

Irish Life Investment Managers Limited
Pillar 3 Disclosure
2008

1. Overview

Background

The European Union (EU) Capital Requirements Directive (“CRD”) implements the Basel capital adequacy framework (Basel II) and applies it to all investment firms, building societies and banks. The CRD was formally adopted by the EU on 14 June 2006, and became effective in the Republic of Ireland on 1 January 2007.

The implementation of the CRD required regulated firms to make significant changes to the way they calculate their capital requirements including the application of the concepts of minimum capital requirements (Pillar 1) and supervisory review processes (Pillar 2) in the determination of these requirements. Adherence to the supervisory review processes (“SRP”) is designed to ensure the firm in question identifies and manages its material risks.

The disclosure requirements of Pillar 3 complement the capital requirements described in Pillar 1 and Pillar 2 and seek to promote greater market discipline and transparency through the disclosure of key information about risk exposures and risk management processes.

This document fulfils the responsibilities of Irish Life Investment Managers Ltd (“The Company”) under Pillar 3 of the Basel II framework.

The document should be read in conjunction with the Irish Life and Permanent plc’s (“IL&P”) 2008 Annual Report. A copy of this report can be downloaded from the IL&P website which provides more detail on the Group’s risk management framework.

www.irishlifepermanent.ie/ilp_ar2008/

Structure

The Company is a wholly owned subsidiary of Irish Life Ltd. which itself is wholly owned by IL&P. IL&P is a leading provider of personal financial services in Ireland.

The Company has its head office in Dublin. It has one subsidiary, Summit Asset Managers Limited (“**SAM**”), which is a Management Company pursuant to Regulation 15A of the European Communities (UCITS) Regulations 2003, as amended (the “**Regulations**”). SAM’s accounts are consolidated into IL&P’s year-end financial statements.

Principal Activities

The Company is the asset management arm of IL&P. The Company manages money on behalf of a wide range of clients, including large multinational corporations, charities and domestic companies.

Scope

The Company is regulated by the Financial Regulator in the Republic of Ireland. These Pillar 3 disclosures have been prepared as at 31 December 2008, which is the Company's accounting reference date and financial year-end.

Basis of Disclosures

The Pillar 3 disclosures presented here represent the information as required by the CRD.

Not all the Pillar 3 disclosures requirements apply to Irish Life Investment Managers Ltd. As this document has been produced solely for the purposes of providing information on the capital adequacy and risk management of the Company, any disclosure requirements that do not apply have not been included.

Location and Verification

The Pillar 3 disclosures have been reviewed by the Company's Board and are published on the Company's website (www.irishlifeinvestmentmanagers.ie). Disclosures will be updated at a minimum on an annual basis and made available on the website as soon as practicable.

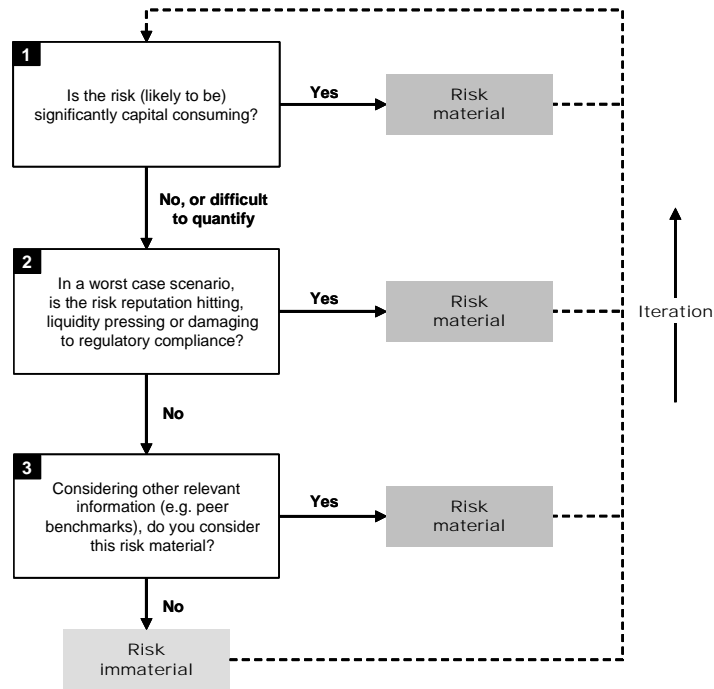
This document has not been subject to audit by the Company's external auditors.

2. Risk Management Objectives and Policies

The Board of Directors of IL&P is ultimately responsible for the governance of risk throughout the group, and establishing mechanisms and structures to control and manage this risk. In addition, the Board of Directors approves overall policy in relation to the types and level of risk that the Group is permitted to assume in the implementation of its strategic and business plans, which in turn filters to The Company. Pages 33-37 of IL&P's Annual Report (http://www.irishlifepermanent.ie/ilp_ar2008/) cover the Group Risk Management Framework in more detail.

Significant Risks

Irish Life & Permanent's determination of a risk's materiality follows an iterative approach as represented below.



