



# Interim Results 2004

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1 September 2004

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\* slight differences on % changes due to rounding

# Market Context

## Drivers

- Very strong economy
- Employment growth
- Record housing demand
- Policy support for pensions

## Challenges

- Lower margin life products
- Low interest rates
- Equity investor nervousness
- Competition

# Interim Results 2004

## Actions

- Maximised sales
- Seized pension opportunity
- Leveraged distribution strength
- Tight cost control

## Highlights

- New mortgage lending in Ireland + 41%
- Individual pension sales + 63%
- Operating costs down
- Underlying pre-tax operating profit + 15%
- Interim dividend of 16.5c + 10%



# Financial Review

## Peter Fitzpatrick

# Total Profit After Tax

	1H 04 €m	1H 03 €m	Change %
<b>7 Total Contribution*</b>	<b>186</b>	<b>190</b>	<b>(2)</b>
Investment fluctuations	10	7	
<b>39</b> Exceptionals & other items	<b>(4)</b>	<b>(56)</b>	
	<b>192</b>	<b>141</b>	<b>36</b>
<b>32</b> Taxation & Levy	<b>(28)</b>	<b>(30)</b>	
<b>Total Profit after tax</b>	<b>164</b>	<b>111</b>	<b>47</b>

\* Operating profit

# Total Contribution

	1H 04 €m	1H 03 €m	Change %
<b>Ireland &amp; UK</b>			
8 • Life Assurance	105	97	8
12 • Banking & Other	56	75*	(26)
17 • General insurance [Associate]	25	16	56
	<b>186</b>	<b>188</b>	
<b>US</b>	-	2	
<b>Total Contribution</b>	<b>186</b>	<b>190</b>	<b>(2)</b>

\* Includes €26m gains on hedge securities

# Life Assurance - Contribution

	1H 04 €m	1H 03 €m	Change %
<b>Ireland</b>			
9 New Business	24	18	30
10 In-force Business	74	72	
Other Income	3	3	
	<b>101</b>	<b>93</b>	<b>8</b>
<b>UK</b>			
	4	4	
	<b>105</b>	<b>97</b>	<b>8</b>

# Life Assurance - New Business

	1H 04	1H 03	Change %
<b>40</b> <u>Life</u>			
Value of new business	€21m	€16m	28
New business APE*	€161m	€132m	22
Margin	12.8%	12.1%	
<b>40</b> <u>ILIM</u>			
Value of new business	€3m	€2m	41
New business APE*	€26m	€21m	24
Margin	12.1%	10.6%	

\* Annual premium equivalent

# Life Assurance - In-force Business

	1H 04 €m	1H 03 €m	Change %
Unwind of discount rate	47	41	14
38 Experience variances	9	10	
38 Assumption changes	16	20	
Expected investment return	2	1	
	<b>74</b>	<b>72</b>	

# Life Assurance - Costs

	1H 04 €m	1H 03 €m	Change %
<b>Ireland</b>			
• Operating costs	78	81	(4)
• Commission & fees	37	36	
• Non-life subsidiaries	16	15	
<b>US &amp; UK</b>	3	34	
<b>Corporate</b>	3	3	
	<b>137</b>	<b>169</b>	

