

2006 Interim Results



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Images of Modern Ireland



Galway/Mayo Institute of Technology, Mayo

Index

Section	Page
Highlights	3
Total profit after tax	7
Life operating profit	9
Bank operating profit	12
Associate operating profit	15
Capital and Dividend	16
Review of the Life business	19
Review of the Banking business	26
Outlook	33
Additional information	
Embedded Value	35
Bank Capital	36
Analysis of PAT and EPS	37
IFRS PAT & IFRS / EV reconciliation	40
Other activities operating profit	42
Bank non-interest income	43
Group Costs	44
Life variances & assumptions	45
Life & investment sales	46
Retail life sales	47

Outperforming Businesses



- Strong momentum in businesses
- Record Life & Banking sales
- Market share gains
- Strong profit & dividend growth

Sales Highlights

- Life Assurance

- Retail life sales  32%
- Corporate life sales  32%
- ILIM sales  45%

- Banking

- Irish residential mortgage lending  70%
- Consumer finance  39%
- 44,000 new current accounts opened

Financial Highlights

● Value of New Life Business	↑	44%
● Operating profit	↑	23%
● Operating EPS	↑	30%
● Interim dividend	↑	13.5%

Financial Review

Peter Fitzpatrick
Group Finance Director



Group Profit After Tax

	H1 06	H1 05	Change
	€m	€m	%
Operating profit	242	196	23
Investment variances	1	42	
Economic assumptions	(29)	30	
Disposals / Other	0	2	
Profit before tax	214	270	(21)
Taxation	(11)	(25)	
Profit after tax	203	245	(17)
Discontinued / Minority	(1)	(25)	
Total profit after tax	202	220	(8)

Total EPS

	c
H1 06	74.0
H1 05	81.5

Group Operating Profit

	H1 06	H1 05	Change
	€m	€m	%
Life Assurance	134	109	23
Banking	90	66	36
General Insurance (Associate)	19	24	(21)
Other	(1)	(3)	
Operating profit	242	196	23
Taxation / Levy	(20)	(28)	
Operating profit after tax	222	168	32

Operating EPS

	c
H1 06	81.3
H1 05	62.3

Life Operating Profit

	H1 06	H1 05	Change
	€m	€m	%
New Business	65	45	44
In-force business:			
• Total expected return	56	48	
• Experience variances	8	9	
• Assumption changes	5	7	
Operating profit	134	109	23

Life New Business

	H1 06	H1 05
	€m	€m
New Business Contribution		
Life	55	37
ILIM	10	8
Margin - APE		
	%	%
Life	21.8	20.0
ILIM	9.6	10.7
Margin - PVNBP		
Life	3.3	3.2
ILIM	1.0	1.1

APE Sales

	H1 06	H1 05
	€m	€m
Life	249	185
ILIM	109	75

PVNBP Sales

	H1 06	H1 05
	€m	€m
Life	1,674	1,148
ILIM	1,089	750

Life Costs

	H1 06	H1 05	Change
	€m	€m	%
Retail	70	60	17
Corporate Business	16	15	7
ILIM	7	7	
Other	6	5	
	99	87	14

Banking Operating Profit

	H1 06	H1 05	Change
	€m	€m	%
Net interest income	199	184	8
Other income	23	20	
Trading income	6	(7)	
	228	197	16
Expenses	(134)	(127)	
Impairment provisions	(7)	(6)	
Investment gains	3	2	
Operating profit	90	66	36

Cost / Income Ratio

	H1 06	H1 05
	%	%
Reported	58	64
Incl. Commission	56	62
Incl. Bank EV Earnings	52	58

Net Interest Margin

2006 Movement

	bps
Dec 2005	129
Basis risk	(6)
Retail	(2)
CHL	(2)
Treasury	2
Funding	(2)
June 2006	119

