

Investor Information Pack

- Group overview
- Ireland Economy & Demographics
- Life & Investment business
- Banking business
- Group financials

June 2009



Group Overview

Profile

- Formed in 1999 from merger of Irish Life plc and Irish Permanent plc
- Irish Life, the largest life company, and Irish Permanent, the largest residential mortgage lender, in Ireland
- Acquired TSB Bank in 2001 and merged with Irish Permanent to create **permanent tsb**, the group's retail banking division
- Strategic focus on Irish personal financial services market
- Dual primary listing on Dublin (IPM.I) and London Stock Exchanges (IPM.L)
- Total assets €74bn, total equity €2.3bn
- “Systemically” important in Irish financial system

Strategy

- Focused on personal financial services in Ireland
- Market position built on strong brands and franchises supported by broadly based distribution
- Low risk business activities - secured lending and unit-linked life business
- Main challenges:
 - Adapting business to impact of recession in Ireland
 - Transforming funding model for bank
- Strategic options aimed at de-leveraging bank in the context of a general restructuring of Irish banking sector

Ratings

Irish Life & Permanent plc

Senior Debt

Short-term covered by Irish Govt. Guarantee Scheme

Moody's

P-1

Standard & Poor's

A-1+

Long-term covered by Irish Govt. Guarantee Scheme

Aaa

AA

Short-term issued outside Irish Govt. Guarantee Scheme

P-1

A-2

Long-term issued outside Irish Govt. Guarantee Scheme

A1

BBB+

Outlook

Under Irish Govt. Guarantee Scheme

Review for Possible Downgrade

Negative Outlook

Outside Irish Govt. Guarantee scheme

Review for Possible Downgrade

Stable

Irish Life Assurance

Financial Strength

Fitch

A

Standard & Poor's

BBB+

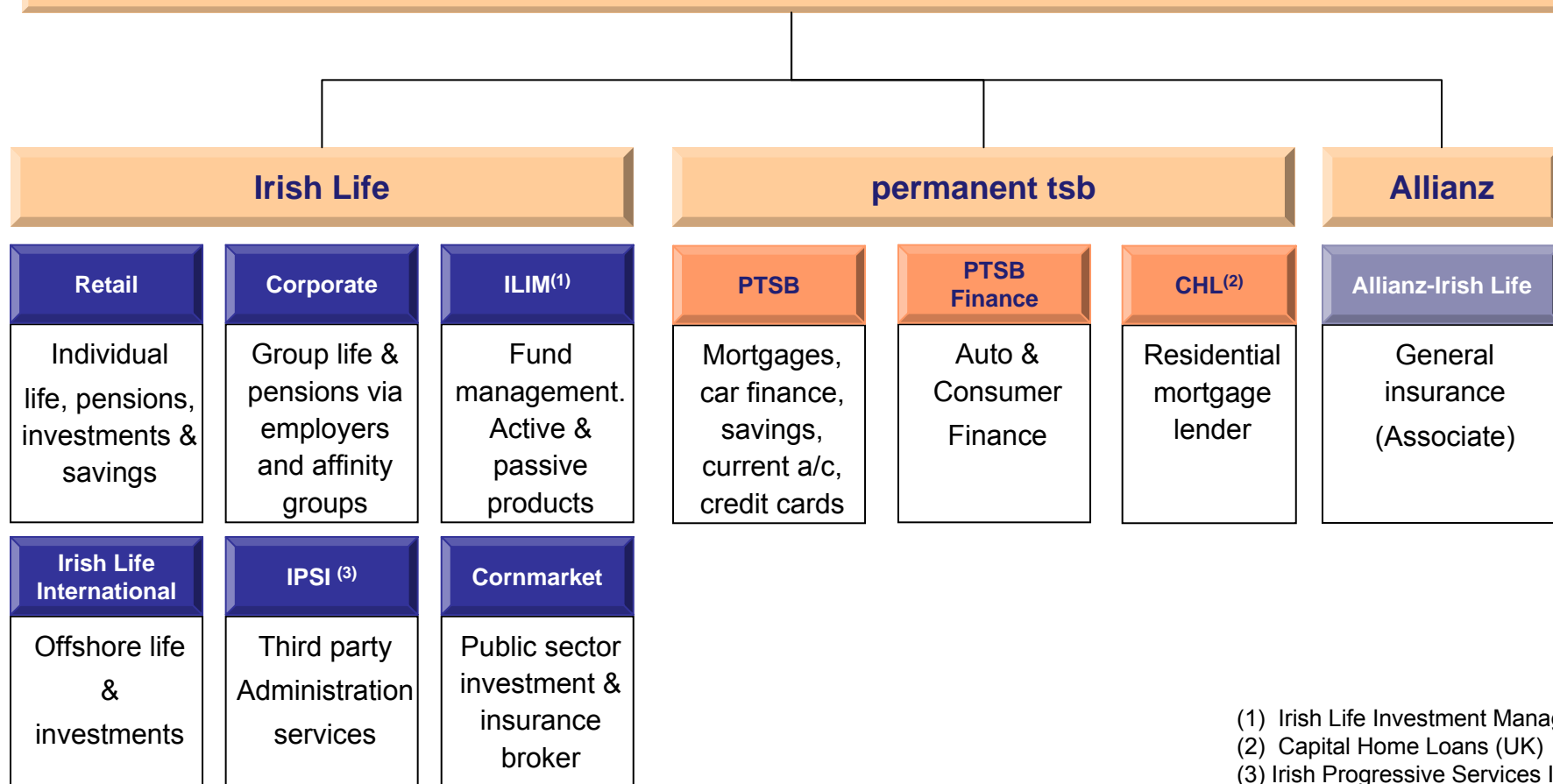
Outlook

Negative Watch

Stable

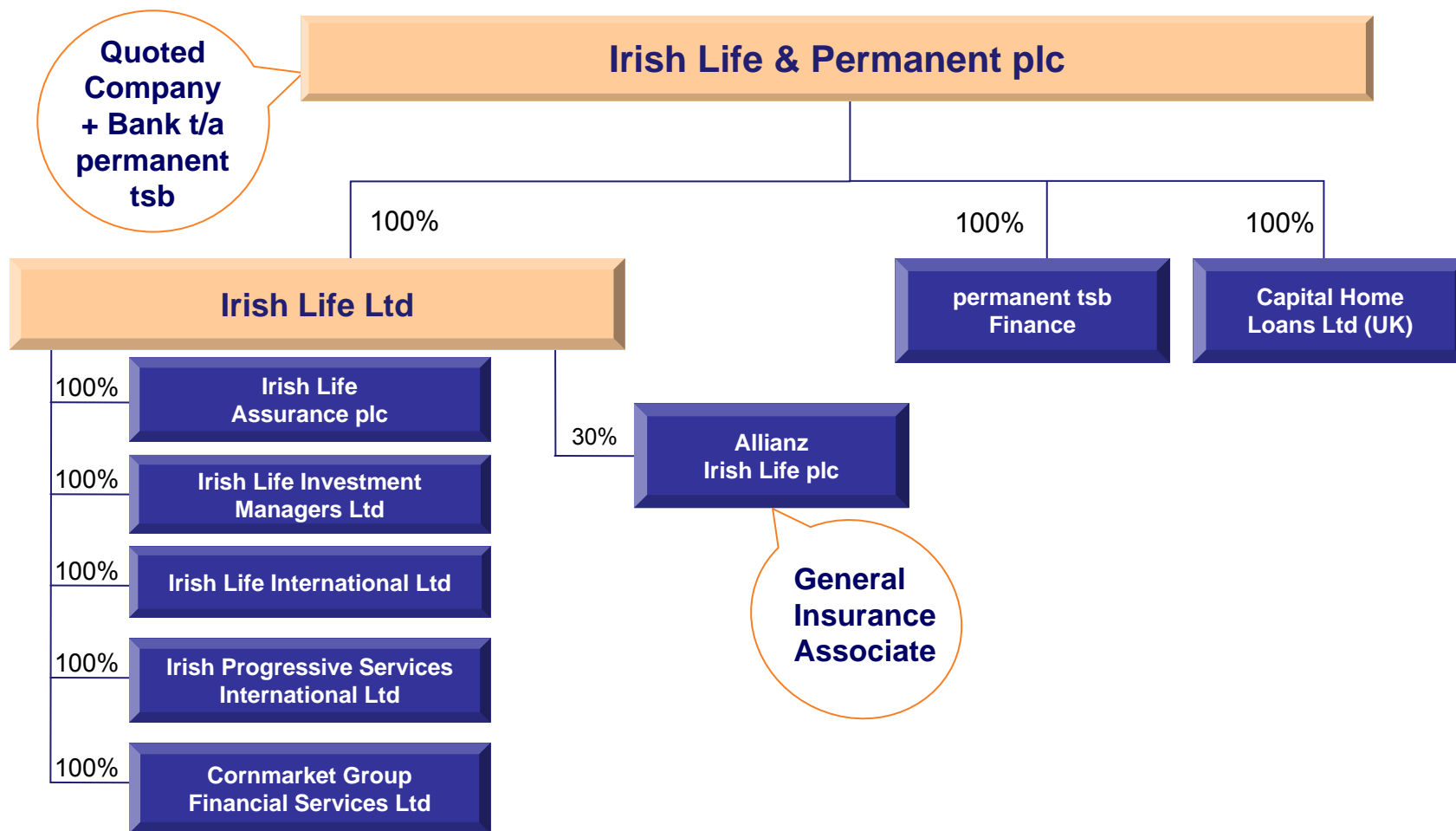
Operating Structure

Irish Life & Permanent Group

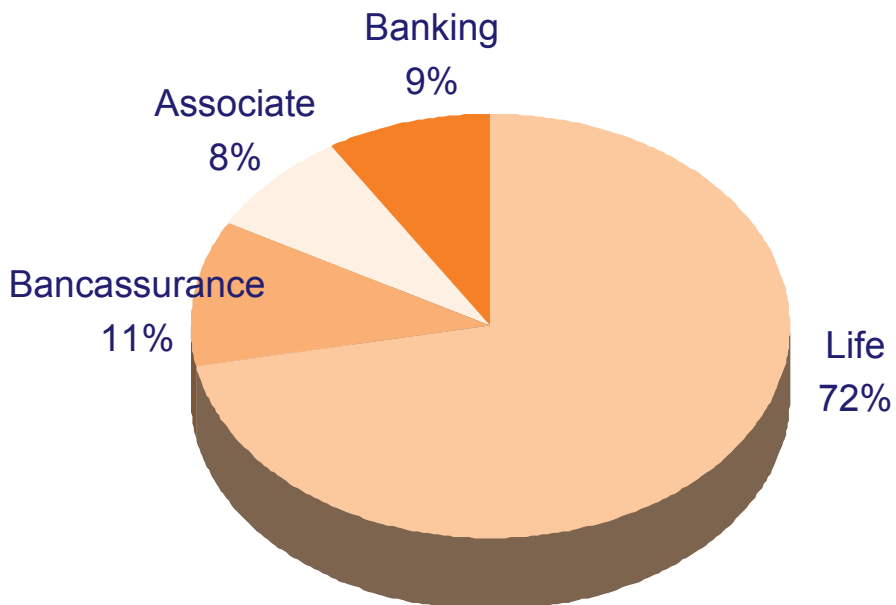


(1) Irish Life Investment Managers
 (2) Capital Home Loans (UK)
 (3) Irish Progressive Services Intl. Ltd