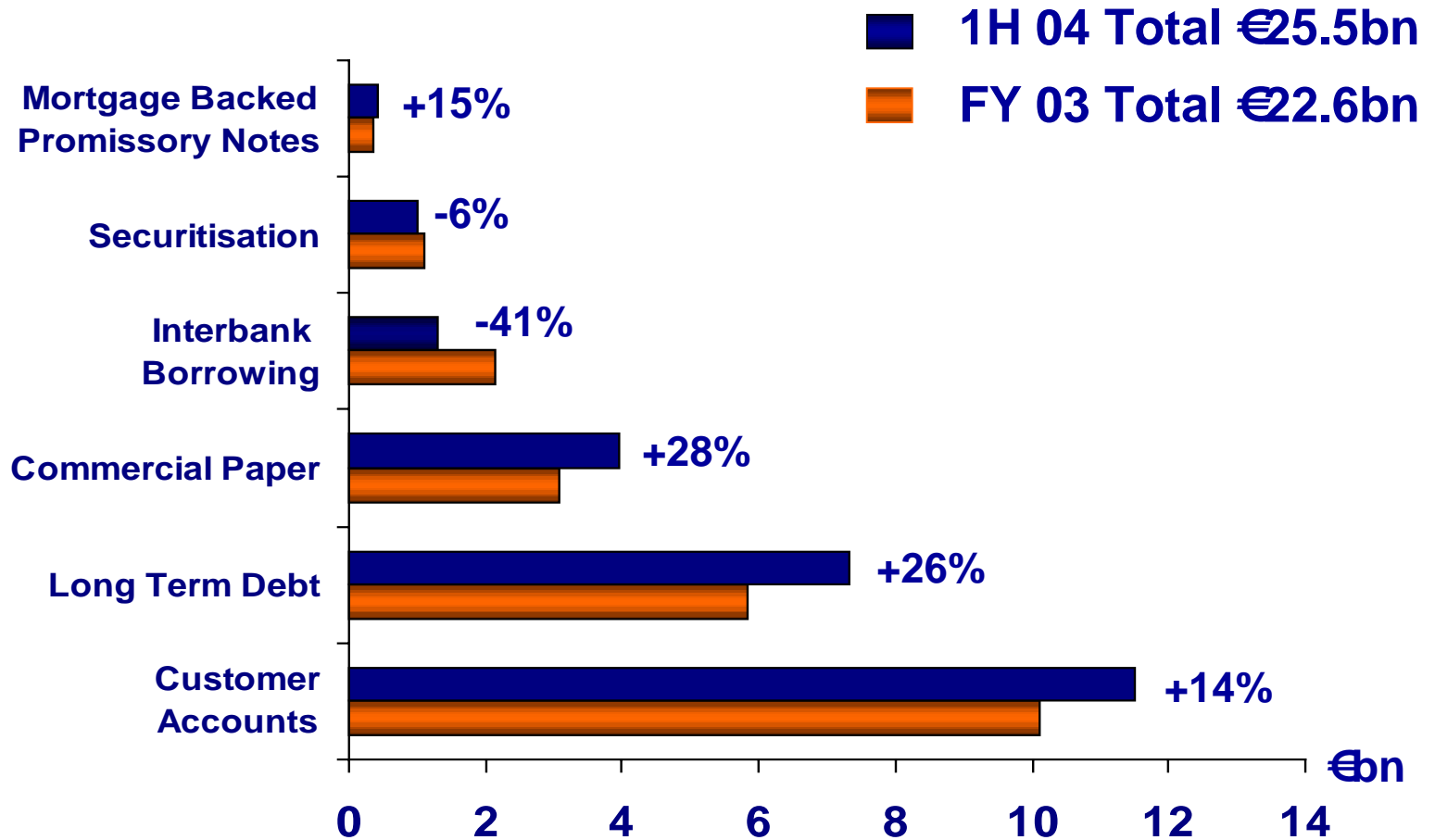
# Banking & Other - Contribution

	1H 04 €m	1H 03 €m	Change %
Net Interest Income	172	163	5
Gain on disposal of hedge securities	-	26	
(37) Fees receivable & other Income	28	32	
(37) Fees payable	<u>(21)</u>	<u>(16)</u>	
	179	205	
(15) Expenses	(119)	(124)	
(16) Bad & Doubtful Debts	(4)	(6)	
<b>Contribution</b>	<b>56</b>	<b>75</b>	<b>(26)</b>

# Banking - Margin Change

	%
<b>FY 03</b>	<b>1.63</b>
Retail	(0.13)
Treasury	(0.02)
Funding	(0.04)
<b>1H 04</b>	<b>1.44</b>

# Banking - Funding



# Banking & Other - Costs

	1H 04 €m	1H 03 €m	Change %
Banking	113	115	(2)
Corporate & Other	6	9	
	<b>119</b>	<b>124</b>	

<b>Cost/Income Ratio</b>	%	%
Reported	<b>64</b>	57
Incl. Commission	<b>62</b>	56
Incl. Bank EV Earnings	<b>58</b>	53

# Banking - Debt Provisions

	1H 04 €m	1H 03 €m
Opening Balance	92	86
Charge for Period	4	6
Amounts Written Off	(3)	(4)
Closing Balance	93	88
	%	%
Reserve ratio	0.51	0.62
Arrears ratio	0.21	0.25
Arrears value	€40m	€38m

# General Insurance [Associate]

	1H 04 €m	1H 03 €m
Contribution	25	16
Short term investment fluctuations	1	1
	<b>26</b>	<b>17</b>

*Note: Contribution includes expected/normalised investment returns*

# Capital Ratios

	1H 04	FY 03
36 Bank Tier 1/ Total	10.1%	11.1%
35 Life solvency cover (Irish Life)	1.8 times	1.8 times
NAV per share*	€8.25	€7.81

\* Includes shares held by policyholder funds

# Dividend & EPS

	1H 04 €	1H 03 €	Change %
Dividend	16.5c	15.0c	10
EPS*			
33 - Contribution after tax	55.8c	58.2c	(4)
32 - Total Profit after tax	60.7c	41.3c	47

