**Roy Douglas (Chairman)**
**SLIDE 1 - 2002 FINAL RESULTS**

Good morning everybody – to those of you here with us in Dublin and to those of you participating in this event by phone or by internet. You are all very welcome to this presentation of our full year results for 2002.

2002 was certainly a landmark year for the Group and one where we saw considerable progress on a number of important strategic objectives.

Most notable of these was the physical merger of Irish Permanent and TSB Bank and the launch of permanent tsb.

The year also saw the completion of the disposal of the Industrial Branch business by Irish Life – another important strategic move which allows us to concentrate our activities on our core, growing markets.

During the year we also completed our second buy-back programme – bringing the percentage stock reacquired by the Group over the last two years to almost 8%…..at a cost of €300 million.

And just last week we reached agreement on the sale of Guarantee Reserve – our last remaining US business.

So from the Board's perspective, we're delighted to be able to report that the strong financial performance of the Group during the year was matched by great success in advancing our broader strategic aims for the Group.

In line with this strong performance, the Board is proposing a final dividend of 33.2 cents per share – making a full year dividend of 47.5 cents - an increase of 10% on the 2001 figure….. reflecting our ongoing commitment to a strong dividend policy.

Now to take you through the presentation proper, let me hand you over to our Group Chief Executive, David Went.

David.

**David Went (CEO)**
**SLIDE 2 - FORWARD LOOKING STATEMENT**

Good morning everybody. As Roy has said you are all very welcome to this presentation.

Same format as before. Peter will talk you through the details of our financial performance. I'll then say a few words about the major business issues relevant to last year and the outlook for the Group in the current year. And then Peter and I will be happy to take any questions you might have.

Before that however, let me just pause for a moment on some of the key indicators of the year's performance.

**SLIDE 3 - 2002 HIGHLIGHTS - SALES**

On the sales front, the Group put in another outstanding performance; gaining share in key segments.

- Life sales in Ireland rose by 25% - we gained share across the board and did a bit better than we expected in the preclose.
- Bancassurance sales – up a terrific 50%.
- New mortgage lending up 28% - we at least retained our existing 24% share and probably gained even marginally in the final quarter.
- And overall growth in the loan book of 13%, where our new car finance operation also gained share in a contracting market.

**SLIDE 4 - 2002 HIGHLIGHTS - FINANCIALS**

And that has allowed us to post another very satisfactory financial performance;

- What we now call total "contribution" – but what was previously called operating profit – in Ireland and the UK up 14% to €350million.

- Total After Tax Profit of €290 million.

- And reflecting that performance we're announcing an increase in the dividend of 10%.

And finally – lest anybody associate Irish Life & Permanent with the type of problems which seem so commonplace for so many other players in the European Insurance industry, can I remind you that during the year we bought back €150m of capital and paid an uncovered final dividend and yet we continued to enjoy a very solid and secure capital base; about as rare an occurrence these days as Roy Keane and Mick McCarthy having a pint together. To put numbers on it, our total capital ratio is around 10% while the life company solvency remains at 1.7 times.

Now – I'm going to ask Peter to talk you through the detailed financial performance.

**Peter Fitzpatrick (Finance Director)**
Good Morning
**SLIDE 5 FINANCIAL REVIEW**

**<u>SLIDE 6</u> ACCOUNTING CHANGES**

Before we get into the detail of the numbers can I remind you of some presentation changes. We have moved to adopt the ABI Statement on Achieved Profits and have already put out a release to the market which restated our 2001 results. The main features as they effect our life business are that the results are shown pre-tax; investment fluctuations are "below the line"; in the interest of further transparency, variances are further analysed as we will see shortly; and an important feature is a new term being "contribution" which equates closely to what we previously termed "operating profits."

These are presentation changes only and effectively the post tax profit number does not change from what we would have published before and, in effect, Achieved Profits equates to "embedded value."

**<u>SLIDE 7</u> TOTAL EARNINGS**

Turning now to the detail of our results .
The bottom line, profit after tax, is an excellent place to start our review with profits up from €48.6m in 2001 to €290m in 2002. In overall terms, this has been achieved by growing the contribution line by 31% and by having a range of positive exceptionals in 2002 verses the negatives in 2001. By way of detailed comment on a couple of lines on this slide, the tax charge has more than doubled. There is nothing remarkable about the Banks component of this, however there is a €30m additional charge arising within our life operations. This a write off of deferred tax credits on losses incurred in the past and which were to be covered by future E.V. earnings. Falling investment markets have reduced our fee income and falling interest rates have impacted on bond yields and cash returns, so our ability to offset these losses, for tax purposes, against future income is much diminished. We have taken the prudent approach of writing off the entire of these losses out of the tax provisions underlying our 2002 embedded value.

