

IRISH LIFE & PERMANENT PLC
2004 FINAL RESULTS PRESENTATION SCRIPT

SLIDE 1 – FINAL RESULTS 2004 - INTRODUCTION

Good morning everybody and good morning in particular to those of you who are joining us via the teleconferencing facility.

My name is Gillian Bowler – Chairman of the Group – and I’m delighted to welcome you all here this morning.

In a moment I’m going to hand you over to our Group Chief Executive – David Went – and our Finance Director – Peter Fitzpatrick – who will take you through the details of what has been another outstanding performance by each of our key businesses.

Of course that performance is firmly set in the context of the Group’s Ireland First strategy and recently the Board and senior management have conducted a thorough review of that strategy to ensure its continued appropriateness for the Group.

Our conclusion is that the strategy is as relevant for us today as it was when it was first enunciated in 1999. In particular it has confirmed our continued optimism about the Irish economy and our potential to further grow our market share and profitability in this booming market.

In the first phase of Ireland First, much of our attention was focused on divesting ourselves of underperforming, peripheral operations overseas and acquiring the different elements of the Group we have today.

More recently the focus has been on business transformation in our existing operations to ensure that we have an effective and dynamic financial services business model to maximise the opportunities available in the positive operating environment of Ireland. Already these programmes are beginning to bear fruit and we expect further progress in this area in the months and years ahead.

For now however, this presentation gives us an opportunity to reflect on what’s happened in our key businesses through 2004 – and for that – I hand you over to Group Chief Executive, David Went.

David.

SLIDE 2 FORWARD LOOKING STATEMENT

Thank you Gillian. Good morning everybody.

Well as Gillian has said, it’s been another very satisfactory performance in 2004.

SLIDE 3 KEY FEATURES

Looking back at the year, the key features were

- 12 months of strong volume growth on the back of the booming Irish economy - with continued job creation and record housing demand being particularly significant for our businesses.

- We saw another 12 months of tight margins with tough competition right across the board. However on the life side, as Peter will explain, we pretty much held our own in respect of margins and we're on target for 15% by the end of this year, while the interest rate cycle means that we believe the worst is over for attrition in the bank.
- There was a continuing tight focus on cost control – particularly important in the context of that margin pressure.
- And the result being increased earnings and continued dividend growth.

SLIDE 4 2004 HIGHLIGHTS - SALES

If we look at the highlights of the year, starting with sales:

- New lending was up 33% over 2003.
- Current Account balances up 17%
- Life sales also up 17%, well ahead of the market
- Individual Pension Sales up a terrific 42%
- And investment inflows into ILIM, for the second year running, more than a billion EUROS – AT €1.6 BILLION.

SLIDE 5 2004 HIGHLIGHTS – FINANCIAL

And amongst the financial highlights:

- A 19% rise in our underlying pre-tax contribution.
- A 57% rise in total profit after tax
- An 8% rise in Contribution Earnings Per Share at 120 cents
- And an 8% rise in the total dividend – bringing it up to 55 cents per share

So a very satisfactory performance over all. Now I'm going to hand you over to Peter to take you through the details of the financial results.

SLIDE 6 FINANCIAL REVIEW

Good morning.

As usual, we will start with a high level summary of the results for 2004.

SLIDE 7 TOTAL PROFIT AFTER TAX

Total profit after tax at €411m is up 57% on 2003 and pre-tax profits at €486m have also shown a 57% growth.

The key drivers of this performance are firstly, a 10% growth in the contribution line coming from life assurance, banking and general insurance. This level of growth reflects a €26m once off gilt gain in 2003 and adjusting for this item gives us

underlying contribution growth for Ireland and the U.K. of 19% in 2004. I will be returning to an analysis of contribution in our next slide.

Secondly, we have enjoyed another year of good growth in the investment markets and have exceeded our assumptions for investment returns. That gives us positive short-term investment fluctuations of €30m, up from €26m in 2003.

Lastly, exceptional and other items have shown a significant turnaround, moving from a negative €81m in 2003 to a positive €56m in 2004.