Market Risk

The Company does not trade on its own account and therefore does not create any market risk requirements in respect of its own business.

Credit Risk

Credit Risk is defined as “*the current or prospective risk to earnings and capital arising from an obligor’s failure to meet the terms of any contract with the institution or its failure to perform as agreed*”. Credit risk throughout the group is approved and managed in accordance with a set of clearly defined policy statements and limits, on a counterparty basis, which have been approved by the Board of Directors. The Group’s policies and limits are designed to safeguard the Group’s assets, while permitting sufficient operational flexibility to ensure that an appropriate level of return is generated for shareholders.

The Company currently has the following exposures:

- Inter group deposits and receivables
- Client Fees receivable
- Deferred Tax Asset

Operational Risk

Operational risks are managed within the group to a standard consistent with industry best practice and regulatory requirements. Operational Risk is defined as “*the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events*”. As part of the Group strategy the Company has identified the material operational risks to which it is exposed, based on detailed reviews of business activities, supplemented by reference to industry information and

data. The Business Risk unit in the Company is responsible for coordinating risk returns for each department within the Company.

In addition, the management team is responsible for signing off the list of main operational risks on an annual basis. The resultant operational risks are quantitatively assessed by reference to likelihood of incidence and impact criteria, and the output from this exercise is used to identify potentially material operational risks for the Company. Each of the resultant material operational risks is subjected to an in-depth analysis where risks and controls are evaluated and control improvements identified. The top operational risks for the group are reported to the Group Operational Risk Committee, which is responsible for steering progress on the measurement and mitigation of these risks. Key Risk Indicators are developed for these risks, and monitored by Group Senior Management and the Board.

There is no requirement for ILIM to set aside capital for operational Risk requirements under Pillar 1 of the CRD, as it is not authorised to trade on its own account, or underwrite at entity level. Capital requirements for operational risk are identified under the ICAAP (Pillar 2) process, although at overall entity level, no additional capital was determined to be required under the Pillar 2 process over and above that required under Pillar 1.

Other Risks

As an asset management company, the Company also has exposure to strategic/business Risk. Strategic risk is defined as "*the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment*". Business risk is defined as "*uncertainty in revenues in the short run (<1 year) due to unforeseen changes in the competitive environment*".

If the economic environment is such that asset values fall, this would translate into reduced management fees for the Company. A reduction in regular investment inflows or an increase in outflows of investments would also impact management fees adversely.

The ICAAP process has determined that there is no requirement to provide for additional economic capital for ILIM business risk.

3. Capital Resources and Capital Adequacy

The Company's regulatory capital as at 31 December 2008 is made up of the Ordinary Share Capital, the Profit and Loss reserve account, a Capital contribution reserve account and a Capital conversion reserve fund. Where applicable, current year losses are taken into account. At 31 December 2008 and during the previous 12 months, the Company complied with all externally imposed capital requirements and held a buffer over and above the regulatory capital.

ILIM's core capital objective is to meet or exceed all relevant regulatory capital requirements and to hold sufficient economic capital to withstand a worst case loss in economic value due to risks arising from business activities. It is the Company's

policy to maintain a strong capital base commensurate with its risk appetite and to hold a buffer over and above the minimum capital requirement. ILIM is regulated by the Financial Regulator which sets and monitors regulatory capital requirements in respect to the Company's operations.

ILIM's capital requirements are set in accordance with the Capital Requirements Directive (CRD). The capital requirement of the Company is calculated by the Expenditure Requirement methodology. This is the requirement under Regulation 19 of S.I 660 of 2006 for investment firms to hold own funds equivalent to 25% of their preceding year's fixed overheads less depreciation. Results of the ICAAP are then considered for any further capital requirements identified under this Process.

Formal procedures are in place to monitor and manage capital resources on an active and timely basis. Responsibility for ongoing monitoring of capital adequacy rests with the Finance Team, and Quarterly reports are signed off by Senior Management. Periodic reports are prepared and distributed to the ILIM Board.

As of the assessment date, Senior Management of the Company were of the opinion that there are adequate resources and contingency in place to support current and foreseeable activity.

4. Exposures to Interest Rate Risk in the Non-Trading Book

The Company's Balance Sheet comprises assets and liabilities which are not held or issued for trading activities. The Company has minimal exposure to interest rate risk.

5. Securitisation

The Company is not involved in the Securitisation of assets.

6. Internal Capital Adequacy Assessment Process ("ICAAP")

Under Pillar II of the CRD, the Company is required to undertake an ICAAP, which is an internal assessment of capital requirements. This is undertaken annually, or more frequently if required.

In implementing the ICAAP, the Financial Regulator's ICAAP Portal together with the methodology applied by IL&P is used as the template for the completion of ILIM's ICAAP.

The ICAAP is presented to the board of the Company for formal review and approval. The data and assumptions used in the assessment of risk and capital adequacy are continually assessed and updated. Should new risks materialise or be identified by the Company, then these risks will be reviewed in the overall process.

For further information please contact:

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