IRISH LIFE ASSURANCE PLC

Irish Life

Step-up Perpetual Capital Notes

Presentation to European Fixed Income Investors

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Section 1: Overview of Group & Businesses

Group Overview

- Group formed in 1999 from merger of Irish Life plc and Irish Permanent plc
- Irish Life plc, oldest and largest life company in Ireland (formed in 1939)
- Irish Permanent plc, de-mutualised building society and a leading residential mortgage lender in Ireland (founded in 1884)
- Acquired TSB Bank in 2001 and merged with Irish Permanent to create **permanent tsb**, the group's retail banking division
- The group has market shares in Ireland of over 25% in life & pensions and over 20% in residential mortgage lending
- Group PBT for 2005 was €531m* and total assets exceeded €60 billion
- Market capitalisation over €5.6 billion as at 31 Dec 2006

** EEV basis*

Group Strategy

"Ireland First"

- Focus on personal financial services in Ireland
- Targeting double digit earnings & dividend (organic) growth
- Opportunistic approach to acquisitions
- Distribution reach and product strength underpin business model
- Strong track record and low risk model
- Strongly capitalised with significant financial flexibility

"First in Ireland"

Key Enablers for Growth

Economic outlook - strong potential

+

Attractive Demographics

↓

Employment Growth

↓

Demand for Retail Financial Services

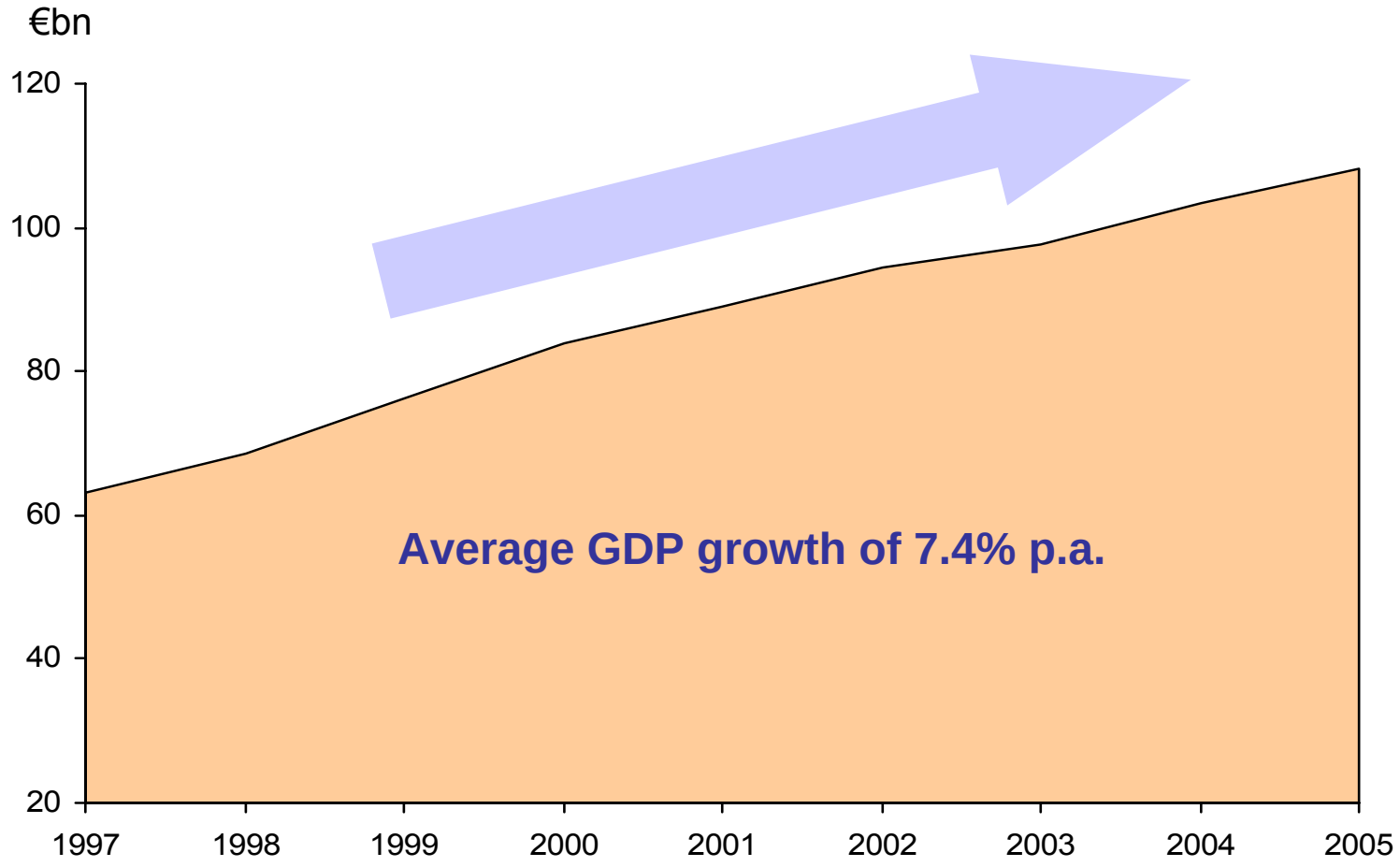
Ireland - Economic Forecasts

	2005	2006	2007
	▲%	▲ %	▲ %
GDP			
• Euro Area	1.4	2.6	1.9
• UK	1.9	2.7	2.7
• Ireland	5.5	5.8	5.4
Ireland			
• Employment Growth	4.7	4.7	3.5
• Consumer Spending Growth	6.6	6.8	7.4

"Economy has potential to grow at between 4% - 5% a year until 2010"