In 2003 we had a loss on disposal of a subsidiary in the U.S. In addition, at the 2003 year end, we increased the Risk discount rate for the life business, which, as well as impacting on our 2004 earnings, did give rise to a negative economic variance in 2003's result. By contrast, in 2004, we had a profit on the disposal of an Irish subsidiary and a positive economic variance following a reduction in the Risk Discount Rate. I have a breakout of these numbers on a later slide.

So, having analysed the 57% increase in profits at a high level, let's look at some of the detail, starting with contribution.

SLIDE 8 TOTAL CONTRIBUTION

This slide shows the analysis of contribution over each of the principal operating areas of the group.

Life assurance has grown by 13% to €215m of contribution on an embedded value basis. Within that result we are seeing very good growth in new business earnings in particular, following another year of strong sales performance.

Banking is down by 5% but again 2003 does include that once off €26m gilt gain which masks a good out-turn for the banking business in the light of a marked reduction in margins which we reported at the interim stage but which, thankfully, has eased considerably in the second half, as we will see later in the presentation.

Our share of the profits of Allianz Ireland, our general insurance associate, did exceed our most optimistic expectations. The company had another very strong year in terms of its underwriting result and a big contributor to the out-performance at the year-end was the absence of any weather related catastrophe.

SLIDE 9 LIFE ASSURANCE CONTRIBUTION

Moving back to life assurance contribution of €215m. Contribution from our Irish businesses has grown by 12% reflecting a very strong performance in new business earnings, up 24% on 2003. In addition, all of the growth from the in force business is coming from the unwind of the discount rate, with experience variances and assumption changes combined coming in virtually flat on the positive outcome for 2003.

In the UK, CWA in 2004 returned to a more normalised contribution following a change in assumptions which depressed the 2003 result.

SLIDE 10 LIFE ASSURANCE - NEW BUSINESS

Turning to new business earnings for Ireland which are up by 24% in total. The larger component of these earnings arises in the life area where the value of new

business at €40m is up 10%, driven by a 17% growth in sales which David will discuss later. That is a very good outcome and the resultant margin of 13% is a bit ahead of what we were expecting when we issued our pre-close trading statement and that additional margin came through on the back of particularly strong sales in our Retail division in December.

The margins, in percentage terms have fallen year on year from 13.8% to 13.0%. A major component of this reduction relates to the Risk Discount Rate which was increased by 0.5% for 2004. The consequence of this is to reduce the level of new business earnings, leaving more profits to unwind out in the future. Indeed, if we adjusted the risk discount rate back to its 2003 level, the margin for 2004 would be closer to 14%. So, in fact, we are writing life business on as good a margin, if not better, than in 2003 and that, despite some adverse features such as another round of price reductions in protection business and having to absorb an unexpected hike in annuity reinsurance in the second half of 2004 which we hadn't assumed for pricing purposes in the first half. So that puts our new business margin into a completely different light and helps to emphasise the real progress which we have made in improving productivity and managing our cost base within the life divisions and this is a theme to which I will return later.

Irish Life Investment Managers ("ILIM") enjoyed a terrific uplift in on balance sheet sales which, again, David will comment upon. This enabled us to grow our new business earnings in this area, however, the fact that some of these inflows were large funds means that this business, whilst very valuable, attracts a tighter pricing and therefore lower margin than the average of new business written in 2003.

SLIDE 11 IN-FORCE BUSINESS

Turning now to the earnings from our expanding book of in force business.

The unwind of the discount rate has grown by 14% to €92m. This is driven by two features, firstly our continued success in growing the business overall and secondly the increase in the Risk Discount Rate has a positive effect here - somewhat compensating for the negative impact which that change in rate has on new business earnings.

Indeed, its not unreasonable to smooth out the impact of this increase in the Risk Discount Rate by combining new business earnings and the unwind of the discount rate to provide a measure of underlying profitability before variances or assumption changes. On a combined basis then that earnings growth year on year is coming through at 18% and this is a performance with which we are very pleased.

Experience variances and assumption changes, when combined, are €51m positive in 2004, compared to €52m positive in 2003. So, fairly flat, but within the overall numbers we have a lot of moving parts which you can see from the next slide.

