

# Irish Life & Permanent

## PCAR PLAR Announcement - 31 March 2011

# Forward looking statement

PAGE

2

A number of statements we make in our presentation and in the accompanying slides will not be based on historical fact, but will be “forward-looking” statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected in the forward looking statements. Factors that could cause actual results to differ materially from those in the forward looking statements include, but are not limited to, global, national and regional economic conditions, levels of market interest rates, credit or other risks of lending and investment activities, competitive and regulatory factors and technology change.

Irish Life & Permanent undertakes no obligation to update the forward-looking statements contained in this presentation. Forward-looking statements made in this presentation relate only to events as of the date on which they are made.

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# Summary

- ❑ PCAR / PLAR exercises completed
- ❑ Exercises based on extreme scenarios
- ❑ Capability in group to absorb incremental credit stress losses but not PLAR de-leverage cost and buffer capital requirements
- ❑ Net capital shortfall of €2.9bn
- ❑ Major implications for group

# PCAR / PLAR Recapitalisation Summary

PAGE

4

	€bn
Credit Losses	1.1
De-Leverage Costs	2.2
Buffer	0.7
<b>GROSS CAPITAL REQUIRED</b>	<b>4.0</b>
Asset Sales / Liability Actions	(1.1)
<b>NET CAPITAL REQUIRED</b>	<b>2.9</b>

- ❑ Required to meet minimum 6% stand alone core tier 1 post stress scenario - assuming upfront de-leveraging costs and before additional capital buffer of €0.6bn
- ❑ Loan to deposit ratio target of 122.5% in base and stress cases
- ❑ €4bn compares with €0.24bn additional capital requirement arising from PCAR 2010 outcome

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# PCAR Macro Assumptions

	Base			Stress		
	2011	2012	2013	2011	2012	2013
	%	%	%	%	%	%
House Prices	(13.4)	(14.4)	0.5	(17.4)	(18.8)	0.5
Unemployment	13.4	12.7	11.5	14.9	15.8	15.6
GDP	0.9	1.9	2.5	(1.6)	0.3	1.4
Commercial Property	(2.5)	1.5	1.5	(22.0)	1.5	1.5

- Peak to trough house price decline of 54% (base) and 59% (stress)
- Peak to trough commercial property value of 62% (base) and 70% (stress)

# Credit Losses 2011 - 2013

€bn	Company - Model		Blackrock	
	Base	Stress	Base	Stress
Residential Mortgages	0.8	1.2	1.1	2.1
Commercial Real Estate	0.1	0.3	-	0.2
Consumer / SME	0.1	0.1	0.1	0.2
Total	1.0	1.6	1.2	2.5

- Above numbers are in addition to 2010 stock provisions of €0.9bn
- Recapitalisation driven by stress scenario losses
- Loss calculation on ROI Residential Mortgage is the key difference; this is driven by
  - Significantly higher probability of default assumed
  - No forbearance resulting in accelerated repossessions, and
  - Higher losses on repossessed loans

# De-Leveraging Balance Sheet

	2010 (Proforma)	2013
	€ bn	€ bn
ROI Mortgages	26.4	23.0
UK Mortgages	7.5	-
Commercial Real Estate	2.3	-
Consumer / Other	1.4	0.3
Impairments/Other	(0.6)	(2.6)
Total Loans	37.0	20.7
Deposits	18.5	17.5
LTD Ratio	200%	118%

- The 2010 pro-forma deposits includes the €3.6bn of deposits acquired from INBS in 2011

# Cost of de-leveraging

Loan Book	Balances	Hair cuts	Cost (net)	Credit losses / provisions
	€ bn	%	€ bn	€bn
UK Mortgages	6.1	25	1.4	0.1
Commercial Mortgages	2.3	50	0.8	0.4
Total	8.4		2.2	0.5

- ❑ UK loans in base and stress case scenarios (excluding securitisations and run off)
- ❑ UK loan book excluding external securitisations
- ❑ Net cost is after release of impairment provisions (and before release of required capital)
- ❑ Blackrock estimate of stress losses broadly equivalent to group estimates

# Additional Capital Buffer Requirement

PAGE

9

	€ Bn
Capital Buffer:	
Equity	0.3
Debt (CoCo)	0.4
Total	0.7

- Terms of the contingent capital investment to be clarified
- Intent to cover additional credit losses beyond 2013 (before banks profitability beyond 2013)

# Actions to raise capital

- ❑ Asset disposals - separation of non-bank businesses
- ❑ Liability management - subordinated debt of €1.2bn outstanding
- ❑ Assumed €1.1bn incremental capital generation

# Future of Banking Business

PAGE

11

- ❑ Capitalisation in 2013
  - ❑ Base core tier 1 ratio 33%
  - ❑ Estimated excess capital of €1.5bn
- ❑ Loan to deposit ratio - sub 122.5%
- ❑ P&L improvement
- ❑ Market position

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# Future of Life Business

- ❑ Public flotation intended
- ❑ Profitable & cash flow generative
- ❑ Very strongly capitalised and well positioned in future regulatory environment
- ❑ Market leading life assurer and asset manager

# Contact Information

Please contact our Investor Relations Department for any further information or visit our group website at

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