If we had a sizeable bounce in the markets, these losses could possibly come back into play in the future.

Those falling interest rates have caused us to revise downwards our Risk Discount Rates by 1% in Ireland and 0.75% in UK. That gives a positive economic variance of €20.8m versus a negative €6.2m in 2001.

Exceptionals, I have a separate slide on, later.

Short term investment fluctuations relate to both the Life and Associated Company (Allianz-IL). I have a chart later for Allianz. With regard to Life fluctuations, we include our unit linked management fee variances here which is the main component of this item. Markets have continued to fall from the half year levels when we reported a significant negative. The preclose guidance which we gave in early December was impacted by further falls in the market up to the year end.

Whilst these fluctuations are unwelcome, from the point of view of our Group, we are in the happy position of having cover from exceptional gains and hence the uplift by 31% in our contribution line to €335.3m effectively flows through to our total profit before tax.

Let us look at the contribution line on the next chart.

**<u>SLIDE 8</u>** **TOTAL CONTRIBUTION**

Again, starting at the bottom of the chart. In 2001 we had significant losses arising in the US. In 2002, we had a positive return of €5.1m from Guarantee Reserve versus it's carrying value of $176m at the year end. We continued to encounter significant operating issues with this company during the year, despite a reorganisation and strengthening of reserving. This, coupled with our strategic decision to withdraw from the US was the driving force in seeking offers for a disposal at a time when markets are particularly weak and unattractive.

You will have noted that a deal has been signed with the Swiss Re Group for $121m. The closing is contingent on items such as regulatory approval and in accordance with generally accepted accounting principals we carry the investment at its full value at the year end. The loss will be booked as an exceptional in 2003, disclosed as a post balance sheet event in the 2002 accounts, and this was the same accounting treatment followed when we crossed over a reporting period end with the disposal of Interstate and First Variable in 2001.

Despite the loss, we are happy to be finally exiting the US and the repatriation of capital and the $121m in cash will give us an opportunity to better deploy those resources in the Irish businesses.

So, stripping out the US, we have four lines building up to total contribution for Ireland and the UK, and showing growth of 14%.

The first of these has shown a reduction - other investment earnings in 2001 included a €9.5m gain on the disposal of an investment property held by the bank. Whilst there is no such property gain for 2002 included in contribution, we did make a profit of €30.3m in selling off surplus branch properties and this is included in exceptional items which I will come to later.

I am now going to run through a number of slides which explain the movements in Associated Company, the principal component of our group earnings being life operations, up by a very pleasing 13% and bank and other which is up 7% but included in this is an increase of 14% in the retail bank earnings.

**<u>SLIDE 9</u>** **LIFE ASSURANCE CONTRIBUTION**

Let us start with that largest component, being life operations.

Ireland is up 17% in the year with a downturn in the UK bringing the total growth for Ireland and UK to 13%.

Within Ireland new business earnings are flat and that is a feature of product mix which was highlighted in our interim results. I will come back to this in a moment.

Existing business earnings have grown strongly. This includes the unwind of the discount rate or value in force, coming from a growth in the overall level of inforce business. Experience variances and assumption changes are both producing a positive effect and are higher than the previous year and this underscores the prudence of our assumptions, which we continue to outperform, even in these difficult markets. Again I have some further analysis of this coming up.

Investment returns are up as we had more cash on hand from US and IB disposals.

Other income includes ancillary operations, including our third party administration company IPSI and ILI, both of which are dependent upon fee income and suffered falls in earnings coming from the weak investment markets.

The UK is a business in run off - so the normal trend is downwards. In 2001 it had €3m of positive assumption changes. Outside of that, it is really “steady as she goes” for this business.

**SLIDE 10 LIFE - NEW BUSINESS MARGINS**

Coming back to new business margins. Sales in the year were up by 25%. Within Retail Ireland, the biggest product sale was the SSIA. This is a low margin product as compared to protection, pensions or bonds. We had the opportunity to sell lots of this product and effectively maximised that opportunity. This is then the driving influence in a falling VNB in the life area and margins coming down from 18.6% to 15.6% - these, again, are on a pre-tax basis. Our hurdle rate is 12% post tax which equates to just short of 14% pre-tax and at 15.6%, we are still comfortably ahead of that. ILIM’s VNB grew strongly on the back of a large increase in sales. Some of these sales were individually very large with a low margin and that reduced the overall % margin slightly.