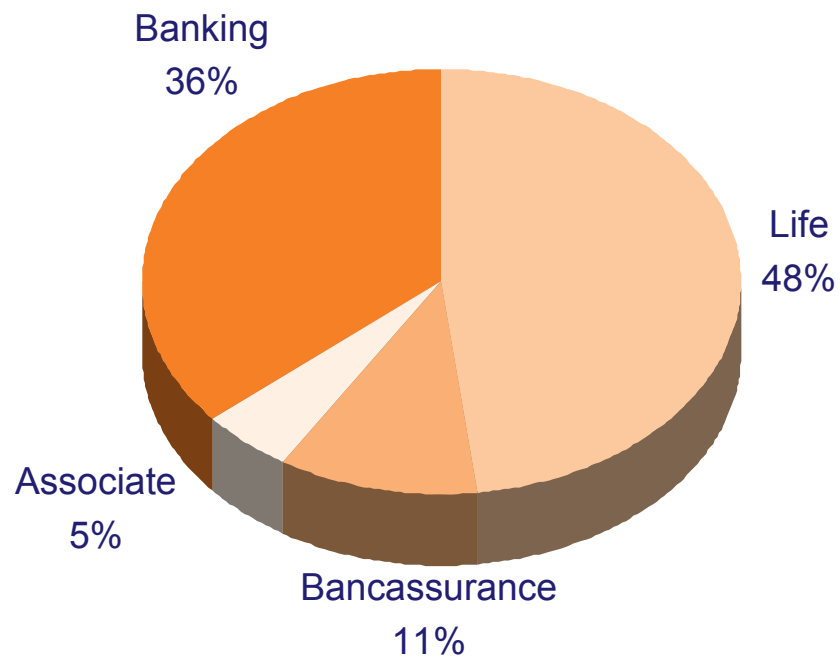
Legal Structure



Group Earnings Mix



2008 Operating Profit: €341m



2007 Operating Profit: €590m

** Bancassurance included in reported life earnings*

Ireland – Economy & Demographics

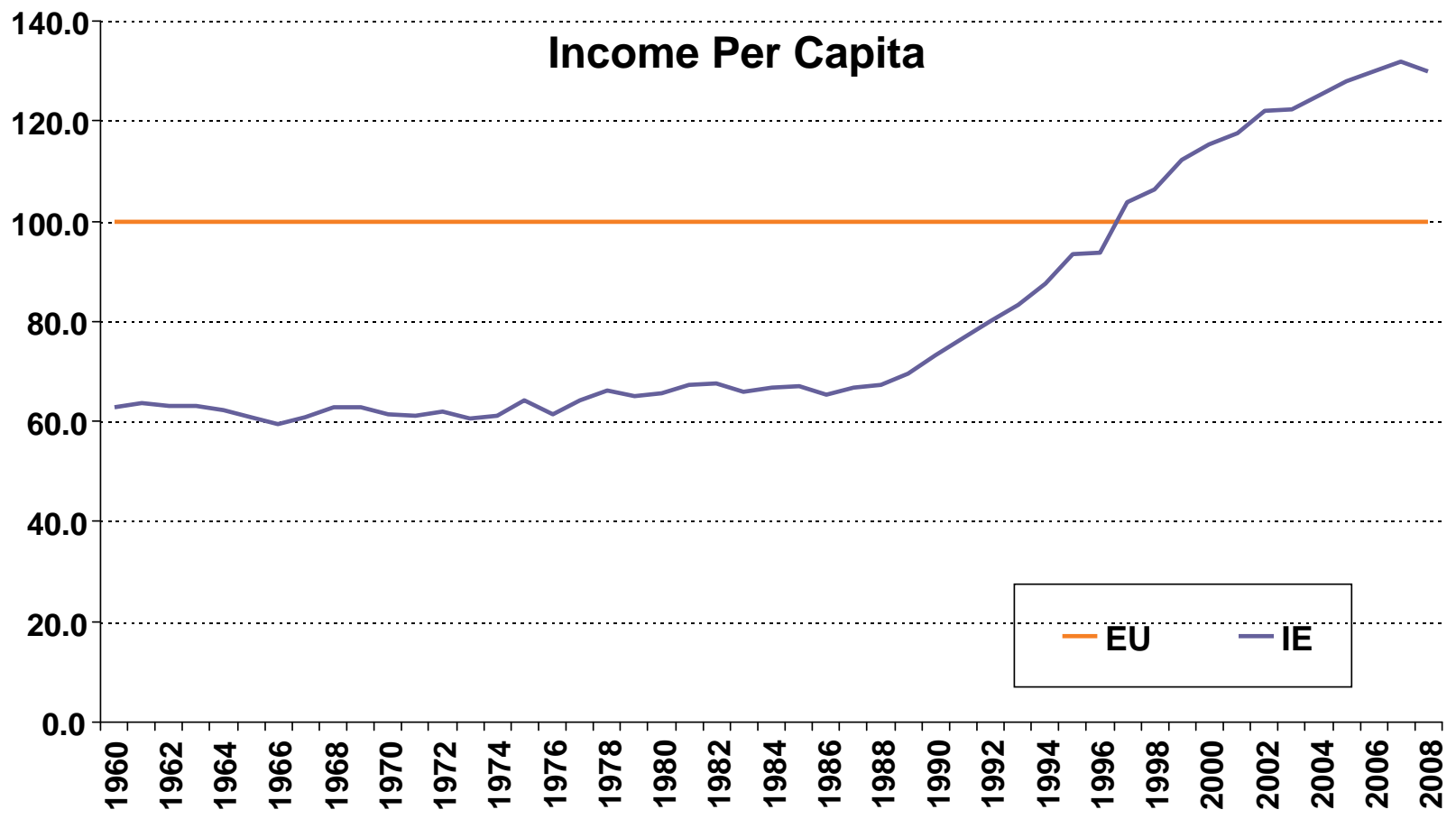
Economic Forecasts - 2009 & 2010

	DoF	ESRI	Davy	Goodbody	Average
	▲ %	▲ %	▲ %	▲ %	▲ %
2009(f)					
● Consumption	-7.8	-7.0	-9.0	-9.0	-8.2
● Employment	-7.8	-8.9	-8.4	-10.1	-8.8
● GDP	-7.7	-8.3	-7.9	-8.7	-8.2
● Unemployment	12.6	13.2	12.8	14.9	13.4
2010(f)					
● Consumption	-3.7	-3.0	-2.0	-6.5	-3.8
● Employment	-4.6	-5.4	-6.8	-4.9	-5.4
● GDP	-2.9	-1.1	-2.6	-4.6	-2.8
● Unemployment	15.5	16.8	14.3	17.5	16.0

Sources: Dept. of Finance, Economic & Social Research Institute, Davy & Goodbody stockbrokers

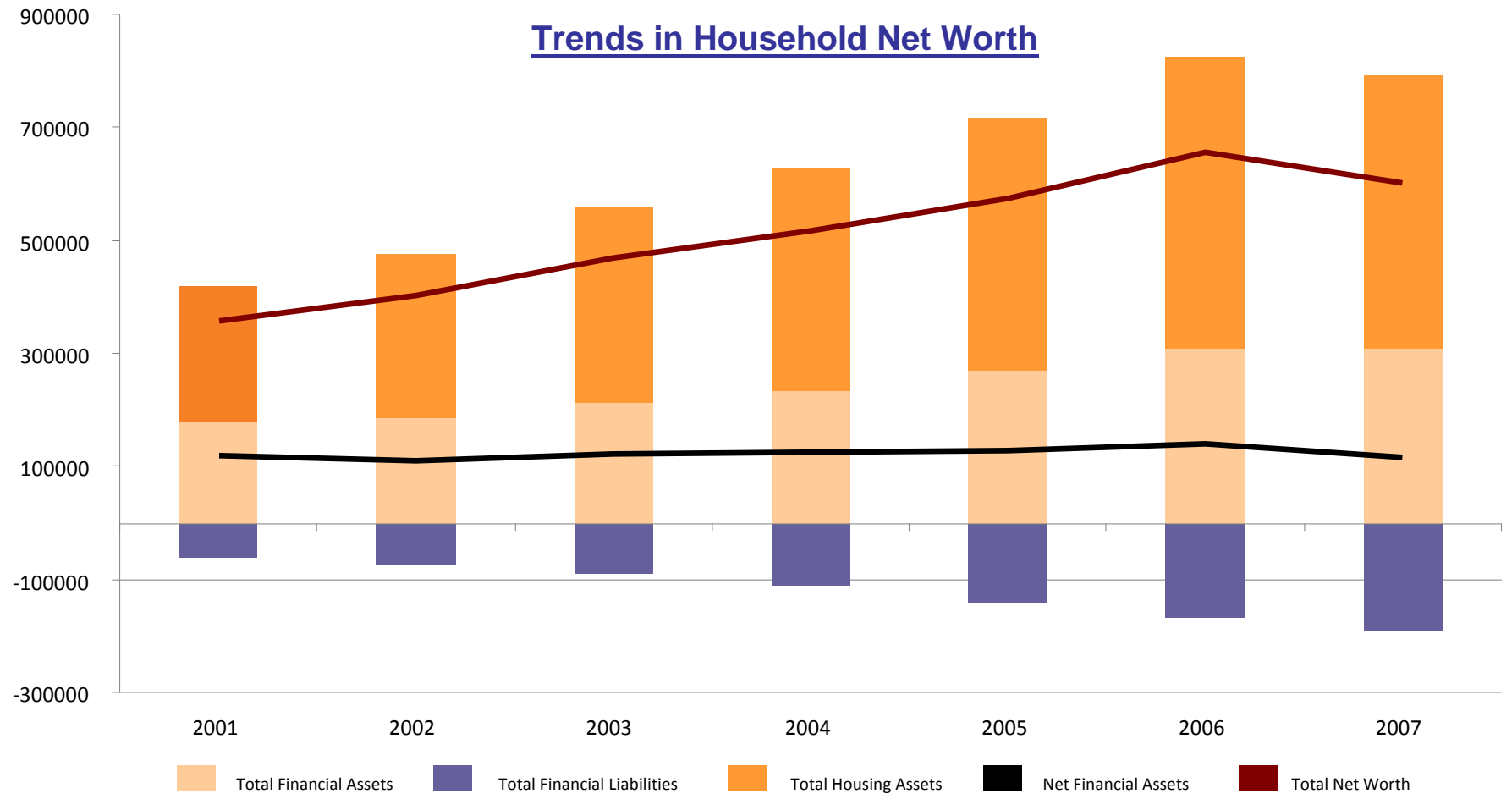
Q2 2009

Real Economy Transformation from late 1980s...



.... with income levels surpassing EU averages

Rapid Expansion in Household & Bank Balance Sheets



Positive Demographics

- Population growth of 1.8% p.a. in 10 years to 2008
 - 54% natural increase
 - 46% net immigration
- Net immigration from mid 1990s
 - Predominantly returning Irish nationals & EU citizens
 - Net immigration of 38,500 in year to April 2008
- Irelands age profile positive
 - Median age 33 years lowest in EU
 - Most favourable old age dependency ratio:
 - IRL: 42 persons aged 15-19 for every 10 over 60 years
 - EU: 27 persons aged 15-19 for every 10 over 60 years

A Perfect Storm...

