

**Irish Life & Permanent Group
Preliminary Announcement 2009 Results
March 3rd 2010**

Script for Analyst Presentation

Slide 1: Introduction [Gillian Bowler, Chairman]

Good morning everybody and welcome to these Annual Results.

Slide 2: Forward Looking Statement

As you all know 2009 was a very tough year for everybody in this country as it was for us.

Today, we'll report a financial performance which is dominated by the impact of the impairments which we've had to make at the bank and the impact of a weaker economy on the life company.

Of course it goes without saying that the problem of impairments and arrears does not just affect our business but - as Chairman – I want to stress how seriously we treat the issue.

We are working and will continue to work closely and sympathetically with our customers to help them deal with financial pressures and I'm happy to say that we are agreeing common-sense, workable solutions for affected customers.

Today we'll also be reporting on the progress we made through the year on cutting costs and right-sizing the businesses for this marketplacegrowing our deposit book in the bank by €1.8 billion and making great progress on addressing the persistency issue in the life business.

All in all, the progress we've made leaves us much better positioned for this year than we were going into 2009.

Of course 2009 also saw intense speculation about how the broader industry might consolidate and evolve in the coming years.

We set out our stall on this a year ago when we said that given our size and importance in the industry we were determined to play a role in that process. And in January of this year we completed a significant corporate restructuring with that in mind.

Clearly progress on this agenda will await the rollout of NAMA and the recapitalisation of the participating banks which we now expect in the coming weeks.

Now, I'd like to hand you over to Group Chief Executive, Kevin Murphy, to take you through the presentation.

Slide 3: Business Review [Kevin Murphy, CEO]

Thank you Gillian.

Well as Gillian has said 2009 was a really difficult year for the Group – as it was for everyone in Ireland.

Our priority from the outset was to focus as tightly as possible on what we needed to do at the level of the individual businesses to help them weather the storm – and to ensure the Group is well positioned for what should be a more stable environment in 2010.

I think we succeeded on both fronts.

2009 represented the most severe phase of the economic cycle. What was particularly extraordinary about the year wasn't just the size of the correction that took place, but how quickly it took place

- A drop of 8% in GDP in the year
- Unemployment rising to 12.5% from the pre-crisis levels of 4%, and
- 3 really tough budgets which significantly increased tax and reduced the pay of many of our customers.

It was an incredibly steep and quick correction and it meant you had to move very quickly just to stay ahead of things and stabilise the businesses.

We made a lot of progress with that and it means that the businesses are much better positioned going into 2010 than they were going into 2009.

- We've put through a very significant cost reduction programme in the life company and in the bank.
- In the life company we've responded quickly to what was a growing persistency problem and we're getting on top of that agenda.
- The bank has successfully re-tuned its considerable sales muscle to target the retail deposit market and they've made a lot of progress in that area.
- We've bitten the bullet on the need to re-price our mortgage products.
- And we made good progress on the broader strategic agenda.

There are welcome signs that the economy is stabilising and 2010 should see Ireland turning the corner and coming out of recession.

Our expectations are that:

- GDP in 2010 will see growth in the second half of the year, and that
- Unemployment, while unfortunately still increasing, should peak by the middle of the year.

Also the budgetary situation in Ireland is more stable this year and the country generally has improved its international image very significantly on foot of the tough decisions taken last year.

So for the year as a whole, we expect another difficult year for the bank, albeit not as severe as 2009. And we do expect an improvement in the profits from the life business.

So now, let me turn to the individual businesses.

Slide 4: Life & Investment Key Priorities 2009

Let me begin with the key priorities of our life and investment companies.

A key priority for us in these businesses is to protect our very strong franchise in Ireland. With a market share of over 30% it is obviously critical for us to maintain our strong sales machine in the current environment.

In addition we need to manage the persistency agenda and improve retention levels. This came under pressure in the first half of the year but we quickly addressed the issue and there has been a marked improvement in our retention levels in the second half of the year. Clearly we need to maintain that this year.