SLIDE 12 IN FORCE BUSINESS - VARIANCE & ASSUMPTION CHANGES

Persistency variances are less positive than in 2003. There are two aspects to this - firstly, within the Irish property market, first time buyers are now trading up more quickly than before and this is a feature which we commented upon at the interim stage. That leads to a shortened duration of the mortgage and also to earlier than assumed lapses in the related mortgage protection policies.

The second feature relates to pension business where some regular premium inflows are now being directed, on a single premium basis, towards newer pension products, such as geared property funds.

Neither of these are of huge concern to us since they do result in alternative or replacement product sales, but combined have cost us €11m in assumption changes for 2004.

In the area of risk we are seeing continuing gains in mortality and morbidity experience. The area of morbidity is a part of the risk business where you can improve profitability through an active claims management process and we have been doing so with good effect. A portion of these positive variances are now regarded as permanent gains and have been capitalised, giving a large positive of €50m in the area of assumption charges. If that good experience continues in 2005, a further portion of the gains could well fall to be capitalised this year.

The expenses and other line covers a wide range of categories. In 2003 we had a large positive coming through following the termination of an administration contract for the Industrial Branch business which was itself sold in 2002.

In 2004, you will note from the preliminary announcement that we have strengthened solvency support for the business in line with the requirements of the new Solvency 1 capital regulations and also revised our assumptions for the return on assets which support the solvency margin, reflecting the move away from equities and into cash and gilts.

We have completely compensated for these changes by reducing the risk margin within the Risk Discount Rate by 35 bps - effectively reflecting the lowering of risk under these two headings and all of this is recorded in the expense and other line with no net impact on overall profitability.

Lastly, then, on this slide is the capitalised cost benefits arising from the very successful project Horizon which are reported within assumption changes amounting to €31m against which we have written off an equal amount of project costs, so again a nil impact on the bottom line for the year.

SLIDE 13 LIFE ASSURANCE - COSTS

That takes me very neatly onto the next slide which looks at the absolute level of costs within our life businesses. Within our Retail division, costs have reduced slightly as the focus on cost management and the roll out of the Horizon programme continues. We expect to complete the final stage of Horizon, being the migration of the back book of policies, by Quarter 4 this year. The focus on costs have also been rigorous within both Corporate Business and ILIM over the last few years. In 2004 we saw further gains in both areas which, when combined with retail, allows us to present a flat year on year performance in operating costs despite the inflationary pressures on costs such as payroll and increasing volumes and transactions.

So, a real gain of around 6 – 7% is coming through and that, in turn, has helped us greatly in absorbing some of the negative impacts on our new business earnings and allowing us to very effectively protect our margins, as I outlined earlier.

SLIDE 14 BANKING & OTHER - CONTRIBUTION

Moving on into banking and other - the “other” part relates to the annual earnings for Irish Estates Management Limited, a facilities management company which, as such, is not a core part of the group business. We sold this company for a profit €19m in late December.

Outside of this we have a contribution of €120m from banking.

SLIDE 15 BANKING - CONTRIBUTION

Looking at the make up of this number and again excluding the exceptional gain on the disposal of securities in 2003, €120m in 2004 plays against €101m in 2003 and gives a growth of 19%. That, in turn, is coming from an additional €11m in total income and a reduction in both costs and the charge for bad and doubtful debts.

Total income is effected by the deduction of fees and commissions payable and this charge has grown by €6m, most of which relates to broker commissions for the introduction of new mortgage business.

Fees receivable on the other hand are flat in total terms. We were not expecting strong growth in this line for two reasons, firstly, we are selling current accounts on the basis of no or low fees, a strategy which is working well for us.

Secondly, we are seeing very marked reductions in the price of household insurance which we're selling and which, from a commission earning point of view, has negated the impact of new product sales.

But, the main story on the income side relates to net interest income which, despite a 23% growth in balance sheet lending, has grown by only 5%.

SLIDE 16 BANKING - MARGIN CHANGE

The reason for this low level of growth and the resultant decrease in our margins year on year is familiar to all of you by this stage, I'm sure! However, just to briefly recap - ECB interest rate reductions in the first half of 2003 resulted in all of our deposit accounts hitting into interest rate floors. That meant that the cost of mortgage rate reductions couldn't be recovered from our deposit base with the unavoidable reduction in margins as a result.