Assets

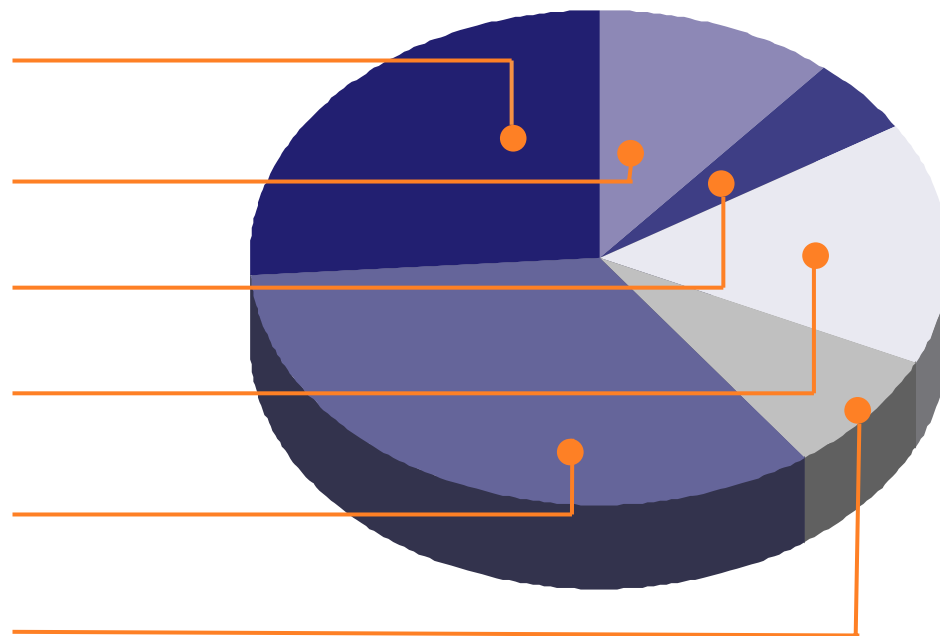
	H1 06	FY 05
	€bn	€bn
Lending	29.9	26.2
Liquidity	8.4	8.0

Bank Funding

H1 06

€bn

Long-term Debt	9.7
Securitisation	4.2
Extendible Notes	1.8
Commercial Paper	6.1
Customer Accounts	12.8
Interbank	2.6
Total	37.2



General Insurance Operating Profit

	H1 06	H1 05	Change
	€m	€m	%
Underwriting results	21	15	
Investment return	2	14	
	23	29	
Taxation	(4)	(5)	
Operating profit	19	24	(21)

Combined Ratio

	%
H1 06	74
2005	73

Capital

- Risk asset ratio of 11.2% [Tier 1] capital in Bank
- Life solvency capital requirement covered 1.7 times
- Flexible capital position to fund rapid growth

EPS & Dividend

	H1 06	H1 05	Change
	€m	€m	%
Operating EPS	81.3	62.3	30
Total EPS	74.0	81.5	(9)
Interim Dividend	20.1	17.7	13.5