International Factors

- Global financial crisis
- Global economy / trade shock
- Exchange-rate appreciation (*nb* Sterling)

Domestic Factors

- Sharp housing downturn (volumes and prices)
- Banking crisis
- Rapid deterioration in public finances

.... both externally and internally

Responding to Crisis

- Sharp economic downturn, but rapid adjustment of asset prices, wage and price levels underscoring necessary flexibility
- Fiscal adjustments underway to stabilise the public finances
- Comprehensive approach to resolving the banking sector problem
- Favourable medium-term prospects
 - Demographics
 - High Educational Attainment
 - Commitment to Productive Capital Investment
 - Pro-Business Culture

Solving the Banking Crisis

- Funding – Bank Guarantee Scheme
 - Bank liabilities of €376bn (203% of GDP)* guaranteed until 30 Sept, 2010
 - Extend guarantee for future debt issuance with maturity out to 5 years
- Recapitalisation of Banks
 - €7bn injection into AIB and BOI (funded by NPRF)
 - Anglo Irish Bank taken into public ownership
- Bad Loans - creation of National Asset Management Agency (NAMA)
 - Transfer of property loans to specialist agency
 - Funded by Govt. backed bond issue
 - Injects liquidity, frees up flow of credit

** avg. of Q4/08 monthly liabilities*

Life & Investment Business



Irish Life

Leading asset gatherer in Irish market

- 32% share of life & pensions market
- 28% of domestic funds under management
- Predominantly unit-linked

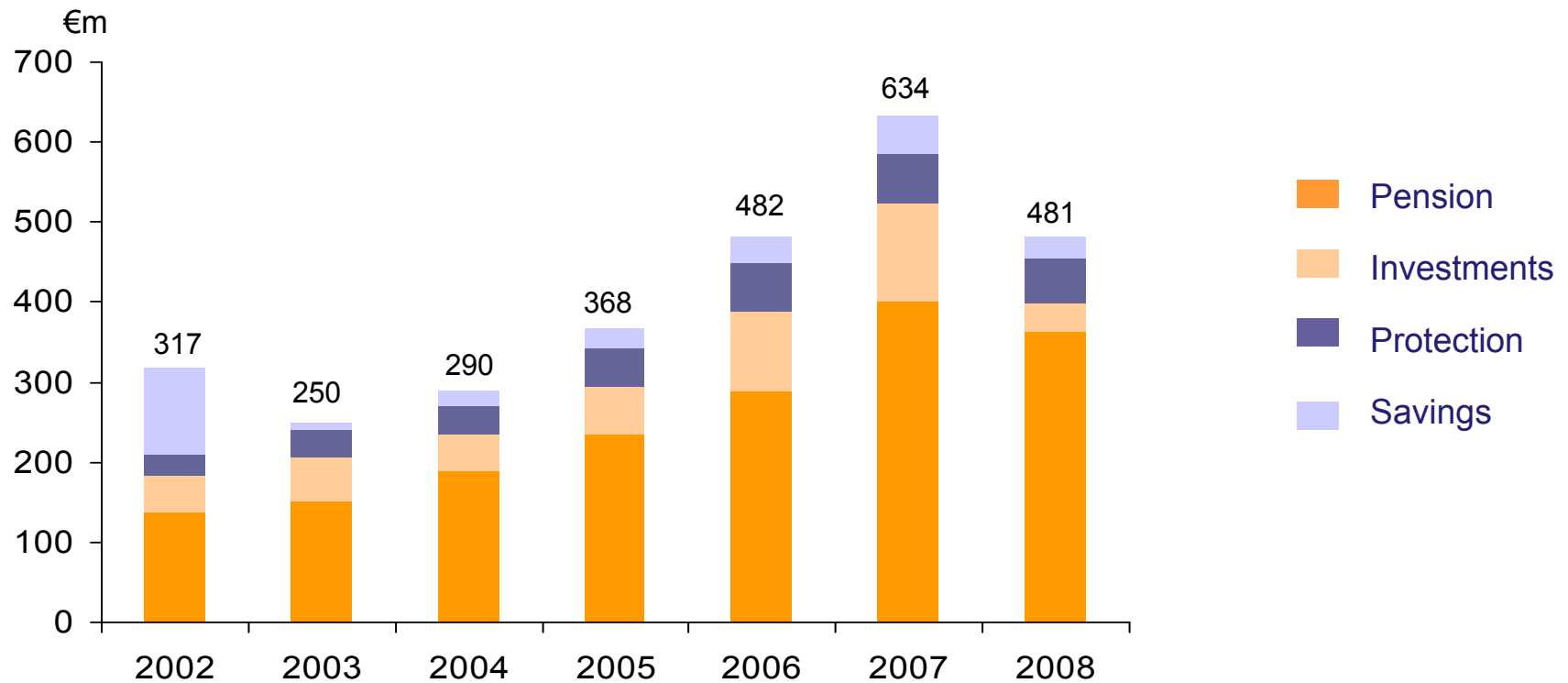
Dominant position built on:

- Multi-channel distribution strategy
- Investment reputation
- Business platform and service delivery

