

Irish

Life & Permanent plc

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# 2003 Final Results Presentation

3 March 2004

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# Final Results 2003

## Overview

- Good financial performance
- Record growth in mortgages
- Strong recovery in life and pensions
- Delivering on cost agenda
- Economy rebounding

# Financial Review

# Total Profit after Tax

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
<b>6 Total Contribution</b>	<b>365.2</b>	<b>355.3</b>	<b>3</b>
Short Term Investment fluctuations	25.5	(129.7)	
Goodwill	(13.8)	(11.7)	
<b>17 Exceptional items &amp; Economic variance</b>	<b>(67.3)</b>	144.3	
<b>Total Profit before tax</b>	<b>309.6</b>	<b>358.2</b>	<b>(14)</b>
Taxation	(35.9)	(68.5)	
Levy	(12.2)	-	
Minority Interest	0.3	0.3	
<b>Total Profit after tax</b>	<b>261.8</b>	<b>290.0</b>	<b>(10)</b>

# Total Contribution

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
<b>Ireland &amp; UK</b>			
⑦ • Life Assurance	189.7	220.0	(14)
⑪ • Banking & Other	128.8	97.4	32
⑯ • Share of Associate	45.2	29.0	
	<b>363.7</b>	<b>346.4</b>	<b>5</b>
Other Investment Earnings	-	3.8	
US	1.5	5.1	
<b>Total Contribution</b>	<b>365.2</b>	<b>355.3</b>	<b>3</b>

# Life Assurance - Contribution

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
<b>Ireland</b>			
8 New Business	42.0	58.2	
Existing Business			
• Unwind of discount rate	80.2	83.4	
9 • Experience variances / Assumption changes	51.3	51.0	
Expected investment returns	3.9	4.1	
Other Income	6.3	8.2	
	<b>183.7</b>	<b>204.9</b>	<b>(10)</b>
<b>UK</b>			
	6.0	15.1	
	<b>189.7</b>	<b>220.0</b>	<b>(14)</b>

# Life Assurance - Ireland

## Value of New Business/Margins

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
<b><u>VNB</u></b>			
Life	36.6	50.8	
ILIM	5.4	7.4	
	<b>42.0</b>	<b>58.2</b>	<b>(28)</b>
<b><u>Sales</u></b>			
Life	264.6	326.4	
ILIM	51.4	87.7	
	<b>316.0</b>	<b>414.1</b>	<b>(24)</b>
<b><u>Margin</u></b>			
Life	13.8	15.6	
ILIM	10.5	8.4	
<b>Total Margin</b>	<b>13.3</b>	<b>14.1</b>	

# Life Assurance - Ireland

	Experience Variances		Assumption Changes	
	2003 €m	2002 €m	2003 €m	2002 €m
Persistency	6.8	14.5	-	-
Risk	16.0	11.1	(3.0)	14.3
Other	<u>0.8</u>	<u>0.9</u>	<u>30.7</u>	<u>10.2</u>
	23.6	26.5	27.7	24.5
Horizon Project	(11.3)	-	11.3	-
	<b>12.3</b>	<b>26.5</b>	<b>39.0</b>	<b>24.5</b>