Business Review

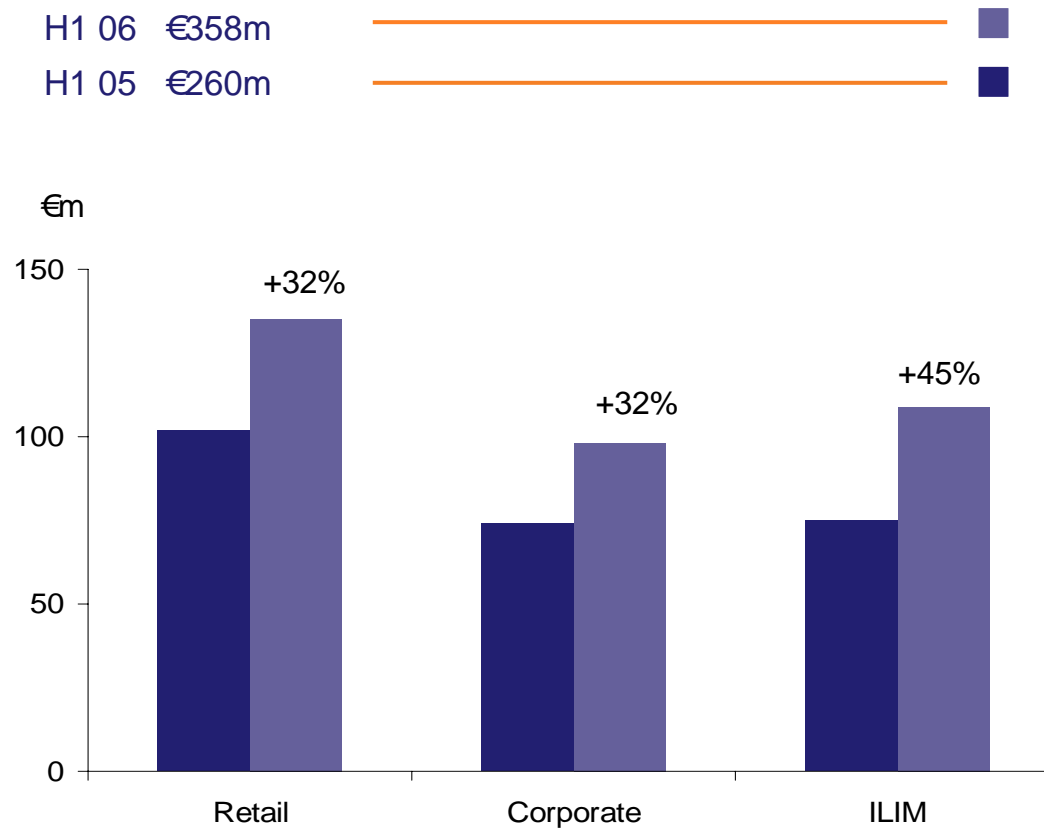
David Went
Group Chief Executive



Life Business

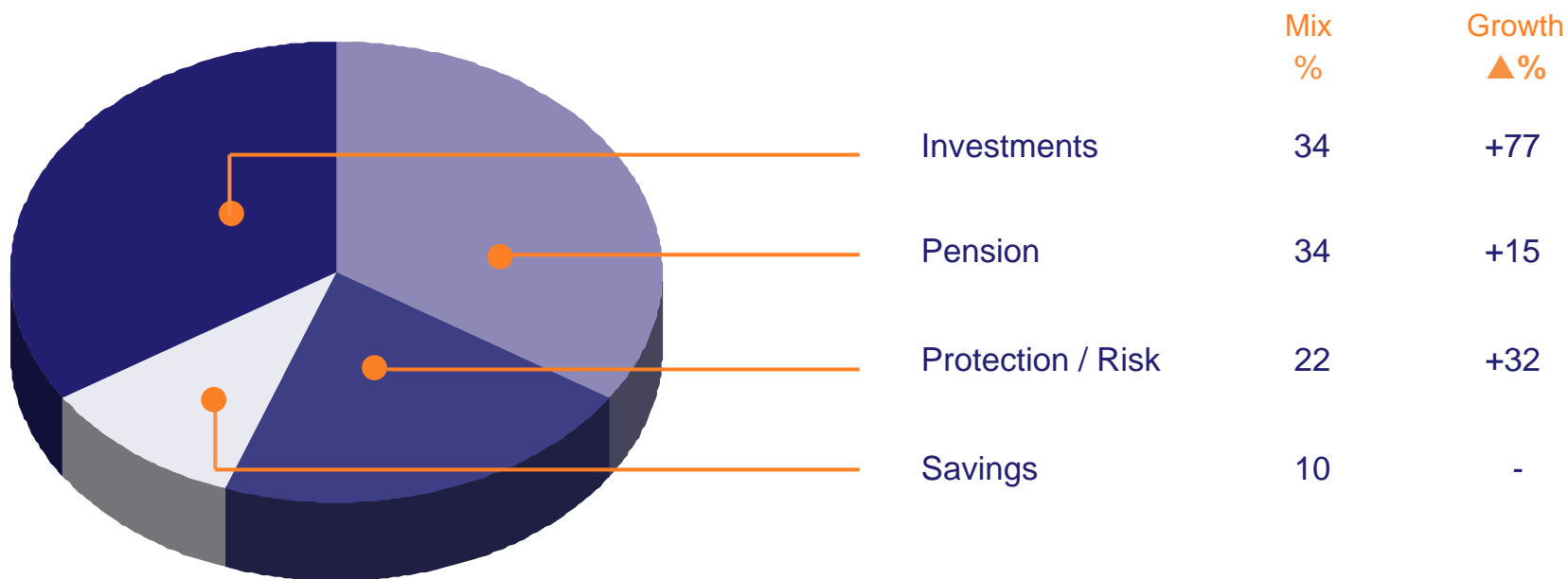
- Excellent sales growth
- Strong product and distribution performance
- Increased market share
- Improved margins