Happily, we did report that the worse of this was over by the half year stage when we reported a reduction in our margin of 19 bps. You can see from this slide that the 19 bps reduction in the first six months which I have just mentioned compares to a reduction of 23 bps for the year overall and a significant easing of the pace of reduction in the second half is coming through on the retail line.

Just to comment on the other features within margin. Wholesale funding is a permanent feature of our business and will dilute the margin as the level of such funding inevitably increases. During 2004 we had, once again, a very active year in funding. In terms of the cost of such funding, the issue of a sterling £1 billion securitisation in the UK for CHL and the raising of €150m in Tier 2 capital, did have an impact on our margins in the second half.

Lastly, Treasury does a very good job of managing our liquidity in a low risk manner. However, the regulator requires us to carry a very high 25% liquidity ratio and, again, given where interest rates lie, compared to previous years, it is difficult to generate a return on such assets and that can produce a degree of dilution in our margins.

SLIDE 17 BANKING - COSTS

The strong focus on cost management which we saw in the life business is also evident in the bank and it is pleasing to see the absolute level of costs decrease by 1% in the light of inflation on costs of between 6% and 7%.

The 2 percentage point increase in the cost income ratio, excluding bancassurance earnings, to 62% is simply a feature of the exceptional income of €26m in 2003 and I think it is interesting to see that when you include the full income attributable to bancassurance, that 2% difference between the two years disappears - again underscoring the successful growth in our bancassurance operations. At 56%, that cost income ratio compares reasonably well to others within our peer group and we have further progress to make in 2005.

SLIDE 18 BANKING - DEBT PROVISIONS

Within the bank, asset quality remains very good for both the Irish and UK businesses.

The strength of asset quality within our UK business, CHL, was underscored when a €1 billion sterling securitisation in the second half of 2004 was literally snapped up on the back of very strong ratings. In addition, there were no bad debt write offs at all within the CHL portfolio during 2004.

A similar picture prevails in Ireland where losses in the mortgage book are minimal and arrears are trending downwards. Write offs in 2004 are down by €1m on 2003 at €6m. The lions share of this write off relates to consumer finance and principally car loans. Even in this respect our experience is good with the loss ratio on car finance running comfortably behind the average for the sector.

So, its not surprising in the light of these comments that, when we reviewed the levels of our existing provisions at the end of the year, we concluded that any further increase in the general bad debt provisions was not required, especially with the IFRS changes in 2005 which would doubtless reverse any such increases in full.

Accordingly, the charge for the year relates to specific provisions only and has therefore fallen by €5m over the charge for 2003.

SLIDE 19 GENERAL INSURANCE [ASSOCIATE]

As I said earlier this morning, we have enjoyed an exceptional performance in Allianz Ireland and from an underwriting perspective this arose from exceptional circumstances.

Claims cost inflation was lower than anticipated, the level of claims incidence was down and these are savings which have been passed back to customers in the form of premium reductions during 2004 and into 2005.

In addition, there was the absence of any weather related catastrophe and an extremely low incidence of large claims, such as fires. These factors had a very significant impact on the underwriting result in 2004, but are unlikely to persist in the future.

If we assume a more normalised underwriting result for 2005, that would put our share of profits in the range of €30m to €40m for the year.

SLIDE 20 EXCEPTIONALS – OTHER ITEMS

As I said at the outset under this heading of exceptional and other items, there is a big swing from a total of €81m negative in 2003 to €56m positive in 2004.

In 2003 we sold the last of our US subsidiaries and recorded a loss of €50m. In 2004, we sold Irish Estates Management Limited to a consortium of private investors and realised a profit of €19m.

In terms of the economic variance, in 2003 we experienced an increase in interest rates which pushed the risk discount rate up by ½% to 8% at the year end and a resultant negative variance of €20m was recorded.