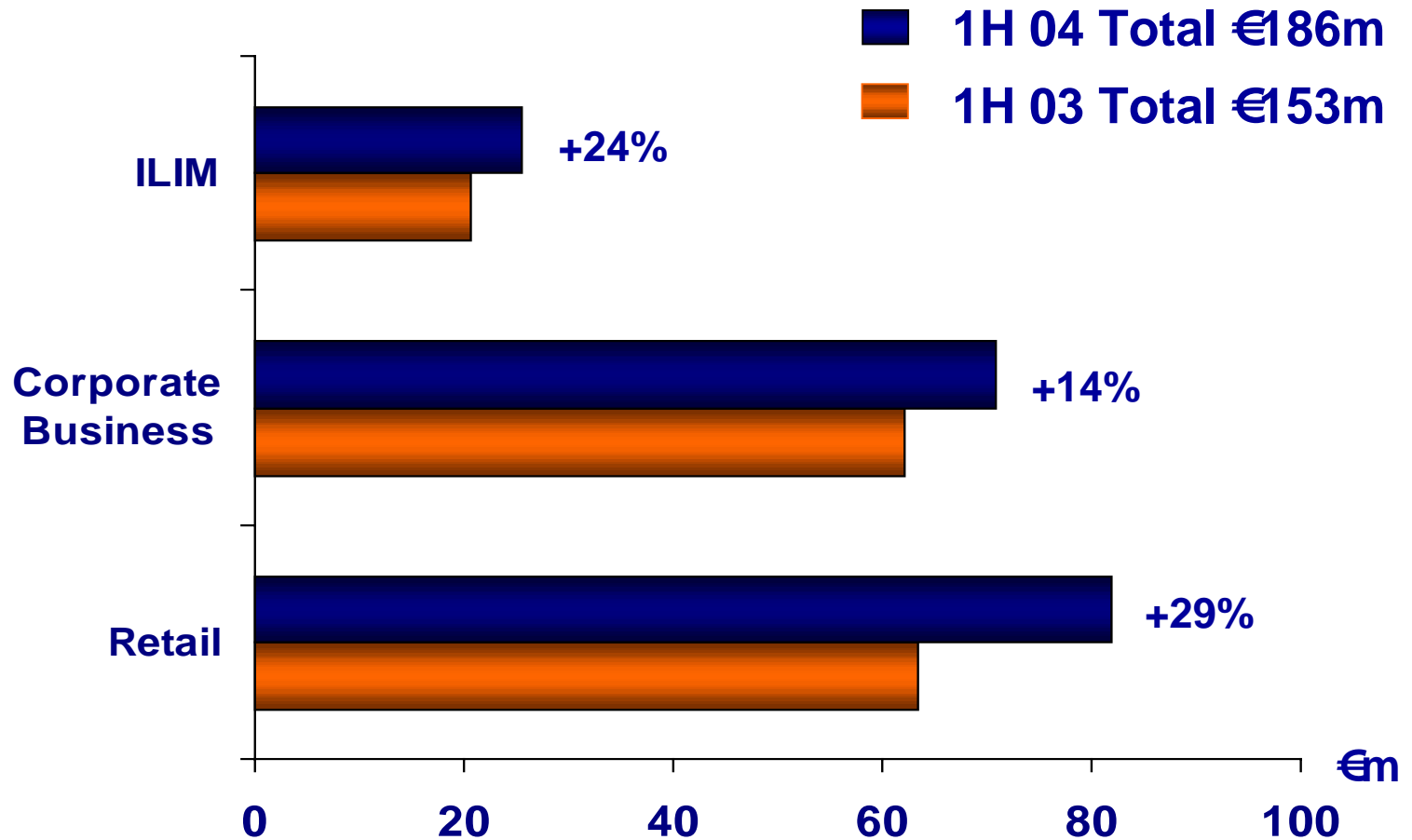
\* Includes shares held by policyholder funds