Life & Investment Sales



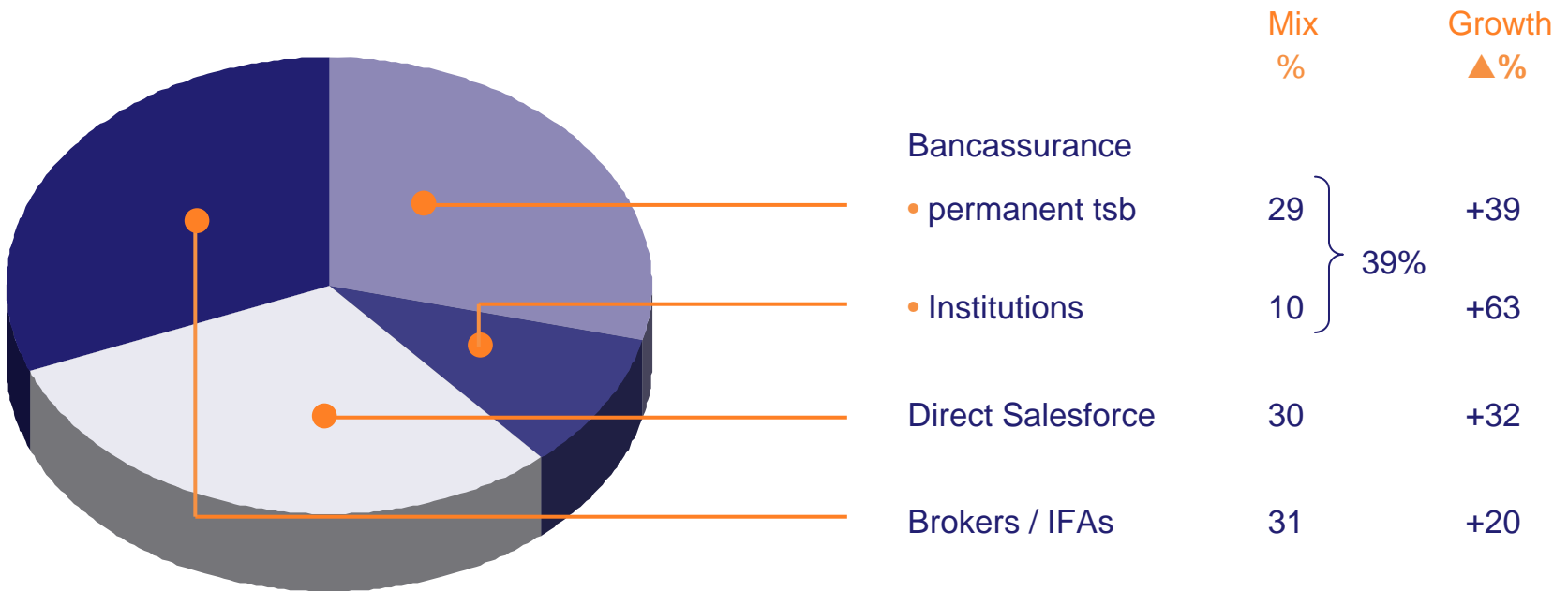
* APE basis

Retail Life Products



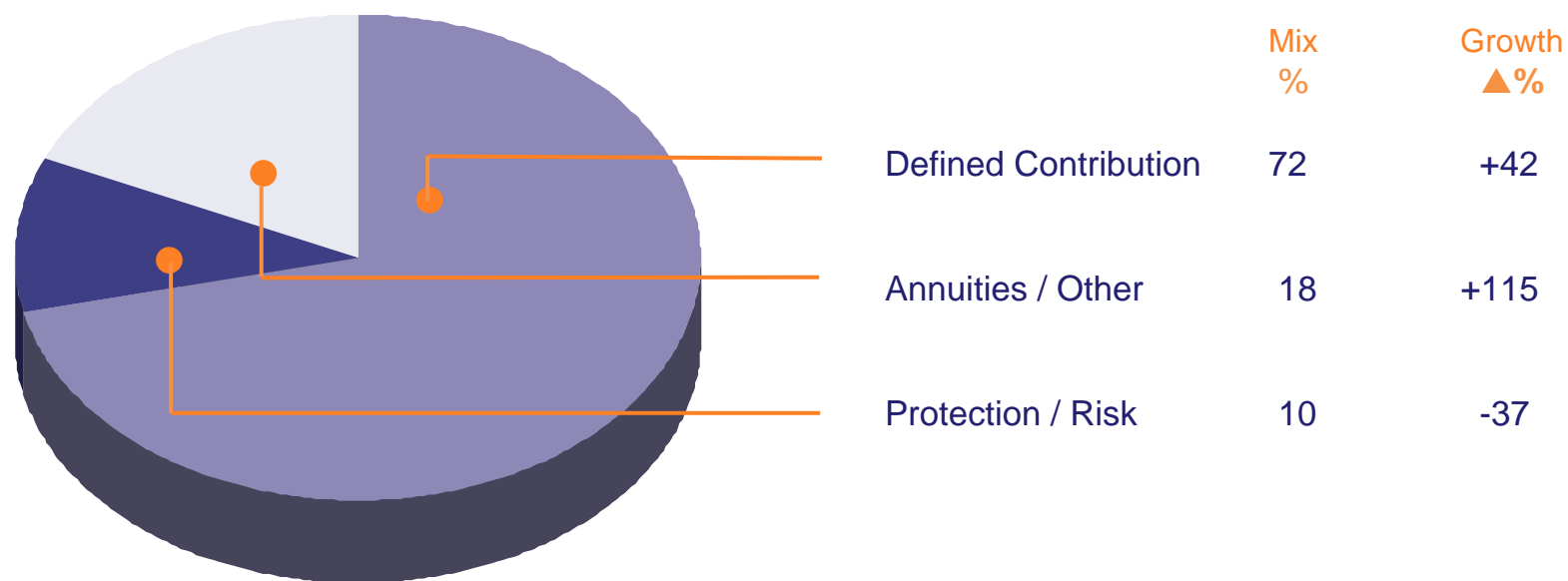
Sales €135m [H1 05: €102m]