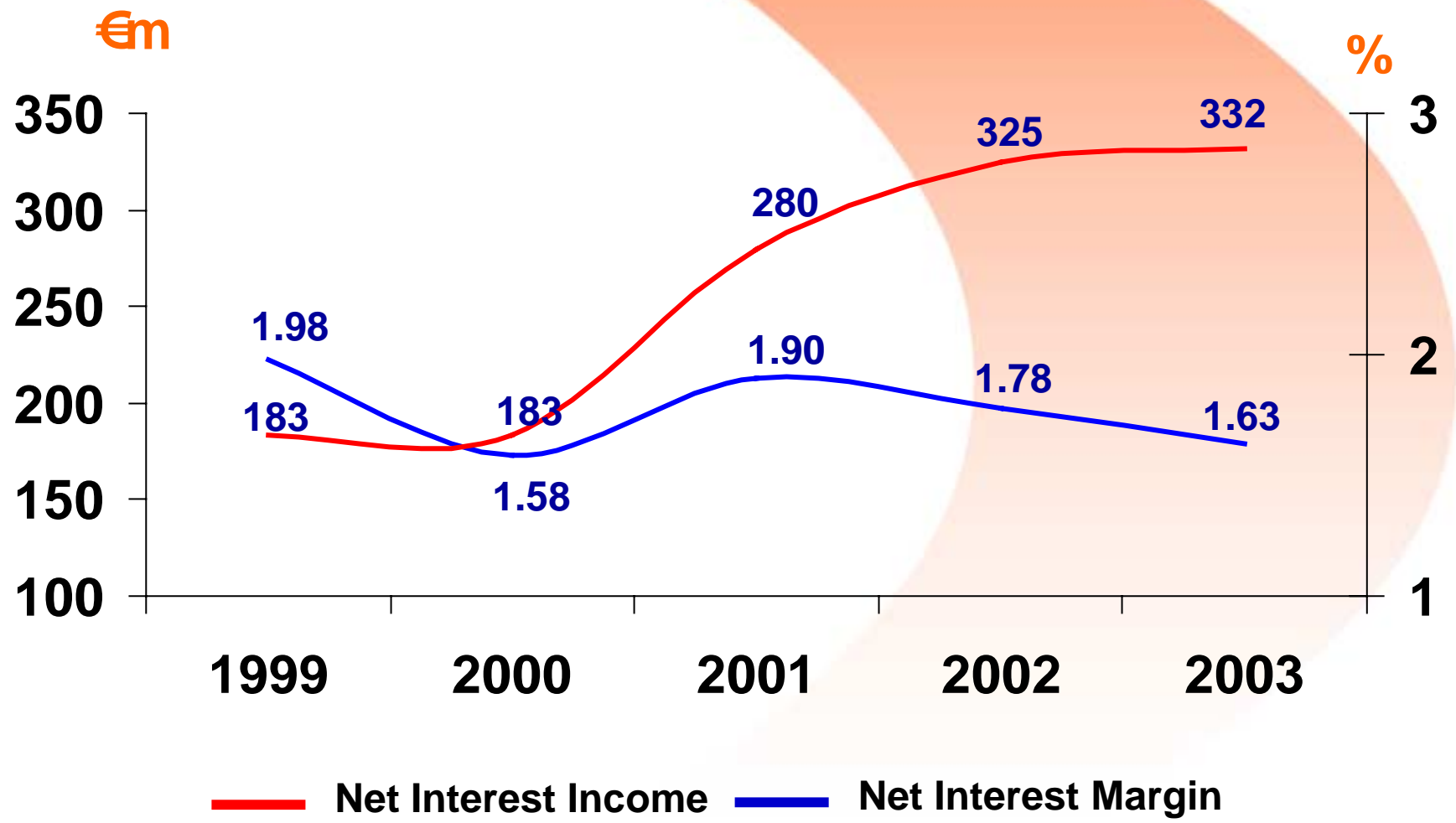
# Life Assurance - Costs

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
<b>Ireland</b>			
• Operating costs	162.3	163.6	
• Commission & fees	70.5	65.8	
• Horizon Project	11.3	-	
• Non-life subsidiaries	31.0	26.5	
<b>US &amp; UK</b>	37.7	80.7	
<b>Corporate</b>	4.4	4.7	
	317.2	341.3	(7)

# Banking & Other - Contribution

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
<b>12</b> Net Interest Income	<b>331.9</b>	325.2	
Gain on disposal of hedge securities	<b>26.0</b>	-	
<b>41</b> Other Income (net)	<u><b>24.8</b></u>	<u>29.9</u>	
	<b>382.7</b>	355.1	
<b>14</b> Expenses	<b>(240.5)</b>	(244.4)	
<b>15</b> Bad & Doubtful Debts	<b>(13.4)</b>	(13.3)	
Contribution	<b>128.8</b>	97.4	<b>32</b>

# Banking - Margins



# Banking - Margins

## 2003 Movement

	%
<b>FY 2002</b>	1.78
Retail	(0.13)
Treasury	0.03
Funding	(0.05)
<b>FY 2003</b>	<b>1.63</b>

# Banking & Other - Expenses

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Banking	227.1	232.8	(2)
Corporate & Other	13.4	11.6	
	<b>240.5</b>	<b>244.4</b>	