In 2004 we have reduced the risk discount rate by 65 bps as a result of a reduction in interest rates. This produced a comparable positive variance of €27m and the balance of the €47m positive variance for 2004 comes from a range of other effects arising from the drop in interest rates. These include the effects on the growing level of reserves within the non-linked book, a reduction in the expense inflation assumption and also the increased overall size of the business.

SLIDE 21 CAPITAL

I'm going to finish the financial review with a few slides on capital and dividends and starting with one on capital generation.

Within the group we have generated new capital of €270m during 2004 and this provides a very comfortable level of cover for our group dividend, as we will see in the next slide.

This capital is coming from Life net worth earnings of €148m, after charging for the new business strain. The bank has contributed €86m, exceptional items €20m and lastly we have received dividends of €16m from Allianz Ireland.

In addition, we have capital introduced from external sources. Given the fact that loan balances within the bank have grown by 23%, we need an element of debt capital to support this growth in a capital efficient manner. Accordingly, we raised €150m in Upper Tier 2 in the last half of 2004.

That gives us €420m with which to support the ongoing capital requirements of the group and also to fund a dividend.

SLIDE 22 CAPITAL ALLOCATION

Looking now at how we have allocated this capital.

The growth in bank lending has absorbed €168m and the growth in business within the Life area requires solvency or capital support of €60m.

The proposed dividend for the full year will cost €148m and effectively we are left with a net increase in capital of €44m which pushes up our capital ratios in the parent company, the bank, to comfortably ahead of our minimum level at the year end.

SLIDE 23 CAPITAL RATIOS

That produces a total capital ratio of 11.2% in the bank, ahead of our minimum regulatory requirement of 9.5%. This provides us with some headroom for writing new lending business into 2005.

Life solvency, including the additional element required under Solvency 1 is 1.7 times the minimum required and is in line with our own internal capital targets. Then the last indication of the growth in capital strength is to note that the net asset value per share has grown from €7.81 at end 2003 to €8.77 at end 2004.

SLIDE 24 DIVIDEND & EPS

So, based on the level of profitability reported for 2004 and reflecting the capital generated by the group - we are again looking at a significant increase in the level of dividends. We are proposing a total dividend of 55 cent for the year - up 8% on 2003 and which, as you can see from the EPS numbers on this chart, is comfortably covered by earnings.

So that concludes the financial review and now back to David for a business review.

SLIDE 25 BUSINESS REVIEW.

Thank you Peter.

I'm going to look at each of the main businesses in turn and as usual I'll start off with the life side of the Group.

SLIDE 26 LIFE BUSINESS

The key messages out of the life business centre around:

- Market Share
- Margins
- And costs

In a nutshell the life business is firing on all cylinders and that's best reflected in our continued growth in market share. This continues a trend that has been apparent since 1999 with Retail share up to around 21%, a gain of 6% over that period with all of our distribution channels contributing.

The challenge of course is around margins because there's no doubt that margins are tight and Peter has given a makeup of the slight decline in reported life margin.

While 2004 reported margins were just behind our 2003 level and down on our internal targets, we were in fact pretty pleased with performance. The impact of the higher risk discount rate, a significant overshoot on annuity reinsurance costs, both non recurring items, were significant factors in lowering reported margins. So despite the competition in the protection market and a very competitive DC business we remain on target for our 15% margin by the end of this year.

We have been able to do this by growing volume – and by improving efficiency. Business transformation programmes, like Horizon, are underway in each of our key businesses and on the life side, the fruits of that are seen in the way we've been able to keep operating costs flat despite the increased volume of business we're doing.

At the same time we've focussed throughout the business in improving service to customers. Retail got the Honesty Mark for documentation (a first for Ireland), the Intouch programme led to a significant improvement in customer satisfaction while Corporate Business 'Boru' programme enabled the Division to reach number 1 in the broker survey. There is just an obsession in the business around quality of service that differentiates us today and will further do so in the future.

Overall that sets us up nicely to capitalise on what by any measure is a very positive outlook for life businesses in Ireland.

SLIDE 27 TOTAL LIFE SALES – IRELAND

The improved sales climate, which we saw in the second half of 2003, continued right through 2004.