**SLIDE 11 LIFE - ASSUMPTION CHANGES & EXPERIENCE VARIANCES**

On experience and assumption changes the picture is very positive.

Both persistency and risk continue to comfortably outperform our assumptions. Persistency is down a little bit over 2001 as there was some switching out of existing products and into SSIA’s by policyholders in 2002. “Others” include expenses which in 2001 included major project expenditure on point of sales technology in retail, hence explaining the negative variance in that year.

On assumption changes, which is a new area of disclosure, we do not have a policy of changing assumptions every time a positive or negative variance pops up. We do, however, identify and effect changes in blocks of business where the assumptions are consistently out of line with experience. They can be negative or positive.

On the risk line we strengthened annuity assumptions in 2001 and in 2002 we changed certain mortality assumptions in the retail area.

The other line is again heavily focused on expenses and we have enjoyed a trend of improvements. Up to 2002 this was driven to a large extent by the merger synergies between Irish Life and Irish Permanent. In addition, during 2002 we had a range of issues all of which were positive.

The conclusion from this chart has to be that, looking at the trend in experience, there is very significant additional value embedded in the inforce book of business.

**SLIDE 12 LIFE ASSURANCE EXPENSES**

Lastly on life assurance and following on what I have said already about expenses, in Ireland in embedded value terms we are meeting our expense assumptions generally. In absolute terms, payroll and overheads are down as we have taken out a major layer of costs with the sale of the IB business. The next major onslaught in costs will come with Project Horizon and David will come to that a little later.

**SLIDE 13 BANKING AND OTHER - CONTRIBUTION**

Turning next to banking and other which is up 7% on 2001. Perhaps the best place to start is to look at a divisional analysis.

**<u>SLIDE 14</u>** **BANKING AND OTHER - CONTRIBUTION MIX**

Retail has enjoyed good growth of 14% on the back of a full years consolidation of TSB and growth in its lending and resource gathering operations. That growth has comfortably overcome the fall in margin as a result of lower interest rates. We will look at margins in a moment.

Overall Treasury returns are down on 2001 - in that year we released the balance of our deferred income account as we moved towards a revised Treasury Policy with lower risk limits. Adjusting for that release, Treasury in fact had a very strong year, effectively managing the 25% liquidity levels which we are required to hold.

Corporate Group overheads went up - it was a year of additional corporate activity such as the attempted sale of CHL and the ultimately successful disposal of GR.

**<u>SLIDE 13 (Repeat)</u> BANKING AND OTHER - CONTRIBUTION**

These issues are then reflected in the main P+L Account for the bank. I have individual slides on each of these lines - in general terms net interest income has grown by almost €45m to €325.1m, despite the fall off in overall treasury returns.

We have had more modest growth in the other income line and the two of these combined give us 15% growth in total income.

Expenses have increased, again, a full years consolidation of TSB has had an impact.

Bad and doubtful debt charges have grown in line with the growth in lending.

**<u>SLIDE 15</u>** **BANKING - MARGINS**

Volume growth, particularly on the mortgage front, along with a full 12 month consolidation of TSB has driven net interest income up by 16%. Margins, on the other hand have tightened from 1.9% to 1.78%. The main movers are highlighted on the next chart.

**<u>SLIDE 16</u>** **BANKING - MARGIN: 2002 MOVEMENT**

Of the 12 bps reduction in margin, 2 bps is attributable to retail banking. Falling interest rates in 2001 and 2002 are such that we are hitting into floors on our deposit rates and this is costing in the order of €5m for every quarter per cent cut in rates.

The reduction of margin in Treasury, I have already commented on.

Finally then we have the continuing shift into wholesale funding to support the growing size of our loan books and the liquidity requirements which go with that lending. Hence margins have reduced by 6 bps reflecting that additional cost. This has been a feature of our margin for a good number of years now.

