Irish Life & Permanent plc

2006 Final Results - Analyst Presentation Script

Slide 1 Introduction [Gillian Bowler, Chairman]

Good morning, Ladies & Gentlemen. My name is Gillian Bowler. I'm Chairman of Irish Life & Permanent plc - and you are all very welcome to this presentation of the 2006 full year results for the Group.

Slide 2 Forward Looking Statement

This is a very significant day for the Group – not just because we publish our results for the year but because it marks the final such presentation to be led by our outgoing Group Chief Executive, David Went.

I hasten to add of course that David is not retiring today….indeed he will continue in his role until the AGM at the end of May and anyone who knows David will understand that his hand will remain very much on the tiller until that date.

But today marks his final results presentation and therefore it's a timely opportunity for me - on behalf of the Board - to pay tribute to David for his inspiring leadership and for the outstanding contribution which he has made to the Group since he took the reins at what was then Irish Life plc in 1998.

When he took on that role, David remarked that he felt as if he had won the lotto. Well looking back now, I think we can confidently say that both sides shared the luck that day.

David joined Irish Life at what was a difficult time for the company. But from the date of his appointment he injected a sense of purpose, focus and confidence into the business which inspired its transformation into the first class operation we have today.

And he brought a vision to the business which has been central to the construction of the Irish Life & Permanent Group.

David would be the first to recognise that the talents of a broad team of people contributed to the success of the Group over the past nine years – and I want to particularly recognise the contribution made by his colleagues on the top team who are with us this morning and Denis Casey who will succeed David in May. But I know that each of those would readily acknowledge David's great leadership and vision.

So – on to the business of the morning.

I must of course remind you of our obligations in respect of presentations such as this and I would refer you all to the Forward Looking Statement at the start of this presentation.

In a moment Peter Fitzpatrick will talk us through the details of our financial performance but for now, let me ask David to introduce the formal part of our proceedings and outline the great performance which we secured last year.

David.

Slide 3 Winning in Competitive Markets [David Went, CEO]

Thank you Gillian – and thank you especially for those kind words which I very much appreciate.

Well as the Chairman has indicated, we're reporting an exceptionally strong set of results this morning.

Our overall theme for today is "winning in competitive markets" because that phrase best sums up our performance last year – and indeed our focus for the current year.

For sure we're operating in highly competitive markets – but I think as we reflect back on 2006, you'll see again and again how our performance has exceeded expectations – and exceeded that of our competitors.

That's reflected in record sales – which have led in turn to an excellent financial outturn. And we are also benefiting from our increased focus on service both to our customers and to supporting intermediaries.

The strength of these financial results – leaves us well placed to continue to outperform and to meet the challenges which undoubtedly lie ahead.

So let's have a look at some of the key highlights – starting with sales.

Slide 4 Sales Highlights

- In the life business we saw really strong sales growth everywhere…33% in the retail business…27% in Corporate Business….and 44% in sales in Irish Life Investment Managers.

- And in **permanent tsb** bank, we saw a 37% rise in residential mortgage lending in Ireland– and a 97% increase in Commercial mortgage lending as we put greater focus on the opportunities there.

And of course, we've continued to dominate the market for current account switchers – with **permanent tsb** opening up 84,500 current accounts during the year.

Slide 5 Financial Highlights

So an exceptional sales performance - leading to an outstanding financial result:

- Operating Profits in the bank and life businesses up 36% and 23% respectively.

- The value of new life business up 36%

- Operating Earnings Per Share up 32%

- All leading to a proposed increase in the full year dividend of 12.4%.

In a moment, I'll talk in some more detail about each of the key businesses. But first let me hand you over to Peter Fitzpatrick – our Group Finance Director – who will guide you through the figures.

Slide 6 Financial Review [Peter Fitzpatrick, Finance Director]

Thank you, David, and good morning everyone. As David has outlined once again we have a very strong set of numbers to present this morning which as in previous periods are presented on a European embedded value basis for both our insurance and investment businesses.