Adapting to recession & market cycle

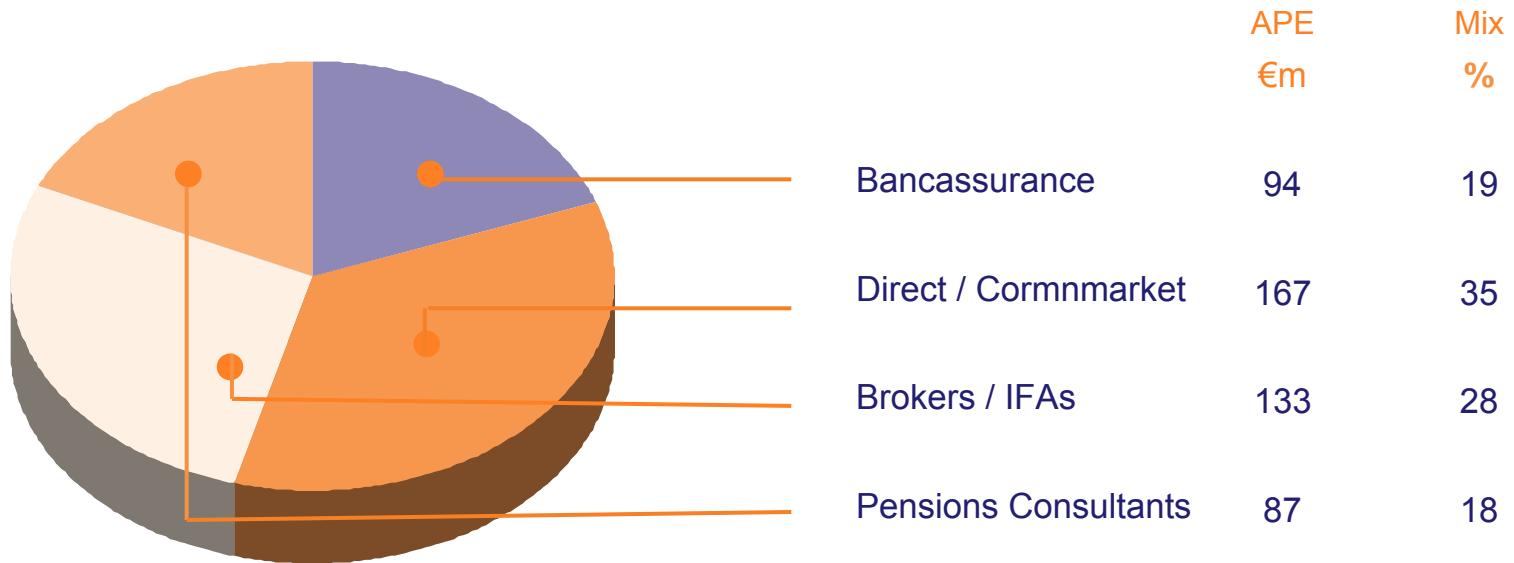
- Cost management
- Persistency

Life Sales



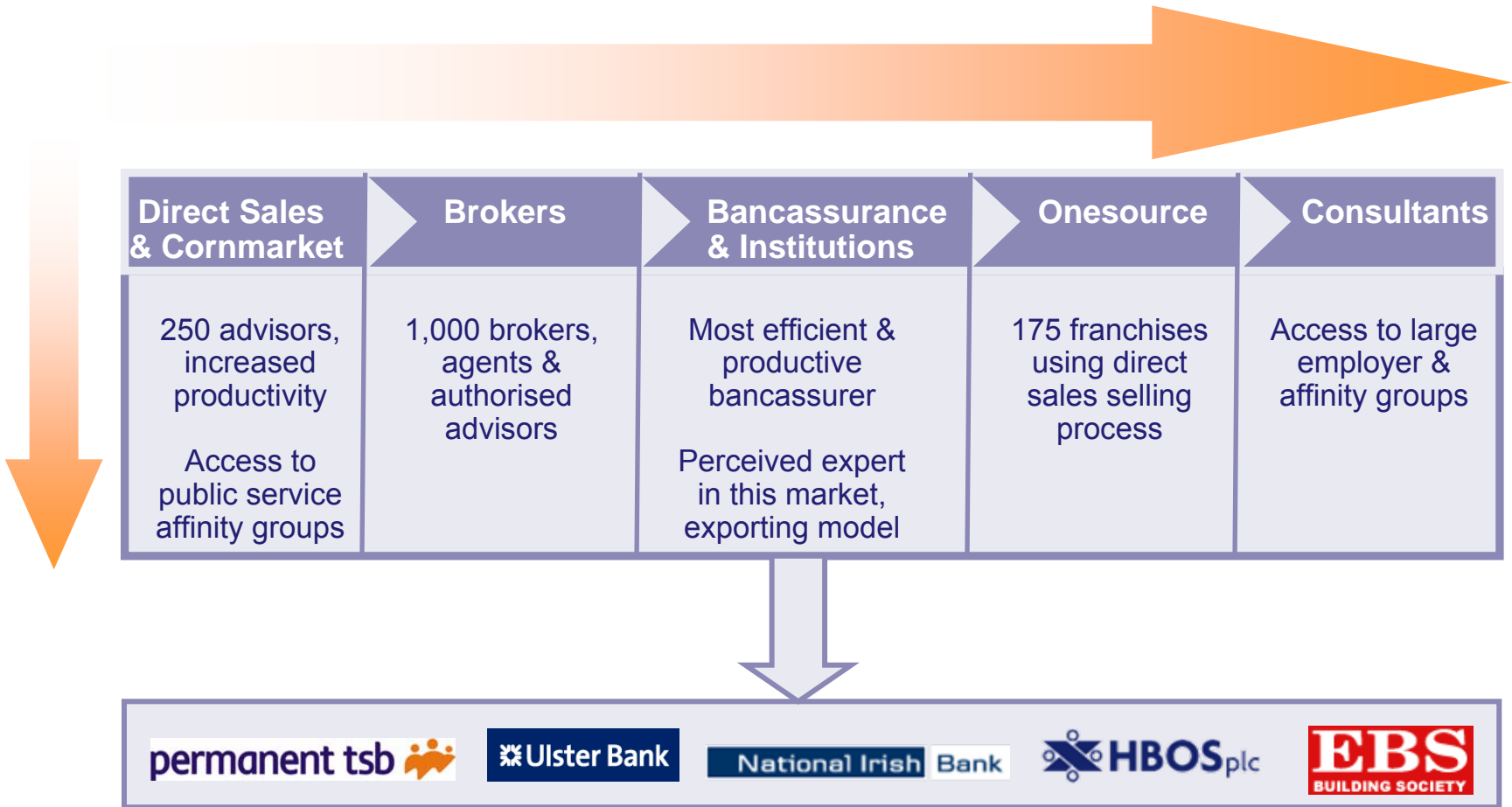
Life Distribution

2008 Sales €481m [2007: €634m]



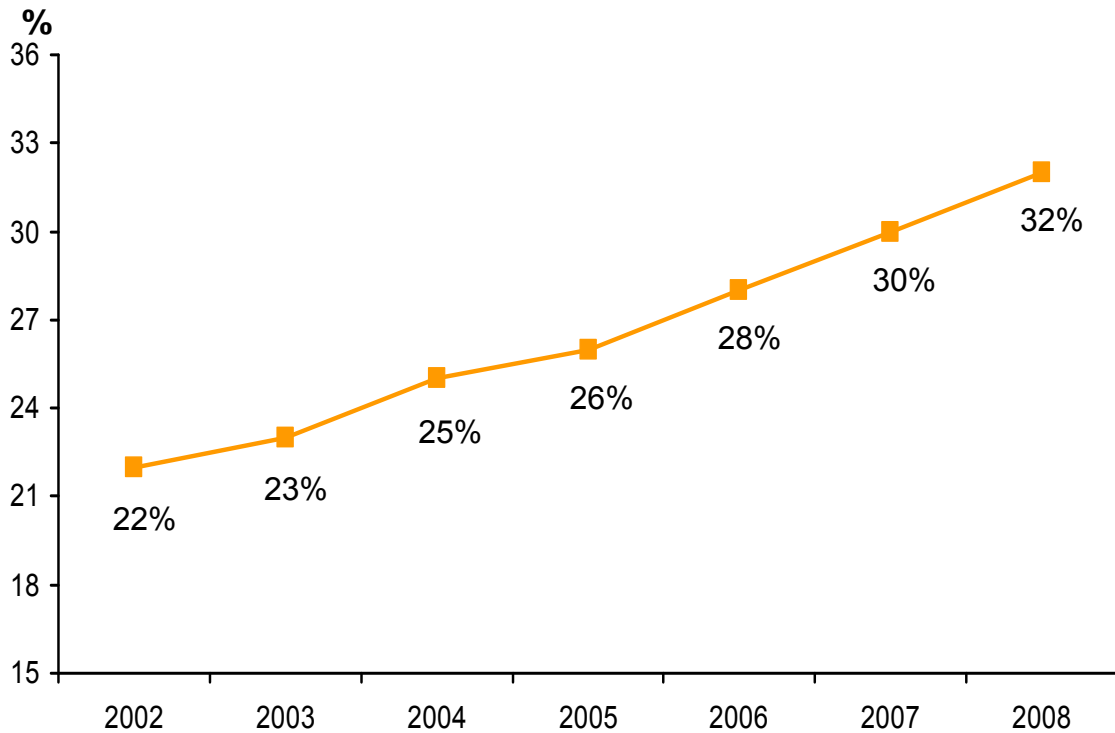
* Retail & Corporate APE sales

Unrivalled Distribution Reach & Depth





Life Market Share



- Irish Life is clear market leader
- Sustained track record of market share gain
- Franchise based on distribution reach, product performance and service
- Confident of further gains in 2009

