

Irish

Life & Permanent plc

www.irishlifepermanent.ie

2003 Final Results Presentation

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Final Results 2003

Overview

- Good financial performance
- Record growth in mortgages
- Strong recovery in life and pensions
- Delivering on cost agenda
- Economy rebounding

Financial Review

Total Profit after Tax

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
6 Total Contribution	365.2	355.3	3
Short Term Investment fluctuations	25.5	(129.7)	
Goodwill	(13.8)	(11.7)	
17 Exceptional items & Economic variance	(67.3)	144.3	
Total Profit before tax	309.6	358.2	(14)
Taxation	(35.9)	(68.5)	
Levy	(12.2)	-	
Minority Interest	0.3	0.3	
Total Profit after tax	261.8	290.0	(10)

Total Contribution

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Ireland & UK			
⑦ • Life Assurance	189.7	220.0	(14)
⑪ • Banking & Other	128.8	97.4	32
⑯ • Share of Associate	45.2	29.0	
	363.7	346.4	5
Other Investment Earnings	-	3.8	
US	1.5	5.1	
Total Contribution	365.2	355.3	3

Life Assurance - Contribution

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Ireland			
8 New Business	42.0	58.2	
Existing Business			
• Unwind of discount rate	80.2	83.4	
9 • Experience variances / Assumption changes	51.3	51.0	
Expected investment returns	3.9	4.1	
Other Income	6.3	8.2	
	183.7	204.9	(10)
UK			
	6.0	15.1	
	189.7	220.0	(14)

Life Assurance - Ireland

Value of New Business/Margins

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
<u>VNB</u>			
Life	36.6	50.8	
ILIM	5.4	7.4	
	42.0	58.2	(28)
<u>Sales</u>			
Life	264.6	326.4	
ILIM	51.4	87.7	
	316.0	414.1	(24)
<u>Margin</u>			
Life	13.8	15.6	
ILIM	10.5	8.4	
Total Margin	13.3	14.1	

Life Assurance - Ireland

	Experience Variances		Assumption Changes	
	2003 €m	2002 €m	2003 €m	2002 €m
Persistency	6.8	14.5	-	-
Risk	16.0	11.1	(3.0)	14.3
Other	<u>0.8</u>	<u>0.9</u>	<u>30.7</u>	<u>10.2</u>
	23.6	26.5	27.7	24.5
Horizon Project	(11.3)	-	11.3	-
	12.3	26.5	39.0	24.5