Slide 7 Group Profit After Tax

So having said that let us look at the detail of the numbers starting with the total profit after tax, which at €561m, is up 18% on 2005 and which is driving total EPS up from 176 cent to 205 cent. There are three components contributing to this overall result:

- Firstly, and most importantly, the operating profit for the year, the key performance measure, is 26% ahead with profits of €529m.
- Secondly, the "below the line" items – principally the investment variances and the economic assumption changes – when combined are €63m positive, but down some €38m on the prior year, and
- Lastly, the overall tax charge which is flat year on year despite rising profitability.

I will discuss the operating result in detail in a moment but first let's comment on the movement in the main non-operating or "below the line" items and also the tax charge.

The investment variances represent the impact on the life business embedded value of the actual movement in investment markets in the period as compared to our embedded value assumptions. In 2006, we saw another strong year in the investment markets, boosting the value of our policyholder funds and the value of shareholder property, to give a positive variance of €101m. This outturn is significantly ahead of our last guidance of €60m as of the start of December and reflects the fact that unit-funds grew by over 3% more than the expected return during December, compared with an excess return of 5% for the entire of the previous 11 months.

The economic assumptions changes are a negative of €38m in 2006 as a result of an increase in the risk discount rate from 6.5% at the end of 2005 to 7.4% at the end of 2006. Most of the increase of 0.9% arose from the rise in Irish medium term gilt yields, where again we had a sharp movement in December which affected our guidance for this item in the pre-close trading statement.

The overall tax charge is almost flat year on year – albeit on a higher level of earnings – but of course does not include the bank levy which ended in 2005. The €28m charge for 2006 reflects a €42m charge at operating profit level offset by a net credit of €14m in respect of the "below the line" items. As I explained at the half year stage, that net credit is a once off anomaly arising mainly from the positive levels of short term investment fluctuations arising in the year.

Slide 8 Group Operating Profit

That deals with the items outside of operating profit, which is the main focus for the rest of this presentation and where pre-tax growth for the year is 26%.

Looking at where this increase arises:

- The life business earnings show an increase of 23%, with new business earnings clearly outperforming.
- The banking result shows very strong growth of 36%, albeit a little flattered by the IFRS induced trading loss of €7m in the first half 2005 numbers.
- So, taking our two main businesses together we have achieved growth in pre tax operating earnings of 29%.
- The result for our general insurance associate, Allianz (Ireland) at €56m is a little ahead of the result for 2005, benefiting again this year from significant prior year reserve releases.

The effective tax rate on operating profit has reduced by around 5% in 2006. Half of this is due to the removal of the bank levy last year, being a reduction of €12m. The balance largely reflects the release of deferred tax provisions on property capital allowances, which we reported at the half year, together with the once-off benefits from changes in the life embedded value assumptions.

Courtesy of the reduced tax charge the 26% increase in operating pretax profit translates into an increase of 33% at post tax level and produces an operating EPS of 178 cent for the year.

Let me now turn to the divisional results, starting with the life business

Slide 9 Life Operating Profit

Overall, life earnings are up 23% to €274m. Within that number new business earnings have really forged ahead, increasing by 36% from €94m to €128m on the back of a tremendous sales result and sustained margins. I will come back to this in a moment.

Taken together, the in-force business earnings for 2006 total €146m and are €18m or 14% ahead of the prior year. This reflects both the growth in the size of the in-force book and the higher returns earned on the shareholders' net worth as interest rates have risen. Experience variances are broadly in line with the previous year and are again due to positive mortality and morbidity experience. These also account for the bulk of the assumption changes. A full analysis of these movements is included in the supplementary slides to the presentation.

Slide 10 New Business Earnings

Reverting to new business earnings for the life and fund management businesses, 2006 saw life sales increase by 33% on an annual premium equivalent or APE basis with corresponding new business profits soaring by 34% from €79m to €106m.

This produced a new business margin for the year of 20.6% which is just ahead of the 2005 margin. As expected and guided, this was down on the half year margin, reflecting the exceptionally rich product mix in the first half, where we saw large sales of property bonds as compared to the higher proportion of relatively lower margin pension sales in the second half.