Irish Life Investment Managers

Market leader

- No.1 with a 30% market share
- FUM of €27bn split 47% active and 53% passive

Business model

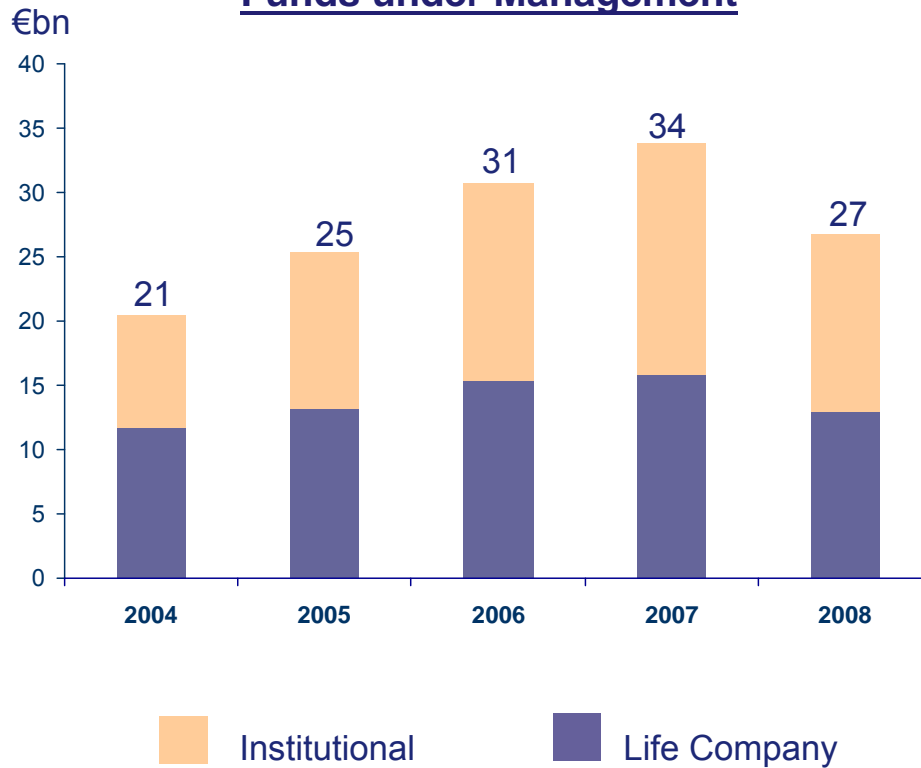
- Asset manager for life businesses (48%)
- Direct institutional business (52%)
- Offers own funds and open architecture for specialist products

Performance

- Consistent above average performing active pension fund manager over 3 & 5 years
- Flagship Consensus Pension Fund [passive] - largest unit-linked fund in Ireland

Irish Life Investment Managers

Funds under Management



- ILIM now acknowledged market leader in Ireland
- Market share 30% - up 7% in last 5 years
- In-flows of over €2bn in 2008 - €7.5bn in last 3 years
- Strong and growing client base

* Excludes ILI

Banking Business

permanent tsb 



Merger of Irish Permanent and TSB in 2001

- Focused on personal / retail banking market
- Leader in residential mortgages
- Strong brand and franchise from mutual heritage and service ethos

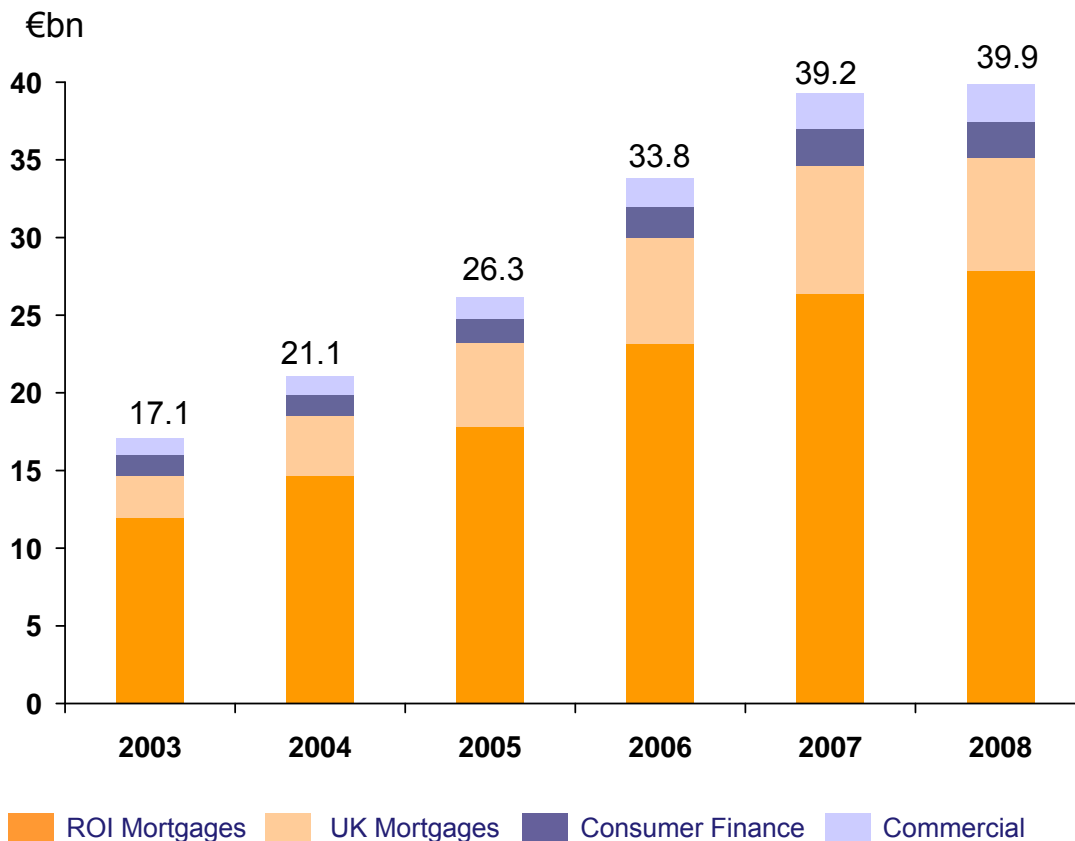
Enjoyed strong growth

- Multi-channel distribution - 100 branches, independent brokers, Irish Life sales force
- Customer acquisition via current account offering, now over 500,000 customers

Challenged by impact of credit squeeze and downturn

- Need to reduce reliance on wholesale funding - moderating loan book growth, growing deposits
- Rising impairments hit earnings as unemployment increases

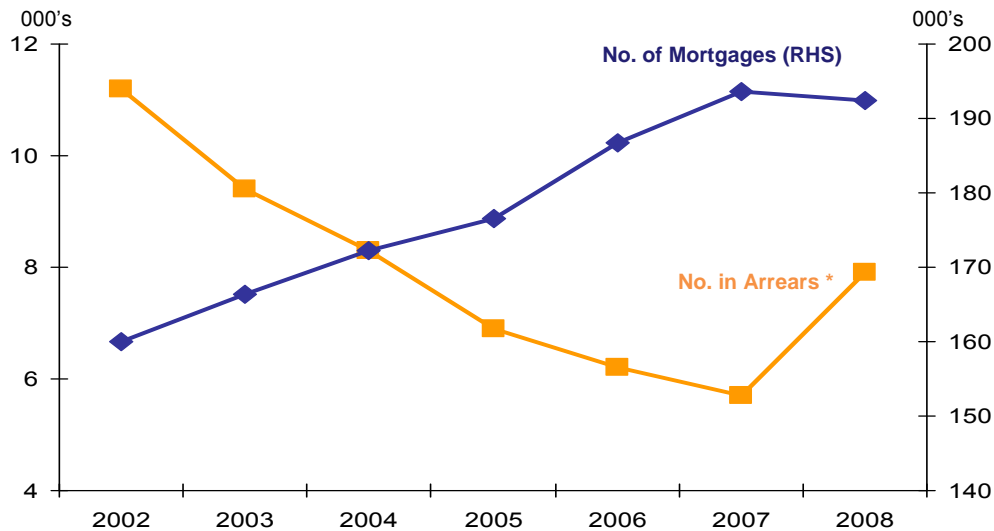
Bank Loan Book



- Low risk loan book - reflecting exclusive retail focus and conservative underwriting
- 98% lending secured - 88% secured residential mortgages
- Unsecured lending (2%) represents personal loans, current accounts and Visa for core customer base
- No residential or commercial development exposure
- No SME / Corporate exposure
- Loan book will be broadly flat in 2009