# Business Review

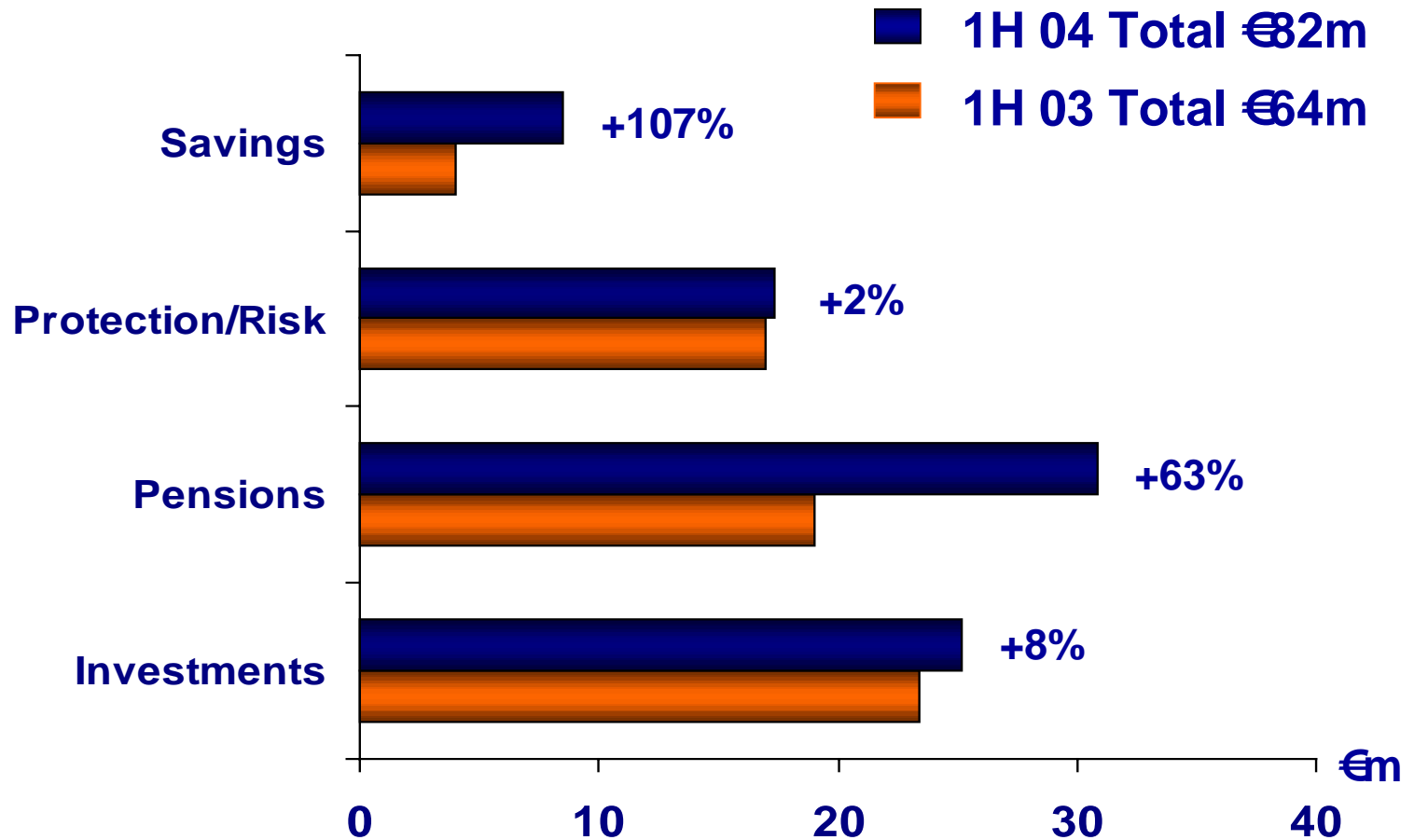
## David Went

# Total Life Sales - Ireland



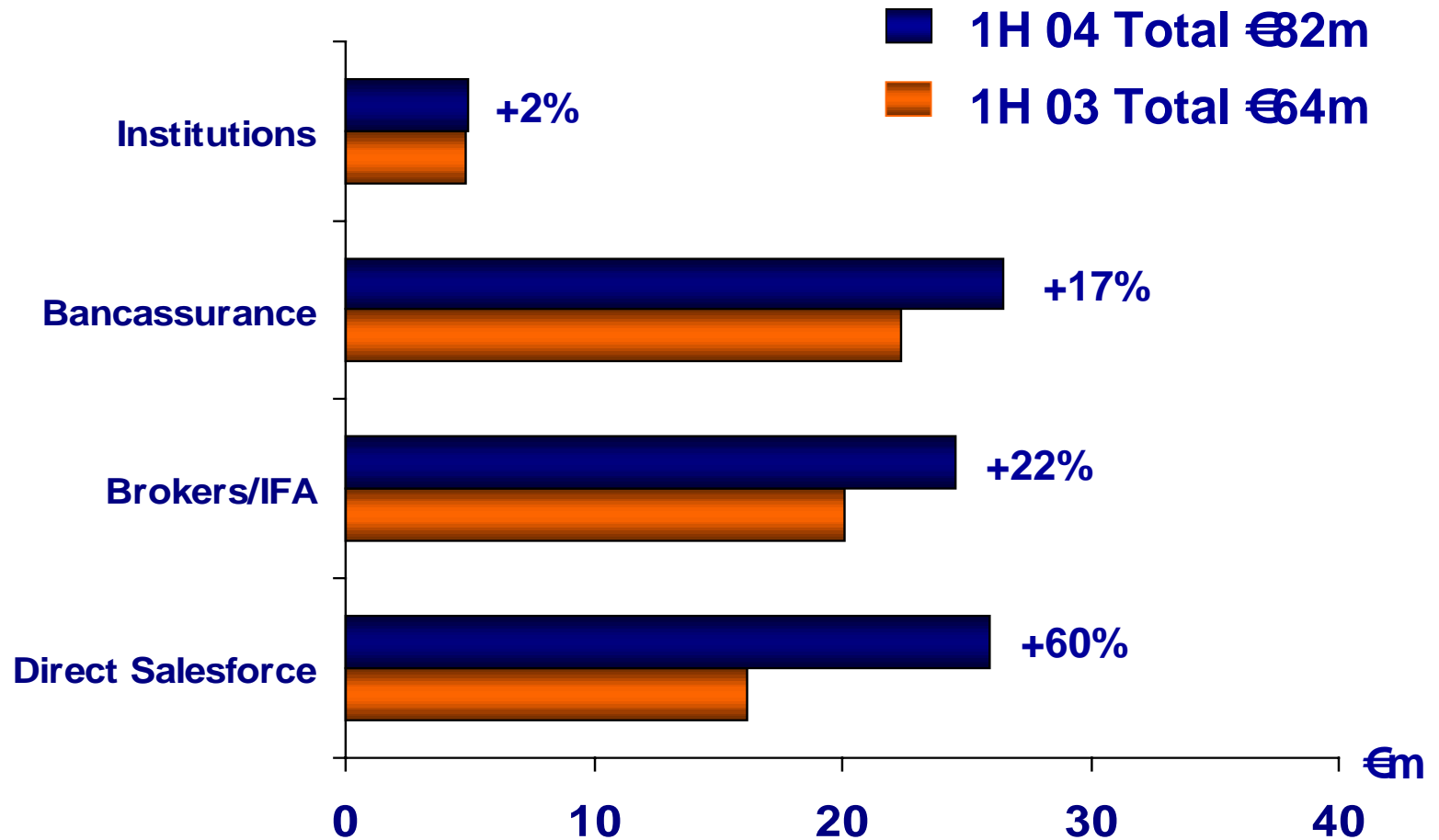
\* Analysis on page 40

# Retail Life - Products



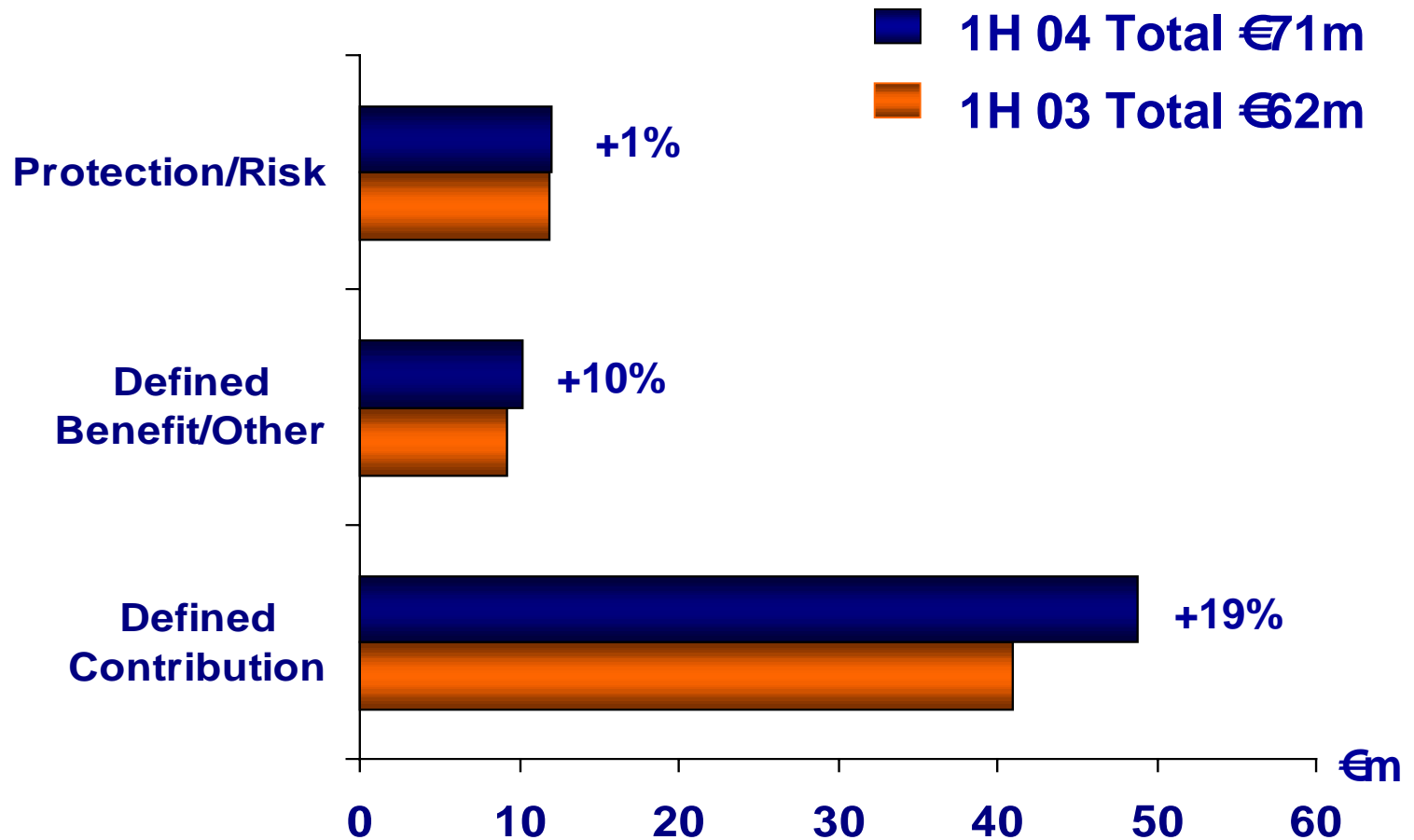