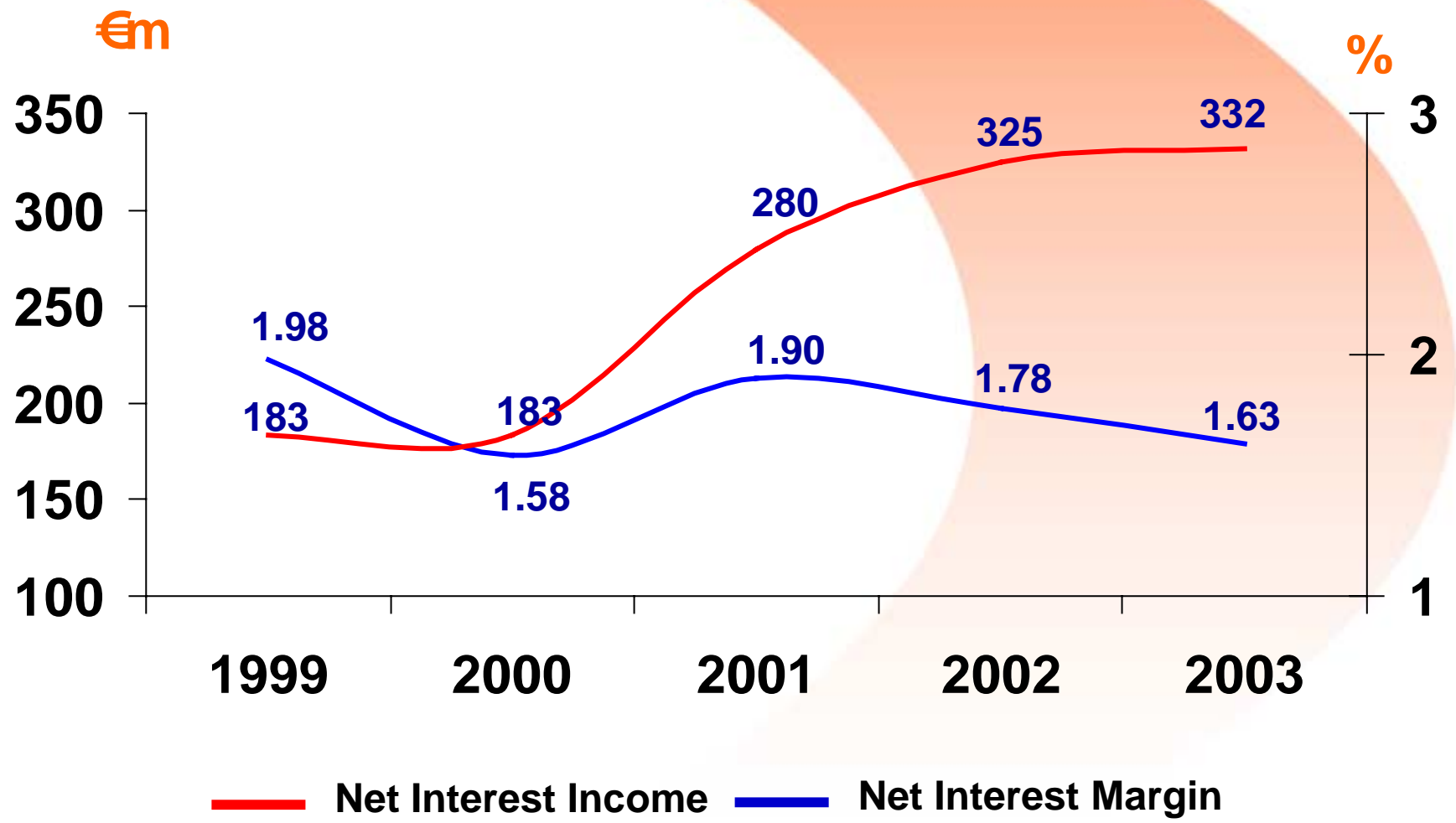
Life Assurance - Costs

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Ireland			
• Operating costs	162.3	163.6	
• Commission & fees	70.5	65.8	
• Horizon Project	11.3	-	
• Non-life subsidiaries	31.0	26.5	
US & UK	37.7	80.7	
Corporate	4.4	4.7	
	317.2	341.3	(7)

Banking & Other - Contribution

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
12 Net Interest Income	331.9	325.2	
Gain on disposal of hedge securities	26.0	-	
41 Other Income (net)	<u>24.8</u>	<u>29.9</u>	
	382.7	355.1	
14 Expenses	(240.5)	(244.4)	
15 Bad & Doubtful Debts	(13.4)	(13.3)	
Contribution	128.8	97.4	32

Banking - Margins



Banking - Margins

2003 Movement

	%
FY 2002	1.78
Retail	(0.13)
Treasury	0.03
Funding	(0.05)
FY 2003	1.63

Banking & Other - Expenses

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Banking	227.1	232.8	(2)
Corporate & Other	13.4	11.6	
	240.5	244.4	

Cost/Income Ratio

	%	%
Reported	60	67
Incl. Commission	59	65
Incl. Bank EV Earnings	56	60

Banking - Debt Provisions

	31 Dec 2003 €m	31 Dec 2002 €m
Opening Balance	85.6	77.7
Charge for Period	13.4	13.3
Amounts Written Off	(7.3)	(5.4)
Closing Balance	91.7	85.6
	%	%
Reserve ratio	0.57	0.65
Arrears ratio	0.22	0.26
Arrears value	€38m	€38m