## Cost/Income Ratio

	%	%
Reported	60	67
Incl. Commission	59	65
Incl. Bank EV Earnings	56	60

# Banking - Debt Provisions

	31 Dec 2003 €m	31 Dec 2002 €m
Opening Balance	85.6	77.7
Charge for Period	13.4	13.3
Amounts Written Off	(7.3)	(5.4)
Closing Balance	91.7	85.6
	%	%
Reserve ratio	0.57	0.65
Arrears ratio	0.22	0.26
Arrears value	€38m	€38m

# Non-Life Associate

	31 Dec 2003 €m	31 Dec 2002 €m
Contribution	45.2	29.0
Short term investment fluctuations	(2.0)	(33.0)
	<b>43.2</b>	<b>(4.0)</b>

*Note: Contribution includes expected/normalised investment returns*

# Exceptional Items & Economic Variance

	31 Dec 2003 €m	31 Dec 2002 €m
Disposal of businesses	(50.3)	103.2
Profit on disposal of branch properties	3.2	30.3
Bank restructuring costs	-	(10.0)
	<b>(47.1)</b>	<b>123.5</b>
Economic Variance*	<b>(20.2)</b>	20.8
	<b>(67.3)</b>	<b>144.3</b>

\* Impact of changes in embedded value economic assumptions

# Capital & Reserves

31 Dec  
2003  
€m

## Capital generated

Banking and other

- earnings
- property revaluation

99.6  
80.6

Life net worth movement

- earnings
- US disposal / other

151.5  
79.1

**410.8**

## Capital raised

Tier 2 issue

**150.0**

# Capital Ratios

	31 Dec 2003	31 Dec 2002
40 Bank capital adequacy	11%	10%
38 Life solvency cover (Irish Life)	1.8 times	1.7 times
NAV per share*	€7.81	€7.06

\* Includes shares held by policyholder funds

# Dividend & Earnings per share

	31 Dec 2003 cent	31 Dec 2002 cent	Change %
Total Dividend	51.0	47.5	7
EPS*			
36 - Total contribution after tax	111.6	115.3	(3)
37 - Basic	97.2	105.5	(8)

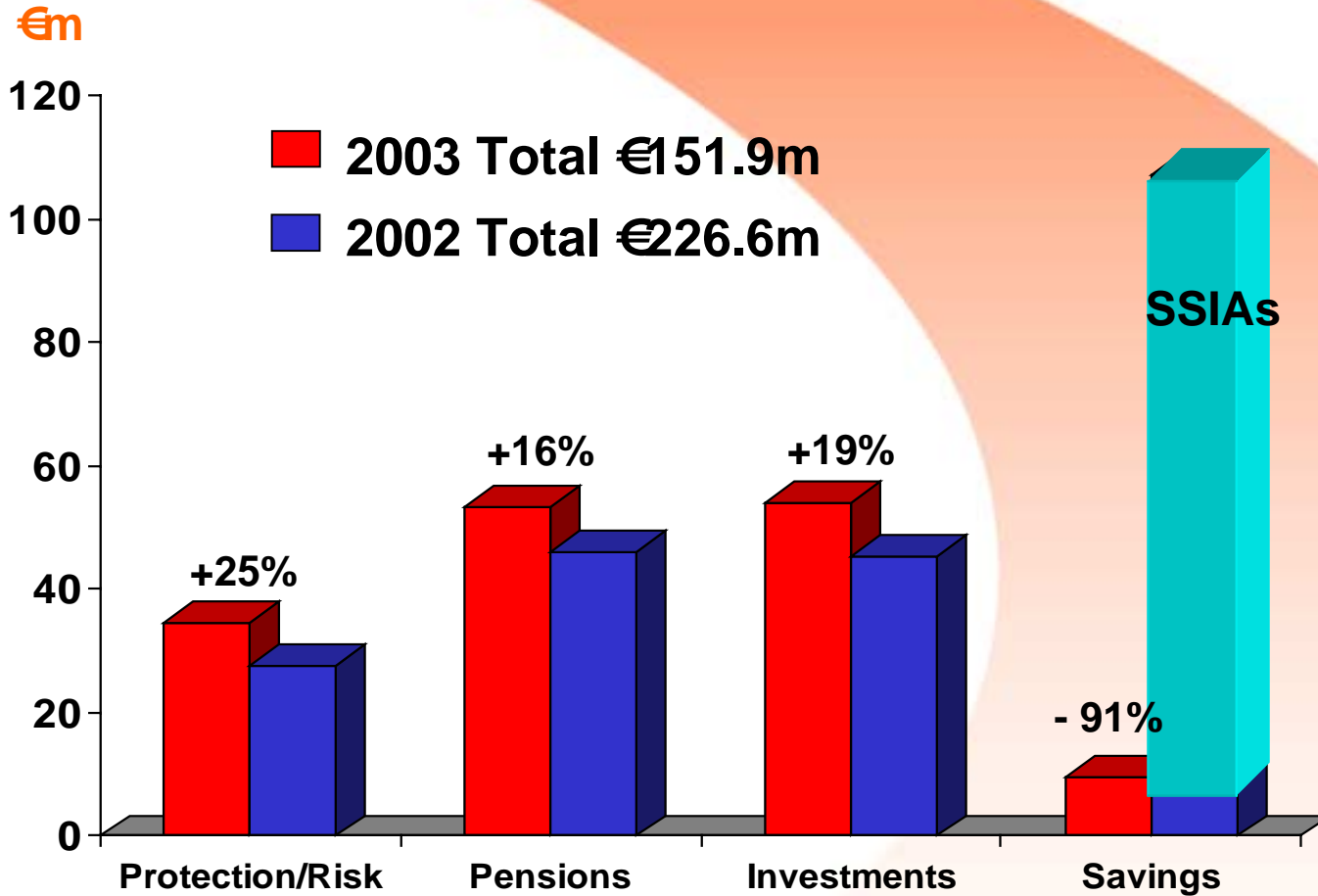
\* Includes shares held by policyholder funds