Retail Life Distribution



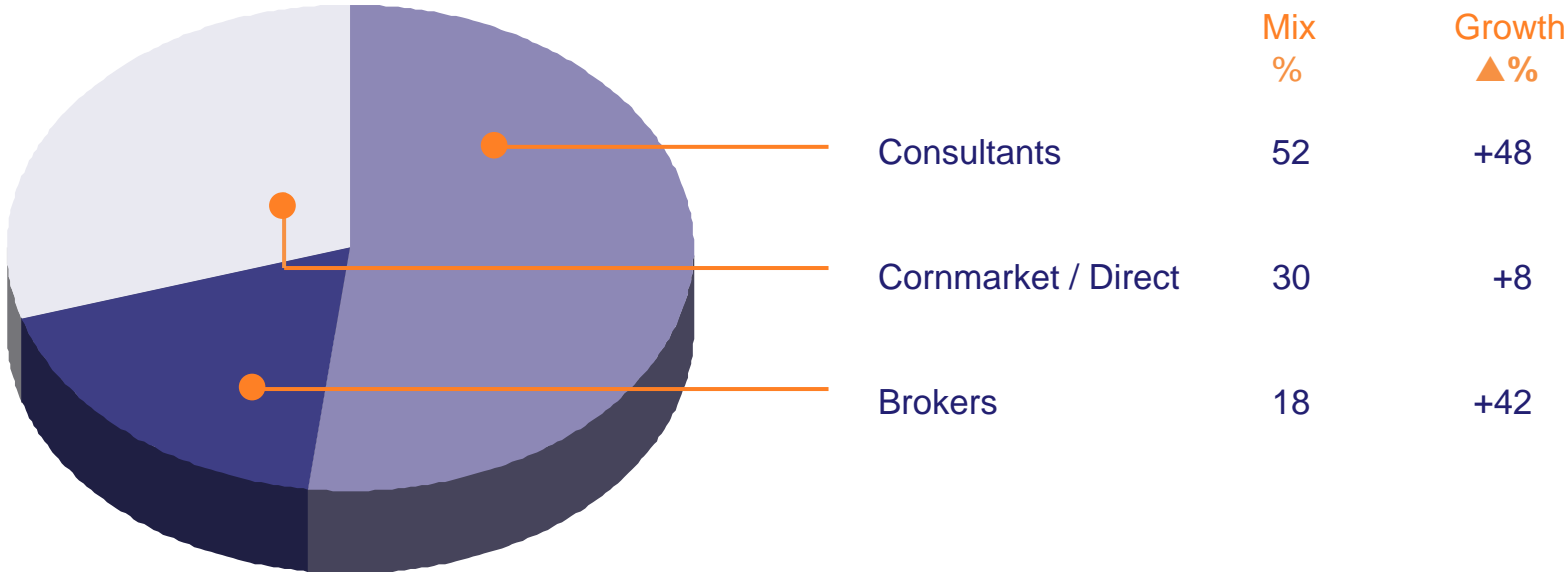
Sales €135m [H1 05: €102m]

Corporate Life Products



Sales €98m [H1 05: €74m]