Within our fund management business, ILIM, new business profits are up from €15m to €22m and margins are, coincidently, identical to the prior year.

Sales and margin figures are also given on this slide on the present value of new business premiums [PVNBP] basis where the value of sales is measured very differently from the APE basis. However, the message is the same in respect of producing stable margins compared to 2005 with €128m of new business earnings giving life and investment margins of 3.1% and 1.1% respectively.

Slide 11 Life Costs

Life costs for the year are up by €23m or 12% on the prior year which compares to growth of 14% reported at the interim stage. The bulk of this growth comes from the Retail division and has been driven principally by the variable costs associated with the strong growth in Life sales. Another important feature is that, in early 2006, we made a significant up-front investment to support our newer institutional relationships and this would have contributed to the increase in the Retail cost base in 2006, but of course, with good effect on revenues, particularly in the second half of the year.

Slide 12 Bank Operating Profit

Turning now to the Bank, operating profit has increased by €54m from €148m to €202m, being growth of 36% in the year. This is a result of income growing by 18% while costs grew by only 7%.

Working up the P&L from the bottom of the chart, the charge for impairment provisions has increased by €2m over 2005's level, which is well behind the growth in the loan book. We continue to enjoy excellent credit quality and, particularly within our mortgage book, an overall improving arrears experience and David will return to this subject in more detail later in the presentation.

Expenses are up 7% which broadly reflects underlying cost growth. Given the considerable additional volumes and activity in the bank in 2006 this reflects real productivity gains as a result of our continuing tight management of the bank's cost base. With revenues increasing strongly and with lower cost growth we expect to see a continuing improvement in the cost / income ratio which, for 2006, stood within the range of 50% to 56%, as you can see on the chart, compared to a range of 56% to 62% for 2005. So good progress made on this front in 2006.

The bank's revenues are up by 18% in total for the year. Firstly, in non-interest income, we see the turnaround in Treasury's trading income from a €4m loss in 2005 – which arose as we transitioned to IFRS accounting – to a gain of €12m in 2006.

As explained at the half year stage **permanent tsb** had to bear the additional cost of basis risk throughout the year as capital markets anticipated further ECB rate increases. Treasury through its funding activities was able to manage and neutralise much of this basis risk and this is reflected in the trading result. Under IFRS such income now falls to be included in trading income rather than, under the old Irish GAAP rules, as part of the net interest income. Accordingly, whilst this has flattered our trading income line, it has somewhat dampened our margins and I'll return to this in a few moments.

Despite the absence of current account fees other income is well ahead reflecting growth in fees and commissions receivable particularly from commercial lending, Bureau de Change and VISA cards. So we are well please with this growth.

Net interest income, at €429m is 14% ahead of 2005. The principal drivers of growth here have been the increase in our total lending of 29%, together with attractive inflows of current account balances which, in a rising interest rate environment, have became increasingly valuable. So, how does this translate into our margins?

Slide 13 Net Interest Margin

In 2006, our net interest margin reduced by 10 bps from 129 bps to 119 bps, which was the same margin reported in our interim results.

Basis risk arising within our mortgage portfolio was somewhat less pronounced in the second half of the year and cost the bank 5 bps for the full year. Basis risk of course isn't a permanent hit against our margins - it will disappear as interest rate stability arrives, and, hopefully, that will happen in the course of this year.

Staying with the theme of ECB interest rate increases, during early 2006, we took the opportunity to reprice our standard variable rate back book by 20 bps. At the half year stage we explained that most, but not all, of this cost had been recovered from changes in the deposit mix and accordingly the Retail margin impact was less severe than anticipated, only, in effect costing us 2 bps. What happened in the second half of the year is that further ECB rate increases allowed us to claw back some further margin, and together with the growing profitability of our current account balances, has effectively offset any further reductions in our mortgage spreads for the second half of the year. So, the 2 bps reduction in Retail at the half year has held steady for the full year.

