-> BRIAN CARR

Irish Life & Permanent Group Holdings plc

FYI
P/s acknowledge

Lower Abbey Street
Dublin 1

Tel: +353 1 704 2000
Fax: +353 1 7041908

Mr Michael Noonan TD
Minister for Finance
Department of Finance
Upper Merrion Street
Dublin 2

AIRE AIRGEADAIS
21 JUN 2011
RECEIVED
OIFIG AN RUNAI AIRE

17 June 2011

Dear Minister Noonan

I enclose a copy of the presentation that Kevin Murphy and I presented to you and John Moran at our meeting last Friday.

As we explained, the presentation outlines the rationale for our proposal on State Investment in Irish Life & Permanent Group Holdings plc.

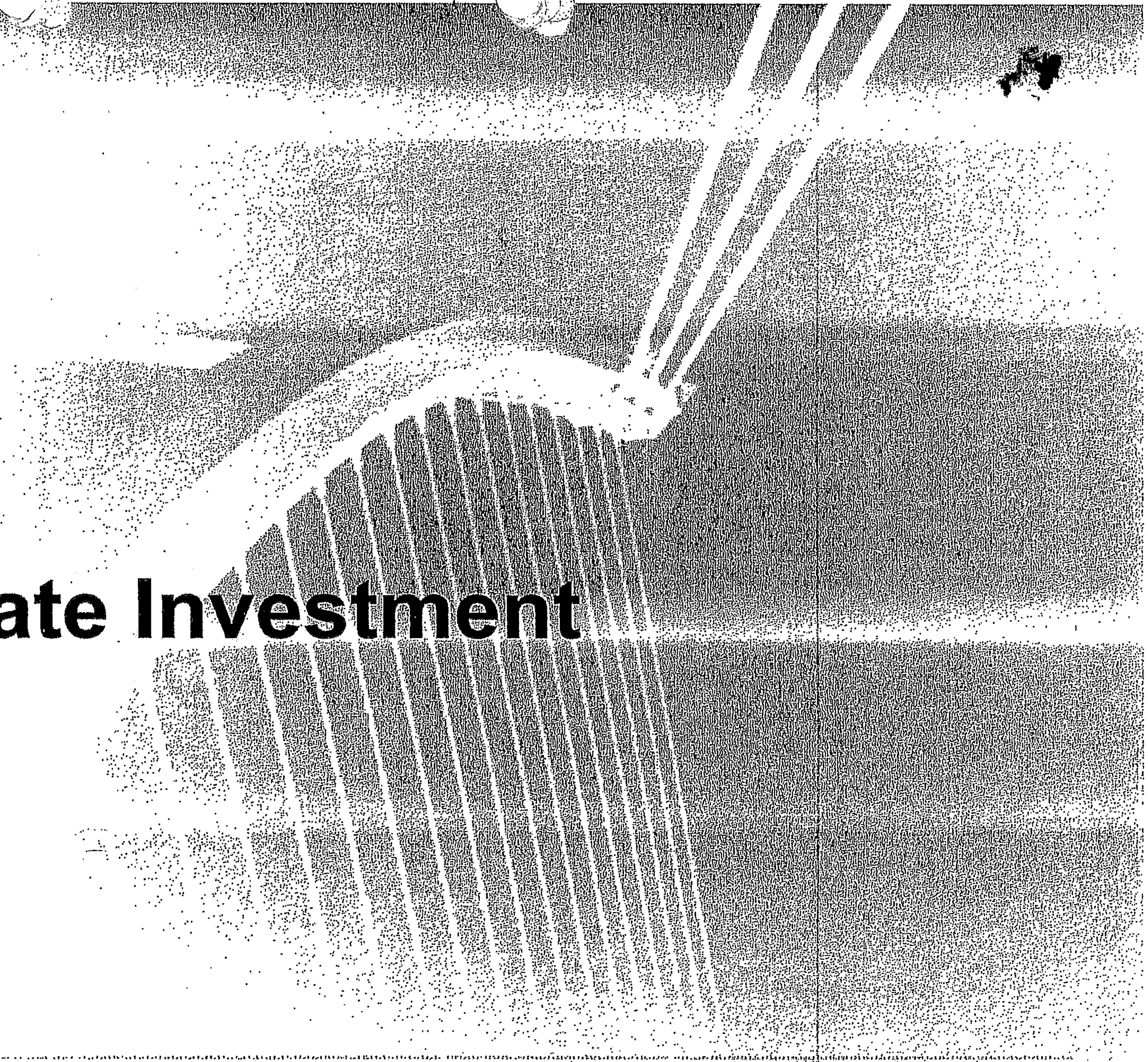
Thank you for agreeing to meet with us and, as discussed, we will maintain dialogue with John on these matters on an ongoing basis.

Yours sincerely

Alan Cook
Chairman

11/0321/MF
Mr. John Moran
Referred pl.
R. Kearney
21/6/11

Irish Life & Permanent



Terms of State Investment

10 June 2011

Disclaimer

The numbers in this plan are subject to change to reflect market and regulatory developments.