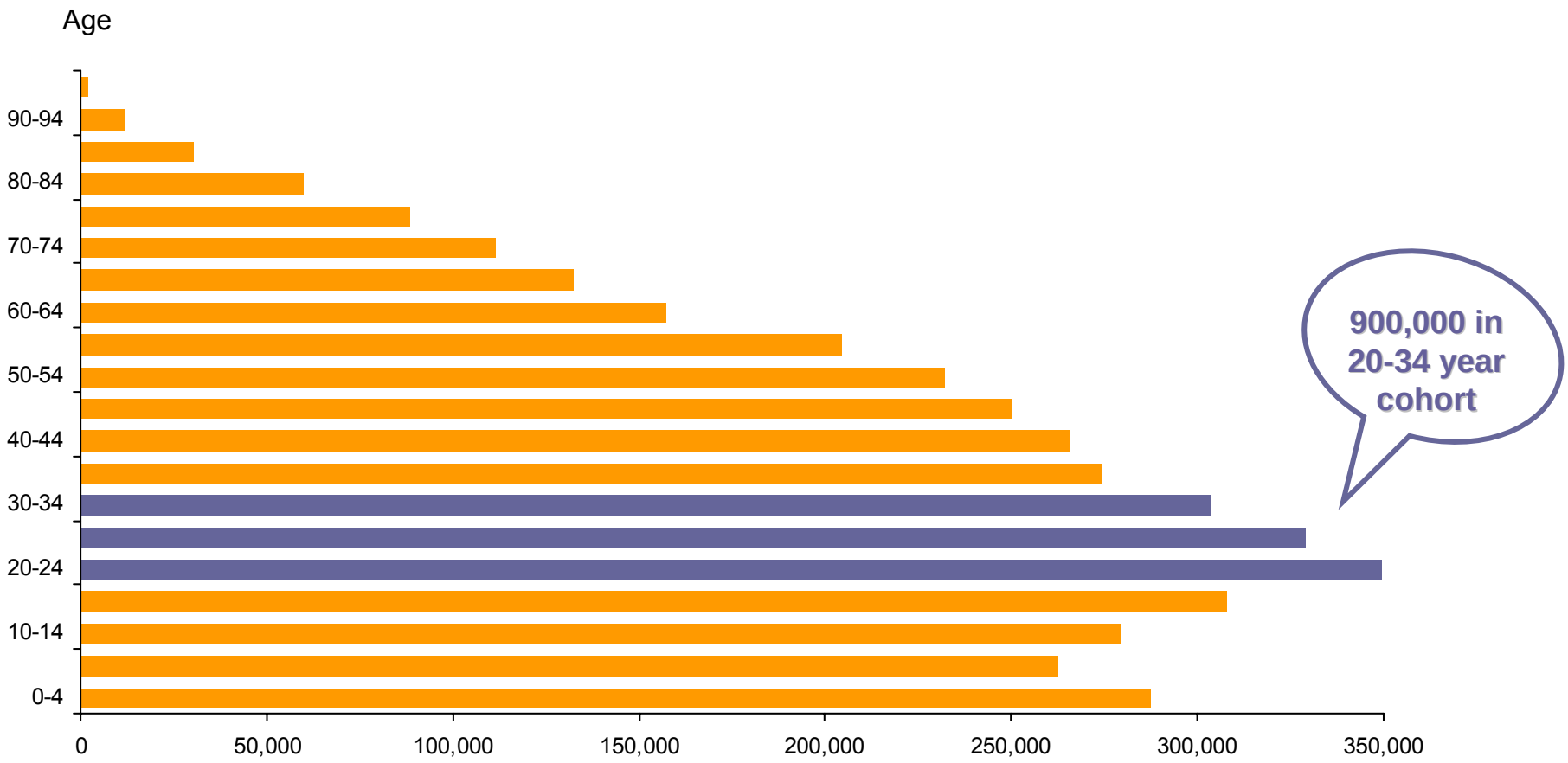
Source : Economic & Social Research Institute (ESRI)