In CHL we reported a negative 2 bps impact at the interim stage from competitive repricing and, as with our Retail spreads, there has been no further deterioration in this for the full year. Within CHL, volume growth has more than compensated for this tightening in lending spreads and the company's net interest income continues to grow at an attractive pace.

Treasury's contribution from the management of our liquidity was very positive as rising interest rates presented a more attractive environment for making returns and this accounted for an extra 3 bps in the margins.

Lastly, there is the perennial cost of additional levels of wholesale funding to support our strong lending growth, which effectively dilutes the benefit of the more cost effective retail funding. This has, in margin terms, cost us 4 bps in the year.

So we are well satisfied to have held the half year margin of 119 bps steady for the full year. We have been effective in dealing with competitive influences and in clawing back some of the net interest income which was lost when interest rates were falling. This is very positive going into 2007 when, as I have said, we would expect basis risk to taper off and when we will, from July, also have the benefit of a new and less onerous liquidity protocol.

From a margins point of view, all of this combined, gives us the opportunity to face into any competitive issues arising in 2007 from a position of strength.

Slide 14 Bank Funding

The bank's rapid lending growth creates a large demand for funding. We have had a busy and very successful year for funding in 2006 and that is well illustrated in the area of securitisation. Our principal usage of mortgage securitisation had been in CHL, but in June 2006 we completed a very successful domestic issue of €2.15bln. The investor appetite for the issue, together with the attractive pricing, reflects well on the quality of our mortgage assets. Indeed, the sentiment of our debt investors, right across all of our funding lines remains very positive - and that has now extended beyond the bank. In January of this year, we launched the first ever issue of Hybrid capital by an Irish assurance company. The issue of €200m was four times oversubscribed and was keenly priced.

Slide 15 General Insurance Operating Profit

The last element of operating profit comes from our participation in the general insurance sector with Allianz in Ireland. Here the operating profit for the period of €56m, is a post tax number and, has exceeded expectations as a result of a strong underwriting performance.

As well as the absence of any catastrophe or even severe weather related events in 2006, the business has continued to benefit from an improved claims experience. This improvement is being passed on to customers by way of reduced premiums, in what is a very competitive market, but is also allowing for the release of prior year reserves. Again, in 2006, there is a significant element of such prior year releases and that is reflected in the combined ratio of 71% for 2006, as compared to a target ratio in the low 90 percents for new business written. This obviously begs the question as to how long such a profit performance can last and I have to guide towards an earnings range of high €20m's to low €30m's range for 2007 which would represent a more normalized, but still very attractive, level of return for us. In addition, the 2007 earnings will be enhanced by the profit arising from the sale of the company's head offices premises.

Allianz Ireland is a very well capitalised company and well positioned for the implementation of Solvency 2. It has paid large dividends in 2005 and 2006 and in future, as a result of that strong capital base, we expect to receive a much larger proportion of its annual earnings by way of dividend payments.

Slide 16 Bank Capital

Now a few remarks on our capital position before coming to the Dividend.

This slide shows the movement in the capital base of the bank which is our parent company. Between the post tax earnings of the bank and the dividend received from the Life Companies and our Associate, there was a healthy level of cover for the 2006 dividend payable to shareholders.

The second point to note is that the level of tier 2 capital actually reduced in the period due to the amortisation of a portion of the debt capital which we raised in 2001 to fund the TSB acquisition. Lastly, we have €100m of adjustments largely relating to the timing differences between IFRS accounting and regulatory treatment in respect of dividend flows.

So the question arises as to how we funded a 29% growth in lending from €14m of additional bank capital. There are two answers. Firstly, the domestic securitisation of €2.15bln of residential mortgages significantly reduced our need for capital and secondly, in late 2005 we warehoused capital for 2006 and recorded a very high closing risk asset ratio of 12.6% which you see on this slide. We used this capital during the year and closed off 2006 with a more normal risk asset ratio of 10.4%.

All of this, I think, illustrates the point which I made last year, that we have robust Tier 1 capital flows and have a huge flexibility in how we fund business growth going forward.