In particular we saw very solid performances in both Retail and Corporate Business and an exceptional performance from our fund management business – Irish Life Investment Managers. In ILIM, we're continuing to reap the rewards of their excellent product range and outstanding fund management performance.

SLIDE 28 RETAIL LIFE – PRODUCTS

We'll drill down again now into those different areas starting in Retail and the key performance here is in pensions where the volume of sales was up 42%.

Some of that is down to a lot of hard work in the PRSA area – an area where a number of our competitors appear to have thrown in the towel but one in which we continue to have faith.

We've always said that PRSAs was going to be a difficult market to crack but one that will reward those who persevere. We're doing that and we believe that it's helping us to develop excellent relationships with a key customer base for a host of other products in the years to come.

But other elements of the pensions market are also performing well. At the higher end, we're seeing a lot of interest in sophisticated products like geared property and specialist equity funds.

We grew our protection sales by 8% in the year, remaining a clear number 1. Protection continues to be a tough market. In fact the total market was actually down on 2003. Premiums were under pressure for most of the year but towards the end some sense seemed to be returning to the market, with competitors increasing prices.

In savings we've seen strong growth coming pretty evenly from sales of top-ups to existing SSIA holders and from new plans. Earlier this year we launched a new product called *bonus saver* which is designed to reward long-term savers.

Regular savings products have long been a bread and butter product for us and so it's good to see resumption in growth after the SSIA indigestion.

The one decline in Retail is the single premium area where the value of sales declined by some 14%. It's worth bearing in mind that in the latter part of 2003 we

had the sale of some “once-off” investment products so the bar was certainly high during 2004 and we did well against the competition.

But its also fair to say that the equity markets have so far not managed to re-capture the imagination of the investing public – certainly we’re still seeing people who might otherwise have put their money into one of our products, being tempted by the buy to let phenomenon. Indeed amongst our own investors there’s a huge focus on property based funds with Irish Life property fund sales over 5 times up on the levels seen in 2003.

However despite that, its early days but those investors who are coming to the market seem less inclined to look for full capital protection on their products. Perhaps the first sign of a thaw in a recent frosty approach to equities.

SLIDE 29 RETAIL LIFE DISTRIBUTION

All Retail Sales channels did well with the Direct Sales Force and Brokers both putting in great performances.

In this context, the Direct Sales Force now includes the performance of approximately 100 One Source Franchisees. These are former brokers who have opted to become tied agents of Irish Life. We have high hopes for this channel over the next 2/3 years.

Sales through permanent tsb branches are really performing very well – up 11% compared to a 5% growth in sales of bancassurance products through other banks and building societies. While its not exact, if you take those institutions as a rough proxy for the market, you can see how successful we are at maximising the success of our own branch network. Certainly our branch metrics compare favourably with both Bank of Ireland and AIB

SLIDE 30 CORPORATE LIFE – PRODUCTS

Turning to Corporate Business, this division benefits in particular from the growth in employment in Ireland where we are market leaders in the sale and management of Defined Contribution pension schemes.

DC sales were up some 14% during the year with sales coming from both new schemes and increments to existing schemes. Within this category we saw a terrific performance from Cornmarket our subsidiary which has an excellent niche in public sector employee groups such as teachers and nurses.

In Protection and Risk while we remain far and away market leaders, the level of growth was more modest at 6%. The key factor here is the competitive pressure being faced when tendering for short term affinity schemes.

Because Corporate Business revolves around large schemes, customer service assumes enormous importance and we’re particularly happy therefore that during 2004 we were awarded 1st place in our annual service survey amongst brokers. This reflects well on our growing reputation in this key community.

SLIDE 31 IRISH LIFE INVESTMENT MANAGERS

ILIM had another outstanding year of business growth (€1.6 billion fund-flow coming on top of €1.3 billion in 2003) as well as maintaining an outstanding performance

record both short term and over 5 years. In addition our Consensus fund, now nearly 10 years old, continues as the reference product in this area of the market.

Funds under management in ILIM topped €20 billion for the first time.

Moving to the banking side of the Group

SLIDE 32 BANKING

The key messages here are that the mortgage market remains exceptionally buoyant - and we're enjoying a very healthy share of that market.