Non-Life Associate

	31 Dec 2003 €m	31 Dec 2002 €m
Contribution	45.2	29.0
Short term investment fluctuations	(2.0)	(33.0)
	43.2	(4.0)

Note: Contribution includes expected/normalised investment returns

Exceptional Items & Economic Variance

	31 Dec 2003 €m	31 Dec 2002 €m
Disposal of businesses	(50.3)	103.2
Profit on disposal of branch properties	3.2	30.3
Bank restructuring costs	-	(10.0)
	(47.1)	123.5
Economic Variance*	(20.2)	20.8
	(67.3)	144.3

* Impact of changes in embedded value economic assumptions

Capital & Reserves

31 Dec
2003
€m

Capital generated

Banking and other

- earnings
- property revaluation

99.6
80.6

Life net worth movement

- earnings
- US disposal / other

151.5
79.1

410.8

Capital raised

Tier 2 issue

150.0

Capital Ratios

	31 Dec 2003	31 Dec 2002
④① Bank capital adequacy	11%	10%
③⑧ Life solvency cover (Irish Life)	1.8 times	1.7 times
NAV per share*	€7.81	€7.06

* Includes shares held by policyholder funds

Dividend & Earnings per share

	31 Dec 2003 cent	31 Dec 2002 cent	Change %
Total Dividend	51.0	47.5	7
EPS*			
36 - Total contribution after tax	111.6	115.3	(3)
37 - Basic	97.2	105.5	(8)

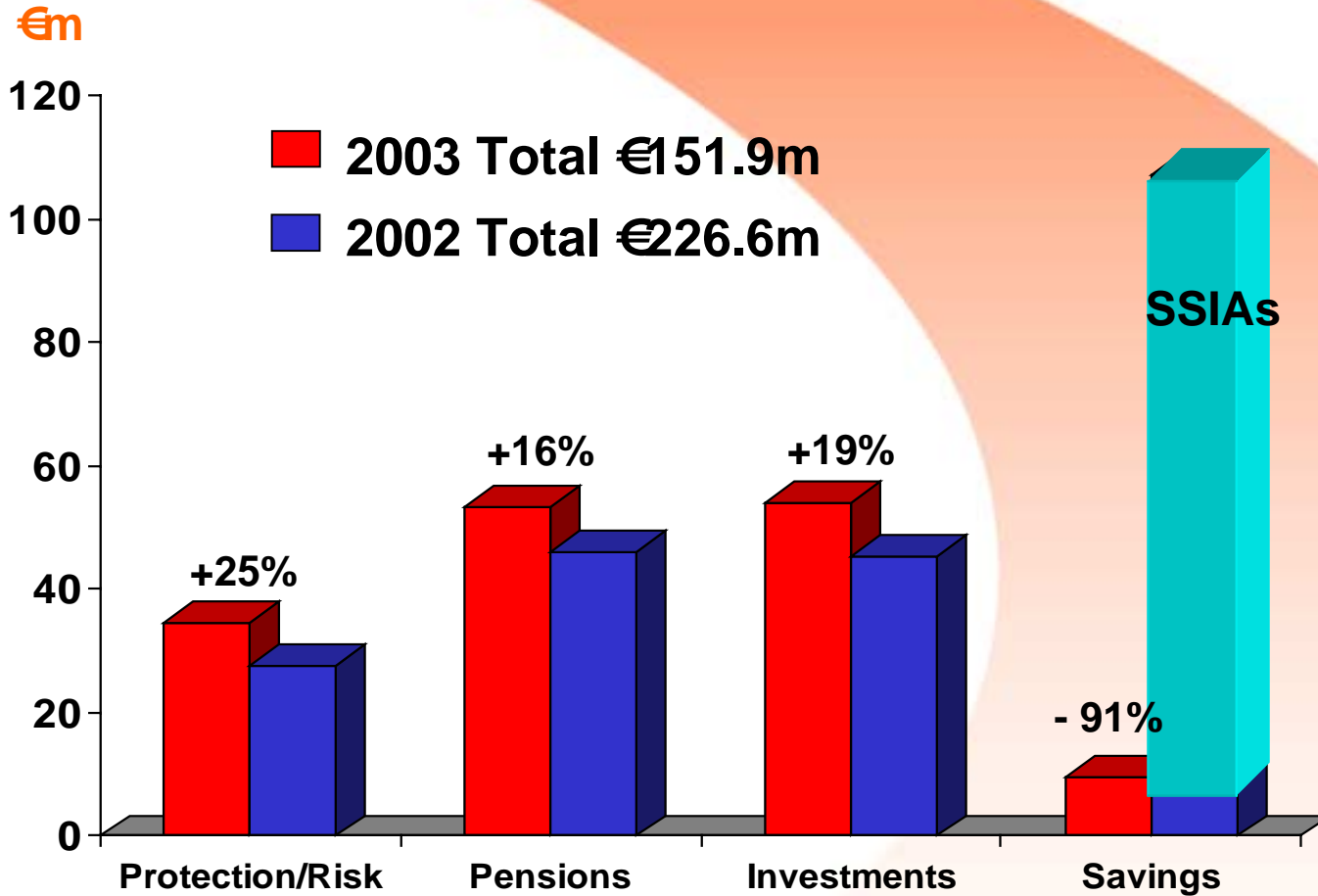
* Includes shares held by policyholder funds