Cost of course is a major focus. With the sharp downturn in business we need to right-size the life and investment company for the new market realities and I am pleased to report good progress and the work is substantially completed at this stage.

Slide 5: Life Sales 2009

So turning to the individual sales stories.

Retail sales fell 36% to €159m for the year. Within that figure there was a sharp reduction in the first half of the year and a much better performance in the second half where sales were only down 14%.

If you examine sales by distribution the strongest market was the IFA or broker market which overall fell only 16% this year. Both Bancassurance and Direct Sales were more significantly affected by the downturn and indeed, by our own actions to downsize both sales forces during the year. Obviously that will not be a distraction this year.

On the Corporate side sales were €164m down 30%. Core business there remains strong but there has been very limited growth opportunities both with much less recruitment and virtually no salary growth.

Finally, ILIM had another very strong year with inflows over €1.9bn. We did particularly well in the second half of the year and we are the dominant fund management company in Ireland now.

In summary then, 2009 volumes were slightly ahead of guidance and margins significantly ahead as the late recovery in November/December helped both sales and margins.

Slide 6: Life Sales 2010

Looking forward to sales in 2010

On the Retail side, having completed restructuring work, we are now in a position to drive on sales in our Bancassurance and Direct Sales channels. Given the strong performance of IFAs we will continue to invest significantly here. Obviously we need to reposition our product range to reflect the more risk adverse customer needs of today and we will be launching some significant initiatives in this area over the coming weeks.

In Corporate Business we just launched a new lifestyle investment strategy for DC schemes to reflect the new investment environment. This together with our package of high quality investments and strong service offerings will ensure that we fully participate in the swing to DC pensions which is occurring now, due to the rapid demise of DB schemes.

Finally ILIM has great momentum in its business and I expect it to continue its growth pattern of the past and to dominate the institutional investment market in Ireland as it has in 2009.

Slide 7: Life Sales outlook

Looking at 2010 we would expect some recovery in Retail sales but continuing decline in Corporate sales as unemployment and low salary growth continues. ILIM will have another strong year.

Overall in 2010 we would expect total volumes to be probably flat. We would expect some improvement in margins on the Retail side, as the cost savings from 2009 come through on a full year basis in 2010.

Slide 8: Life inforce – Retail retention

Next, Retail persistency. This emerged as an issue in the second half of 2008 as the economic crisis deepened. The business responded quickly to make sure we were on top of it. The actions we took dealt with different elements of the problem including:

- product design;
- remuneration terms for the sales force; and
- the need for intensive interaction with customers

Happily those actions have improved the position considerably and we are targeting a return to our normal levels of policy lapses by the end of 2010.

Overall we have put through a charge of €69m in Retail in 2009 to cover both our experience in 2009 and our best estimate for 2010.

Slide 9: Life inforce – Corporate book

Turning then to the in-force book in Corporate Business:

As I said earlier, growth has slowed down in this business. We have seen some premium reductions due to lesser salary growth, redundancies and scheme closures.

In particular our AVC business has been hit by the public sector levy and pay reductions.

On the other hand it should be noted that pension policies are paid up with the funds remaining with us and are not encashed as your pension fund is not available until you retire. The overall persistency effect here is less than on the Retail side.

In our Corporate Business a charge of €38m has been made in 2009 to cover both our experience in 2009 and our expected further experience hit in 2010.

Slide 10: Life inforce – Risk and Expenses

We can now turn to other aspects of the embedded value of the in-force book.

On the Risk side we had quite positive growth both on mortality and morbidity. This is great to see particularly in a year like 2009 and mitigated the adverse persistency impacts.

In addition the cost reductions across all our businesses have resulted in some positive embedded value changes as unit costs reduced. However the full cost of redundancies has been charged against our 2009 expense variance.

Slide 11: Life Costs

We have taken strong management action on the life business costs. Our 2010 costs should be nearly 20% lower than the equivalent at peak. Specifically in 2009 we reduced costs by 11% and reduced headcount by 7%.

