.5	2.9
Amendments	(1.6)	0.1
Actuarial loss/(gain)	3.2	(4.0)
Benefits paid	(4.2)	(3.5)
Currency translation adjustments	2.6	5.0
Benefit obligation at end of year	€ 53.8	€ 48.1
Plan assets at fair value	-	-
Funded status	€ (53.8)	€ (48.1)
Unrecognized transition obligation	19.1	19.2
Unrecognized prior service cost	(4.1)	(4.2)
Unrecognized net gain	(3.5)	(4.7)
Accrued post-retirement benefit cost	€ (42.3)	€ (37.8)

The assumptions used in developing the present value of the post-retirement benefit obligation are as follows:

	Years ended December 31,		
	2000	1999	1998
Weighted average discount rate	7.75%	8.25%	7.00%
Rate of increase in health care costs - initial	6.50%	7.50%	8.50%
Rate of increase in health care costs - ultimate	4.50%	4.50%	4.50%

Stock Compensation Plans

At December 31, 2000 the Group had four stock based compensation plans as outlined below. AIB has accounted for its stock based compensation plan under the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations. Statement of Financial Accounting Standards 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), allows a company to recognize stock-based compensation using a fair-value based method of accounting if it so elects. AIB has elected not to adopt the recognition provisions of SFAS 123. The compensation cost charged against income for the Group's performance based plans for the years ended December 31, 2000, 1999 and 1998 was €15 million, €18 million and €11 million respectively.

For the purposes of providing the pro forma disclosures required under SFAS 123, the fair values of stock options granted were estimated at the date of the grants using a Black-Scholes option pricing model. The pro forma net income of AIB Group that would have been recognized in the consolidated statements of income if the fair value method of accounting for stock options had been used is US$687 million, US$682 million and US$647 million, respectively for the years ended December 31, 2000, 1999 and 1998.

Executive share option plan

The Company operates a share option plan on terms approved by the shareholders. Under the terms of the plan, key executives and other persons may participate in the plan at the discretion of the Directors. Options are granted at the market price, being the middle market quotation of AIB's shares on the Irish Stock Exchange on the day preceding the date on which the option is granted. The exercise of options granted since January 1, 1996 is conditional upon earnings per share showing growth of at least 2% per annum compound above the increase in the Irish 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. Non-executive directors do not participate in the executive share option plan.

The following table summarizes the number of options outstanding and weighted average exercise prices at December 31, 2000, 1999 and 1998.

	December 31,		
	2000	1999	1998
Number of options outstanding	29,379,228	19,973,976	14,778,476
Weighted average exercise price	€ 9.95	€ 9.37	€ 6.05

The following table summarizes the number of options outstanding at December 31, 2000.

Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price
€3.32 - €3.69	2,375,728	1.1 years	€3.39
€4.19 - €7.61	5,811,000	3 years	€5.28
€10.02 - €12.20	14,686,500	5.9 years	€10.42
€14.05 - €15.46	6,506,000	5.4 years	€15.45
	29,379,228		

The following table summarizes the number of exercisable options outstanding at December 31, 2000.

	December 31, 2000
Number of options exercisable[1]	8,186,728
Weighted average price	€ 4.73

[1]At prices ranging from €3.32 to €7.61.

The following table summarizes option activity during 2000, 1999 and 1998.

	December 31, 2000		December 31, 1999		December 31, 1998	
	Number outstanding '000	Weighted average exercise price	Number outstanding '000	Weighted average exercise price	Number outstanding '000	Weighted average exercise price
Outstanding at beginning of year	19,974.0	€ 9.37	14,778.5	€ 6.05	13,363.1	€ 4.25
Granted	11,668.7	10.02	6,634.0	15.45	3,202.0	11.91
Exercised	(1,951.3)	4.84	(1,438.5)	3.40	(1,786.6)	3.03
Forfeited	(312.2)	12.55	-	-	-	-
Outstanding at end of year	29,379.2	€ 9.95	19,974.0	€ 9.37	14,778.5	€ 6.05

During the year ended December 31, 2000, 11,668,700 options were granted at a price of €10.02 per ordinary share, the market price on the day preceeding the date on which the options were granted, and are exercisable between May 5, 2003 and May 5, 2007. The fair value of these options was estimated using the Black-Scholes option pricing model to be €4.90 per option.