Business Review

Life Assurance Market

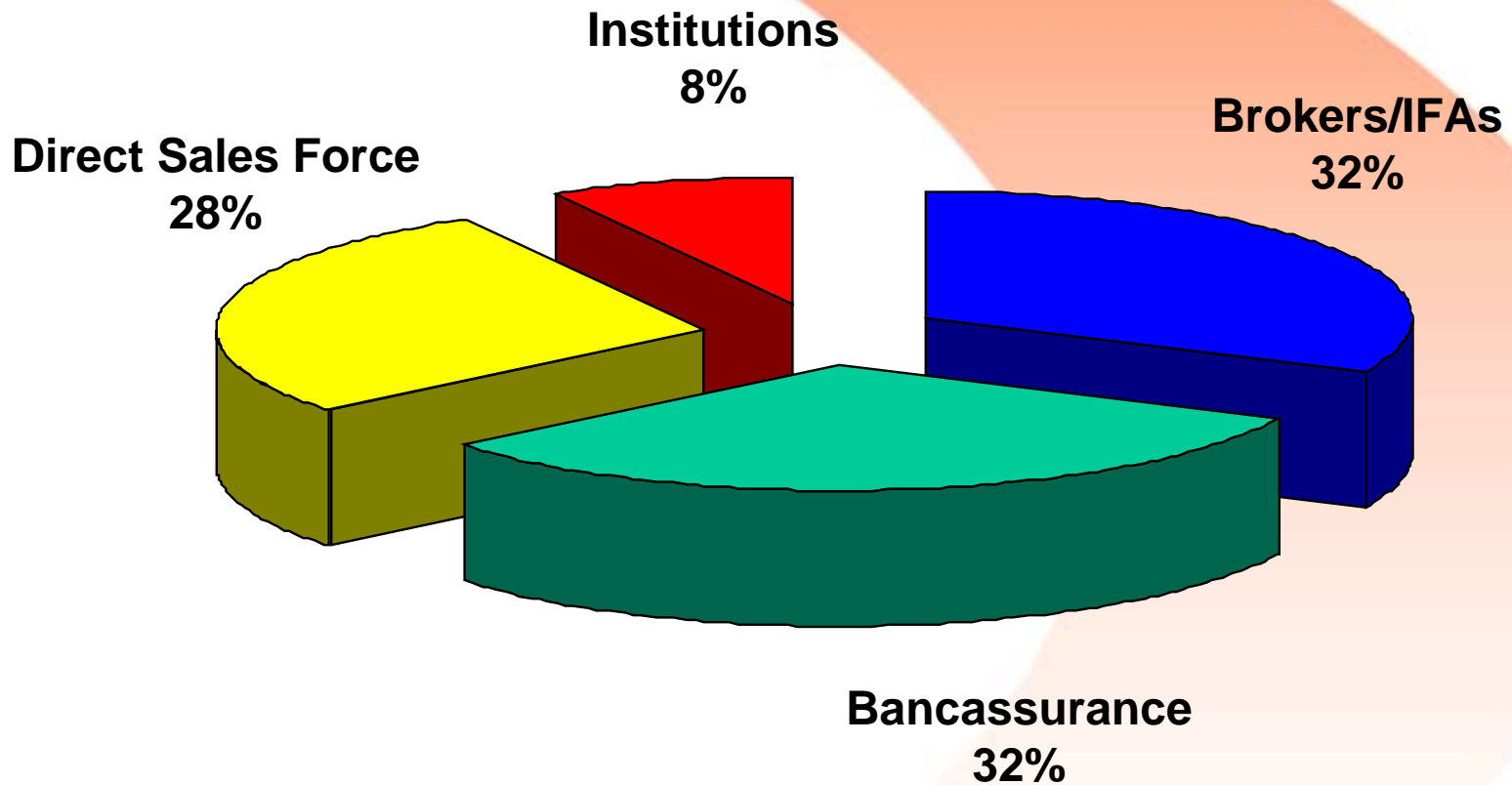
- Rebound in 2nd half sales
- PRSAs create new market opportunity
- Change programme delivering on costs
- All divisions perform strongly

