

AIB Mortgage Bank
Directors' Report and Financial Statements
Period Ended 31 December 2005

Registration No: 404926

AIB Mortgage Bank
Directors' Report and Financial Statements
Period ended 31 December 2005

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AIB Mortgage Bank
Directors' Report
For the period ended 31 December 2005

Directors' Report

The Directors present their first annual report and the audited financial statements for the period ended 31 December 2005.

1 Principal Activities, Business Review and Future Developments

The Bank was incorporated in Ireland under the Companies Acts, 1963 to 2005 on 11 July 2005 as a public limited company under the name AIB Mortgage Bank p.l.c. It was subsequently re-registered as a public unlimited company under the name AIB Mortgage Bank ("the Bank").

The Bank obtained an Irish banking licence under the Irish Central Bank Act, 1971 (as amended) and was registered as a designated mortgage credit institution under the Act on 8 February 2006. The Bank is regulated by the Irish Financial Services Regulatory Authority (IFSRA).

The Bank's principal purpose is to issue Mortgage Covered Securities for the purpose of financing loans secured on residential property or commercial property in accordance with the Asset Covered Securities Act 2001.

Such loans may be made directly by the Issuer or may be purchased from Allied Irish Banks, p.l.c. and other members of the group or third parties.

These are the Company's first financial statements and have been prepared in accordance with International Financial Reporting Standards. The Company did not trade up to the 31st December 2005.

On the 13th February 2006 the branch originated residential mortgage business of Allied Irish Banks, p.l.c was transferred to the Bank and the Bank commenced mortgage business operations.

In March 2006 the Bank launched a €15bn Mortgage Covered Securities Programme and the inaugural issue comprised of a €2.5 billion 3 year bond issued on the 5th April 2006 and a €1 billion 7 year bond issued on the 6th April 2006.

2 Accounting Records

The Directors believe that they have complied with the requirement of Section 202 of the Companies Act, 1990 with regard to books of account by engaging personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account are maintained at Allied Irish Banks, p.l.c Bankcentre, Ballsbridge, Dublin 4.

3 Directors and Secretary

The Directors and Secretary of the Company at 31 December 2005 were:

Directors

Mr. David Griffin

Mr. Aidan Clarke

Secretary

Mr. John Burns

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Directors' Report
For the period ended 31 December 2005 (continued)

Since that date, the composition of the Board changed as follows:

Mr. A. Clarke resigned as a director on the 20th January 2006.

Mr. S. Cresswell was appointed a Director on the 20th January 2006

Mr. K. Crowley was appointed a Director on the 20th January 2006

Mr. M. Keegan was appointed a Director on the 20th January 2006.

Mr. D. Kelly was appointed a Director on the 20th January 2006.

Mr. D. Mc Sweeney was appointed a Director and Deputy Chairman on the 20th January 2006.

Mr. G. O'Connor was appointed a Director on the 20th January 2006.

Mr. J. O'Donnell was appointed a Director and Chairman on the 20th January 2006.

Ms. J. Winter was appointed a Director on the 20th January 2006.

In accordance with the articles of association the Directors do not retire by rotation.

4 Directors, Secretary and their interests.

The interests of the Directors and Secretary of the Company in shares of Allied Irish Banks, p.l.c., the ultimate holding Company are set out below.

| | Ordinary Shares of €0.32 each | | Ordinary Shares of €0.32 each | |
|-------------------|--------------------------------------|----------------|--------------------------------------|----------------|
| | 31/12/2005 | | 11/07/2005 | |
| | Shares | Options | Shares | Options |
| Directors | | | | |
| Mr. David Griffin | 5,460 | 22,500 | 7,960 | 32,500 |
| Mr. Aidan Clarke | 25,624 | 22,100 | 25,624 | 22,100 |
| Secretary | | | | |
| Mr. John Burns | 1,404 | 5,500 | 1,723 | 5,500 |

5 Post Balance Sheet Events

No significant events, other than the launch of the Mortgage Covered Securities Programme and the inaugural issue referred to under 1 above, have occurred in the period subsequent to the commencement of trading on the 13th February 2006 and the date of approving the financial statements.

6 Principal Risks and Uncertainties

During the period the Company did not trade and hence the Directors are satisfied that there were no principal risks and uncertainties facing the Company. The Directors will ensure that there is adequate management and monitoring of the risks arising from the activities of the Company as it commences to trade in 2006.

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Directors' Report
For the period ended 31 December 2005 (continued)

7 Auditors

The auditors, KPMG Chartered Accountants, were appointed on 11 July 2005. The auditors have indicated that they will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

ON BEHALF OF THE BOARD

Director: David J. Kelly

Director: Michael L. Keegan

Date: 8 September 2006

AIB Mortgage Bank
Statement of Directors' Responsibilities

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Company; the Companies Acts 1963 to 2005 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2005. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2005.