This flexibility was further reinforced in January 2007 when we took advantage of the good appetite for life debt capital and raised €200m of Hybrid capital in Irish Life Assurance. This will allow us to pay up a dividend to the bank of €200m, increasing the distributable reserves in the parent company. It quite nicely rebalances the burden of debt capital across the group and removes the need for banking tier 2 capital for at least 2007 and, of course, provides even greater confidence in our ability to support the Group's dividend well out into the future.

Slide 17 Life Capital

With regards to life, or solvency, capital, the surplus arising in the life group in 2006 amounted to a very healthy €203m and the positive investment fluctuations in 2006 have added a further €53m to the capital cover. Given the levels of new business which we wrote in the year, there is a requirement for capital to support the new business strain and this amounted to €163m. We have paid up a dividend of €90m to the Bank to support the overall Group dividend. That leaves us with sufficient regulatory capital within our net worth of €747m to generate a solvency cover of 1.8 times the minimum required. This is a stronger cover than our target of 1.6 to 1.7 and we will strip out this surplus capital and pay it up to the bank along with the special dividend of €200m in the current year.

Lastly on capital and to further reinforce the message about the robustness of our surplus flows in the future, the new business which we wrote in 2006 produced an internal rate of return amounting to 13.2% which is comfortably ahead of our weighted average cost of capital of around 7%.

Slide 18 EPS – Dividend

So, the outcome for 2006 has been extremely positive as illustrated by our operating EPS growing by 32% from 135 cent in 2005 to 178 cent in 2006. Our expectations for the second half of the year have been exceeded and accordingly we are pleased to recommend a full year dividend growth of 12.4% as compared to the 11% growth recorded at the half year. This will produce a final dividend payment of 47.9 cent and a full year dividend amounting to 68 cent, as compared to 60.5 cent for 2005

So, on that happy note, over to David for his review of the business.

Slide 19 Business Review [David Went, CEO]

Thank you, Peter. Now I'd like to talk you though what's driven this performance in each of the core businesses and we're going to start as we usually do with the life business.

Slide 20 Life Business

Once again in 2006 Irish Life took full advantage of a very supportive economic and investment environment and delivered strong results across all product lines and through all channels.

That success was reflected in market share growth and strong margins, just a shade better than last year.

Of course success is measured in many ways and I've already referred to our focus on improving customer and intermediary satisfaction levels. That paid dividends again in 2006 and it's nice to see us getting some public recognition for that.

Our life & pensions business is in a different league to many of our competitors but our sights are firmly set on building not just a best-in-market class but a truly world class business. I think we're making strong progress towards that goal.

Slide 21 Life & Investment Sales

It's worth emphasising that the transformation of the life business hasn't just happened overnight. Over the past eight years we've enjoyed compound average annual sales growth of some 20%.

To put it another way life and investment sales are 4½ times the 1998 level with all divisions performing strongly over that period.

Slide 22 Retail Life Products

Let's look, firstly, a bit more closely at the Retail life business.

All the key product lines performed well – but there was a boom in investment product sales in particular, clearly supported by SSIA maturities.

The retail business attracted over €1 billion in investment business last year….which was pretty evenly split between equity funds, property funds and capital protected funds.

Pensions sales also performed well and now account for just under 40% of all retail sales.

Savings and Protection and Risk sales also rose by around 26% each. In all cases our sales performance beat the market.

Slide 23 Retail Life Distribution

Looking at how the various channels performed we see that Bancassurance sales now account for approximately 40% of product sales in our Retail business, with **permanent tsb** branches accounting for 28%; the balance of 12% comes from the institutional business through our retail financial services partners, which grew by a massive 86% in 2006 as we added new relationships.

Our direct sales force and brokers account for 28% and 32% respectively.

Improving the level of service and support we offer to both these channels has been a constant theme of recent years. And it is paying dividends.

Earlier this month Irish Life was named as the overall winner in the Irish Brokers Association awards schemes – the first time we've ever won this prestigious award. We also won the award for the best management team – a great tribute to Kevin Murphy and his colleagues. And last year the second broker organisation PIBA voted Irish Life as the leading service provider in protection due to the quality and speed of our underwriting.