Retail Life - Products



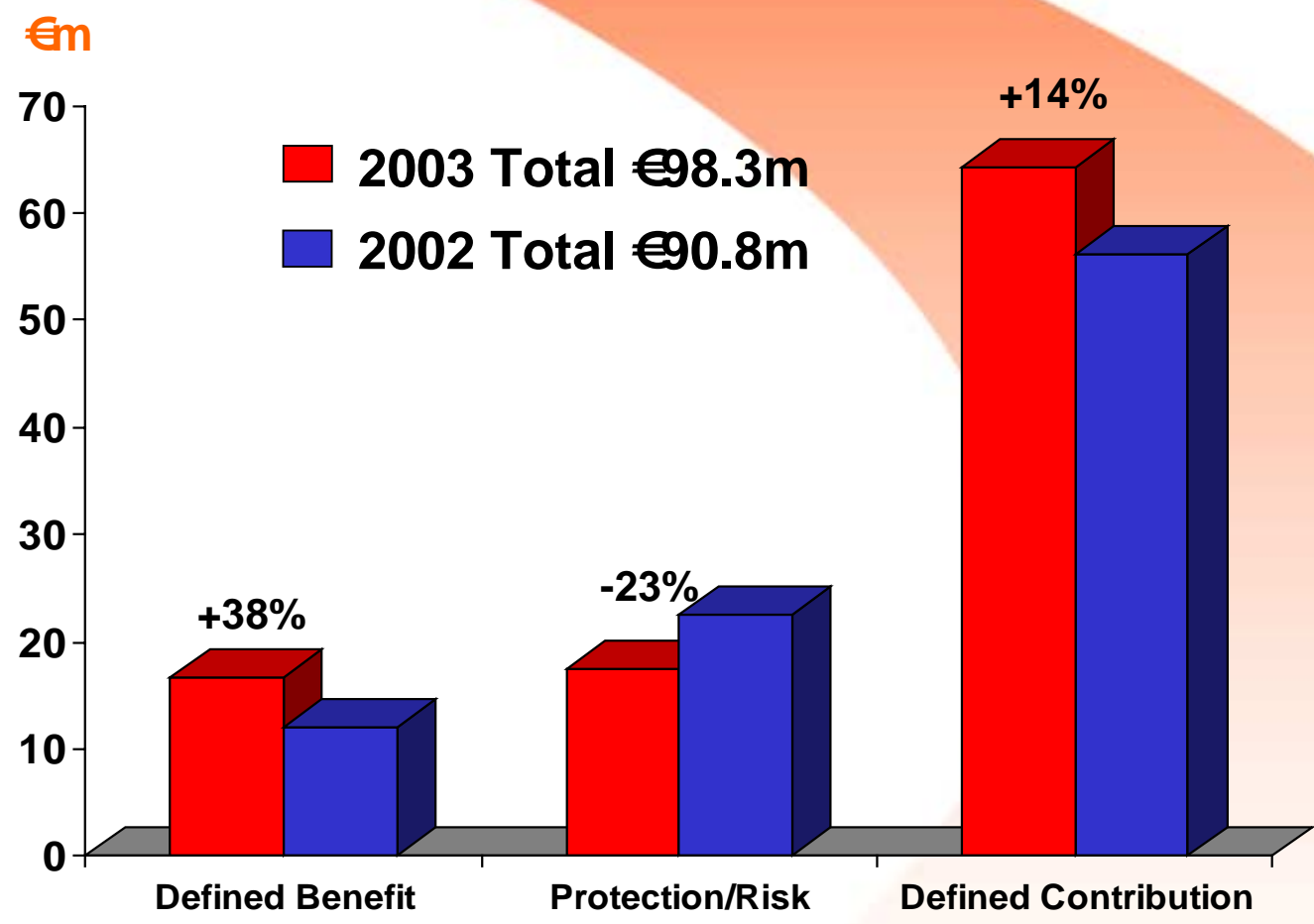
* Analysis on page 42

Retail Life - Distribution



* Analysis on page 42

Corporate Life - Products



Irish Life Investment Managers