Ireland - Wealth Creation



Source: ESRI

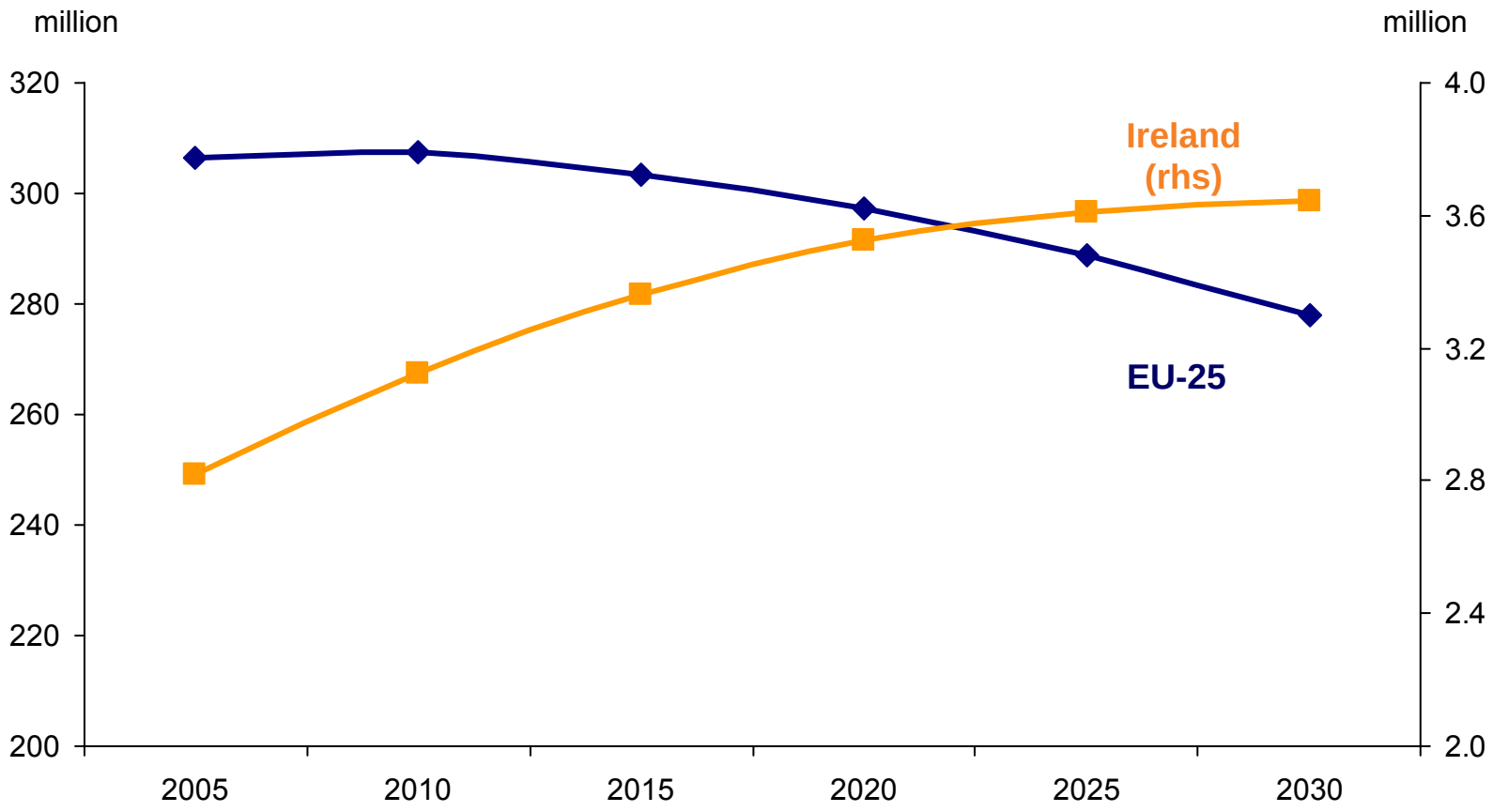
Ireland - Attractive Demographics



Source: ESRI

Irish Life & Permanent plc

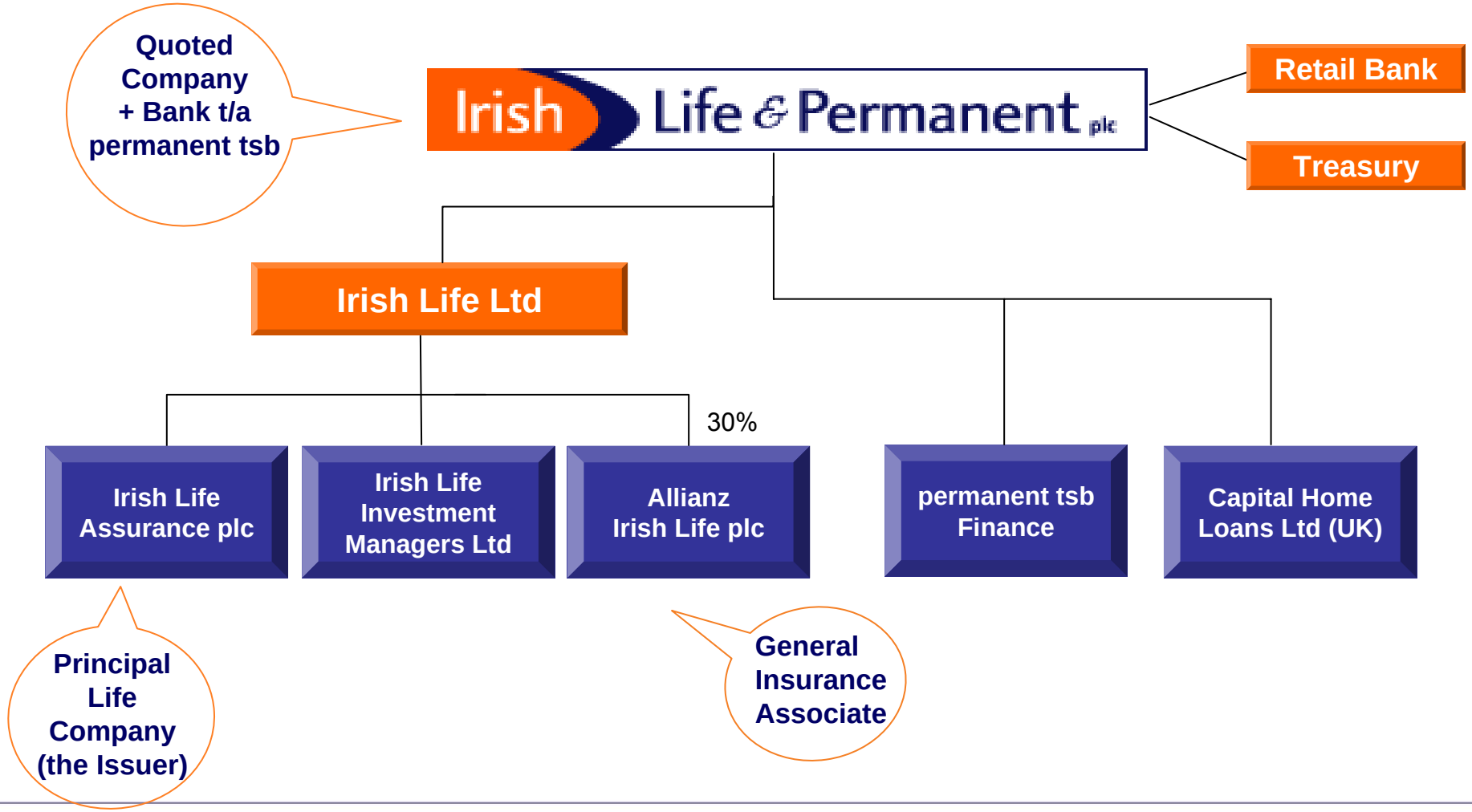
Ireland - Growing Active Population



Source: NCB

Irish Life & Permanent plc

Group Structure



Group Operating Profit

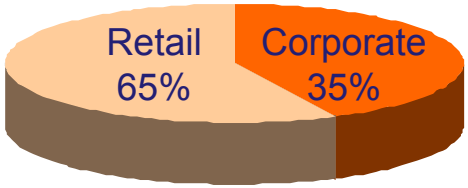
	H1 2006 €m	2005 €m	2004 €m
Life Assurance	134	222	192
Banking	90	148	139
General Insurance (Associate)	19	54	56
Other	(1)	(4)	-
Operating profit	242	420	387

Note: EEV basis

Irish Life Assurance

- Largest life assurance company in Ireland and market leader
- Market share of new business over 25%
- Main divisions:
  - **Retail**: individual life, pensions and investments
  - **Corporate**: group life and pensions
- Irish Life Investment Managers, €27bn in funds under management
- Life PBT for 2005 of €222m*