# Business Review

# Life Assurance Market

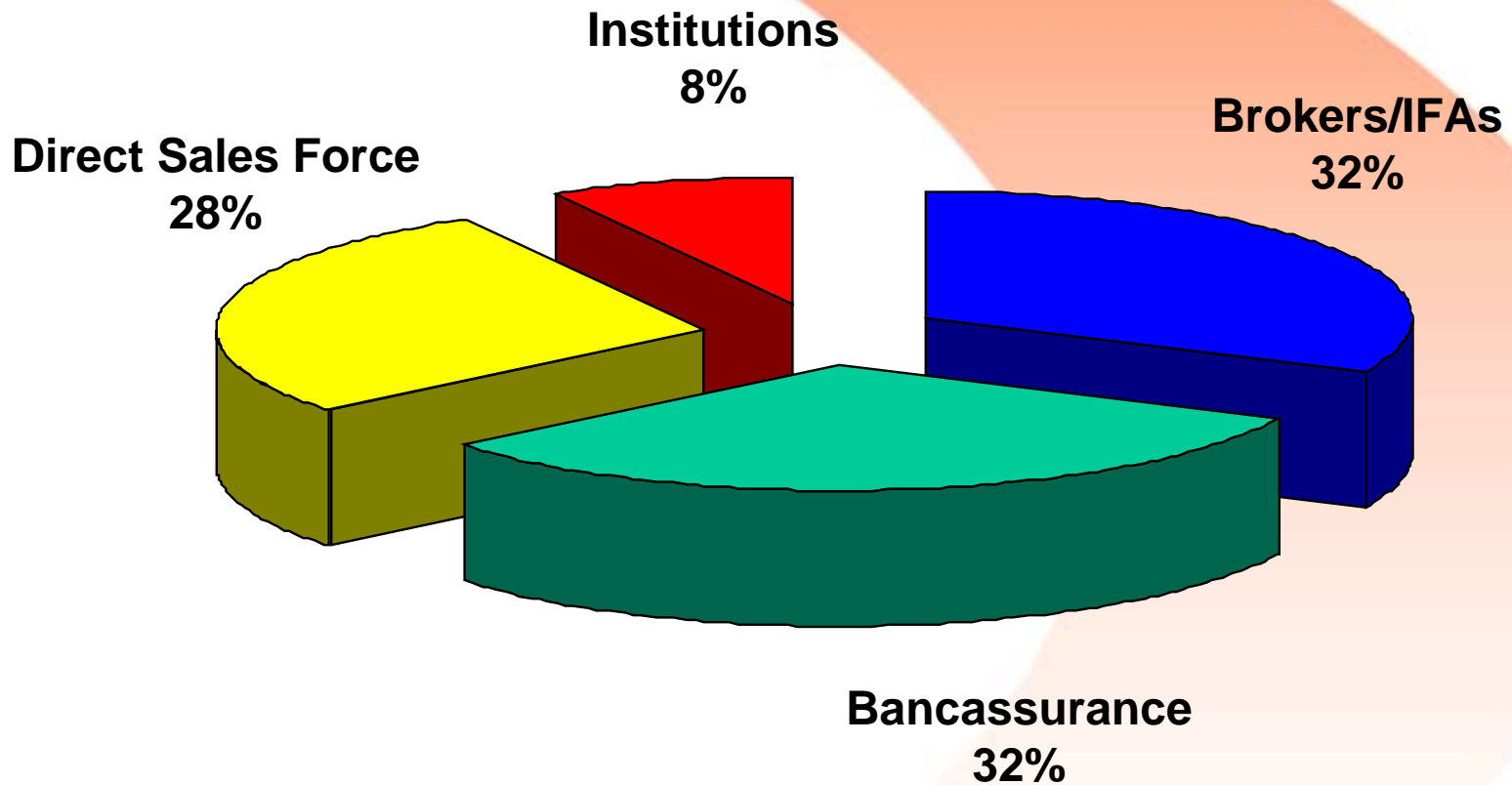
- Rebound in 2nd half sales
- PRSAs create new market opportunity
- Change programme delivering on costs
- All divisions perform strongly