We are comfortable we have “right sized” the business for the expected business flows from here.

Slide 12: Banking – Key Priorities

Can I now turn to the banking agenda. We have four clear priorities here:

- Improve our funding position through continuing growth of retail deposits.
- Manage our impairments effectively.
- Continue with further cost cutting in the business.
- Work hard to maintain our margins in an environment of significant squeeze from the increased cost of funding.

Slide 13: Bank Funding Strategy

The whole issue of funding is obviously a key strategic area for the bank.

Our efforts are focused on maximising what we consider to be “stable funding”, that is, the total of both our retail deposits and our long term funding.

Broadly we would like to have 70% of our total funding covered by retail deposits and long-term funding by 2012. We are comfortable that the other 30% can be well covered by the collateralised strength that is available in our loan book.

In terms of the mix of retail / long term debt we show the target mix over the next three years. At the end of 2009 our loan to deposit ratio – which includes all deposits – was 246% and the stable funding ratio is currently running at about 50%.

Slide 14: Bank Funding 2009

In 2009 we had another very strong year for retail deposits, up €1.8bn. We are also continuing to grow our number of current accounts

On corporate or commercial deposits we were down €0.8bn from the start of the year. Through the year we succeeded in replenishing much of the loss of overseas corporate deposits, which occurred in Q1, with corporate deposits in Ireland.

Finally on term debt as you know the Government Guarantee scheme is extended from December and that is certainly going to help our term debt issuance in 2010.

Slide 15: Bank Funding 2010

Turning to 2010. Our overall target is to get our stable funding rate up to 60% of total funding and our loan to deposit ratio down to 230%.

To do so, we will need to maintain our very strong flows in retail deposits and to the same amount again as we did in 2009.

On term debt, we have a big opportunity here with the launch of the new Government Guarantee and as you know we have already been active in the market with term debt issuance this year.

Slide 16: Bank Margins

Bank margins remain under continued pressure.

The net interest margin, as David will go through later in detail, is now reduced to 83 basis points. In 2010 we will have additional pressure of a significantly more expensive Government Guarantee which will add further to costs.

As everybody is aware we have taken significant actions here to improve our margins, increasing our SVR by 50 basis points in September 2009 and in February 2010. In addition we expect deposit spreads to narrow during 2010, helped by the NAMA liquidity, as that pours into the system post March. That would be positive for us.

Slide 17: Bank Loan Book

Bank lending continues to contract. Our overall loan book has fallen €1bn in 2009. 2009 gross new lending was €1.2bn and this was entirely Irish residential mortgage lending and car finance.

Redemption activity in the mortgage book continues to slow and this has also affected the lower level of new lending.

Slide 18: Loan Impairments

In terms of loan impairments, these essentially follow unemployment with some lag impacts. As you can see unemployment rose very rapidly in the first half of the year which caused a significant increase in arrears. In the second half of the year the growth of unemployment was lower and we saw a resultant slowdown in the growth of our arrears.

You will have seen a report recently from Moodys that arrears were beginning to peak in Ireland and the consensus at this stage is that arrears on the residential mortgage side are likely to peak in 2010.

Slide 19: Bank Costs

We can now turn to the cost agenda of the Bank.

We have made good progress during the year. Overall at this stage our core costs in 2010 will be 12-13% less than peak. This reflects considerable action in 2009 where we reduced headcount by over 200 and also our recently announced intention to close and amalgamate some of our branches.

By the end of the first quarter we will have closed 10% of our branches and secured further staff reductions of 140 staff.

But there is still more work to be done here. Obviously, given the new world of banking, where margins will be depressed for some time, it is critical that the bank operates at maximum cost efficiency. As a result we will be launching further initiatives in the second quarter of 2010.

Slide 20: Group Earnings outlook

So, in summary, 2009 has been a difficult year. However, we are looking for an improvement in 2010. As David will go through in the financial presentation we would expect bank results for this year to be broadly similar to 2009 but we do expect an improvement in the life company's profitability.