Irish Life & Permanent undertakes to update the forward-looking statements contained in this plan. Forward-looking statements made in this plan relate only to events as of the date on which they are made.

Irish bank precedents

	AIB	BoI		ILP
	December 2010	April 2010	June 2011 *(based on public pre-announcement)*	June 2011
Government share price	€0.38	€1.80	Underwritten at €0.10	?
Discount / premium to market	10% discount[a]	Placing at market	n/a Market price before announcement €0.17	?
Pre-emption	✗ Stabilisation Act	✓ Rights issue	✓ Rights issue	✗
Shareholder vote	✗	✓	✓	✓

(a) Based on closing price of €0.40 as at 21 December 2010

Terms of State Investment will impact existing shareholders

Quantum

- Shareholders have material concerns that the €4.0bn capital injection will result in overcapitalisation of the Group
- Perception that Regulator has been overly conservative determining appropriate capital levels

Price

- Injection at current share price is significantly dilutive for shareholders
- Difficult to determine appropriate price in context of such a significant and mandatory capital requirement
- Reference points include:
  - current share price
  - 'unaffected' share price pre-announcement
  - average 6-month share price
  - equity adjusted for LME / Life sale and deleveraging costs

Structure

- The Central Bank requires the capital to be injected by 31 July 2011 restricting capital raising alternatives
- Current proposed structure means shareholders will have no pre-emption to participate on terms equivalent to State Investment
- Furthermore, no protections envisaged to protect shareholders from excess capital extracted in the future

Quantum of capital required

- The banking business is estimated to have a Core Tier 1 ratio in 2013 of c. 35%, post deleveraging and including business plan expected losses in 2011-13 (assuming all capital injected is included in Core Tier 1)
- There is at least €1.4bn of excess capital in the business in 2013:
  - €1.1bn PCAR requirement based BlackRock stress case losses which are not expected to materialise
  - €0.3bn equity buffer capital for unexpected losses post 2013
- Removing this excess capital would result in a 2013 Core Tier 1 ratio of c. 15%, still above other European banks
- In the table below we show the different 2013 Core Tier 1 ratios for different levels of State equity injected

Estimated excess capital in 2013 (€bn)

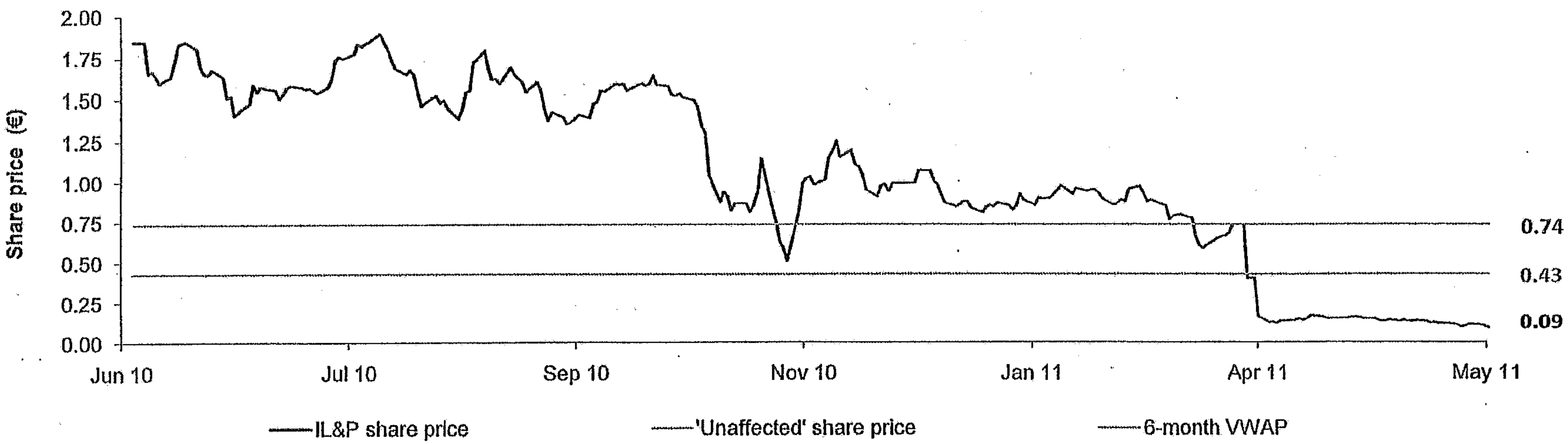
State equity investment	1.0	1.2	1.4	1.6	1.8	2.0	2.2	2.4
2013E Core Tier 1 ratio[a]	16%	19%	22%	24%	27%	30%	32%	35%
Illustrative 2013E Core Tier 1 ratio target	15%							
Implied Excess capital	**0.1**	**0.3**	**0.5**	**0.7**	**0.9**	**1.1**	**1.3**	**1.5**