Employee profit sharing plans

AIB operates employee profit sharing plans on terms approved by the shareholders. All permanent employees, including executive directors, of the Bank 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 plans, the Directors at their discretion may set aside each year, for allocation to the trustees of the plans, a sum not exceeding 5% of eligible income before taxes, of participating companies in Ireland and 4% of such income in the United Kingdom.

Employees may elect to receive their profit sharing allocations either in cash or in ordinary shares. The maximum market value of shares that may be appropriated to any one employee in a year shall not exceed €12,697 (IR£10,000) in Ireland or Stg£8,000 in the United Kingdom. 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. Costs relating to the purchase of shares under the employee profit sharing plans are charged to the statement of income when incurred.

Employees in 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 share and the salary foregone option, may not exceed €12,697 (IR£10,000).

In 1999 the Bank introduced a Save As You Earn Share Option Plan for eligible employees in the United Kingdom. Under the plan 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 utilize amounts so saved in the acquisition of market-purchased shares in the company.

Allfirst 1989 Long-Term Incentive Plan and Trust

Allfirst's 1989 Long-Term Incentive Plan and Trust (the "1989 Plan") provides for the award to key employees who contribute to the continued growth, development and financial success of Allfirst of up to 7 million €0.32 ordinary shares of AIB and 200,000 Non-Cumulative Preference Share ADSs of AIB ("Preferred Stock") (together the "Restricted Stock"). Awards are made to participants, without payment of consideration by the participant, in the form of Restricted Stock purchased by Allfirst in the open market and are held in trust under the 1989 Plan until the expiration of the relevant restriction period. Awards aggregating the equivalent of 85,000 ordinary shares were made during 2000. Costs relating to this plan are charged to statement of income over the period under which the shares will vest. Expenses relative to this plan totaled US$702,000, US$827,000 and US$602,000 in 2000, 1999 and 1998, respectively. The awards are subject to a restriction period of at least three years.

Allfirst 1997 and 1999 Stock Option Plans

Allfirst's 1997 and 1999 Stock Option Plans provide for the grant to key employees of options to acquire AIB ADSs. The options are granted at no less than the fair market value of the ADSs at the date of the grant. Options granted in 2000, 1999 and 1998 with the exception of options granted under the Allfirst Shares Plan vest one half in 24 months and one half in 36 months from the grant date and must be exercised within 10 years of the grant date or they will expire. Options granted on December 29, 1997 vested six months from the grant date and must be exercised within seven years of the grant date or they will expire. During 1999, Allfirst implemented an employee stock option program called Allfirst Shares which is part of the 1997 Stock Option Plan. Each full and part-time employee who was eligible for employee benefits and was employed by the Company as of May 4, 1999 received an option to purchase up to 100 AIB ADSs. The options may be exercised: (i) any time after May 4, 2002 and before May 4, 2004, as long as the closing price of AIB ADSs has equaled or exceeded 150% of the exercise price for five consecutive days at any time after the grant date; or (ii) any time after May 4, 2004, regardless of the price of the ADSs. The options must be exercised within 10 years or they will expire.

Allfirst and an independent trustee created a trust, which acquired AIB ADSs in the open market with the proceeds of a loan from Allfirst. Proceeds from option exercises and any dividends and other earnings on the trust assets will be used to repay the loan to the trust. Option holders have no preferential rights with respect to the trust assets, and the trust assets are subject to the claims of Allfirst's general creditors in the event of insolvency. AIB will not issue any securities in connection with the 1997 or 1999 Stock Option Plan, will not receive any proceeds from the exercise of the options, and otherwise has no rights or obligations with respect to the Stock Option Plans.

The following summarizes option activity during 2000, 1999 and 1998.