Overall as a Group we are targeting to return to profitability in 2011.

Slide 21: Strategic Agenda

Finally, I want to close on the Group's strategic agenda.

As you know we held our EGM in December as a result of which we now have a new Group holding company in place which will facilitate our participation in any process of consolidation in the financial services industry here over the coming months.

As the Chairman has said we expect this process will move forward once NAMA gets up and running and we see the recapitalisation of participating institutions. And we are optimistic that clarity on this issue will arise over the coming months.

I will now hand you over to David who will take you through the financials for 2009 and give a more detailed perspective on the outlook for 2010.

Slide 22 : Financial Review [David McCarthy, Finance Director]

Thank you Kevin and good morning everybody. This morning I want to analyse the earnings performance for the year and will look, in particular, at the issues arising around bank funding, loan impairments and capital.

Slide 23 : Group Earnings

Group earnings for the year fall into two parts.

Above the line, at operating level, we are reporting a loss of €196m. I will deal with the components of this outcome in a moment but the principal drivers here were lower sales and negative persistency in the life business while losses in the bank reflect increased impairment provisions and higher funding costs.

Below the line are the two items impacting the embedded value of the life business – short term investment fluctuations and changes in economic assumptions – both of which are negative.

The short-term investment fluctuations reflect the effect of market movements on the life embedded value. While equity markets have been positive in overall terms in 2009 this has been more than offset by the impact of sharp falls in property markets, particularly the domestic commercial market during the year, to give a net negative of €68m. I will return to a more detailed analysis of this movement later.

Economic assumption changes, again relate to the life embedded value, and come in at a negative €38m. This mainly arises due to the increase in Irish gilt yields during the year driven by increased credit spreads reflecting market volatility and investor caution regarding the Irish economy. As a result the risk discount rate used to calculate the embedded value increased from 7.0% to 7.5%.

Post these negative life embedded value movements, the total loss before tax came in at €319m compared to a loss of €364m for 2008.

Slide 24 : Operating Earnings

Looking at the operating earnings in more detail the main components were:

Life profits of €102m which were down on the €284m reported in 2008. The drivers behind this reduction were:

- a lower value of new business, as a consequence of lower sales volumes, and
- reduced earnings on the in-force book from a lower expected return and negative persistency .

The banking result was an operating loss of €270m reflecting substantially increased impairment charges and reduced net interest margins.

The contribution from Allianz, our general insurance associate, was somewhat lower than expected due to the impact of exceptional claims late in the year.

And finally the “Other” line, reflects lower earnings from subsidiaries Cornmarket and IPSI less significant once-off corporate costs incurred in 2009 relating to Group restructuring and other issues.

I now want to look at the life and banking results in more detail starting with the life operating profit.

Slide 25 : Life Operating Profit

Life post tax earnings came in at €90m compared to €260m for the full year 2008.

The new business component of life earnings halved, from €100m to €51m, in the year. This reduction was due to a lower level of sales and to lower margins on those sales as a result of operational gearing.

Overall life sales were down 32% and new business margins, on an APE basis, came in at 11.4% compared to 15.1% for 2008.

This margin outcome was somewhat better than the 9%-10% to which we have previously guided and this was due to higher than anticipated sales achieved in December. These were pension sales generated largely as a consequence of tax changes anticipated in the December budget.

Earnings on the in-force book at €51m compare to €184m achieved in 2008. There are three main parts to this outcome.

- Firstly the total expected return on the inforce book fell to €122m from €165m reflecting a lower opening 2009 embedded value when compared to 2008.
 - Secondly higher lapse rates, particularly in the first nine months of the year, resulted in a negative persistency variance of €66m,
- And, finally
- Net operating assumption changes coming marginally negative versus a positive of €19m in 2008. The turnaround here was again down to changes in persistency assumptions – €42m negative – which off-set positive changes in both risk and expenses.

