

**Irish Life Investment Managers Limited (“ILIM”)
Pillar 3 Disclosure**

November 2011

1. Overview

Background

The European Union (EU) Capital Requirements Directive ("CRD") implements the Basel capital adequacy framework (Basel II) and applies it to investment firms, authorised under MIFID. 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 CRD is organised around three "pillars" which the Basel Committee considers to be complementary.

Pillar 1:

Minimum Capital Requirements

Pillar 1 involves calculating a minimum regulatory capital requirement using one of several standard methodologies dependent on activities carried on by the business.

Pillar 2:

Supervisory Review Process ("SRP") comprising

- The Internal Capital Adequacy Assessment Process ("ICAAP")
The ICAAP requires firms
 - (i) to identify, measure and monitor its risks
 - (ii) to identify the internal/economic capital requirements in relation to the firm's risk profile
- The Supervisory Review and Evaluation Process
This is the Central Bank of Ireland's process to review the firm's ICAAP process and the adequacy of the Economic Capital identified.

Adherence to the SRP ensures material risks are identified and managed

Pillar 3:

Enhanced Market Disclosure

Pillar 3 encourages market discipline whereby a firm develops disclosure requirements which allow market participants to assess key information on a firm's capital, risk exposures and risk assessment processes.

The document should be read in conjunction with Irish Life and Permanent plc's ("IL&P") 2010 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.

The report can be accessed using the following link:

<http://irish-life-annual-report-2010.production.investis.com/>

Structure

ILIM (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. Effective January 2010 Irish Life & Permanent Group Holdings p.l.c (“ILPGH”) became the new holding company of the Irish Life & Permanent group.

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 ILPGH’s year-end financial statements.

ILIM is regulated by the Central Bank of Ireland.

Principal Activities

The Company is the asset management arm of ILPGH. The Company manages assets on behalf of a wide range of institutional clients, including Irish Life Assurance plc, pension schemes, large multinational corporations, charities and domestic companies.

At year end 2010, the Company managed €31.5bn worth of assets.

Basis and Frequency of Disclosures

This disclosure document has been prepared in accordance with the requirements of Pillar 3. All figures included in the disclosures are as at 31 December 2010, which is the Company’s financial year-end.

Disclosures will be updated at a minimum on an annual basis.

Location and Verification

The Pillar 3 disclosures have been reviewed by the Company’s top team, by the IL&P Group Risk function and have been approved by the Company’s Board and are published on the Company’s website (www.ilim.com).

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 ILPGH 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 ILPGH 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.

ILIM has regard to the policy set at Group level when determining its own risk appetite, strategy and plans.

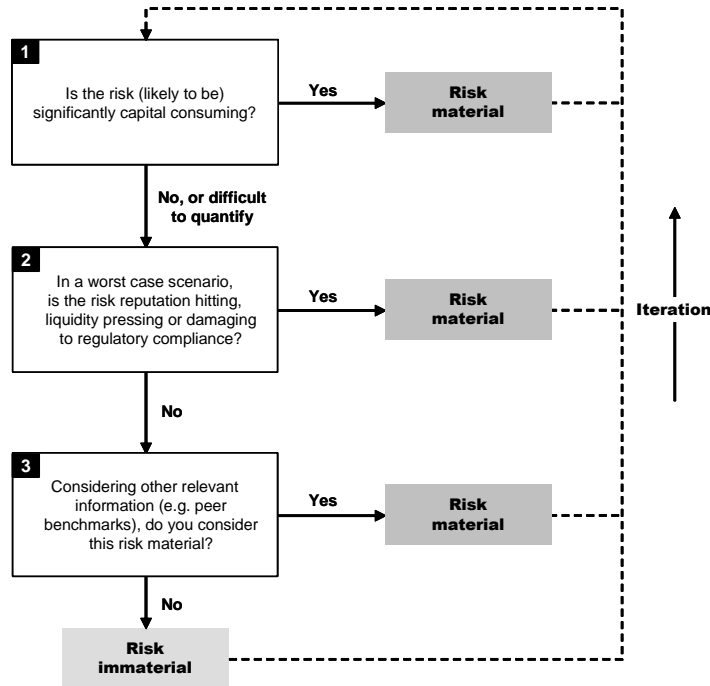
Operational risks are managed within the group to a standard consistent with industry best practice and regulatory requirements. Significant ILIM Operational risks identified are recorded on a Group wide operational and regulatory risk database in accordance with Group Risk Policy. All other risks, including significant non-operational risks, are managed in accordance with ILIM's internal risk management procedures.

Significant risks are reviewed by senior management on a quarterly basis. Mitigating controls and actions where appropriate, have been identified for each of ILIM's significant risks. Key Risk Indicators for the ILIM risks that form part of the Group's overall significant operational risks are reported to ILIM senior management and the Group function on a quarterly basis.

Pages 33-41 of IL&P Group Holdings' Annual Report cover the Group Risk Management Framework in greater detail.

3. Significant Risks

The Company follows ILPGH's process of determination of a risk's materiality. This process 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 risk of loss in the value of financial assets due to customers or counterparties failing to meet their contractual liabilities.”*. ILIM does not trade on its own account and has minimal Credit Risk.

Operational Risk

ILPGH has implemented a best practice operational risk framework which includes the measurement and monitoring of both operational and regulatory risk. Operational Risk is defined as "*the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events*". ILPGH has extended this definition to include damage to reputation as a result of operational risk failures (i.e. the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators).

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. (Material non-operational risks are also captured using this methodology). Significant risks for the business are reviewed with, and signed off by senior management on a quarterly basis.

In addition, the wider 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 business/strategic risk. Business risk is defined as "*uncertainty in revenues in the short run (<1 year) due to unforeseen changes in the competitive environment*". 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*".

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.

4. Capital Resources and Capital Adequacy

The Company's regulatory capital as at 31 December 2010 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 2010 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 Central Bank of Ireland 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 currently calculated using 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. Capital levels calculated using the Expenditure Requirement currently exceeds Economic Capital levels calculated under the ICAAP 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 was of the opinion that there are adequate resources and contingency in place to support current and foreseeable activity.

5. 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, an Internal Capital Assessment (ICA) has been prepared by ILIM. This ICA documents the ICAAP process within the Company.

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.

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