	December 31, 2000		December 31, 1999		December 31, 1998	
	Number outstanding[1] '000	Weighted average exercise price	Number outstanding[1] '000	Weighted average exercise price	Number outstanding[1] '000	Weighted average exercise price
Outstanding at beginning of year	4,281.7	$ 25.23	2,979.3	$ 22.31	1,902.9	$ 18.67
Granted	2,391.7	18.56	2,174.3	28.05	1,372.8	26.57
Exercised	(19.5)	18.67	(519.5)	18.67	(296.4)	18.67
Forfeited	(205.7)	27.76	(352.4)	27.68	-	-
Outstanding at end of year	6,448.2	$ 22.69	4,281.7	$ 25.23	2,979.3	$ 22.31

[1] Represent number of AIB ADSs.

The following table summarizes information about fixed options outstanding at December 31, 2000:

	Options outstanding			Options exercisable	
	Number outstanding at 12/31/00 '000	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 12/31/00 '000	Weighted average exercise price
	1,042.0	4.0 years	$18.67	1,042.0	$18.67
	1,033.0	7.8 years	26.42	516.6	26.42
	75.0	7.8 years	29.29	37.5	29.29
	76.2	8.1 years	34.04	-	-
	479.6	8.3 years	31.67	-	-
	1,353.1	8.6 years	26.05	-	-
	1,624.2	9.6 years	17.72	-	-
	120.0	9.7 years	18.55	-	-
	555.1	9.8 years	20.50	-	-
	90.0	9.9 years	21.75	-	-
Total	6,448.2	8.1 years	$22.69	1,596.1	$21.43

For purposes of providing the pro-forma disclosures required under SFAS No. 123, the fair values of stock options granted in 2000 and 1999, were estimated at the date of the grants using a Black-Scholes option pricing model.

The Black-Scholes option pricing model was originally developed for use in estimating the fair value of traded options which have different characteristics from the Allfirst's employee stock options. The model is also sensitive to changes in the subjective assumptions which can materially affect the fair value estimate. As a result, management believes that the Black-Scholes model may not necessarily provide a reliable single measure of the fair value of employee stock options.

The following table details the weighted average assumptions used and the resulting fair values provided by the option pricing model:

Grant date	**Expected future dividend yield**	**Volatility factor**	**Risk free interest rate**	**Expected life**	**Fair value per share of options granted**
12/29/97	4.53%	0.2200	5.77%	7 years	$3.52
10/9/98 & 10/22/98	4.03%	0.2600	4.70%	10 years	$5.89
2/9/99	3.06%	0.2950	5.01%	10 years	$10.47
5/4/99	2.96%	0.3036	5.38%	5.5 years	$8.73
8/10/99	2.67%	0.3254	5.87%	5.5 years	$8.03
8/14/00	2.61%	0.3399	6.24%	5.5 years	$5.81
9/20/00	2.81%	0.3869	5.94%	5.5 years	$6.44
11/3/00	2.84%	0.3874	5.78%	5.5 years	$7.06
11/24/00	2.85%	0.3866	5.41%	5.5 years	$7.35

Impaired loans

The Group adopted the provisions of Statements of Financial Accounting Standards (SFAS) No. 114 and 118, "Accounting by Creditors for Impairment of a Loan" on January 1, 1995. SFAS No. 114 and 118 apply to loans for which it is probable that the creditor will not collect all principal and interest payments according to the loan's contractual terms. The impairment of a loan is measured at the present value of expected future cash flows using the loan's effective interest rate, or a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. A valuation allowance is recorded if the measured value of the impaired loan is less than its recorded investment (outstanding principal balance, accrued interest receivable, net deferred loan fees or costs and unamortized premium or discount). The valuation allowances for impaired loans are included in the allowance for credit losses through changes in the provision for credit losses.

Loans to be considered for evaluation of collectibility under SFAS No. 114 and 118 include loans classified as doubtful, certain substandard loans, certain non-accrual loans and any other loans for which collection of all principal and interest payments under the contractual terms is not considered probable. A loan would not be considered impaired during a period of “minimum delay” in payment, regardless of the amount of shortfall, if the ultimate collectibility of all amounts due is expected. The Group defines “minimum delay” as past due less than 90 days.