With regard to persistency we expect that the assumption changes made in 2009 should be sufficient to cover any deviation from our long-term assumption which might arise in 2010. This is a risk area and we will however continue to monitor persistency experience closely. While the future is uncertain, we expect that our experience will revert close to our long-term assumptions by end 2010.

Slide 26 : Operating Profit - Bank

Looking now at the bank we are reporting an after tax loss of €246m for 2009 compared to a profit of €20m in 2008.

Pre-impairment profits for the bank were €106m, down from €234m in 2008, with the reduction almost all attributable to lower margins.

Working from the bottom up we see the level of the provisioning has increased sharply – up by €172m to €376m – which reflects the deteriorating macro economic environment through 2009 which led to both an increase in the level of arrears and falling property values. I will return to look at impairments in more detail shortly.

Expenses in 2009 came in at €287m which was a 7% reduction on the 2008 level. There are a number of once off costs included in the 2009 figure and excluding these items underlying costs in the bank were down in the order of 10%.

As Kevin has already mentioned the bank will drive out further costs this year. These actions, which will cost in the region of €20m, will generate annualised cost savings of circa €10m.

The cost of the Government Guarantee Scheme in 2009 came in at €29m compared to €8m charge in 2008 which was only for a four month period. In January 2010 the bank joined the new Eligible Liabilities Guarantee which supplements the old guarantee scheme. The cost of this new scheme is substantially more expensive than the old scheme. The cost is 50 bps for issuance of less than one year's duration and a cost of between 90 bps - 100 bps for issuance beyond one year. This compares to an average all-in cost of 15 bps under the old scheme in 2009.

Finally net interest income fell 21% to €375m reflecting the sharp contraction in the net interest margin for the year.

I want to now look at the bank's margin and funding position in some detail and to set out where we these developing going forward.

Slide 27 : Bank Funding / Asset Mix & NI Margin

The bank's net interest margin for 2009, excluding the cost of the Guarantee Scheme, came in at 83 bps, 22 bps below the 2008 outcome.

Higher funding costs contributed a negative 18 bps to the reported margin contraction and arose from:

- the sharp rise in the marginal cost of attracting retail and corporate deposits,
- the re-pricing of some of the existing book as well as
- the cost of re-financing maturing wholesale term debt.

The other major cause of the squeeze in margins was the reduction in spreads of 17 bps which arose from the reduction in the yield on free or low cost demand resources as a result of lower ECB base rates.

During the year we did manage to widen asset spreads in both our Rol mortgage and consumer finance portfolios. In September we increased our SVR margin by 50 bps and this contributed a positive 11 bps to the net interest margin compared to 2008. We have followed this in February of this year with a further 50 bps increase in the SVR margin which should have a similar positive impact on margins in 2010.

The principal chart in this slide sets out the gross yield on assets and the gross cost of funds across different asset and liability classes. I have to caution that the figures here are approximate as there are a lot of moving parts which are aggregated.

For example the cost of customer deposits will range from 0% for current accounts to up to 3.5% for term customer deposits. However the chart does serve to illustrate the drivers of the bank's margin.

On the liability side, for example, you can see that customer deposits are our most expensive form of funding while short term debt is currently below the cost of ECB funding. On the asset side the gross yields reflect relative risk within the portfolios and, in the case of the UK book, the lower base rate.

The gap between the composite return on assets of 2.3% and the composite cost of liabilities of 1.5% is of course the net interest margin which as you can see is currently running at about 80 bps. For 2010 we are targeting a margin of between 80 and 85 basis points but clearly that will be sensitive to the funding environment prevailing.

Slide 28 : Bank Funding

While funding conditions improved in the second half of 2009, compared to a very difficult first half, the overall cost of funds remains stubbornly high.

Our overall funding mix at year end comprised 60% customer deposits and term debt with the remaining 40% made up of ECB funding and other short-term debt. This was largely unchanged from the previous year end and the mix reported at the half year. However there are a number of moving parts here which require explanation.