Loan Credit Quality

Irish Mortgage* Arrears Cases (> 1 month)



- Marked increase in arrears cases in 2008
- Irish mortgages cases > 1 month in arrears 7,900 at Dec 08 out of a total portfolio of over 192,000 cases
- Average indexed LTV of 46% at Dec 2008
- Negative equity 8% of total cases at Dec 2008
- Increased resources in arrears management

* Includes residential & commercial mortgages

Brand Strength

A modern innovative brand that stands out from the crowd

- Most trusted bank brand
- Modern
- Youthful
- Dynamic

Unrivalled reputation for Customer Service

- Reflects building soc. / savings bank heritage
- Unique strength at the heart of our strategy
- No.1 in 2008 Finalta survey
- Fastest growing customer base

Summary of Fair Share Personality dimensions

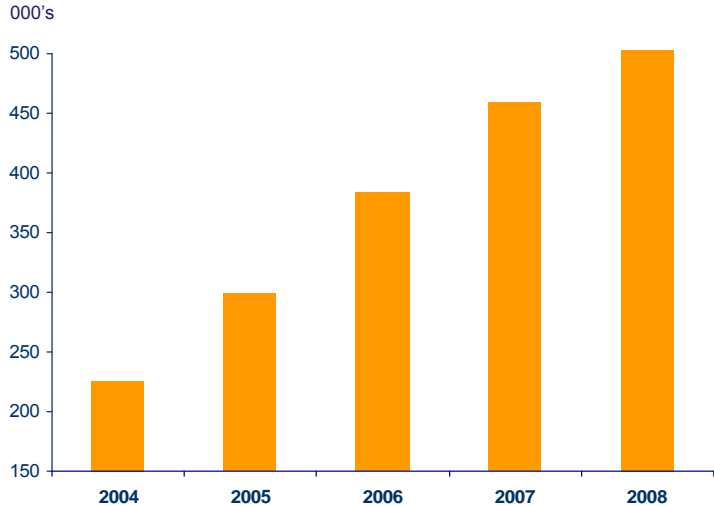
ptsb	Bank X	Bank Y
♦ Over Index –Modern –Youthful –Dynamic	♦ Over Index –Unhelpful –Impersonal –Traditional –Bureaucratic	♦ Over Index –Safe –Reliable –Dependable –Traditional
♦ Under Index –Impersonal –Traditional –Bureaucratic	♦ Under Index –Dynamic –Youthful –Modern	♦ Under Index –Modern –Youthful



Customer Acquisition

- Strong brand, outstanding service reputation and high impact marketing
- 53,000 new customers in 2008; 250,000 over past four years
- Attracting new customers in the key 25 to 35 age range
- Growing resource base, €1bn new retail deposits in 2008
 - Branches
 - Broker channel
 - Isle of Man

Current Accounts



Specialist UK Mortgage lender

- Acquired 1995, only group business outside Ireland
- Niche player in UK buy-to-let market, loan book of Stg£6.8bn.

Closed to new business March 2008

- Credit squeeze limits funding availability
- Managing run-off of loan book

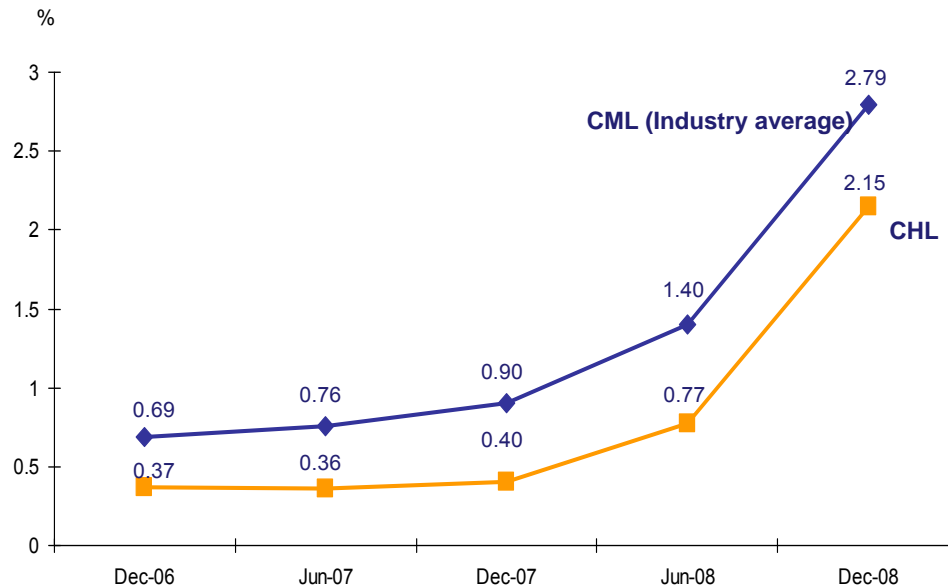
Rising impairments as UK recession hits

- Sharp increase in arrears in H2 2008
- Falling interest rates have positive impact in 2009

Loan Credit Quality



UK Buy-to-Let Mortgage Arrears Cases*



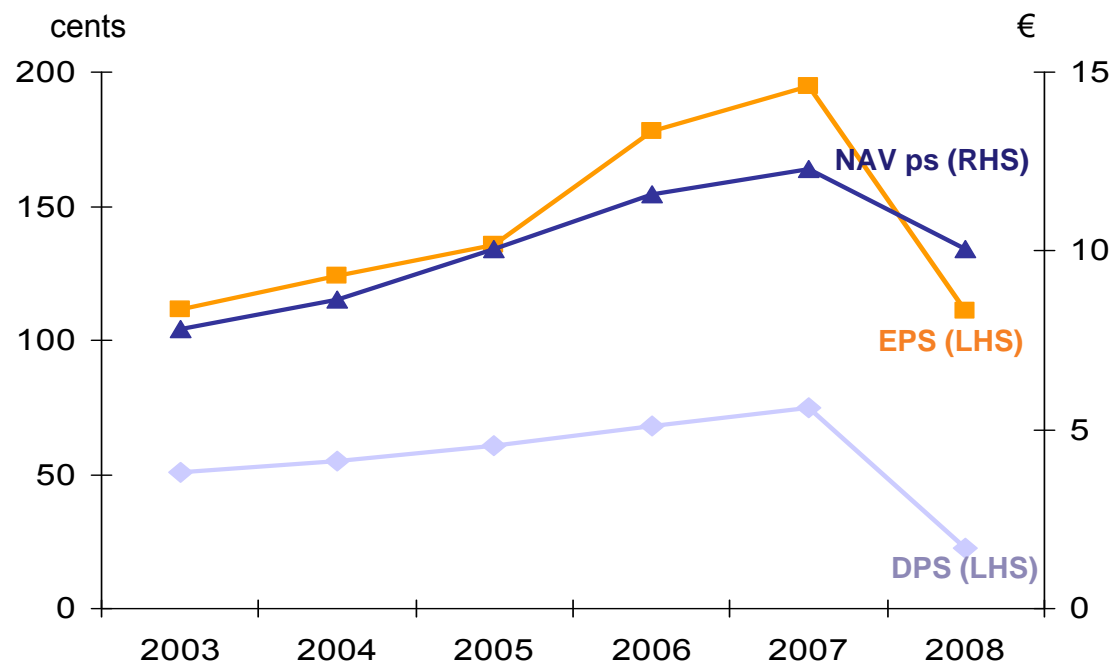
- BTL accounts for 93% of Capital Home Loans (CHL) portfolio
- CHL BTL arrears cases significantly increased, 946 cases at Dec 2008 out of a book of 44,000
- Closed to new business - resources redeployed to collections
- Average indexed LTV of BTL book 79% at Dec 2008
- Negative equity 10% of total cases at Dec 2008