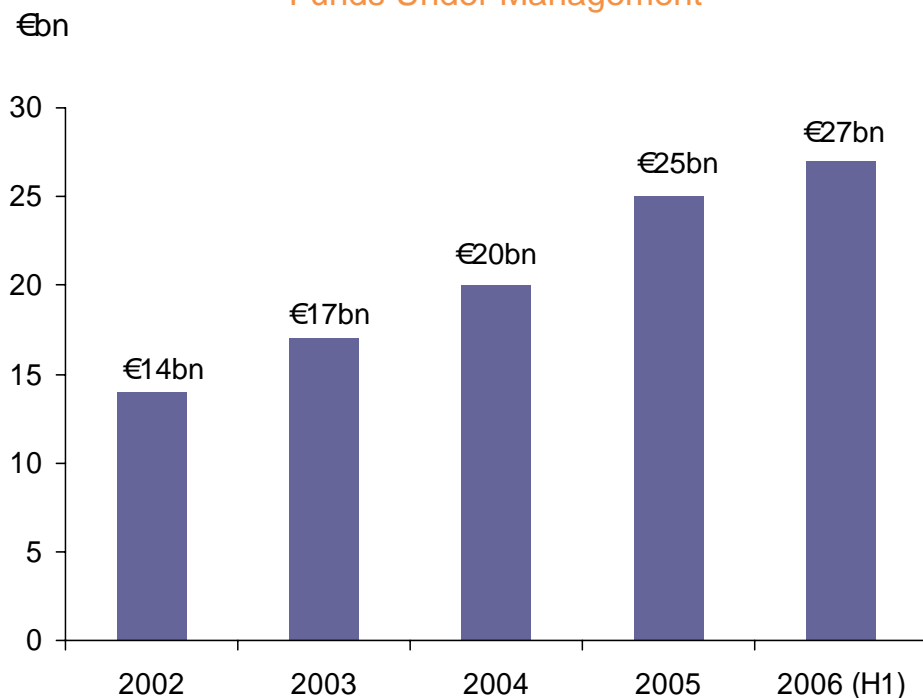
Corporate Life Distribution



Sales €98m [H1 05: €74m]

Irish Life Investment Managers

Funds Under Management



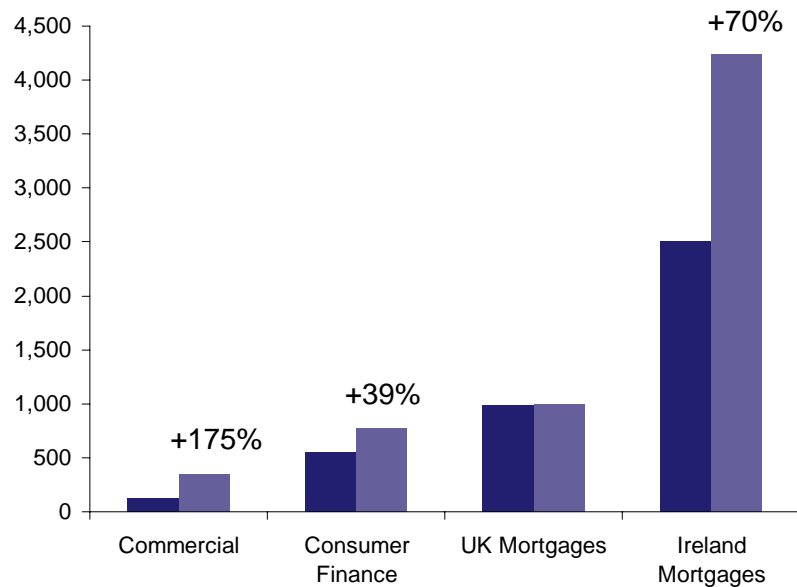
- Superior investment performance
- Record inflows

Banking Business

- New product and service initiatives
- Record new lending volumes
- Continued current account success
- Growing market share

Bank New Lending

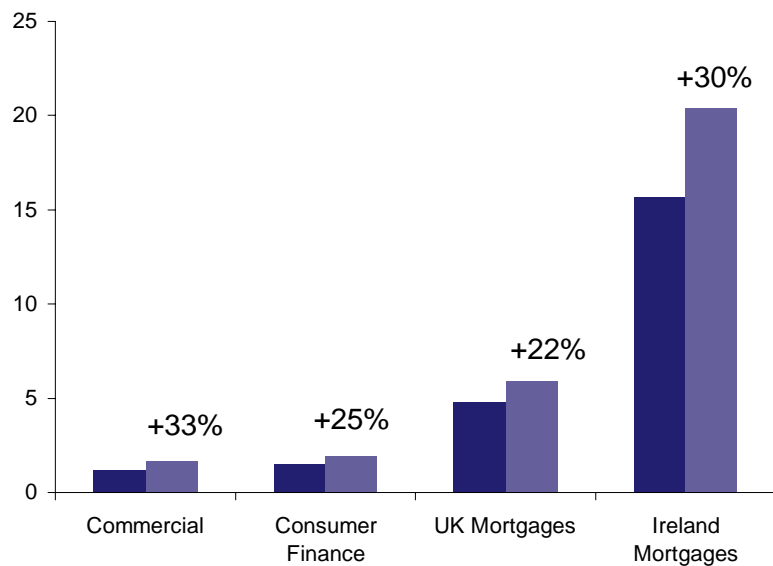
H1 06 €6,363m
H1 05 €4,176m



- Entry into large ticket RIP mortgages sector
- 100% FTB mortgages 13% of new Irish mortgage lending