- Top active fund manager in 2003
- Consensus fund dominant with consistent performance
- Record inflows in 2003

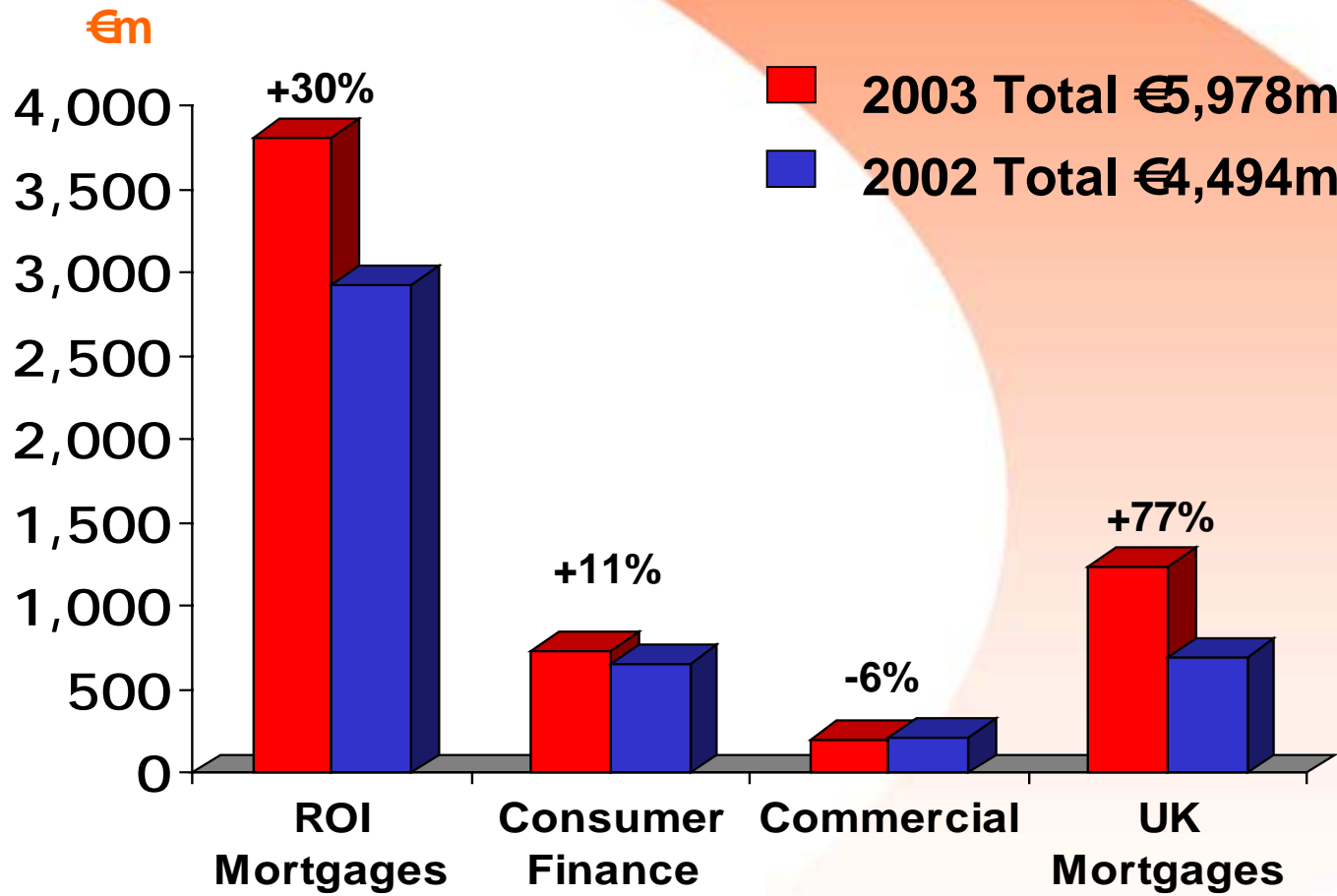
	€m
➤ Unit-linked (on B/S)	514*
➤ Segregated (off B/S)	786
	1,300