**<u>SLIDE 17</u>** **BANKING - NON-INTEREST INCOME**

The full year consolidation of TSB explains the significant uplift in a number of these other income lines. That is particularly appropriate for the first of these being fees and commissions receivable. In addition we have enjoyed good volume growth in Insurance and VISA commissions along with bank fees - and David will be illustrating the good growth in current accounts. Outside of the TSB consolidation effect on fees and commissions payable, we are now bearing the full cost of mortgage bonding. This is done through a captive insurance company, suitably reinsured, but a portion of this extra cost will hopefully, in time, revert to the Retail bank as we continue to enjoy excellent asset quality and a low level of defaults.

Other income does not include any income from bancassurance where embedded value earnings rose by €8.2m or 26% to €39.8m. These earnings are reported within Retail Life operations and this has a significant bearing in turn on our cost income ratio.

**<u>SLIDE 18</u> BANKING AND OTHER - EXPENSES**

Moving onto expenses.

Again we need to strip out the effect of a full year consolidation of TSB. When that is done, expenses have risen by 3%. The capture of integration synergies has started and the impact is a reduction of costs totalling €9m in 2002. That reflects an annualised saving of €20m out of our total projected of €27m following the acquisition of TSB.

Allowing for all of that, real cost growth has been around 7%.

In terms of the cost income ratio, we flagged on the half year stage that, following the acquisition of TSB, which had a much higher cost income ratio than Irish Permanent's, this ratio would rise before it would fall. It now stands at its maximum expected level, at 67%. Again, since we exclude bancassurance earnings, that figure is always going to be a very harsh measure. To enable you to gauge the impact of bancassurance earnings we have calculated two further ratios. The inclusion of Life commissions in the bank would reduce the cost income ratio to 65%. The inclusion of the full earnings, as in the Bank of Ireland or AIB model, would reduce the ratio by 7% to 60%. We have a few years of hard work to get the full ratio down into the low 50%'s but the capture of integration synergies is providing a big impetus to that process.

**<u>SLIDE 19</u> BANKING DEBT PROVISIONS**

In the area of debt provisions, I have very little to report out of the ordinary.

The charge keeps pace with the growth in the book. The arrears ratio at the bottom of the chart shows no stress and our Reserve Ratio continues to be a very comfortable multiple of arrears. Write offs are virtually flat year on year in total and in fact fell for both our mortgage and car finance books.

We conducted a detailed review of all unsecured lending in the year and provided a modest strengthening of provisions.

Just by way of the final piece of comfort on this provisioning overall. All arrears in our mortgage portfolio as at 31 December 2002 were covered by provisions, that is before any asset recovery or bonding is considered.

All arrears of payments, plus the balance of capital outstanding in respect of car loans over 2 instalments in arrears were fully provided at the year end.

So if an unexpected storm does erupt in asset quality, we are strongly positioned to ride it out.

**<u>SLIDE 20</u> ALLIANZ - IRISH LIFE**

Turning now to our associate company, Allianz-Irish Life is reported in two parts - contributions include underwriting results plus the normalised investment return.

Mark to market losses are shown as short term investment fluctuations. The net result, despite awful investment markets has been a reduction in the scale of total losses from €7.2m in 2001 to €4.0 in 2002. Underwriting results improved, particularly in the latter part of the year and following a significant repositioning of the investment book away from equities, we would expect, in 2003, to see the improvement in underwriting results flow through to the bottom line. Again, David will be speaking to the strategic side of this issue later.

## SLIDE 21 EXCEPTIONAL ITEMS

The final chart on the P+L account relates to exceptional items.

We created a provision for bank integration and restructuring costs in 2001 which would provide us with €27m p.a. of cost synergies. We assumed that a further €6m of costs could be borne by the pension funds, which were in surplus. Given where markets are now, that is not a viable option and hence the costs have been fully provided, along with an additional cost of harmonising terms and conditions. This latter item will give us a pay back of a further €2m p.a. of savings on top of our target €27m.

It was not all a story of costs alone in the case of the integration of the banks. We sold 36 branch properties with a book value of €21m for a profit of €30.3m. All of these sales have closed. This is such a large figure that we have shown it as an exceptional gain to match against exceptional costs in both 2001 and 2002. There was an element of this included in the interim results within operating profits which now lies within exceptionals.

The sale of the Industrial Branch business provided a release of €103.2m before tax. That is the number we published at the interim results stage.

Finally, whilst we have no loss on disposal of the US business to account for in 2002 - the impact of selling G.R. will be included in 2003's results.

So we have enjoyed a significant swing away from the large losses in 2001 which was the key issue in creating what turned out to be an uncovered dividend in that year.