Firstly we did indicate in the IMS in November that we had reduced ECB drawings to €7bn. In December we took the tactical decision to draw €3.5bn in the last of the ECB one year tender offers in order to mitigate the refinancing risk facing the group in September 2010 when some €3.5bn of debt issued under the old Government Guarantee falls due for repayment. Availing of the one year ECB facility had the impact of increasing total ECB drawings to €9.75bn or 20% of total funding at year end and also increased the total balance sheet to €48bn, compared to €44bn at the half year.

Since the year end ECB drawings have been reduced by about €1bn and we would expect that they will reduce further as we progress through the year.

As we mentioned at the half year, in common with all of the other Irish banks, we experienced significant outflows of overseas commercial deposits in the first half of the year losing some €3bn. These outflows were largely replaced during the year from growth in domestic commercial deposits and the balance through the very successful growth in retail deposits which Kevin has outlined.

In terms of market activity, during 2009 we raised €3.5bn in the term debt markets under the old Government Guarantee Scheme. This was executed in three separate transactions all of which were well supported with significant overseas interest.

Finally on funding, the group entered the new Eligible Liabilities Guarantee Scheme in January of this year and in that month successfully executed a US\$1.75bn, 3 year issue, under the Scheme. Again this issue was well supported by the markets.

Slide 29: Arrears & Impairments

The other major issue facing the bank is loan impairments. Given the nature of our loan book - predominantly residential mortgages - unemployment is the primary driver of arrears and default, while asset values are the primary driver of expected loss and therefore provision levels.

Firstly let's look at arrears trends through 2009.

Slide 30 : UK Mortgage Arrears

I will start with our UK business as the UK is further through the economic cycle than Ireland and we can see that clearly in the performance of the Capital Home Loans' book.

Three month arrears in the buy-to-let book peaked at over 1,600 cases in March 2009 and have declined steadily since with a 28% reduction by the year end. This trend has continued into 2010 and is in line with that reported by other buy-to-let

lenders in the UK, although CHL's experience has been consistently better than the industry overall. CHL's three month buy-to-let arrears cases at the end of December 2009 were 2.55% of its loan book compared to the industry average of 3.37%.

Clearly the downward trend of arrears in the UK has been helped by the low level of UK interest rates in addition to the relative strength of the UK residential letting market. That our portfolio is performing better than the average reflects the professional landlord nature of the client base as well as the geographic concentration of the portfolio which is more heavily weighted to the South East of England.

All told our experience would point to the fact that the worst is over in terms of credit impairment in the UK albeit that the risk here is to an increase in UK interest rates.

Slide 31: Rol Residential Mortgage Arrears

The trends in arrears in our Irish residential loan book are broadly in line with the position reported in the Interim Management Statement. Kevin has already spoken about the key drivers here.

In the first half of 2009 the growth in 3 month plus arrears were running at a monthly rate of 8% or circa 370 cases a month. This increase reflects the sharp rise in unemployment experienced in the second half of 2008 and into the first quarter of 2009 when the numbers on the unemployment register rose by over 150,000. In the second half of 2009 the rate of growth in the 3 month plus arrears has reduced to about 3%, or 220 cases per month. We expect arrears to continue to grow, although at a more modest rate, in the first half of 2010 before levelling off, probably in the second half as unemployment peaks.

Slide 32: Commercial Mortgage Arrears

The bank's commercial loan portfolio represents just 6% of the total loan book. This portfolio is secured on buy to let commercial property and therefore the principle risk is to the underlying tenant counterparty. We do not have any development loans in this book.

The commercial property market in Ireland has been extremely difficult in 2009 with falling property values and with tenants, in certain sectors of the economy, struggling to meet rental commitments with consequences for loan repayments.

Against that backdrop we have seen a steady rise in arrears through the year although the pace of arrears growth slowed in the second half. We would expect arrears growth in the book to moderate in 2010 as economic conditions stabilise but, as you will see later, we have put aside a significant collective provision against this portfolio in 2009.