# Retail Life - Products



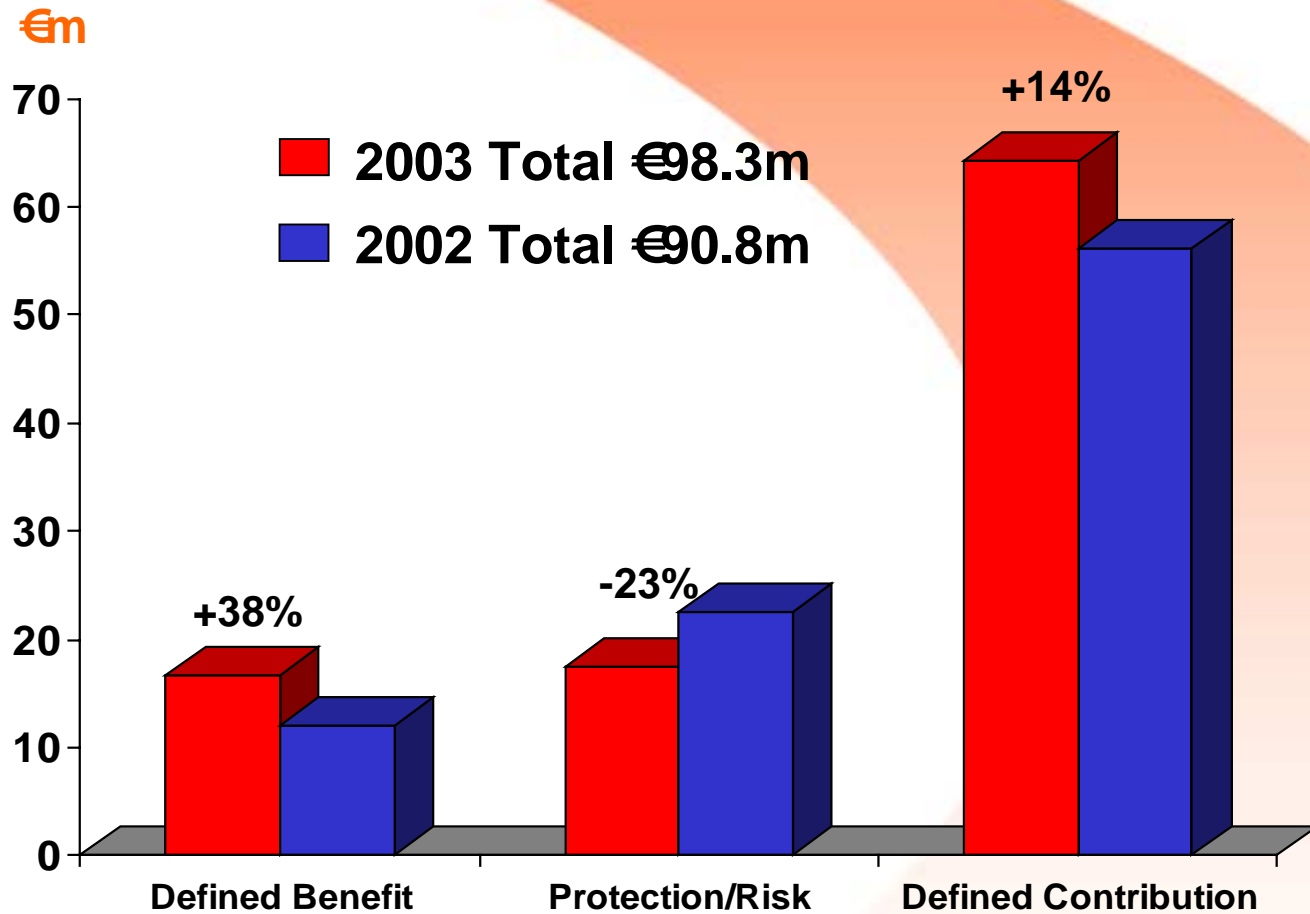
\* Analysis on page 42

# Retail Life - Distribution



\* Analysis on page 42

# Corporate Life - Products



# Irish Life Investment Managers

- Top active fund manager in 2003