Impaired loans do not include large groups of smaller balance, homogeneous loans such as residential mortgages, retail loans and bankcard loans that are evaluated collectively for impairment, leases and loans measured at fair value or lower of cost or fair value. Reserves for probable future credit losses related to these loans are included in the allowance for credit losses applicable to other than impaired loans. The Group’s charge off policy for impaired loans is consistent with its policy for loan charge offs to the allowance. Impaired loans are charged off when an impaired loan, or portion thereof, is considered uncollectible. Interest income received on impaired loans is recorded on a cash basis, which is consistent with the Group’s method of interest recognition on non-accrual loans.

At December 31, 2000 and 1999, the Group estimated that the difference between the carrying value of its loan portfolio on the basis of SFAS No. 114 and 118 and its value in the Group’s accounts was such that no adjustment to net income or consolidated ordinary stockholders’ equity was required.

At December 31, 2000, the Group’s net investment in impaired loans amounts to €772 million (1999: €662 million). €680 million (1999: €593 million) of this net investment included specific provisions of €408 million (1999: €342 million). The average level of such impaired lendings during 2000 was approximately €717 million (1999: €653 million). Interest income recognized on impaired loans during the year ended December 31, 2000 amounted to €32 million (1999: €11 million).

Cash flow statements

The consolidated cash flow statements on page 86 have been completed in accordance with the revised Financial Reporting Standard 1 (FRS 1) which was issued by the United Kingdom Accounting Standards Board in October 1996. FRS 1 is similar to SFAS No. 95, statement of cash flows, in some respects. The principal differences between the standards relate both to the definition of cash and the classification of certain transactions.

Definition of cash under FRS 1

FRS 1 defines “cash” as cash in hand and deposits repayable on demand with any bank or other financial institution.

Definition of cash under SFAS No. 95

Under SFAS No. 95, “cash” includes cash and cash equivalents and is defined as cash in hand and deposits repayable on demand with any bank or financial institution, together with short-term liquid investments which are readily convertible into known amounts of cash without notice and which are within three months of maturity when acquired.

	Classification under	
	FRS 1	**SFAS 95**
Non-equity dividends paid	Returns on investments and servicing of finance	Financing activities
Equity dividends paid........................	Equity dividends paid	Financing activities
Taxation paid	Taxation	Operating activities
Net movement in lendings to customers.....................................	Operating activities	Investing activities
Net change in finance lease balances receivable.......................	Operating activities	Investing activities
Net increase in deposits.....................	Operating activities	Financing activities
Net movement in current and deposit accounts and other short-term liabilities......................................	Operating activities	Financing activities

Future developments

The impact of recently issued accounting pronouncements is detailed in Item 8 – Financial information on pages 49 and 50 under "Prospective accounting changes".

Consolidated net income

	Years ended December 31, 2000	1999	1998
	(Euros in millions except per share amounts)		
Net income (Group profit attributable to the stockholders of AIB) as in the consolidated statement of income	€ 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)
Income on disposal of US credit card businesses	-	-	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		
Diluted income per American Depositary Share (ADS*) in accordance with US GAAP	€ 1.60	€ 1.57	€ 1.49
Equivalent to	US$ 1.49		
Year end exchange rate €/US$	0.9305		

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

Comprehensive income

	Years ended December 31, 2000	1999	1998
	(Euros in millions)		
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(1)	110	(237)	39
Currency translation adjustments	220	489	(121)
Comprehensive income	€ 1,042	€ 947	€ 575

(1)Net of tax effect of €62 million negative (1999: €123 million positive; 1998: €17 million negative).

Consolidated ordinary stockholders' equity	**December 31, 2000**	**1999**
	(Euros in millions except per share amounts)	
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 gains/(losses) not yet recognized 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	

Statement of changes in stockholders' equity	**December 31, 2000**	**1999**
	(Euros in millions)	
Opening balance	€ 4,465	€ 3,784
Net income for year	712	695
Ordinary dividends	(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)
Currency translation adjustments	220	489
Other movements	2	(1)
	€ 5,237	€ 4,465

Consolidated total assets

	December 31,	
	2000	1999
	(Euros in millions)	
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
Derivative hedging available-for-sale securities	(63)	(17)
Internal derivative trades	(10)	(3)
Own shares	(177)	(123)
Internal use computer software	11	-
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	

Consolidated total liabilities and ordinary stockholders' equity

	December 31,	
	2000	1999
	(Euros in millions)	
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 in accordance with US GAAP	€ 78,198	€ 65,942
Equivalent to	US$ 72,763	

Alternative presentation of consolidated statements of income

The Group's share of profits of Ark Life Assurance Company Limited (Ark Life) has been included under other operating income in the consolidated statements of income on page 82 and in note 9 on page 93. Under US GAAP, the income statement of Ark Life would be consolidated within the Group figures on a line by line basis.