Life Sales 2005



Total €368m APE

** EEV basis, including ILIM and ILI*

Key Financials

	H1 2006	2005	2004
Sales			
• APE	€358m	€520m	€470m
• PVNBP	€2,763m	€3,890m	€3,692m
New Business Margins			
• APE (excl. ILIM)	21.8%	20.4%	14.8%
• PVNBP (excl. ILIM)	3.3%	3.1%	2.2%
Operating Profit			
• New business	€65m	€94m	€58m
• Existing business	€69m	€128m	€134m

Note: EEV basis, including ILIM and ILI

Irish Life Retail

Irish Life

Market position

- Market leader together with Bank of Ireland
- Market share of new business c.23%

Business model

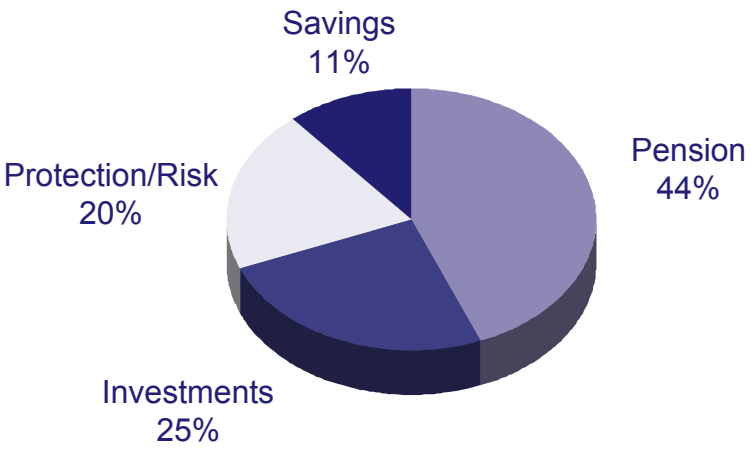
- Multi-channel distribution strategy
- Best-in-class bancassurance delivering sales productivity and capital efficiency
- Integrated, straight-through processing technology platform

Brand

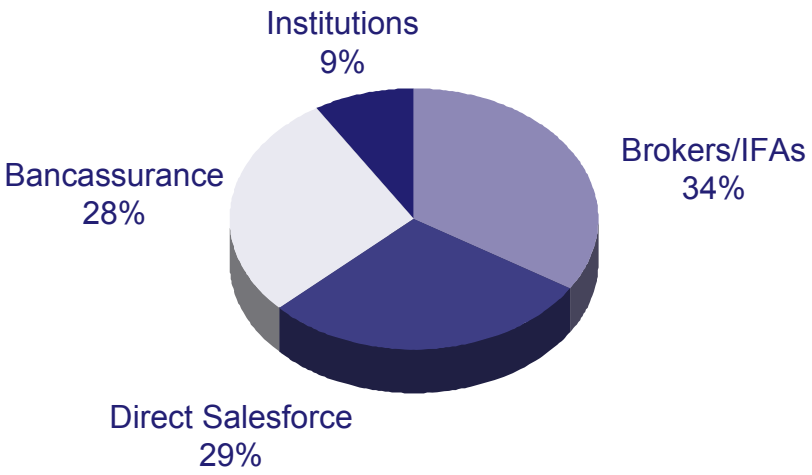
- Customer focused and leveraging ILIM investment competence

Retail Sales

Product Sales Mix



Distribution Mix



- Low risk business, 85% unit-linked
- Non-linked fully matched by high grade bonds
- Appropriate levels of reinsurance

- Balanced distribution mix
- Most productive bancassurance operation in Ireland

Note: 2005 Sales, reported on APE basis

Irish Life Corporate

Market position

- Market leader with share of c. 40%
- Dominates DC pensions and group risk markets

Business model

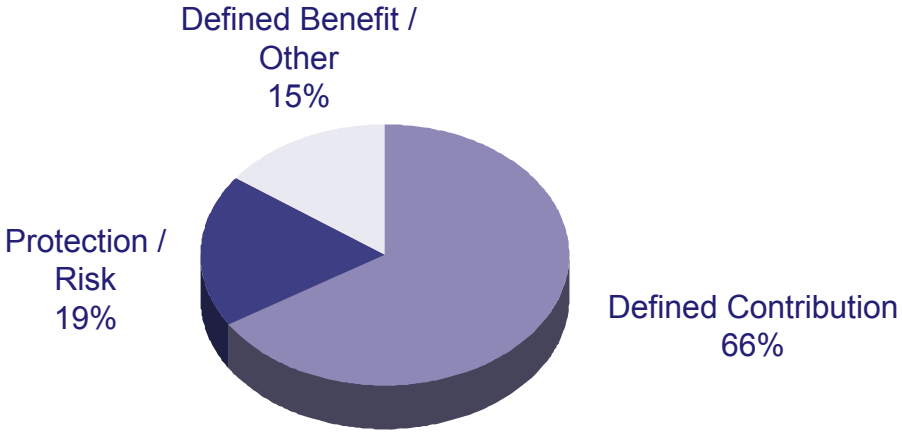
- Intermediated business - consultants and top-end brokers
- Service business - information management, record keeping, member communication, etc - with quality service delivery a key differentiator
- Ranked No. 1 for service by brokers for 2005 & 2006

Broadening distribution

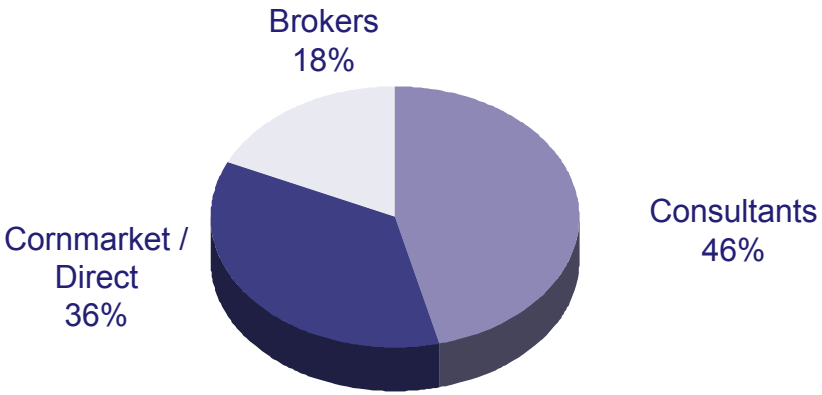
- Building on success with subsidiary Cornmarket in public sector
- Developing direct relationships with both employers and employees