- Consensus fund dominant with consistent performance
- Record inflows in 2003

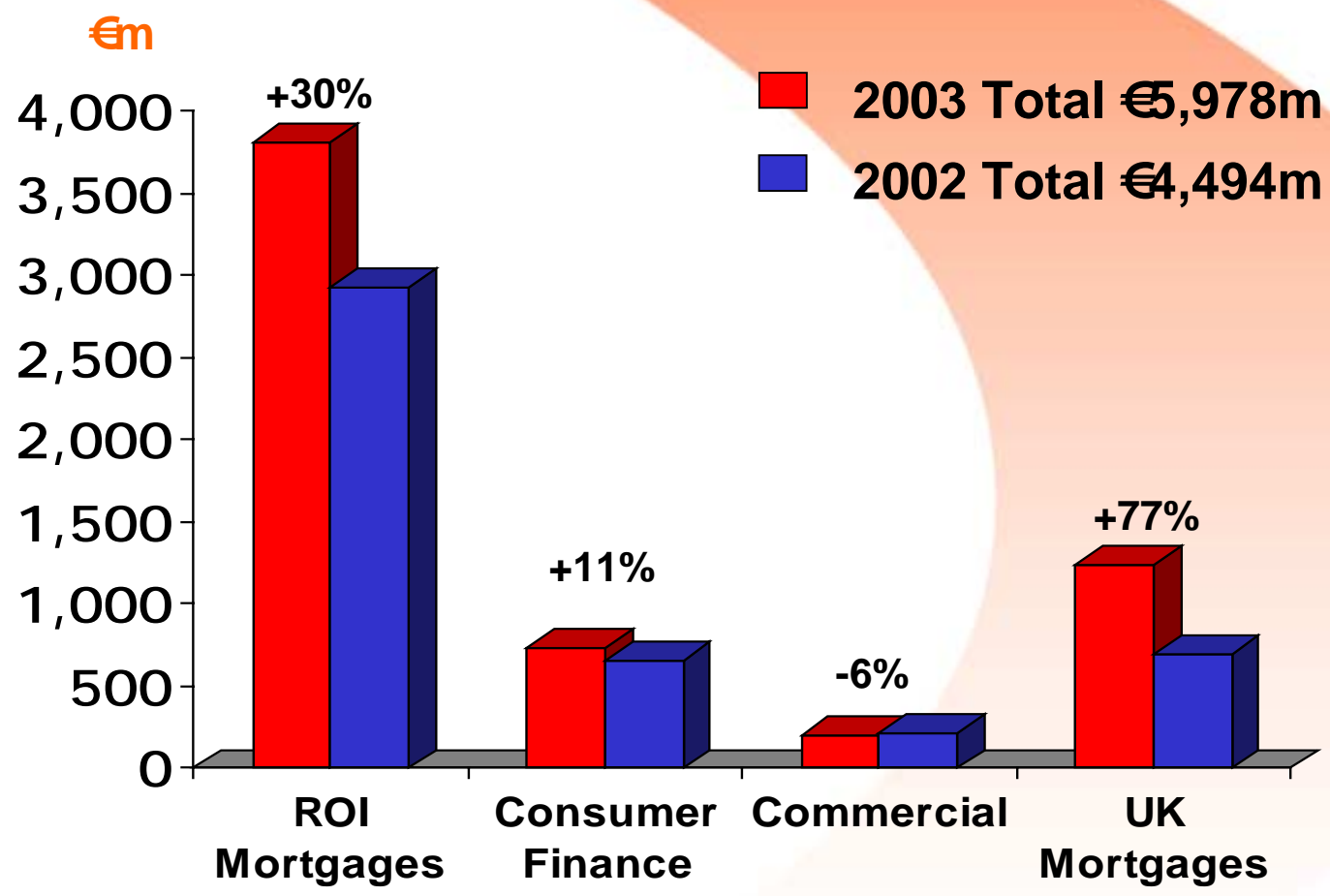
	€m
➤ Unit-linked (on B/S)	514*
➤ Segregated (off B/S)	786
	1,300