\* Analysis on page 41

# Retail Life - Distribution

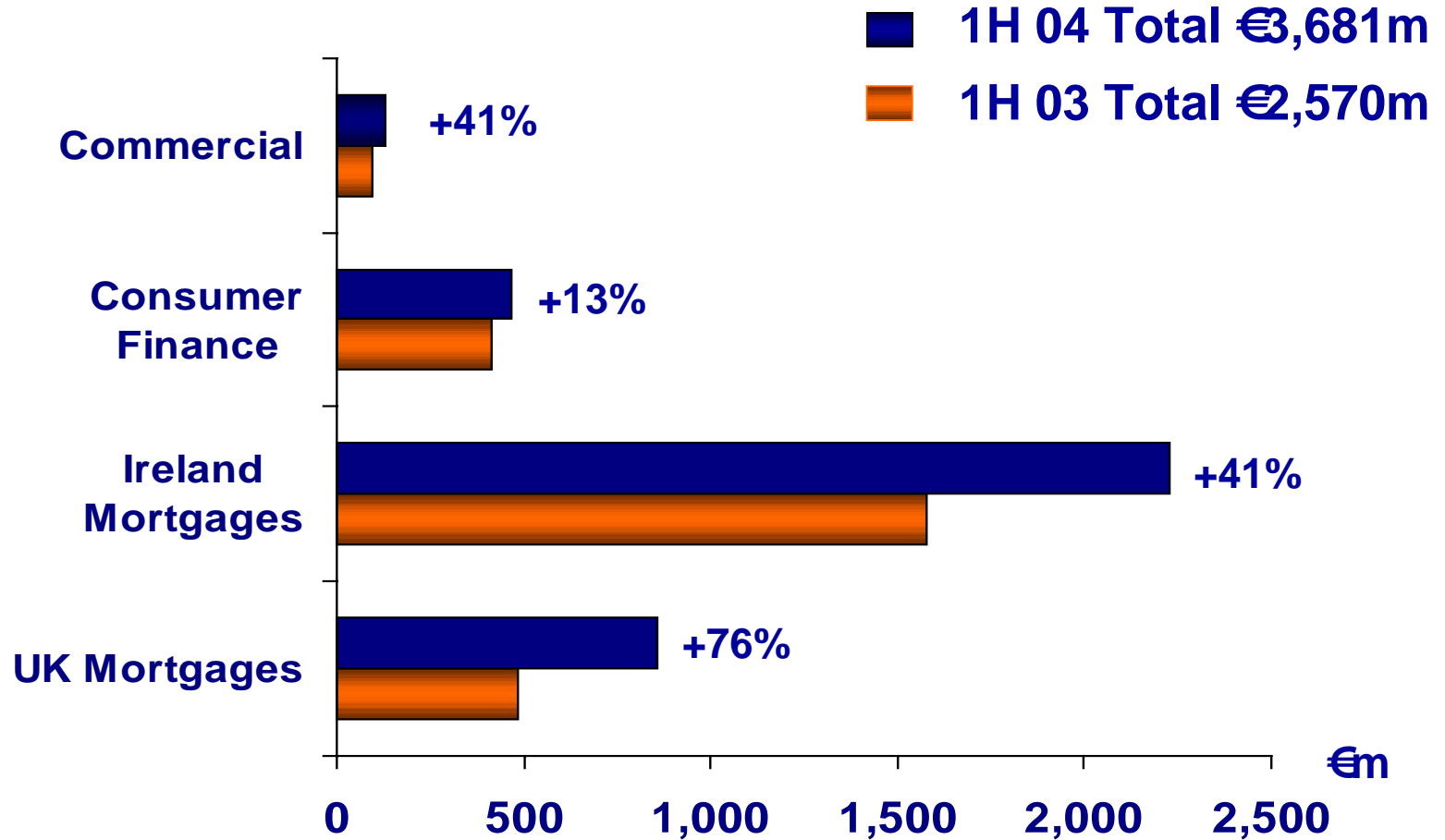


\* Analysis on page 41

# Corporate Life - Products



# Banking - New Lending



# Banking - Loan Book

	1H 04 €bn	1H 03 €bn	Change %
Ireland Mortgages*	13.2	10.9	21
Consumer Finance	1.4	1.3	6
Commercial	<u>1.2</u>	<u>1.2</u>	
	<b>15.8</b>	13.4	
	<i>Stg£bn</i>	<i>Stg£bn</i>	
UK - Mortgages*	2.2	1.5	49
Total Lending*	<b>19.1</b>	<b>15.6</b>	<b>23</b>