* Annual premium equivalent €51.4m

Retail Banking

- Record €6 billion in new lending
- Continued strong mortgage performance
- Increasing bancassurance capability
- Delivery of merger cost synergies
- Change programme targets costs and customers

Banking - New Lending



Banking - Loan Book

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Ireland Mortgages*	12,058	10,087	20
Consumer Finance	1,285	1,312	(2)
Commercial	<u>1,167</u>	<u>1,255</u>	(7)
	14,510	12,654	
	<i>Stg£m</i>	<i>Stg£</i>	
UK - Mortgages*	1,844	1,286	43
Total Lending*	17,126	14,631	17

* Including securitised assets

Residential Mortgage Lending

	31 Dec 2003 %	31 Dec 2002 %
■ Ireland - LTVs		
First time buyers	80	77
Others	57	55
Average	67	65
■ RIPs		
➤ 13% of new lending in Ireland		
➤ 74% of CHL loan book		
■ Arrears at historic lows		
➤ Total arrears 0.22% of book		
➤ CHL arrears 0.01% of book		

Banking - Resources

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Retail deposits			
• Current accounts	1,470	1,267	16
• Other	4,371	4,505	
Corporate deposits	4,219	4,430	
	10,060	10,202	(1)



Programme

- POS technology
 - 1,000 electronic applications per week
 - Increased intermediary usage
 - Much improved customer experience

- New Back Office system
 - New business
 - Legacy business

- Completion end 2005



permanent tsb

Transformation Programme

- Merger cost synergies of €29m achieved
 - Headcount €22m
 - Overheads €7m
- Next phase commenced
 - New mortgage platform
 - Automatic teller system
 - SMART sales technology
- Costs flat over next 3 years

Summary & Outlook

- Robust mortgage market
- Renewed sales momentum in life & pensions
- Strong cost management to protect margins
- Sustained economic recovery

Additional Information

- Total contribution after tax
- Total profit after tax
- Embedded value movement 2003
- Embedded value movement 2002
- Banking - Regulatory Capital
- Banking - Non Interest Income
- Life - Analysis of Retail Life Sales