Bank Loan Book

H1 06 €29.9bn
H1 05 €23.3bn



- Residential mortgages 88% of book
- SVR re-pricing protects back book

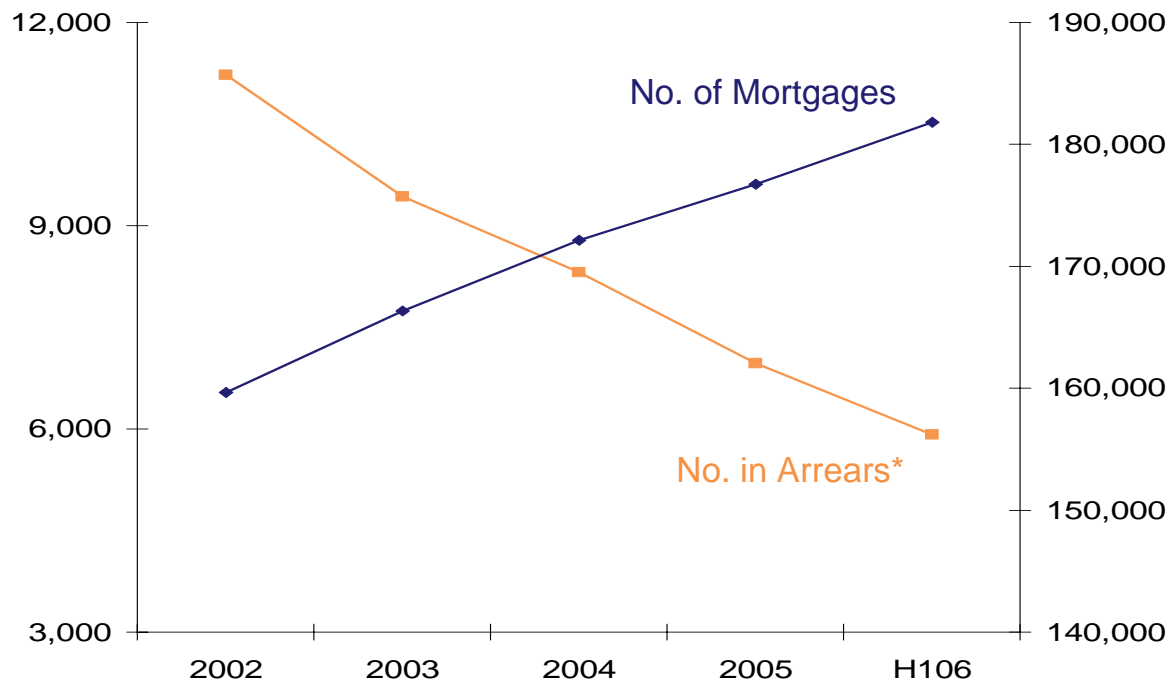
Lending Credit Quality

	H1 06	2005	2004
New Mortgage Lending	%	%	%
Home Loans			
First Time Buyers	87	84	81
Second Time Buyers	59	61	60
Average	72	69	68
RIPs Average	67	65	65
Equity Release Average	51	51	49
Total New Lending*	66	64	63

* Weighted average

Lending Arrears

Residential Mortgages (Ireland)



* > 1 month

Current Accounts

- Bank of choice for switchers
- 44,000 new accounts opened
 - 34,000 new customers
 - 10,000 upgrades
- Opening 1,300 accounts per week
- Account balances up 21% yoy

SSIAs

- Maturities reflected in investment (bond) sales and increased spending
- Significant proportion likely to continue regular savings
- New opportunities from increased customer base
- Impact spread over longer timescale

Outlook

- Economy: robust growth
- Market: very strong demand
- Earnings: well on target

Additional Information

Page	
35	Change in Embedded Value
36	Bank Capital
37	Operating profit after tax
38	Operating EPS
39	Total profit after tax
40	IFRS (Statutory) profit after tax
41	IFRS / EV reconciliation
42	Other activities operating profit
43	Bank non-interest income
44	Group costs
45	Life variances and assumptions
46	Life & investment sales
47	Retail life sales

Embedded Value Change

	Net Worth	VIF	Total	Required Capital
	€m	€m	€m	€m
Opening 1 Jan 2006	750	1,103	1,853	535
Operating profit	18	106	124	
Investment fluctuations	9	(9)	0	
Economic assumptions	(1)	(18)	(19)	
Capital movements	(75)	-	(75)	
Closing 30 Jun 2006	701	1,182	1,883	544