\* Including securitised assets

# Banking - New Mortgage Lending

	1H 04	FY 03
	%	%
■ Overall LTVs ( <i>% of advances</i> )		
➤ First time buyers	82	80
➤ Others	60	57
➤ Average	68	67
■ LTV Ranges ( <i>% of cases</i> )		
➤ < 75%	62	65
➤ > 75%*	38	35

\* Max LTV 92%

# Banking - Customer Accounts

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- Customer account balances up 14% yoy
- 20,000 new Loyalty current accounts
- Current account balances up 18% yoy
- 200,000 users of **OPEN24**

# Summary & Outlook

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- Positive economic outlook
- Key markets to perform well
- Meeting challenges on margins & costs
- Confident on second half trading

# Additional Information

- Total contribution after tax
- Total profit after tax
- Contribution EPS
- Embedded value movement
- Life - regulatory capital
- Bank - regulatory capital
- P&L - additional analysis
- Sales - analysis of life assurance sales

*For further explanations of financial terms used in this presentation, see the Investor Relations section of our website [www.irishlifepermanent.ie](http://www.irishlifepermanent.ie)*

# Total Contribution After Tax

	Pre-tax €m	1H 04 Tax €m	Post-tax €m	1H 03 Post-tax €m
<b>Ireland/UK</b>				
• Banking & Other	56	(10)	46	64
• Life assurance	<u>105</u>	<u>(16)</u>	<u>89</u>	<u>84</u>
	<b>161</b>	<b>(26)</b>	<b>135</b>	148
<b>US - Life Assurance</b>	-	-	-	1
Share of Associate	25	(4)	21	14
Levy*		(6)	(6)	(6)
<b>Total Contribution</b>	<b>186</b>	<b>(36)</b>	<b>150</b>	<b>157</b>

\* Government bank levy

# Total Profit After Tax

	Pre-tax €m	1H 04 Tax €m	Post-tax €m	1H 03 Post-tax €m
<b>Total Contribution</b>	<b>186</b>	<b>(36)</b>	<b>150</b>	<b>157</b>
Investment fluctuations				
• Life	9	8	17	10
• Associate	1	-	1	1
Goodwill	(6)	-	(6)	(6)
Economic variance	-	-	-	(3)
Exceptional items	2	-	2	(48)
<b>Total Profit*</b>	<b>192</b>	<b>(28)</b>	<b>164</b>	<b>111</b>

\*Before minority interest

# Contribution EPS

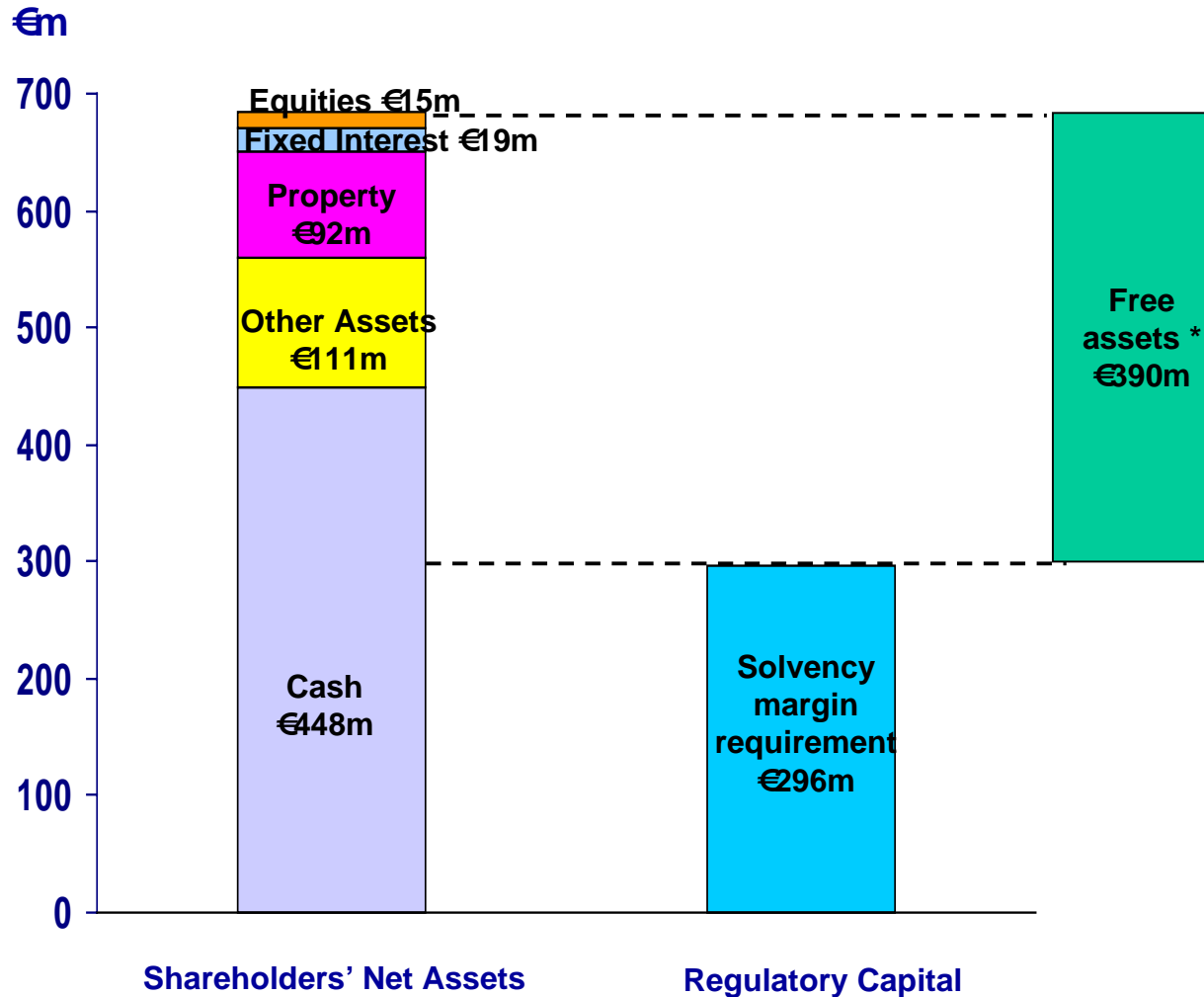
	1H 04 €m	1H 03 €m	Change %
Total contribution	186	190	
Taxation	(30)	(27)	
Government Levy	<u>(6)</u>	<u>(6)</u>	
	150	157	
Average no of shares*	270m	269m	
EPS	<b>55.8c</b>	<b>58.2c</b>	<b>(4)</b>