Slide 24 Corporate Life Products

Turning to the Corporate Business division, we saw very strong growth in DC schemes and the sale of annuities and personal retirement bonds.

Protection sales were down on the prior year but the major factor here was three very significant group scheme wins in 2005 which was always going to make 2006 a tough comparison. Given our dominant share in the risk market we focus both on sales and retention or persistency. Because of our service record and claims management our persistency experience has been excellent.

Overall Corporate Life sales for the year were up 27% - meaning that here too we saw market share growth.

Slide 25 Life Market Share

Tracking the growth in market share over the past decade puts the Retail and Corporate Business performance in 2006 into perspective.

The combined market share increased from 19% in 1998 – to an estimated 28% last year – a rise of around 50%.

Of course the market in which Irish life operates has itself been transformed over that period but a benign environment is worth nothing if you're not able to take advantage of it.

We have been able to maximise that opportunity for a number of reasons, viz.

- The investment made in improving our technology and our infrastructure
- The emphasis we have put on product development and innovation
- The focus – admittedly in more recent years – we have put on customer service, and most critically
- The success we have had in our strategy of both widening our distribution and improving its productivity.

Slide 26 ILIM

Finally in Irish Life, I want to talk briefly about Irish Life Investment Managers.

The success of ILIM has been a key factor in our overall success over the past decade, from laggard to poster child.

From a position in the late 90's when ILIM was performing relatively poorly compared to its peers – and when the Consensus Funds were still only establishing themselves - ILIM has now evolved into a market leading position in the Irish fund management business. Funds under management have more than doubled in the last eight years.

As elsewhere, this success has been the product of enormous management focus on market needs and, in particular, the creation of solutions for those needs.

That success pays dividends not just in ILIM itself but across the business as our exceptional fund management reputation drives investment and pension sales in the retail, corporate and bancassurance businesses.

So that's the story on the life side, let's now move to **permanent tsb**.

Slide 27 Banking Business

And here too the story is one of out-performance in what was an exceptional year.

2006 was a record year for the Irish housing market. Interest rate rises and indeed political speculation in respect of stamp duty changes slowed the market substantially towards the end of the year and the rate of house price growth also moderated significantly as the year progressed. However the momentum built up in the first half ensured that mortgage lending for the year overall was at record levels.

For **permanent tsb** the year was one of real achievement.

- We regained market share in the highly competitive residential mortgage market in particular, reverting to our traditional 20% plus level.
- We had great success in winning new current account customers – with the attendant cross sales opportunities that we have proven ourselves more than able to exploit.
- And ongoing progress towards our goal of building the No. 1 retail bank in the country.

Slide 28 Bank New Lending

Over the past 8 years new lending rose at a compound annual average rate of 27% - rising from €1.9 billion to €12.9 billion last year.

In 2006 as always the key driver of new lending was residential mortgages in Ireland – up 37%......Commercial lending was up 97%. We see commercial lending as an area where significant inroads can be made. Our consumer business **ptsb** finance again beat the market with 21% growth.

After a slow start when new lending was flat in the first six months, our UK mortgage business CHL, picked up strongly and recorded a 20% increase in new lending in the second half.

Slide 29 Bank Loan Book

The strength of new lending fed through to the bank's loan book which grew by 29% in 2006.

Within the book there was growth in all sectors. Residential Mortgages in Ireland rose by 30% to €23.1 billion. Consumer lending grew by 19%, while the commercial lending book was up 31%.

UK Mortgages with CHL also rose strongly – up 28% to €6.9 billion.

Slide 30 Lending Credit Quality

The quality of the loan book remains very strong. In the biggest part of our business – mortgage lending in Ireland – credit quality remains excellent. Overall new lending LTVs picked up slightly from 64% in 2005 to 66% last year. That means that, on average, borrowers are putting up a third of the value of the property in equity. And it's worth mentioning that our UK business, CHL, which is concentrated in the buy-to-let market in the UK, has also recorded excellent credit experience both in its securitisation programmes and its current book.