* > 3 months, includes reposessions & receivers of rent cases

Group Financials

- 5 Year Summary
- Earnings
- Investment portfolios
- Funding
- Capital & Shareholder Equity

Summary 2003 - 2008



- EPS - operating profit on embedded value basis
- NAV ps - shareholder equity on embedded value basis
- No final dividend paid for 2008
- Ratios based on total issued shares

Group Earnings - Embedded Value Basis

	2008	2007
	€m	€m
Operating profit*	341	590
Life Embedded Value	(535)	(128)
Bank goodwill write off	(170)	(2)
Profit before tax	(364)	460
Taxation / Minority	(69)	(56)
Total Profit after Tax	(433)	404

- 2008 operating profit net of bank loan and asset impairment provisions
- Life embedded value movement due to impact of falls in investment markets on fee income and asset values and to changes in EV economic assumptions
- Unamortised goodwill, from acquisition of TSB Bank in 2001, was written-off in 2008
- Negative life EV tax effect from falls in asset values increased 2008 tax charge

Group Earnings - IFRS (Statutory) Basis

	2008	2007
	€m	€m
Business Contributions	345	482
Life Movements	(110)	(3)
Bank goodwill / other	(172)	(2)
Taxation / minority	(14)	(28)
Total profit after tax	49	449

- The 2008 contributions from businesses reduced as a result of bank loan and asset impairment provisions
- The negative life value movement in 2008 was due to the fall in asset values, which was partially offset by the positive impact of changes in economic assumptions
- Unamortised goodwill, from the acquisition of TSB Bank in 2001, was written-off in 2008

Life Operating Profit

Life Income	2008	2007
Statement *	€m	€m
New business	100	154
In-force business	184	192
• <i>Total expected return</i>	165	147
• <i>Experience variances</i>	0	10
• <i>Assumption changes</i>	19	35
Operating profit	284	346
Taxation	(24)	(21)
Profit after tax	260	325

New Business

- Life (excl. ILIM) new business margin
 - APE: 15.1% (2007: 19.2%)
 - PVNBP: 2.4% (2007: 2.9%)
- Return on life new business
 - IRR: 12.1% (2007: 13.3%)
 - Payback: 7 years (undiscounted)

In-force

- In-force business profits steady, but
- Negative persistency experience offset positives on risk and expenses

* Embedded value basis

Bank Operating Profit

Bank Income Statement	2008 €m	2007 €m
Net interest income	473	500
Other income	47	48
Gilt gains	29	-
	549	548
Expenses	(315)	(302)
Impairment provisions		
• Credit	(82)	(16)
• Exceptional	(122)	(11)
Operating profit*	30	219
Taxation	(10)	(33)
Profit after tax	20	186

Revenues

- NII impacted by wholesale funding spreads
- Margin of 105bps (2007: 117bps)
- Exceptional gain of €29m on disposing of gilt portfolio in Q1

Impairments / Expenses

- Loan impairment provision includes an IBNR of €35m on the mortgage portfolios
- Provision on Icelandic banks' senior debt €92m & Lehman senior debt of €30m
- Expenses include €8m for cost of Government Guarantee from September 08

* Before goodwill write-off

Life Investment Portfolio

Funds Under management €27bn, Dec 2008

Unit-linked Assets	€bn	%
Debt securities	6.3	30
Equities	10.1	47
Property	2.1	10
Cash / Other	2.7	13
	21.2	100

Non Linked Assets	€bn	%
Debt securities	1.6	72
Equities	0.1	4
Property	0.2	6
Cash / Other	0.4	18
	2.3	100

Off Balance Sheet Total: 3.8

- Investors / policyholders bear full market risk in unit-linked funds
- Non-linked (traditional) insurance liabilities fully matched with debt securities, of which 88% were AAA rated
- Asset write-downs in 2008:

	€m
Property	128
Debt sec.	34
Lehmans	16
Other	<u>17</u>
	<u>195</u>

Bank Investment Portfolio

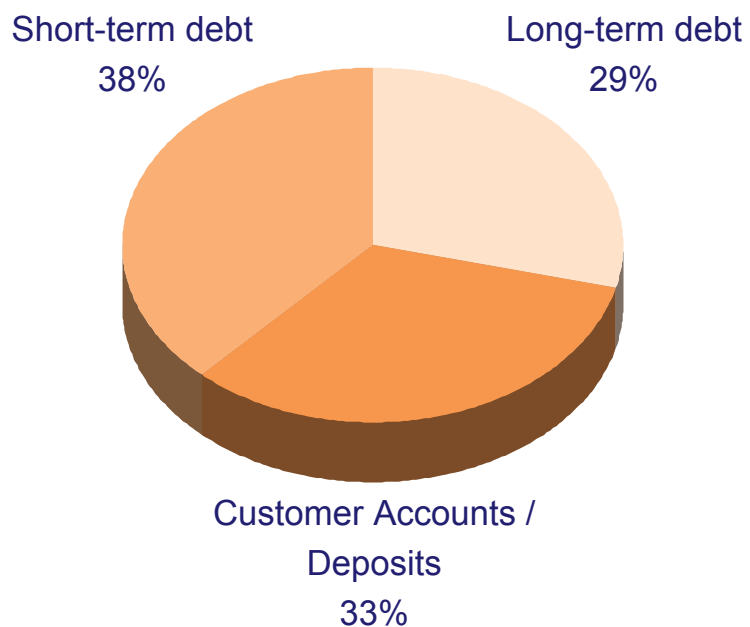
Debt Securities December 2008

Category	€bn	%
Sovereign Bonds	0.4	12
Bank FRNs / Corporate Bonds	2.2	65
RMBS	0.8	23
	3.4	100

- 85% of FRNs / Corporate Bonds rated A or higher
- Provisions made for defaulted bonds (Icelandic Banks & Lehman)
- RMBS all prime:
 - 96% AAA rated
 - 97% Euro denominated

Bank Funding

December 2008 - Total €44bn



- Government guarantee scheme critical
 - Broad coverage up to Sept 2010
 - Extension of scheme
- High level of ECB funding in Q4 2008 and into 2009
- Raised €2bn term debt in H1 2009
- Some easing of liquidity from Q2 2009
- Growing retail deposits

Bank Capital

	Dec 08	Dec 07
Basel I Basis		
Core Tier 1 ratio	10.1%	10.4%
Basel II		
Tier 1 capital	€2.1bn	€2.0bn
Pillar 1 RWAs	€18.2bn	€18.9bn
Core Tier 1 ratio		
• Pre ICR	11.3%	10.8%
• Incl. ICR	9.2%	8.7%

- Transitioning to Basel II
- Basel I equivalent basis:
 - Core Tier 1 ratio of 10.1%
 - Regulatory minimum 9.03%
- Basel II
 - Pillar 1 in operation
 - Pillar 2 outstanding
 - Interim capital requirement (ICR) add-on of 23%
- Basel II minimum total capital requirement of 8%

Life Capital

Life Capital *	Movement
	€m
Free assets Dec 2007	620
Capital generated	359
	979
New business strain	(87)
STIFS & Economic variance	(226)
Other	(1)
Dividends	0
Closing free assets Dec 2008	665

- December 2008 minimum solvency margin of €410m covered 1.6 times by free assets of €665m
- Solvency 2 potential release of excess values - c. €800m based on QIS 4
- Over €200m of excess capital against S&P AAA requirement

* Irish Life Assurance plc

Group Shareholder Equity

December 2008

	IFRS (Statutory) €m	Embedded Value €m
Bank	865	865
Insurance & Investment *	1,218	1,649
Associate	139	139
Other	68	71
Goodwill	71	66
	2,361	2,790

* Excludes "own shares" adjustment

Contact Information

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

www.irishlifepermanent.ie

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