The following summary consolidated statements of income illustrates this presentation.

	Years ended December 31,		
	2000	1999	1998
		(Euros in millions)	
Net interest income before exceptional item	€ 2,026	€ 1,771	€ 1,610
Deposit interest retention tax	(113)	-	-
Net interest income after exceptional item	1,913	1,771	1,610
Other income	1,300	1,051	979
Total operating income	3,213	2,822	2,589
Total expenses	2,083	1,710	1,576
Group operating income	1,130	1,112	1,013
Income from associated undertakings	3	3	4
Profit on disposal of property	5	2	32
Income on disposal of business	-	15	-
Income before taxes, preference dividends and minority interests	1,138	1,132	1,049
Applicable taxes	318	327	315
Impact of phased reduction in Irish corporation tax rates on deferred tax balances	-	-	55
	318	327	370
	820	805	679
Equity and non-equity minority interests	38	28	29
Preference dividends	20	16	17
	58	44	46
Net income	€ 762	€ 761	€ 633

Alternative presentation of consolidated balance sheet

The long-term assurance assets and liabilities of Ark Life have been classified under separate headings in the consolidated balance sheet (see basis of consolidation on page 78 and long-term assurance business on page 109 and note 30). Under US GAAP, the balance sheet of Ark Life would be consolidated with Group figures.

The following consolidated balance sheet illustrates this presentation.

	December 31, 2000	December 31, 1999
	(Euros in millions)	
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	297	718
Loans and advances to banks	5,147	4,610
Loans and advances to customers less allowance for loan losses	45,880	39,171
Securitized assets	166	125
Debt securities	19,165	15,261
Equity shares	1,386	1,006
Interests in associated undertakings	8	22
Intangible assets	466	468
Property and equipment	1,171	1,069
Own shares	177	123
Other assets	1,941	1,255
Prepayments and accrued income	1,835	1,195
TOTAL ASSETS	€ 79,693	€ 67,058
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits by banks	€ 12,478	€ 8,608
Customer accounts	48,437	42,335
Debt securities in issue	4,295	4,298
Other liabilities	5,225	4,049
Accruals and deferred income	1,665	1,294
Provisions for liabilities and charges	155	125
Deferred taxation	357	242
Subordinated liabilities	2,249	1,984
Minority equity and non-equity interests in consolidated subsidiaries	272	227
Preference share capital	264	245
Ordinary stockholders' equity	4,296	3,651
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	€ 79,693	€ 67,058

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" (SFAS No. 107), requires disclosure of the fair value of financial instruments (both on and off-balance sheet) for which it is practicable to estimate such value.

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 judgment and, therefore, cannot be determined with precision. There have been no changes in the estimation techniques underlying the calculations or the methodology used compared with December 1999. Changes in assumptions could significantly affect estimates. 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.

Intangible assets, such as the value of AIB Group's branch network and long-term relationships with its depositors and other customers are not considered by the FASB to constitute financial instruments for the purposes of SFAS No. 107. The Group, however, believes the value of such assets to be significant. Certain other assets and liabilities are likewise excluded from the scope of SFAS No. 107. Furthermore, the concept of fair value assumes realization of financial instruments by way of a sale. However in many cases a sale is unlikely, and the assets and liabilities will be held to maturity. Accordingly, the fair values calculated for the purposes of reporting under SFAS No. 107 do not represent the value of the Group as a going concern at December 31, 2000 and 1999.