(a) Includes €400m non-equity buffer capital

State Investment entry price: share price base

Quantum
Price
Structure

Methodology	Price (€)	Attractions / issues	
1) Current share price (1 June 2011)	0.09	✓Simple ✓Current market value	× No trading, screen price not true market value × Does not reflect fundamental value
2)'Unaffected' share price pre-announcement (31 March)	0.74	✓Fair 'market value' ✓Reflects expected capital requirement	× Does not capture unexpected capital requirement
3)Average volume weighted six month share price	0.43	✓Smoothes distortion of PCAR+PLAR announcement	× Does not reflect current environment



Irish Life & Permanent

State Investment entry price: equity based valuation

Quantum
Price
Structure

Adjusted ILP TBV

		Source / assumption
2010A Group reported TBV	€1,951m	ILP reported equity (EV basis) adjusted for goodwill and intangibles of €100m but including VIF
+ LME proceeds	€906m	€317m UT2 at 8.5% offer price, €767m LT2 instruments at approx 20% offer price, assuming 100% take-up
- Net proceeds from Life disposal	€(489)m	Assumes Life sale at €1,300m, net of EEV shareholder equity in disposal of €1,789m (adjusted for €143m dividend paid in May 2011)
Pro forma TBV	**€2,368m**	
- Deleverage costs	€(2,200)m	Estimated cost as per PLAR
Net TBV	**€168m**	**Implied value (excluding PCAR requirement and buffer capital)**
Net TBV per share	***€0.62***	
PCAR requirement	€1,100m	Excluded as represents incremental capital to meet BlackRock stress case losses which are not expected to materialise
Equity buffer capital	€300m	Additional equity buffer of €300m not included

Implied ILP and State shareholdings

	Price (€)	% ILP shareholders	% State
Current share price (1 June 2010)	0.09	1.0%	99.0%
Average volume weighted six month share price	0.43	4.7%	95.3%
'Unaffected' share price pre-announcement	0.74	7.7%	92.3%
Equity based value			
0.50x	0.31	3.4%	96.6%
0.75x	0.46	5.0%	95.0%
1.00x	0.62	6.5%	93.5%

Note: Assumed State capital injection of €2.8bn, of which €2.4bn ordinary equity and €0.4bn CoCo's (not included in share count). Based on 272m ILP shares currently outstanding

Quantum
Price
Structure

Structure of State Investment

- Current proposal that investment should be undertaken predominantly via ordinary shares with €0.4bn of contingent capital
- Current draft of Placing Agreement does not address the return of excess capital to shareholders or the mechanism via that might happen
- Post recapitalisation the Company's shares will be listed on the ESM and will be highly illiquid, therefore the screen price may not represent an appropriate method for determining exit price
- Growing perception amongst shareholders that the current proposals overcapitalise the banking business thereby creating a value migration from existing shareholders to the State
- Current structure is non-pre-emptive, which further creates the perception of potential value leakage from existing shareholders

Alternative structures

Pre-emption

- Shareholders could be offered pre-emption over the ordinary share issuance by the Irish State
- Given scale of capital required in order for shareholders to "follow their money", unlikely to attract significant take up
- However, would potentially alleviate some of the negative perception around value migration from existing shareholders to the State
- The 31 July deadline would still be met. Shares could be offered back to existing shareholders post 31 July deadline for capital injection (given timetable pressure in issuing Prospectus prior to 31 July) – precedents are Lloyds and RBS (October 2008) issuance
- Claw back offer to existing shareholders would require limited documentation under ESM

B shares

- All or part of State Investment currently structured as ordinary shares could be structured as a B share investment (similar to RBS)
- Potential to determine an exit price for the B shares such that in the event of overcapitalisation (ie stress scenario envisaged under PCAR does not materialise) the Company could undertake a targeted buyback of a specific class of shares as economic conditions improve
- RBS' non-preemptive issuance of B shares in December 2009 was structured in this way (whereby the exit price of the B shares was equal to the entry price), but incurred a coupon (which may not qualify for CT1 capital under Basel 3 rules)
- Instead, B shares could have a pre-determined buy-back price based on an assumed per annum return for the State

ILP recommendation

	Proposal	Rationale
Price	▪ Placing price should be in a range of [€0.30 - €0.75]	▪ [High end based on unaffected share price which included expectations of recapitalisation ▪ Low end of range equivalent to 0.5x TBV implied share price (excluding PCAR requirement and buffer capital)]
Pre-emption	▪ Pre-emption via claw back to existing shareholders	▪ Claw back offer to existing shareholders allows Company to meet 31 July deadline for €2.8bn capital injection whilst protection pre-emption rights
B shares	▪ €1.4bn excess capital via B shares	▪ €1.4bn excess capital for stressed PCAR and buffer equity should be met by B shares ▪ Allows targeted buyback of this part of the State Investment in the future if losses do not materialise and business is overcapitalised ▪ Helps address shareholder concerns