Slide 33: Impaired Loans

So how has this arrears experience across the book translated into impairments and provisions?

Loans are treated as impaired once there is evidence that an impairment loss has occurred including cash flow difficulties, overdue contractual payments and breach of loan covenants. The total level of impaired loans increased to €828m in December

2009, from €442m at mid-year and €202m in December 2008. Impaired loans now represent 2.1% of the total loan book.

In the Irish residential mortgage portfolio impaired loans have increased to €415m or 1.5% of the portfolio from €227m at the half year and €51m in December 2008. The increase in impairments in residential loans flows directly from the rise in arrears and the fall in house values which at the end of 2009 were over 30% off the peak, on the basis of the permanent tsb ESRI house price index.

In the UK the reduction in arrears levels through 2009 meant that impaired loans were static at €75m, with a slight reduction on a sterling constant currency basis.

We are experiencing some repayment difficulties in our commercial loan book reflecting weakness in the sector generally, but particularly in the retail end. This rise in arrears has translated into a sharp increase in the quantum of impaired loans in this portfolio.

In our consumer finance portfolio, again reflecting the deterioration in the economy in 2009, impaired loans increased to €167m or 9.5% of the portfolio up from €61m or 2.6% in 2008. It is important to point out that included in the consumer finance portfolio are stocking loans which we provide to car dealerships in order to support our retail car finance business. These facilities are principally secured on new unregistered cars.

Car dealers are clearly suffering cash flow problems in what is a pretty distressed new car marketplace. However notwithstanding the increase in impaired loans we do not anticipate large losses on this part of the portfolio having regard to the assets backing the loans which in many instances include a right of put-back to the manufacturer.

The total impaired loans of €828m compared to the total provisions of €477m at 31 December 2009. We believe that this 58% provision cover is quite conservative having regard to the assets securing the loan exposures.

Slide 34 : Impairment Charge

The loan impairment charge for the full year 2009 of €376m compares with €189m charged at the half year stage and a charge of €82m for the full year 2008.

The 2009 charge splits 56% in specific provisions and 44% in collective provisions.

In the ROI residential mortgage book the level of specific provisions increased from €49m in the first half to €107m for the full year while the amount of the collective provision was carried over to the year end pretty much unchanged.

In setting provision levels we consider specific provisions for all accounts which are six months or more in arrears. While the provisioning methodology which we use is conservative the key assumption which drives the expected loss in the portfolio, and therefore the provision, is house prices. Our core assumption here is that house prices fall 40% from peak to trough.

Looking into 2010 we would expect a broadly similar level of provisioning to that in 2009 in respect of the Irish residential book, having regard to the observed trend in arrears to date and our expectations for arrears levels in 2010 which I have outlined earlier.

In the UK book, as we saw earlier, arrears peaked early in 2009 which means that the bulk of the expected provisioning is reflected in the 2009 charge and should reduce from this level in 2010, as the recovery continues in the UK.

Provisioning in the Irish commercial mortgage portfolio is done on an individual loan basis and the provisions are strongly driven by economic activity – rent roll, yield, valuation etc. The rise in arrears coupled with the steep decline in property values has driven the sharp increase in specific provisioning in 2009 and the addition of a substantial collective provision.

In general prime commercial exposures have continued to perform but where cases do default they are difficult to cure in the short to medium term given the need to acquire tenants with good payment capability. A risk here is the size of some of the individual exposures in a relatively small book and it is for this reason that we increased the collective provision in the second half of 2009.

Lastly, consumer finance. The bulk of provisioning here is on a collective basis using statistical roll-rate models. Impairment provisions in this portfolio closely follow the economic cycle which accounts for the sharp increase in 2009. Again 2009 should see the peak of provisioning in this book. Losses on the car finance portfolio in permanent tsb Finance should reduce in 2010 given the contraction of the book and its improved credit mix.