\* Annual premium equivalent €51.4m

# Retail Banking

- Record €6 billion in new lending
- Continued strong mortgage performance
- Increasing bancassurance capability
- Delivery of merger cost synergies
- Change programme targets costs and customers

# Banking - New Lending



# Banking - Loan Book

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Ireland Mortgages*	12,058	10,087	20
Consumer Finance	1,285	1,312	(2)
Commercial	<u>1,167</u>	<u>1,255</u>	(7)
	<b>14,510</b>	12,654	
	<i>Stg£m</i>	<i>Stg£</i>	
UK - Mortgages*	1,844	1,286	43
Total Lending*	<b>17,126</b>	<b>14,631</b>	17

\* Including securitised assets

# Residential Mortgage Lending

	31 Dec 2003 %	31 Dec 2002 %
■ Ireland - LTVs		
First time buyers	80	77
Others	57	55
Average	67	65

## ■ RIPs

- 13% of new lending in Ireland
- 74% of CHL loan book

## ■ Arrears at historic lows

- Total arrears 0.22% of book
- CHL arrears 0.01% of book

# Banking - Resources

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Retail deposits			
• Current accounts	1,470	1,267	16
• Other	4,371	4,505	
Corporate deposits	4,219	4,430	
	<b>10,060</b>	<b>10,202</b>	<b>(1)</b>



# Programme

- **POS technology**
  - 1,000 electronic applications per week
  - Increased intermediary usage
  - Much improved customer experience
  
- **New Back Office system**
  - New business
  - Legacy business
  
- **Completion end 2005**



**permanent tsb**

# Transformation Programme

- Merger cost synergies of €29m achieved
  - Headcount €22m
  - Overheads €7m
- Next phase commenced
  - New mortgage platform
  - Automatic teller system
  - SMART sales technology
- Costs flat over next 3 years

# Summary & Outlook

- Robust mortgage market
- Renewed sales momentum in life & pensions
- Strong cost management to protect margins
- Sustained economic recovery

# Additional Information

- Total contribution after tax
- Total profit after tax
- Embedded value movement 2003
- Embedded value movement 2002
- Banking - Regulatory Capital
- Banking - Non Interest Income
- Life - Analysis of Retail Life Sales

# Total Contribution After Tax

	Pre-tax €m	31 Dec 2003 Tax €m	Post-tax €m	31 Dec 2002 Post-tax €m
<b>Ireland/UK</b>				
• Banking & Other	128.8	(19.3)	109.5	78.6
• Life assurance	189.7	(24.8)	164.9	205.9
• Other investment earnings	-	-	-	3.8
	<b>318.5</b>	<b>(44.1)</b>	<b>274.4</b>	<b>288.3</b>
<b>US - Life Assurance</b>	1.5	(0.6)	0.9	3.6
Share of Associate	45.2	(7.6)	37.6	25.1
Levy*		(12.2)	(12.2)	-
<b>Total Contribution</b>	<b>365.2</b>	<b>(64.5)</b>	<b>300.7</b>	<b>317.0</b>