Corporate Sales

Product Sales Mix



Distribution Mix



- Absence of guarantees
- Annuity business reinsured

- Increasing share from Cornmarket
- Competing with consultants for DC pensions business

Note: 2005 Sales, reported on APE basis

Irish Life Investment Managers

Irish Life

Market position

- No.2 with over 20% market share (FUM)
- FUM of €27bn split 55% active and 45% passive

Business model

- Asset manager for life businesses (50%)
- 3rd party institutional business (50%)
- Offers own funds and open architecture for specialist products

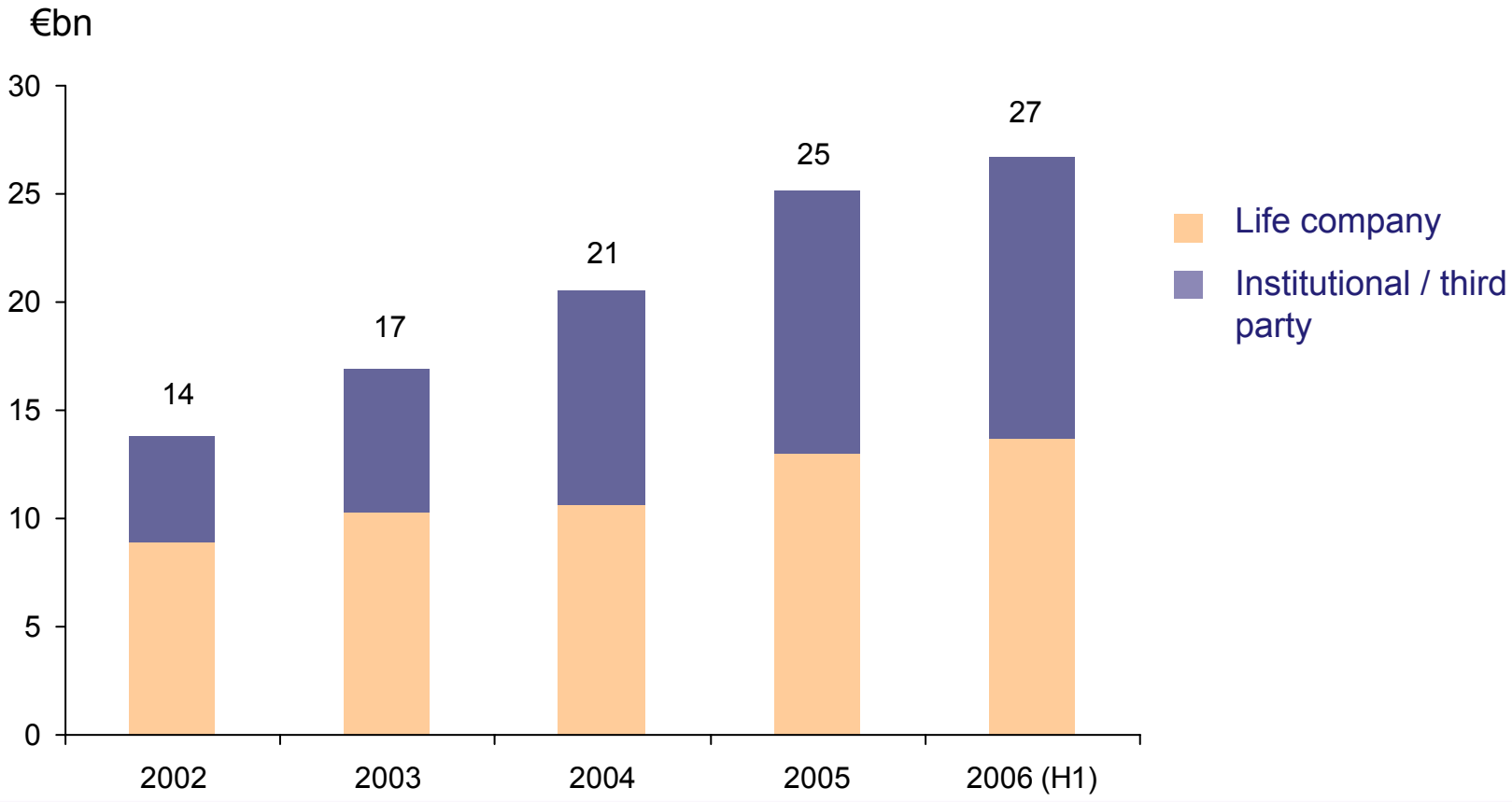
Performance

- Top performing active pension fund manager over 5 years*
- Flagship Consensus Pension Fund (passive) is no. 3 over 10 years