So, in summary, a very substantial impairment charge for 2009 which, of course, reflects the depth of the recession in Ireland. We expect the 2010 charge to reduce from this level and likewise we expect a further reduction in 2011. For the 3 years – 2009 to 2011 – we have guided to total provisions of between €800m and €900m.

Slide 35: Capital - Bank

So that covers the operating results for the bank and the life company. I now want to talk to the capital position of the group which, as we will see, has been very robust notwithstanding the extreme conditions experienced in 2009.

And of course it is worthwhile reiterating that, uniquely, we have not been recipients of any State capital.

I will start with the bank.

The banks risk asset ratio - before the addition of the interim capital requirement or ICR - was 11.3% which is the same as the 2008 year end position. Post the application of the ICR the ratio reduces to 9.2%, again unchanged from 2008. This outcome compares to a minimum regulatory requirement of 8%.

The strong regulatory capital position of the bank reflects the existing corporate structure where the bank derives capital support from having the life company as a subsidiary. If we were to change the structure so that the life company was no longer a direct subsidiary of the bank then that capital support would fall away and the core Tier 1 capital would be less than 4% on a stand-alone basis. We would of course only contemplate such a move in the context of a larger corporate action involving the bank.

Slide 36: Life Capital

Our life business continues to be very strongly capitalised notwithstanding the very significant falls in investment values experienced in 2008 and 2009. This capital strength reflects the low risk nature of the business and its cash generation capacity offsetting the impact of valuation write-downs.

The solvency cover at the year end was unchanged at 1.6 times the minimum solvency margin unchanged from the position at the start of the year. Total capital generated from the business was €120m being the return on the existing business, net of new business strain of €74m. However these strong operating capital flows were almost all absorbed by the impact of short term investment fluctuations (“STIFs”), particularly property write-offs, on the net worth.

The actual STIFs pre-tax outturn of a negative €68m was somewhat better than the negative €105m to which we guided in the Interim Management Statement, mid November. This reflects a good bounce in equity markets through December which accounted for about €25m of the difference, against guidance, with the balance accounted for by a modest recovery in overseas property values.

The property write-downs in the life company totalled €85m post-tax. There were three components making up the charge consisting of write-downs on:

- owner-occupied property
- positions in unit-linked property funds where the shareholder was required to provide liquidity to those funds, and lastly
- a write-down of the value of an overseas property in respect of which a forward commitment had been given.

The worst of the write-downs looks to be over given the severity of the valuation adjustments than we have put through which reflect a lack of valuation reference points due to the absence of market activity. There are some signs of activity resuming in the Irish commercial property market and we would expect to reduce shareholder property exposure on foot of this activity over the coming months.

Finally, a word on releasing capital in the life company. We believe that there will be a material improvement in the capital position of the life company following the introduction of the new Solvency 2 regime scheduled for 2013 and that it is therefore reasonable to seek to access a limited part of this at this stage. We have reached agreement with an international bank to provide a loan of €200m secured on the in-force.

The documentation in regard to the facility was submitted to the regulator in December. The transaction is the first of its kind in an Irish context, so the regulatory review is taking some time, and we await a decision before proceeding.

Slide 37 : Outlook

So 2009 has been a pretty tough year across all of our businesses as it has been for the economy. We have worked hard to manage those elements of our business which we can influence and have made good headway across a range of issues.

Looking forward to 2010 we expect, as Kevin has said, for the recovery to begin:

- The life business is expected to return to more normal levels of profitability as customer confidence improves and the persistency experience normalises.

- In the bank funding and impairments will continue to dominate. We expect that the cost of funding will remain high and do not anticipate any significant improvement in margins. While we would expect a reduction in the level of impairment losses / provisions from that experienced in 2009 this reduction will probably be offset by a significant increase in the cost of the Government Guarantee.

In both our businesses we will continue with the management actions necessary to improve performance and efficiency and, in the case of the bank, continue to transform its funding profile to put it on a sustainable footing.

On that note I end our presentation this morning and hand you back to Kevin who will host the Q&A session.

Thank you for your attention.