## SLIDE 22 DIVIDEND

Despite those losses, we grew our dividend for 2001 by 10%.That was as a result of achieving real underlying growth in our core businesses which underpins our progressive dividend policy. That policy has driven a compound annual growth of 11% over four years.

That has continued into 2002 and we are recommending a final dividend of 33.2 cent per share which creates a total dividend of 47.5c per share, up 10% from 2001. That represents a 2.2 times dividend cover based upon total earnings. More importantly it represents a yield of over 5% which is abnormally high for a Group which has not disappointed the market in terms of the implementation of its strategy and its core profitability in recent years.

Our dividend strategy is also supported by a strong capital position.

## SLIDE 23 CAPITAL ADEQUACY - BANKING

Despite an uncovered dividend in 2001 and €300m of a share buyback programme which has used up that amount of revenue reserves, our capital position in the bank and surplus within Life Assurance remain strong.

Our target risk asset ratio within the bank is 10% and we have managed large surpluses over this level in previous years down to that 10%. That has been achieved through a combination of the share buy back programme and through the productive use of capital through acquiring TSB and growing our risk assets.

All of the capital is tier 1, amounting to €934m and we have a huge capacity to fund any additional capital requirements we may have through tier 2 debt issuance.

## SLIDE 24 CAPITAL ADEQUACY - LIFE ASSURANCE

On the Life side we have €558m of capital which is invested mostly in cash, gilts or property. There is a low level of equity exposure.

We have a low capital or solvency requirement since 75% of our policyholders liabilities are unit linked. The remaining 25% are matched, as near to perfectly as possible, by high quality bonds and risks are actively managed through reinsurance.

We are risk averse and have carefully managed down surplus to our target ratio of 1.7 times the minimum required. Excesses over this in previous years have been handled through selling the I.B. business and supporting the buyback programme, and have not been absorbed through losses on guaranteed or with profits product as has been the case with so many other life assurers.

Once the proceeds from the sale of G.R. are repatriated, that will provide a further lift to the surplus within the life company.

One issue which has caused a lot of comment in the recent past is the impact which falling markets have had on the solvency of defined benefit pension schemes and the application of FRS 17 in this situation. While the Group is not immune from these impacts I am please to say that, courtesy of strongly funded schemes, we have been spared its worst ravages. On a net basis the deficit in the Group's pension schemes at the year end was €59m which given the scale of market falls is relatively modest.

In looking out into the future we are secure in the knowledge that capital creation within the Group, together with debt capital when required, will be sufficient to allow us to grow our businesses aggressively in Ireland and in turn to support a progressive dividend policy. That capital strength will allow us to support our dividend out into the future as we have in the past, and at this point we are confident enough to say that, irrespective of any pressures on any of our operations in 2003 we will, at worst, hold the level of dividend at its 2002 level but of course it is our intention to grow dividends in line with the underlying growth in earnings. Again, David will talk about our outlook for 2003.

So on that very positive note which should head off any uncertainty with regards to our capital base and dividend capacity for 2003, let me hand back to David.

DW Part II
**David Went (CEO)**

**SLIDE 25 - BUSINESS REVIEW**

Thank you very much Peter.

I want to turn now for a moment to the individual operating businesses and discuss how each of these performed during the year.

**SLIDE 26 IRELAND – LIFE ASSURANCE SALES**

Starting with the Life business in Ireland – one of two main engines of the Group along with permanent tsb. And we can see from this slide the three key parts of the life business all put in really solid performances during the year.

ILIM – which has dominated the passive fund management market here over the last five years or so – had another sterling performance with sales growth of over 100%. Now the sales figures for this business are always subject to significant movements depending on when they book some of their big ticket sales…but the graph for this business has been consistently moving upwards for quite a time now. We have an exceptionally high presentation win ratio on the passive side and our long bond fund is attracting considerable interest.

Corporate Business – one of the quiet star businesses in the Group - had another very good year with sales up 11% and the Retail Business…..after a number of years of really exceptional growth…..has done it again with an increase in sales of 15%. So a great performance right across the life side – we gained market share yet again.

**SLIDE 27 – RETAIL LIFE PRODUCTS**

If we look behind those figures for the Retail Business we see – not surprisingly – that the key driver of sales there was the Savings area and the Government backed SSIA products in particular. Savings sales rose by a massive 44% during the year. And when you remember that that Government initiative ended in April last, you realise the scale of that achievement.