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

	December 31, 2000		December 31, 1999	
	Carrying amount	Fair value	Carrying amount	Fair value
	(Euros in millions)			
Assets				
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	297	299	718	717
Loans and advances to banks	4,193	4,197	3,831	3,805
Loans and advances to customers[(2)]	43,434	43,745	36,945	37,118
Securitized assets[(1)]	166	166	125	125
Debt securities	18,986	19,002	15,108	14,900
Equity shares	412	406	297	307
Long-term assurance assets attributable to policyholders[(1)]	2,141	2,141	1,701	1,701
Liabilities				
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
Long-term assurance liabilities attributable to policyholders[(1)]	2,141	2,141	1,701	1,701
Off - balance sheet assets/(liabilities)				
Interest rate contracts	162	164	57	(89)
Foreign currency contracts	21	158	16	160
Equity contracts	-	(1)	-	-

(1) Within the scope of SFAS No. 107, the fair value of these financial instruments is equal to the carrying value. These instruments are either carried at market value, or have minimal credit losses and are either short-term in nature or reprice frequently.
(2) As required by SFAS No. 107, finance leases with carrying amount totaling €2,446 million and €2,226 million at December 31, 2000 and 1999, respectively, are excluded. The carrying values are net of the allowance for loan losses and related unearned income.

The following methods and assumptions were used by the Corporation in estimating the fair value for its financial instruments as defined by SFAS No. 107.

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

In accordance with SFAS No. 107, 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 41 of the notes to the accounts. 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 are detailed in note 42 of the accounts and include the fair value of these instruments.

Derivatives used for trading purposes are marked to market and are included in other assets on the consolidated balance sheet at December 31, 2000 and 1999. The carrying values of derivatives are included in other assets/other liabilities on the consolidated balance sheet as appropriate.

Shareholders' funds: non-equity interests

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

ALLIED IRISH BANKS, p.l.c.

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 recognized. To that end, there is a comprehensive range of matters specifically reserved for decision by the Board; at a high level this includes:

(i) determining the Company's strategic objectives and policies;
(ii) appointing the Chairman and Group Chief Executive;
(iii) monitoring progress towards achievement of the Company's objectives and compliance with its policies;
(iv) 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 December 31, 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 (i.e. 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 40 and 41.

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 familiarize Non-Executive Directors with the Group and its operations, and comprises principally a program 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 May 31, 2000), Mr Dermot Gleeson (from June 1, 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 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 December 31, 2000), Ms Carol Moffett, Chairman (from January 1, 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 41 to 47.

Relations with Shareholders

The Company recognizes 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 utilized; profit and dividend growth over the previous five 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 155.

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:

(i) a clearly defined management structure, with defined lines of authority and accountability;
(ii) 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 authorization limits; capital expenditure and investment procedures; physical and computer security; and business continuity planning;
(iii) 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;
(iv) 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;
(v) regular review by the Board of overall strategy, business plans, variances against operating and capital budgets and other performance data;
(vi) 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 55 to 64. 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 6 on page 93, 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 December 31, 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 December 31, 2000.

Compliance Statement

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

ALLIED IRISH BANKS, p.l.c.

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 78 to 150, 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.

ALLIED IRISH BANKS, p.l.c.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Allied Irish Banks, p.l.c. as set out on pages 78 to 150, all expressed in euros. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allied Irish Banks, p.l.c. at December 31, 2000 and 1999, and the results of its operations and its cashflows for the years ended December 31, 2000, 1999 and 1998, in conformity with generally accepted accounting principles in Ireland.

Accounting principles generally accepted in Ireland vary in certain material respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income expressed in euros for each of the three years in the period ended December 31, 2000 and the determination of consolidated ordinary stockholders' equity and statements of consolidated total assets and consolidated total liabilities and ordinary shareholders equity also expressed in euros at December 31, 2000 and 1999 to the extent summarized in note 48 to the consolidated financial statements.

PricewaterhouseCoopers
Chartered Accountants
Dublin, Ireland.

February 20, 2001

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant, Allied Irish Banks, p.l.c., certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 17th day of April, 2001.

ALLIED IRISH BANKS, p.l.c.
(Registrant)

By: GARY KENNEDY
Name: Gary Kennedy
Title: Group Financial Director