ON BEHALF OF THE BOARD

Director: David J. Kelly

Director: Michael L. Keegan

Date: 8 September 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIB MORTGAGE BANK

We have audited the financial statements of AIB Mortgage Bank for the period ended 31 December 2005 which comprise of the Income Statement, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Directors' report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRS as adopted by the EU and have been properly prepared in accordance with the Companies Acts 1963 to 2005. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIB MORTGAGE BANK (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2005 and of its result for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2005 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG
Chartered Accountants
Registered Auditor

8 September 2006

AIB Mortgage Bank
Income Statement
For The Period Ended 31 December 2005

The Company did not trade during the period from its incorporation on 11th July 2005 up to 31st December 2005 and received no income and incurred no expenditure. Consequently, during the period the Company made neither a profit nor a loss. The opening and closing balances in the cumulative profit and loss account accordingly remain at €Nil.

The Company had no other recognised gains and losses nor any cash flow during the period and accordingly no Statement of Recognised Income and Expenses or Cash flow Statement is presented.

Director: David J. Kelly

Director: Michael L. Keegan

AIB Mortgage Bank
Balance Sheet - 31 December 2005

| | Notes | 31 December 2005 €000 |
|-----------------------------|-------|-----------------------------|
| Loans and receivables | 4 | <u>40</u> |
| Total current assets | | <u>40</u> |
| Total assets | | <u>40</u> |
| Equity | | |
| Issued capital | 5 | 40 |
| Capital reserves | | - |
| Retained earnings | | <u>-</u> |
| Total equity | | <u>40</u> |

Director: David J. Kelly

Director: Michael L. Keegan

AIB Mortgage Bank

Notes to the Financial Statements - 31 December 2005

Significant accounting policies

AIB Mortgage Bank is a Company domiciled in Ireland.

1 Statement of compliance

The financial statements have been presented in accordance with International Accounting Standards and International Financial Reporting Standards (collectively 'IFRS') as adopted by the EU and applicable at 31 December 2005. The financial statements also comply with the requirements of Irish Statute comprising the Companies Acts 1963 to 2005.

2 Statement of accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost basis.

The accounting policies have been applied consistently during the period presented in these financial statements.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They arise when the Company provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs, and are subsequently carried on an amortised cost basis.

c) Share Capital

Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Company.

3 Profit before taxation

The Company has not traded during the period. It has made neither profit nor loss and all expenses incurred by the Company, including remuneration of the auditors and Directors have been borne by the Parent Company.

4 Loans and receivables

| | 31 December |
|---|--------------------|
| | 2005 |
| | € |
| Loans and receivables with Parent Company | <u>40,000</u> |

Loans and receivables with Parent Company are repayable on demand and are non-interest earning.

AIB Mortgage Bank

Notes to the Financial Statements - 31 December 2005 (continued)

5 Issued Capital

| | 31 December 2005 € |
|---|--------------------------|
| Authorised: | |
| 1,000,000,000 ordinary shares of €1.00 each | <u>1,000,000,000</u> |
| Allotted and fully paid: | |
| 40,000 ordinary shares of €1.00 each | <u>40,000</u> |

6 Reporting Currency

The currency used in these Financial Statements is the euro, which is denoted by the symbol €

7 Ultimate parent company

The company is a wholly owned subsidiary of Allied Irish Banks, p.l.c. the ultimate parent company. The smallest group and largest group in which these financial statements are consolidated are those headed by Allied Irish Banks, p.l.c., respectively (both of which are incorporated in Ireland). Copies of the financial statements of Allied Irish Banks, p.l.c., are available from the Secretary, Allied Irish Banks, p.l.c., Bankcentre, Ballsbridge, Dublin 4.

8 Related parties

The Company has related party relationships with other AIB Group entities. The details of transactions with other AIB Group entities are disclosed in Notes 3 and 4 to the Accounts.

9 Transactions with Directors

At 31 December 2005, the aggregate amounts outstanding for persons who, at any time during the financial period ending on that date, were Directors in relation to transactions, arrangements and agreements with the Company and/or its subsidiaries within the meaning of paragraph 43(1)(a) of the Companies Act, 1990 was €NIL. On the same date, the aggregate amounts outstanding for persons who at any time during the period ending on that date were connected with Directors in relation to transactions, arrangements and agreements with the Company and/or its Subsidiaries within paragraph 43 (1)(a) of the said Act, but subject to paragraph 43 (6)(b) of the Act, was €NIL.

10 Approval of Financial Statements

The Financial Statements were approved by the Board of Directors on 8 September 2006.