Across the other lines of that business– bar, not surprisingly, investments – we see lower levels of growth; more a reflection of the focus the business had on the SSIA opportunity than anything else and something which we expect to rebalance during the coming year and which indeed is already happening with protection, pensions and bonds more to the fore so far.

When we're looking at the Retail Business its useful to see the breadth of the distribution channels behind that business now.

**SLIDE 28 – RETAIL LIFE DISTRIBUTION**

The Retail business now enjoys a very comprehensive choice of distribution channels; our Direct Sales force accounts for almost 1/3rd of sales with productivity rising once again ….Brokers a similar amount….and bancassurance now accounting for 38% of sales. This ability to directly control so much of our own distribution really gives us a great advantage in the marketplace.

I should also note that last month we were awarded the Overall Service Award by the Irish Brokers Association – the first time Irish Life has won this important accolade, and an important reflection of our continued commitment to the broker market and of the high regard in which we are held – a big change to 6/7 years ago.

**SLIDE 29 – CORPORATE LIFE PRODUCTS**

Our Corporate Business division sells our life & pensions products to groups and companies and we've had another good performance here.

The Defined Contribution market continues to perform strongly. In the context of the relative slowing of employment growth in Ireland – compared to recent years – we're quite content with the 8% growth there, particularly as 2001 benefitted from some exceptional sales following the Equitable Life debacle.

On the risk side we've done particularly well with an increase in sales of 18%. We continue to pick up very substantial new business from some of the larger Groups and organisations – including last year a major new scheme for the Defence Forces.

Under the heading of "other", we include increased contributions to existing Defined Benefit schemes and annuity sales and we're quite happy with 10% growth there. As an aside, we reinsured all of our annuity sales in line with our risk averse approach to this market.

**SLIDE 30 – LIFE ASSURANCE CHANGE PROGRAMME**

Before we move to the banking business, I would like to draw your attention for a moment to the Horizon Project in the Irish Life (Retail) business.

One of our priorities at present – in each of the business units – is to re-engineer our business operations to improve efficiency, competitiveness and customer service. Nowhere is this more important than in the retail life business.

Much of the competitive advantage we enjoy in Irish Life today can be traced back to investments we made in the business three, four and five years ago; overhauling our sales processes…..improving our management structures…..anticipating where the market was likely to go in terms of product design and so forth.

With the Horizon Project, we have embarked on a very ambitious change programme. It's designed to ensure that our retail business remains the best resourced, most competitive, cost-efficient and customer focussed life & pensions operation anywhere in these islands.

Much of the effort will be focussed at re-engineering business processes and greatly increasing the role of technology in those processes. Tried and tested technology I might add – not unproven. The EPOS online application and underwriting process now captures all our direct sales force business, some broker business and will roll out to the bank in the near future, while the CRM technology is now fully installed with the direct sales force and the bank consultants. We expect to have it at bank counters during 2003.

The Horizon Project has been running now since 2001. The first release of new business onto the new back end cloas system is expected later this month and we expect to see completion of the overall project by the end of next year, when our Retail business will be best in class from an operational viewpoint.

**SLIDE 31 – BANKING NEW LENDING**

In permanent tsb, 2002 will always be remembered as a year of the integration – and one of the highlights for the Group was undoubtedly the very successful launch of the new bank.

Its been particularly gratifying to see that throughout that period – despite the considerable distractions posed by the integration – the bank continued to perform strongly across its key product lines.

Most especially, the bank delivered another great Mortgage sales performance – with new mortgage lending up 28% - a bit better than we forecast in the preclose statement.

Consumer Finance also delivered strongly….up 17% which was a great performance when you recall that the entire new car market here was experiencing a slow down after the extraordinary growth of previous years.

Commercial lending – principally investment property mortgages - in Ireland was up 15% and in the UK market, our Capital Home Loans subsidiary grew its mortgage book by 25%. We securitised Stg£400million of the book towards year end – a positive indicator of quality.

**SLIDE 32 – BANKING LOAN BOOK GROWTH**

That sales performance led to a 13% growth in the bank's loan book. The mortgage loan book was up 16%…..the commercial loan book up 7% and the Consumer Finance loan book up just 2% - again a creditable performance given the short term nature of consumer lending and the decline in the new car market in particular.

**SLIDE 33 – BANKING RESOURCES**

On the resource side, the major item of note was the 20% growth in current account balances, reflecting in part the concentration that we are placing on that product: of note was the doubling of the online or telephone users of <u>Open 24</u>.