\* Government bank levy

# Total Profit After Tax

	Pre-tax €m	31 Dec 2003 Tax €m	Post-tax €m	31 Dec 2002 Post-tax €m
<b>Total Contribution</b>	<b>365.2</b>	<b>(64.5)</b>	<b>300.7</b>	317.0
Investment fluctuations				
• Life	27.5	9.4	36.9	(113.1)
• Associate	(2.0)	0.3	(1.7)	(29.1)
Goodwill	(13.8)	-	(13.8)	(11.7)
Economic variance	(20.2)	7.7	(12.5)	8.6
Exceptional items	(47.1)	(1.0)	(48.1)	118.0
<b>Total Profit*</b>	<b>309.6</b>	<b>(48.1)</b>	<b>261.5</b>	<b>289.7</b>

\* Before minority interest

# Life Embedded Value 2003

	Net Worth	Value of in-force	Total	Solvency Capital
	€m	€m	€m	€m
Opening 1.1.2003	565.1	972.0	1,537.1	268.4
Profit after tax	151.5	38.7	190.2	
Disposal of US business	66.4	(116.7)	(50.3)	
Currency / Other	12.7	(15.7)	(3.0)	
Dividends (to bank)	(152.8)		(152.8)	
<b>Movement</b>	<b>77.8</b>	<b>(93.7)</b>	<b>(15.9)</b>	<b>7.7</b>
Closing 31.12.2003	642.9	878.3	1,521.2	276.1

# Life Embedded Value 2002

	Net Worth	Value of in-force	Total	Solvency Capital
	€m	€m	€m	€m
Opening 1.1.2002	363.1	1,029.4	1,392.5	254.2
Profit after tax	99.7	5.3	105.0	
Disposal of IB business	131.8	(33.3)	98.5	
Currency / Other	21.1	(29.4)	(8.3)	
Dividends (to bank)	(50.6)	-	(50.6)	
<b>Movement</b>	<b>202.0</b>	<b>(57.4)</b>	<b>144.6</b>	<b>14.2</b>
Closing 31.12.2002	565.1	972.0	1,537.1	268.4

# Bank Capital

	31 Dec 2003 €m	31 Dec 2002 €m
<b>Risk Weighted Assets</b>	<b>11,382</b>	<b>9,481</b>
<b>Capital:</b>		
Tier 1	3,351	3,227
<u>less</u> Goodwill (Irish Life & TSB)	<u>(1,522)</u>	<u>(1,532)</u>
	1,829	1,695
Tier 2		
Sub-debt	764	621
Other	<u>133</u>	<u>53</u>
<b>Total Capital</b>	<b>2,726</b>	<b>2,369</b>
<u>less</u> Embedded Value deduction (90%)	<u>(1,466)</u>	<u>(1,435)</u>
	<b>1,260</b>	<b>934</b>
<b>RAR</b>	<b>11.1%</b>	<b>9.9%</b>

# Banking & Other - Non Interest Income

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Fees & Commissions receivable	45.0	43.5	3
Fees & Commissions payable	(34.9)	(27.4)	
Dealing profits	6.1	3.3	
Other income	2.5	4.7	
Property Management	6.1	5.8	
	<b>24.8</b>	<b>29.9</b>	<b>(17)</b>

*Note: Bank Embedded Value earnings €32.0m (2002: €39.8m) included in life assurance.*

# Life Assurance Sales\* - Retail

	31 Dec 2003 €m	31 Dec 2002 €m
<b>Products</b>		
Protection/Risk	34.7	27.8
Pensions	53.5	46.1
Investments	54.0	45.4
Savings	9.7	107.3
	<b>151.9</b>	<b>226.6</b>
<b>Distribution</b>		
Bancassurance	49.3	85.7
Brokers/IFAs	48.5	63.0
Direct Sales Force	42.0	64.7
Institutions	12.1	13.2
	<b>151.9</b>	<b>226.6</b>

\* Annual premium equivalent