** Money Mate Awards 2006*

Funds Under Management

- Consistent inflows over last 5 years

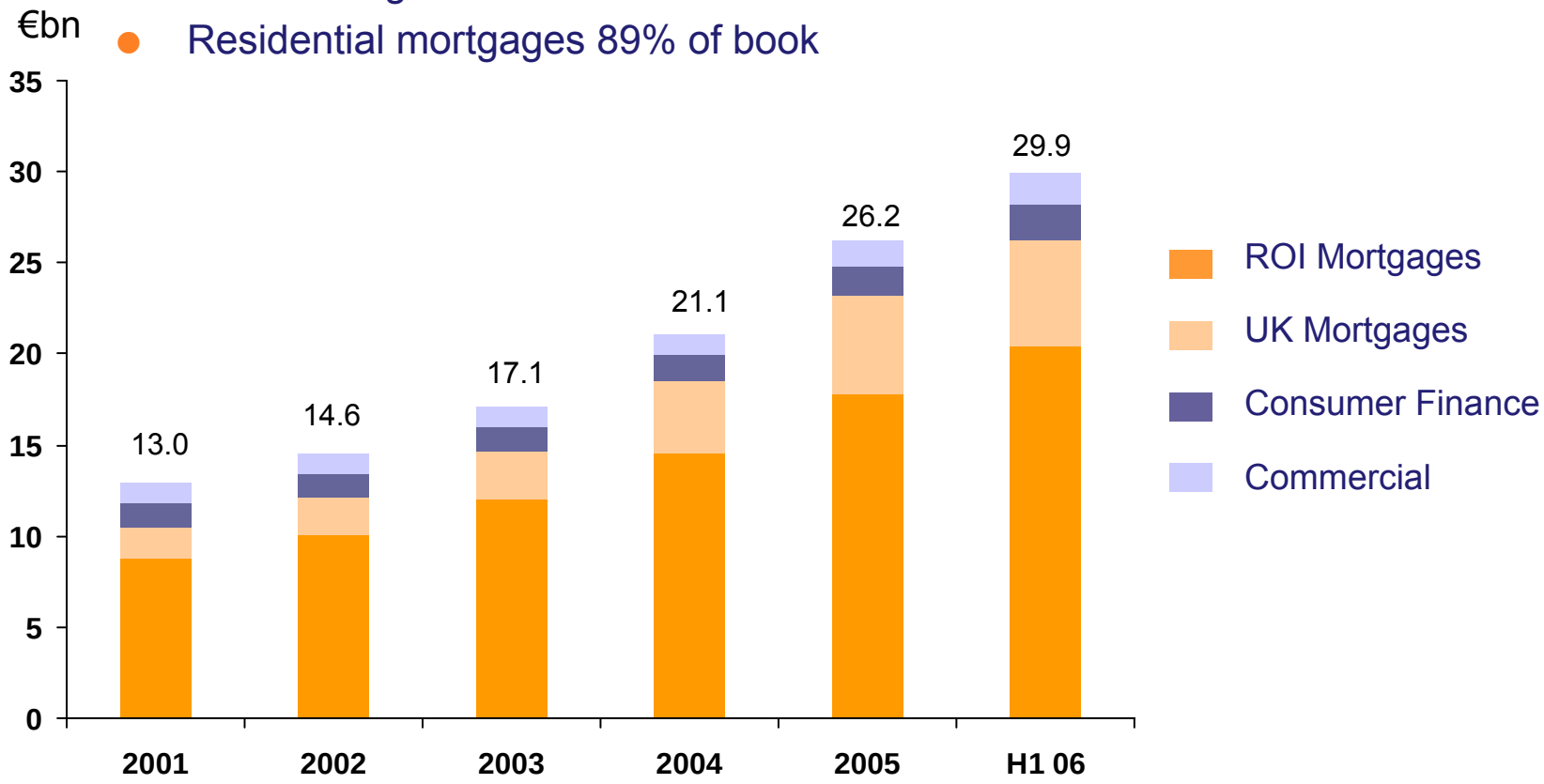


permanent tsb

- **permanent tsb** customer base of 1 million, focused on middle / mass market
- Full range of personal banking products and services
- Leading market positions in mortgages, bancassurance, auto finance, checking accounts
- Multi-channel nationwide distribution including 104 own branches and 55 agencies
- Highest rated retail bank for customer satisfaction

Lending Book

- Full service personal banking provider
- 98% lending is secured
- Residential mortgages 89% of book



Lending Credit Quality

permanent tsb

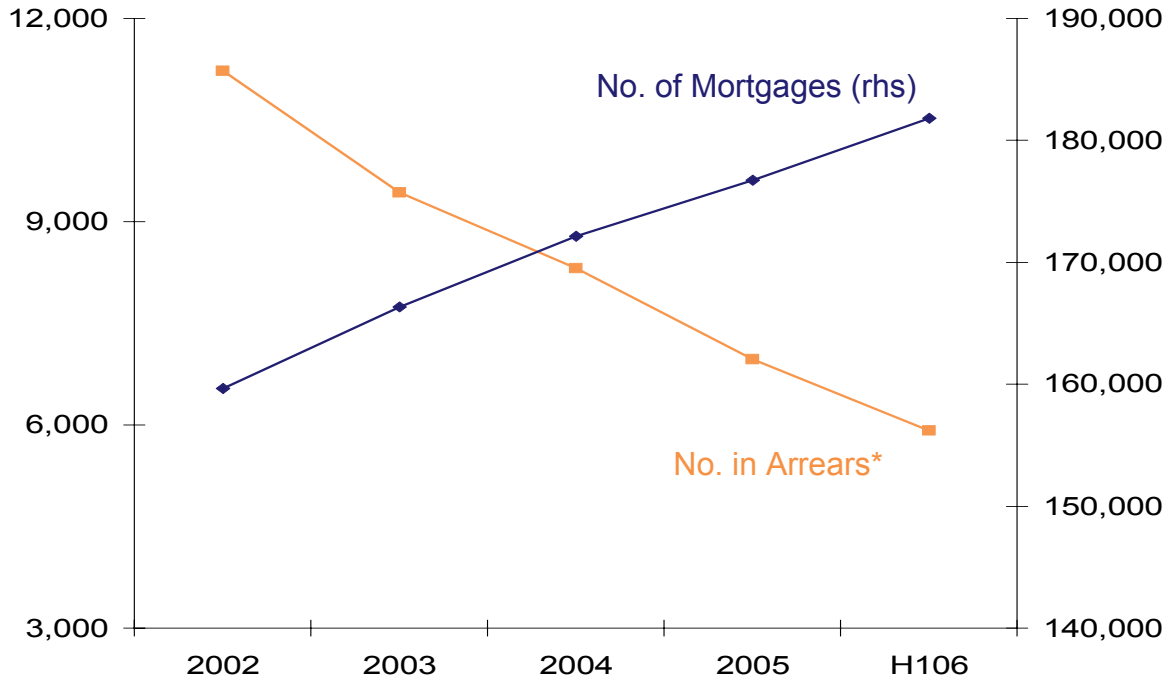
Loan to Value Ratio

New Mortgage Lending	H1 06 %	2005 %	2004 %
Home Loans			
First Time Buyers	87	84	81
Second Time Buyers	59	61	60
Average	72	69	68
RIPs Average	67	65	65
Equity Release Average	51	51	49
Total New Lending*	66	64	63