**SLIDE 34 – PTSB INTEGRATION**

It's worth pausing for a moment to look at the progress of the integration programme at the bank……and I'm happy to say that progress here has been excellent.

As I mentioned a moment ago, the integration and launch of permanent tsb is now completed. I do want to pay tribute to everyone in the bank who ensured its success, while also delivering a 14% growth in retail banking contribution in 2002.

From the Group's perspective, the fruits of that success are already being seen in the growth in bancassurance sales in particular. Our ability to drive product through the branches was always going to be one critical test of the acquisition. And one which we believe is now proven beyond doubt.

When the acquisition of TSB Bank was completed – back in 2001 – we said that we expected to generate synergy savings of approximately €27million. We've now revised that figure up to €29 million and I'm happy to say that we are well on course to achieve these by the end of this year. €9million of savings are in the 2002 numbers, while annualised savings were €20million at year end.

**SLIDE 35 – CORPORATE DEVELOPMENTS**

So that covers the major business units. Now before I come to the end, I want to touch briefly on some broader Corporate Developments.

Just a few days ago we announced that we had contracted the sale of our last remaining business in the United States; Guarantee Reserve. While the price received is indeed lower than we had negotiated in 2001 only to see the deal fall away when the purchasers encountered financing difficulties post September 11, we have made no secret of our desire to dispose of this business and I think its fair to say that we are well pleased to have done so in the current very difficult market in the U.S.

This sale brings a close to our exit programme from the United States and effectively releases us to concentrate our entire efforts on growing and developing our businesses here in Ireland. Aside from ensuring complete focus, it removes risk from the business as I guess we are all too well aware that small overseas operations carry disproportionate levels of risk.

During 2002 we also completed the disposal of the Industrial Branch business. And we finished our second share buy back programme, bringing the total to 8% of the stock.

One other area of focus during the year was our involvement with Allianz in their General Insurance business here in Ireland.

This involvement has had a disproportionate impact on our results in recent years through the volatility of the investment performance, with 25/30% of assets in equities.

The outcome of our discussions with Allianz during the year has been agreement on a much more cautious investment strategy for that business – one where our exposure to the types of volatility we've seen in recent years is minimised. I'm happy to say that that switch in the second half of 2002 has already shown real benefits. At the same time, the underwriting position is sharply improved, in line with others in the market.

**SLIDE 36 – OUTLOOK**

Looking forward, I think its fair to say that the current year will be challenging.

On the plus side, the Irish economy continues to be satisfactory. Extraordinarily low interest rates and very positive demographics will mean continuing strong demand for key product lines such as mortgages, and protection insurance and pensions.

On the down side, the international economy remains very sluggish and the huge uncertainty internationally and the ongoing weakness of investment markets certainly makes the job of selling savings and investment products more difficult.

The outlook has probably deteriorated since we issued our pre-close statement, both from a market viewpoint as well as in terms of political volatility.

The year is likely to play quite differently for different parts of the Group.

On the Banking side, we expect demand for mortgages to remain strong… indeed our first couple of months lending is well up on last year and applications are continuing at a high level. And we're seeing good demand for current accounts and for banking products generally. permanent tsb Finance has had a cracking start to the year.

Falling interest rates will put our margins under pressure – but we will be seeing those gains from the integration programme feeding through.

On the life side, we've no significant issues with either Corporate Business or ILIM; both businesses have strong momentum behind them and should perform well over the year.

The real challenge for the life division will be the retail business – and there are a number of factors at play here.

Firstly you've got to remember that this business is coming off a number of years of the most extraordinary growth; sales in 2002 were 2.5 times higher than for 1998 for example – so the starting point for 2003 sales is really extraordinarily high.

Secondly, this business is by far the most vulnerable to consumer confidence and the performance of investment markets especially – both under severe pressure this year.

On the plus side, we will see an improvement in the retail product mix; with an increase in the percentage of higher margin pension and protection sales compared to recent years.

However, the market as a whole seems to be projecting a significant decline in sales for 2003.

Preparing for this year, we set our expectations for a broadly flat year-on-year sales performance within the life division with a continued gain in market share. We're confident about the gain in market share but how achievable our sales targets are will be influenced by many factors; not least international events.

Our success in this area will be perhaps the crucial determinant of our overall financial performance.

Now…myself and Peter will be delighted to take any questions which you might have. Perhaps we may start by inviting participants on the conference call to indicate whether they'd like to ask any questions.

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