\* Includes shares held by policyholder funds

# Embedded Value Movement

	Net Worth €m	Value of in-force €m	Total €m	Solvency Capital €m
Opening 1.1.2004	643	878	1,521	276
Contribution (Net)	34	55	89	
Inv. Fluctuations (Net)	7	10	17	
Currency / Other	2	4	6	
<b>Closing 30.06.2004</b>	<b>686</b>	<b>947</b>	<b>1,633</b>	<b>296</b>

# Life Regulatory Capital



\* Not all admissible for solvency cover

# Bank Regulatory Capital

	1H 04 €m	FY 03 €m
<b>Risk Weighted Assets</b>	<b>12,779</b>	<b>11,382</b>
<b>Capital:</b>		
Tier 1	3,360	3,351
<u>less</u> Goodwill (Irish Life & TSB)	<u>(1,517)</u>	<u>(1,522)</u>
	1,843	1,829
Tier 2		
Sub-debt	767	764
Other	<u>137</u>	<u>133</u>
<b>Total Capital</b>	<b>2,747</b>	<b>2,726</b>
<u>less</u> Embedded Value deduction (90%)	<u>(1,458)</u>	<u>(1,466)</u>
	<b>1,289</b>	<b>1,260</b>
<b>RAR</b>	<b>10.1%</b>	<b>11.1%</b>

# Banking & Other - Non Int Income

	1H 04 €m	1H 03 €m	Change %
Fees & Commissions receivable	23	22	2
Fees & Commissions payable	(21)	(16)	
Dealing profits	-	6	
Other income	2	1	
Property Management	3	3	
	<b>7</b>	<b>16</b>	<b>(57)</b>

*Note: Bancassurance Embedded Value earnings €19m (H1 03: €14m) included in life assurance.*

# Life Assurance - In-force Business

	Experience Variances		Assumption Changes	
	1H 04 €m	1H 03 €m	1H 04 €m	1H 03 €m
Persistency	1	1	-	-
Risk	6	10	10	-
Other	2	(1)	6	20
	<b>9</b>	<b>10</b>	<b>16</b>	<b>20</b>

# Exceptionals & Other Items

	1H 04 €m	1H 03 €m
Disposal of businesses	-	(50)
Profit on disposal of branch properties	2	3
Economic Variance*	-	(3)
Goodwill	(6)	(6)
	(4)	(56)

\* *Impact of changes in embedded value economic assumptions*

# Life Assurance Sales

	Recurring Premium		Single Premium*	
	1H 04 €m	1H 03 €m	1H 04 €m	1H 03 €m
Retail	50	35	32	29
Corporate	61	55	10	7
Investments	-	-	26	21
ILI	-	-	7	6
	<b>111</b>	<b>90</b>	<b>75</b>	<b>63</b>

\* Annual premium equivalent

# Life Assurance Sales\* - Retail

	1H 04 €m	1H 03 €m
<b>Products</b>		
Protection/Risk	17	17
Pensions	31	19
Investments	25	24
Savings	9	4
	<b>82</b>	<b>64</b>
<b>Distribution</b>		
Bancassurance	26	23
Brokers/IFAs	25	20
Direct Sales Force	26	16
Institutions	5	5
	<b>82</b>	<b>64</b>

\* Annual premium equivalent