Slide 31 Lending Arrears

The credit quality is there to see in our arrears experience which shows a continuing reduction in the number of arrears cases on our Irish mortgage book – despite the significant increase in the number of loans on the books.

Slide 32 Mortgage Market Share

Just how good a year, we had in the mortgage business last year can been seen from the residential mortgage market share numbers.

The closing years of the last decade and the opening five years of the current one, were years of some market share erosion for the bank in the face of increased competitive pressures – from new or reinvigorated players.

However last year we saw a dramatic increase in our market share number from 19% to 22%, our more traditional level.

In many respects this experience on the banking side follows the example of the life business – but is about five or six years behind that experience. I've no doubt that the recovery in market share last year will be seen as a turning point in years to come and that – as we've done in the life business – we'll continue to make further progress in the years ahead.

Slide 33 Customer Acquisition

Finally I want to look at customer acquisition in **permanent tsb**.

You will all be aware that permanent tsb bank has been at the forefront of the current account "revolution" for the past two years and is the champion of free current account banking.

In 2006 we enjoyed further success in this area with the opening of 84,500 new current accounts – 68,000 of whom were completely new customers (the remainder being existing customer who upgraded their accounts).

Despite the frenetic competitive activity this success is continuing even as we speak and we're currently opening an average of 1,250 new current accounts each week.

For the future this is an extremely significant development. It means in practical terms that **permanent tsb** is now firmly established as the major competitor to the traditional incumbents for new current account customers. It will open up tremendous opportunities for us to cross sell to those customers in the years to come.

In the short term its benefits include the fact that account balances were up 18% in 2006.

We're also seeing much greater success in our credit card sales – sales doubled in 2006 to 20,000, still dampened by the inertia created by the €40 stamp duty

So looking ahead – what's the outlook for the Irish economy and how does that impact on our trading opportunities?

Slide 34 Outlook – Economy

Well the first thing to remember about the economy in 2007 is that we are in an election year and that can be both good and bad.

The good news is that the economy is in rude health. The consumer has more money in his or her pocket and probably a lot more money in the bank with their SSIAs having matured or are about to mature. Employment is expected to grow by about 4% in 2007 and wages increase by over 5%. The Exchequer is awash with money. And all this should translate into real GDP growth of 5%+ according to the most recent forecasts from the ESRI.

This is a very positive backdrop especially for our life business. The maturing of some €10 billion or so of SSIA accounts in 2007 represents a fantastic opportunity for us to convert the hundreds of thousand savers into investors. The concentration of the SSIA maturities in April / May will actually be a real challenge, getting to talk to and advise so many customers, but its one we are happy to live with.

The not so good new about this election year is that everyone has some new proposal for what should be done in the housing market in regard to the stamp duty tax on house purchases. This is generating uncertainty in the housing market and causing some buyers to stand back from the market in anticipation of possible lower duty post the election. This, together with rising rates, contributed to the slowdown we saw in the last quarter of 2006 and is unlikely to disappear this side of the election.

Partly as a result of these developments there has been a stepping up of competitive pressures in the marketplace with the inevitable impact on margins and obviously we can't be immune from that.

However over the years we've more than proven our ability to be able to defend our space in this market and I can say with determination that we didn't put all that effort over the past 18 months into rebuilding our market share – just to see it whittled away now.

So to the trading outlook

Slide 35 Outlook – Trading

In the life business we're very confident for the outlook for the year. All the elements are in place to ensure another buoyant sales performance.

In the banking market, the picture is less certain and we now see a slowdown in lending in the first half for the reasons stated. We would expect – given the strong underlying demand – a pick-up in demand post the election and once the tax uncertainty is cleared.

On the earnings front for 2007 we are targeting low to mid-teens growth in pre-tax operating profit from our core banking and life businesses which, coming on the back of growth of 29% in 2006, would be an excellent result.

Now – if anybody has any questions we'll be delighted to take them. And, if I may, I will start by inviting questions from those participating in this briefing via the Conference Call.