** Weighted average*

Lending Arrears

Residential Mortgages (Ireland)



** > 1 month*

2006 Trading Update

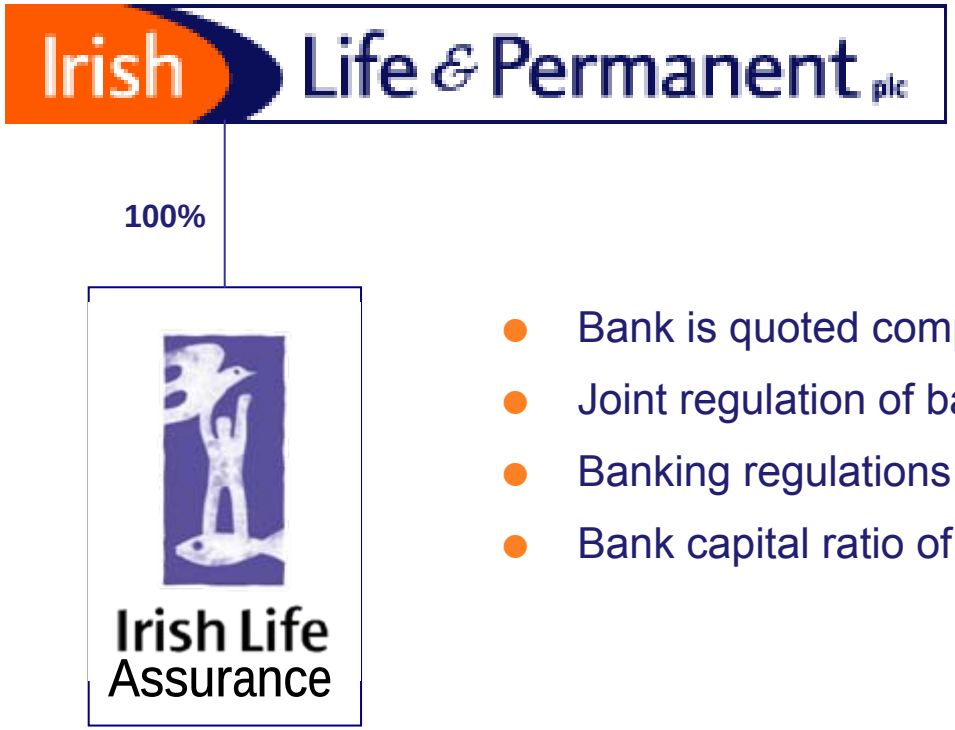
- Life sales to grow by c. **30%**
- Life new business margin expected to be c. **20%**
- Life operating profit expected to increase by c. **20%**
- ILIM inflows of just under **€2bn** expected
- Group pre-tax operating profit growth expected to exceed **20%**

"2006 will have seen the group strongly improve its market position and its profitability. This gives us great confidence going into 2007 when we expect the economy and the markets in which we operate to continue to offer tremendous opportunities"

Trading Statement Dec 14th 2006

Section 2: Capital & Risk Profile

Group Capital Structure



- Bank is quoted company, parent of life company
- Joint regulation of banking and life
- Banking regulations prevail
- Bank capital ratio of 11.2%, all Tier 1 as at 30 Jun 2006

Bank Capital

	H1 06	FY 05	FY 04
	€bn	€bn	€bn
Risk weighted assets	17.7	17.1	13.2
Capital:			
Tier 1	4.1	4.1	3.6
Less Goodwill (Irish Life & TSB)	(1.5)	(1.5)	(1.5)
	2.6	2.6	2.1
Tier 2	1.3	1.4	1.0
Total Capital	3.9	4.0	3.1
Less Embedded Value deduction	(1.9)	(1.9)	(1.6)
Available Capital	2.0	2.1	1.5
RAR	11.2%	12.6%	11.2%

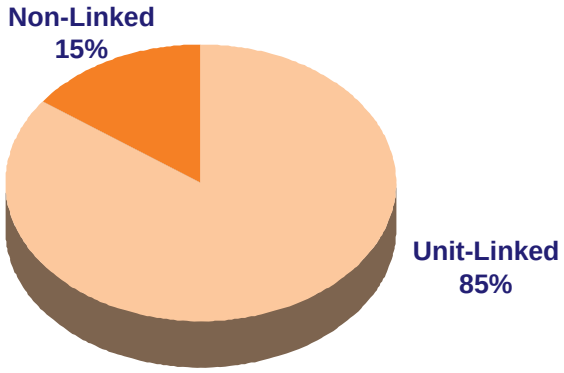
Credit Ratings

Company	Rating Agency	Type	Rating
Irish Life & Permanent plc	Moodys	Senior unsecured	A1
		Bank deposits	A1/P-1
	S & P	Long-term counter-party credit	A+
		Short-term	A-1
Irish Life Assurance plc	S & P	Financial strength	A+
	Fitch	Financial strength	AA-

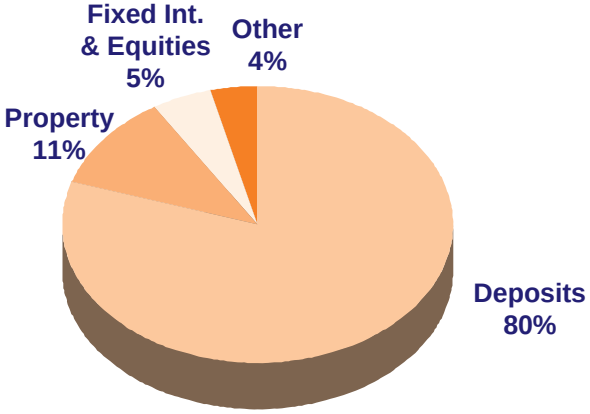
- Indicative ratings for Step-up Perpetual Capital Notes - S&P (A-) & Fitch (A)