* All movements net of tax

Bank Capital

	H1 06	FY 05
	€bn	€bn
Risk weighted assets	17.7	17.1
Capital:		
Tier 1	4.1	4.1
Less Goodwill (Irish Life & TSB)	(1.5)	(1.5)
	2.6	2.6
Tier 2	1.3	1.4
Total Capital	3.9	4.0
Less Embedded Value deduction	(1.9)	(1.9)
Available Capital	2.0	2.1
RAR	11.2%	12.6%

Operating Profit After Tax

	H1 06			H1 05
	Pre-tax	Tax	Post-tax	Post-tax
	€m	€m	€m	€m
Life assurance	134	(10)	124	97
Banking	90	(10)	80	56
Other activities	(1)	-	(1)	(3)
	223	(20)	203	150
Associate	19	-	19	24
Levy	-	-	-	(6)
	242	(20)	222	168

Operating EPS

	H1 06	H1 05	Change
	€m	€m	%
Operating profit	242	196	
Taxation	(20)	(22)	
Government levy	-	(6)	
Operating PAT	222	168	32
Average no. of shares	273m	270m	
EPS	81.3c	62.3c	30

Note: "own shares" included for EPS calculation

Total Profit After Tax

	H1 06			H1 05
	Pre-tax	Tax	Post-tax	Post-tax
	€m	€m	€m	€m
Operating profit	242	(20)	222	168
Investment fluctuations	1	(1)	-	54
Economic assumptions	(29)	10	(19)	22
Other changes / Credits	-	-	-	1
	214	(11)	203	245
Discontinued / Minority	(1)	-	(1)	(25)
Total profit	213	(11)	202	220

IFRS (Statutory) Profit After Tax

	H1 06	H1 05	Change
	€m	€m	%
Life assurance	48	133	
Banking	90	66	
Associate	19	24	
Other	(1)	(1)	
	156	222	
Taxation	(25)	(38)	
Total Profit after Tax*	131	184	(29)

Life Earnings Key Movements

	€m	
Economic Variance	(41)	} (86)
Investment fluctuations	(23)	
New business strain	(6)	
Property Fund Seed Cap.	(10)	
Own shares	(6)	

* Continuing activities

IFRS / EV Reconciliation

	H1 06	
	S' Holders Equity €m	Total Profit after Tax €m
Embedded Value basis	2,850	203
Investment business		
• Value of in-force	(710)	(30)
• Deferred costs & fees	36	13
• Restatement of liabilities	49	(24)
Own shares adjustment	(66)	(11)
Owner occupied property	-	(19)
Other	(8)	(1)
IFRS (Statutory) basis	2,151	131

Other Activities Operating Profit

	H1 06	H1 05
	€m	€m
Cornmarket / IPSI	8	4
Corporate costs	(9)	(7)
	(1)	(3)

Banking Non Interest Income

	H1 06	H1 05	Change
	€m	€m	%
Fees & Comms (rec'd)	26	23	
Fees & Comms (payable)	(3)	(3)	
	23	20	15
Trading income	6	(7)	
	29	13	

Note: Bancassurance Embedded Value operating profit €28m [H1 05: €21m] included in life assurance

Group Costs

	H1 06	H1 05	Change
	€m	€m	%
Banking	134	127	6
Life	99	87	14
Other operations	30	25	
	263	239	10

Life Variances & Assumptions

	Experience Variances		Assumption Changes	
	H1 06	H1 05	H1 06	H1 05
	€m	€m	€m	€m
Persistency	-	-	-	-
Risk	7	8	-	-
Expenses / Other	1	1	5	7
	8	9	5	7

Life & Investment Sales

	Recurring Premium		Single Premium	
	H1 06	H1 05	H1 06	H1 05
	€m	€m	€m	€m
Retail	77	67	575	351
Corporate	81	65	173	92
ILIM	-	-	1,089	750
ILI	-	-	163	92
Total	158	132	2,000	1,285
APE Basis	158	132	200	128
PVNBP Basis	763	613	2,000	1,285

Retail Life Sales

	H1 06	H1 05	Change
	€m	€m	%
Products			
Pension	46	40	15
Investments	46	26	77
Protection / Risk	29	22	32
Savings	14	14	
	135	102	
Distribution			
Bancassurance	39	28	39
Direct Salesforce	41	31	32
Brokers / IFAs	42	35	20
Institutions	13	8	63
	135	102	

Contact Information

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

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