Total Contribution After Tax

	Pre-tax €m	31 Dec 2003 Tax €m	Post-tax €m	31 Dec 2002 Post-tax €m
Ireland/UK				
• Banking & Other	128.8	(19.3)	109.5	78.6
• Life assurance	189.7	(24.8)	164.9	205.9
• Other investment earnings	-	-	-	3.8
	318.5	(44.1)	274.4	288.3
US - Life Assurance	1.5	(0.6)	0.9	3.6
Share of Associate	45.2	(7.6)	37.6	25.1
Levy*		(12.2)	(12.2)	-
Total Contribution	365.2	(64.5)	300.7	317.0

* Government bank levy

Total Profit After Tax

	31 Dec 2003			31 Dec 2002
	Pre-tax €m	Tax €m	Post-tax €m	Post-tax €m
Total Contribution	365.2	(64.5)	300.7	317.0
Investment fluctuations				
• Life	27.5	9.4	36.9	(113.1)
• Associate	(2.0)	0.3	(1.7)	(29.1)
Goodwill	(13.8)	-	(13.8)	(11.7)
Economic variance	(20.2)	7.7	(12.5)	8.6
Exceptional items	(47.1)	(1.0)	(48.1)	118.0
Total Profit*	309.6	(48.1)	261.5	289.7

* Before minority interest

Life Embedded Value 2003

	Net Worth	Value of in-force	Total	Solvency Capital
	€m	€m	€m	€m
Opening 1.1.2003	565.1	972.0	1,537.1	268.4
Profit after tax	151.5	38.7	190.2	
Disposal of US business	66.4	(116.7)	(50.3)	
Currency / Other	12.7	(15.7)	(3.0)	
Dividends (to bank)	(152.8)		(152.8)	
Movement	77.8	(93.7)	(15.9)	7.7
Closing 31.12.2003	642.9	878.3	1,521.2	276.1

Life Embedded Value 2002

	Net Worth €m	Value of in-force €m	Total €m	Solvency Capital €m
Opening 1.1.2002	363.1	1,029.4	1,392.5	254.2
Profit after tax	99.7	5.3	105.0	
Disposal of IB business	131.8	(33.3)	98.5	
Currency / Other	21.1	(29.4)	(8.3)	
Dividends (to bank)	(50.6)	-	(50.6)	
Movement	202.0	(57.4)	144.6	14.2
Closing 31.12.2002	565.1	972.0	1,537.1	268.4

Bank Capital

	31 Dec 2003 €m	31 Dec 2002 €m
Risk Weighted Assets	11,382	9,481
Capital:		
Tier 1	3,351	3,227
<u>less</u> Goodwill (Irish Life & TSB)	<u>(1,522)</u>	<u>(1,532)</u>
	1,829	1,695
Tier 2		
Sub-debt	764	621
Other	<u>133</u>	<u>53</u>
Total Capital	2,726	2,369
<u>less</u> Embedded Value deduction (90%)	<u>(1,466)</u>	<u>(1,435)</u>
	1,260	934
RAR	11.1%	9.9%

Banking & Other - Non Interest Income

	31 Dec 2003 €m	31 Dec 2002 €m	Change %
Fees & Commissions receivable	45.0	43.5	3
Fees & Commissions payable	(34.9)	(27.4)	
Dealing profits	6.1	3.3	
Other income	2.5	4.7	
Property Management	6.1	5.8	
	24.8	29.9	(17)

Note: Bank Embedded Value earnings €32.0m (2002: €39.8m) included in life assurance.

Life Assurance Sales* - Retail

	31 Dec 2003 €m	31 Dec 2002 €m
Products		
Protection/Risk	34.7	27.8
Pensions	53.5	46.1
Investments	54.0	45.4
Savings	9.7	107.3
	151.9	226.6
Distribution		
Bancassurance	49.3	85.7
Brokers/IFAs	48.5	63.0
Direct Sales Force	42.0	64.7
Institutions	12.1	13.2
	151.9	226.6

* Annual premium equivalent