Risk Management - Investment

- Policyholder funds
  - Investment policy to fully match assets and liabilities and to immunise against interest rate movements
  - 85% unit-linked - investment risk with policyholder
  - Non-linked (non-participating) liabilities duration matched with high grade bonds
  - With-profit fund (participating) closed in 1989 represents less than 1% of liabilities
- Shareholder funds
  - Low risk investment policy to minimise risk to capital



Policyholder liabilities 2005



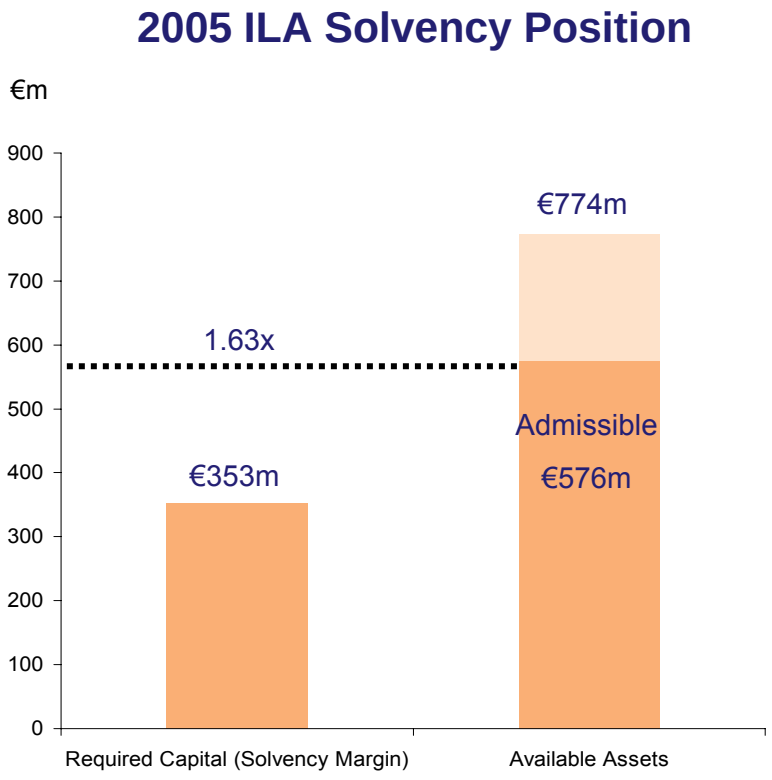
Shareholder funds 2005

Risk Management - Insurance

- Mortality risk
  - Positive experience on life policies and reinsurance of large cases
  - Reinsurance of annuity business to off-load longevity and re-investment risks
- Morbidity risk
  - Positive experience on permanent health insurance book
  - Investment in claims management process reducing incidence and duration of claims
- Reinsurance
  - All reinsurers where there are no offsetting arrangements have ratings of AA- or higher

Life Capital Position

- Minimum solvency capital requirement of €353m
- Total net worth €774m of which €576m admissible for solvency
- Life solvency capital requirement covered 1.63 times as at 31 Dec 2005 and estimated 1.7 times at June 2006
- Life capital all Tier 1, no debt and no implicit items
- Solvency II - likely to reduce capital requirement



Transaction Rationale

- Capital to support rapid new business growth of the group
- Improve capital efficiency by introducing debt into life company
- Re-balancing sub-debt across group as between life and banking

Section 3: Transaction

Transaction Summary (1/2)

Issuer:	Irish Life Assurance plc (Subsidiary of Irish Life and Permanent plc)
Instrument:	Perpetual Capital Notes (analogous to Upper Tier 2)
Issue Size:	€200,000,000
Expected Ratings:	A- (S&P) / A (Fitch)
Maturity:	Perpetual
Status:	Rights and claims of Noteholders are subordinated to the claims of Senior Creditors
Coupon:	Fixed/floating (TBD) coupon annually for the first 10 years, thereafter floating quarterly over Euribor
Step-up:	100 bps over initial credit spread on Euribor basis
Interest Deferral:	Issuer has the right to defer interest on any coupon payment date. If interest shall not have been paid then the Issuer may not (i) declare or pay a dividend on any of its ordinary shares or preference shares; or ii) redeem, purchase, reduce or otherwise acquire any of its share capital or any securities of any of its subsidiary undertakings

Transaction Summary (2/2)

Interest Reinstatement:	Arrears of Interest may be paid by the Issuer at any time but all Arrears of Interest will become due in full on the earliest of i) the date set for any redemption or ii) the commencement of winding-up of Issuer, or iii) the date on which any payment is made which, if Arrears of Interest were not paid, would result in contravention of the restrictions following deferral
Optional Redemption:	The Issuer can redeem the Notes on year 10 or any coupon payment date thereafter, subject to the prior consent of the Irish Financial Regulator and the Solvency Condition being met
Special Event Redemption:	If a tax event occurs, redemption will be at par. If a regulatory event occurs, redemption will be at the greater of the Make Whole Redemption and par if before year 10, and thereafter at par
Form:	Bearer
Denominations:	€50,000 and integral multiples of €1,000 in excess thereof
Listing:	Professional Securities Market of the London Stock Exchange

Appendix: Group Financials

Group Profit After Tax

	H1 2006 €m	2005 €m	2004 €m
Operating profit	242	420	387
Investment variances	1	94	26
Economic assumptions	(29)	13	30
Disposals / Other	0	4	21
Profit before tax	214	531	464
Taxation	(11)	(28)	(45)
Profit after tax	203	503	419
Discontinued / Minority	(1)	(28)	8
Total profit after tax	202	475	427

Note: EEV basis

Group Operating Profit

	H1 2006 €m	2005 €m	2004 €m
Life Assurance	134	222	192
Banking	90	148	139
General Insurance (Associate)	19	54	56
Other	(1)	(4)	-
Operating profit	242	420	387
Taxation / Levy	(20)	(54)	(52)
Operating profit after tax	222	366	335

Note: EEV basis

Life Operating Profit

	H1 2006 €m	2005 €m	2004 €m
New business	65	94	58
In-force business:			
• Total expected return	56	94	88
• Experience variances	8	15	11
• Assumption changes	5	19	35
Operating profit	134	222	192

Note: EEV basis

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