Our success in broadening our product range particularly into current accounts, and

As in the life business – the importance of our business transformation programme.

Like the life business, our banking operations put in a great performance in 2004 and we're very positive about the outlook.

SLIDE 33 BANKING – NEW LENDING

The best measure of that performance of course is our lending. We've already mentioned the 33% increase in new lending – some €8 billion of loans.

As you'd expect the lion's share is down to mortgage lending in Ireland – 30% ahead on the year. We remain underweight in the RIP area.

The other notable performance here was in Capital Home Loans in the UK where new lending rose by 56% to almost €2 billion. We've enjoyed a number of years now of very solid growth in lending in the UK. Given the general softening in the market there at present, we do expect some moderation of our rate of growth in the current year – but our experience to date doesn't tally as yet with some of the stories we've been seeing in the media.

Elsewhere we had a good performance in Commercial lending albeit off a very small base and consumer lending – principally the car finance business of permanent tsb finance – continues to outperform the market. During 2004 this business picked up the finance contracts for both BMW and Mitsubishi.

SLIDE 34 LOAN BOOK

Turning to the loan book, we recorded an overall increase in lending of some 23% bringing its value to €21 billion with the major shifts being seen in the mortgages books in Ireland and the UK.

There's no doubt that the pace of redemptions for all lenders has increased significantly. Our historical strengths in the first time buyers market (and increased velocity there) contributes to this for us. We have strengthened our clawback arrangements in respect of broker mortgages and we continue to introduce initiatives to reduce the rate of redemption.

SLIDE 35 BANKING – CREDIT QUALITY

Our Loan To Value split changed very little in 2004 compared to 2003. The greatest proportion of our loans remains for properties where the loan to value is less than

75% and our average loan to value level is 68% - just 1% higher than that recorded in 2003, our average first time buyer is steady at 81%.

More recently we've all seen the moderation in the rate of growth in house prices and the most recent House Price Index suggests that that pattern is continuing into the present year.

Our expectations at present are for national price rises in the region of 5% to 7% which to my mind demonstrates that the soft landing which many commentators said would never happen is indeed coming to pass.

SLIDE 36 BANKING – CUSTOMER ACCOUNTS

Beyond mortgages, one of our priorities in the bank is to strengthen our position in other product areas particularly current accounts, a key strategic focus for customer acquisition.

And during 2004 we were successful in that regard; balances in customer accounts rose 19% on the year with an emphasis on higher levels of commercial deposits and balances in current accounts rising by 17%.

During the year we opened 35,000 new Loyalty Current Accounts and grew our market share in new current accounts being opened by 4 percentage points to 12%.

Of course the competitive pitch for current accounts has changed dramatically now with the introduction of the Banking Federation's Switching Code to facilitate easier switching between current accounts.

We've set out to capitalise on that opportunity more aggressively than any of our competitors.

We've abolished all normal transaction charges on our current accounts and we've launched a very focused campaign to open as many as 60,000 new Current Accounts during this year.

Despite some teething problems in the switching process, the evidence of the opening weeks of the campaign is certainly encouraging and our offering has won plaudits far and wide from consumer commentators and the media.

We will shortly be launching our new ICE credit card – the lowest regular APR ever in Ireland – and we expect this to contribute further to customer acquisition.

SLIDE 37 SUMMARY & OUTLOOK.

So that's the position in the various businesses. To wrap up, we're very happy with our performance in 2004. More importantly we are very positive for the current year and beyond.

The Irish economy continues to set the pace in the Euro Zone in terms of job creation, wealth creation and general economic activity.

That's a very positive backdrop for our business and will ensure continued demand for each of our key products.

As a group we've secured strong asset growth and we've proven our ability to manage our cost base effectively and tightly. And we've proven our ability to grow volume in each of our core product lines.

So far the year has started well in each of the key businesses and we remain very confident for another strong performance over the remainder of this year.

Thank you for your attention. I'm sure some of you will have questions to ask. Myself and Peter will be delighted to take them now. Might I suggest that we begin by inviting questions from those participating in this presentation by teleconference.

Thank you.