



Thursday 1st May 2008

**DAILY COMPANY NOTE — Irish Life & Permanent** See page 2 for full details

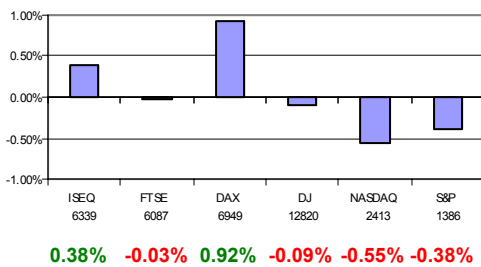
**Daily Market Comment**

**Yesterday's Summary :** Ahead of the May Day holiday today, Irish shares had a decent trading session yesterday, as US GDP data that was better than forecasts and euro zone inflation which was weaker than expected, provided the ISEQ's catalyst to finish 0.38% higher at 6,338.52. It was a mixed day for the financials, with AIB ending the day relatively flat at €13.55, Bank of Ireland losing 1% to close at €8.95 and Anglo Irish bank gaining 1.12% to €9. Irish Life & Permanent had a very weak day, closing down 5.2% at €10.28, as investors grew nervous ahead of IP&M's management statement release this morning. CRH climbed over 1% amid news that the US economy's slowdown may not be as bad as first feared, while Ryanair added 3.7% to €2.96.

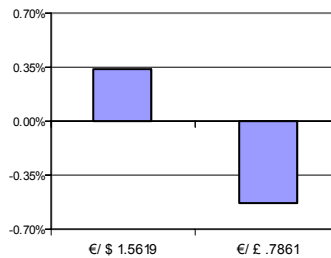
**Overnight News :** Despite the Federal Reserve cutting interest rates by a quarter percentage point, US markets failed to hold onto their gains last night, as investor sentiment suffered from a lack of Fed transparency. The S&P shed 0.38% to finish at 1385.59, while the Dow Jones lost 0.09% to 12820.13. In Japan, the Nikkei ended down 0.6% at 13,766.86 as investors locked in profits and in Australia, the S&P/ASX 200 closed down 0.2% at 5,585.8, led by the financial sector's earnings concerns.

**Breaking News :** CRH is seen as the frontrunner to buy the German building materials company Xella, with reports suggesting Xella would cost CRH €2.5bn. Sterling Energy has announced revenues of \$97.2m for 2007, up from \$81m a year earlier. The independent oil and gas exploration and production company also said that it has successfully re-financed its bank funding with a current facility of \$158m in place. The Bank of England has said this morning that the economic damage from the credit crunch may not be as bad as feared and sub-prime writeoffs could end up costing less than half market forecasts.

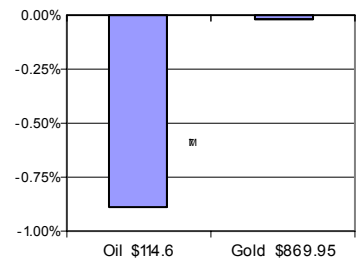
**Equity Indices change on day**



**Currency daily % change**



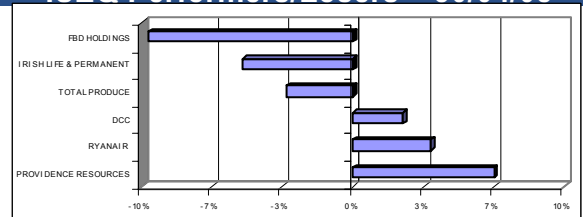
**Oil/Gold daily % change**



**News**

- "Irish Firm acquires food company in US"-**Greencore**-(The Irish Times)
- "Siemens reports higher orders"-**Siemens**-(The Irish Times)
- "Jameson boosts Pernod Ricard"-**Diageo**-(The Irish Times)
- "Fed makes 0.25pc cut but leaves future in air"-(Irish Independent)
- "Bank signals worst is over"-(Financial Times)

**ISEQ Performers/Losers 30/04/08**



**Market Themes and Movers**

**Federal Reserve Interest Rate Cut :** The Federal Reserve have lowered US interest rates by a quarter percentage point to 2% from 2.25%, which was in line with market expectations. The Fed also tweaked the language of the policy statement suggesting to investors that the Fed may halt its campaign of interest rate cut cuts for the time being. The Fed explained that it would "act as needed" as opposed to the slightly more direct "will act in a timely manner" stated at the last Fed interest rate decision. Interest rate futures would indicate that the Fed will leave interest rates at 2% until the latter part of the year, as only a modest 24% chance of another interest cut in June, the date of the Fed's next interest rate decision, is being priced into the market.

**US and UK Manufacturing Index :** The US ISM manufacturing index will be released today and economists are expecting a fall to 48 from 48.6, where a reading of 50 is the dividing line between contraction and expansion. The forecast for a decline comes as manufacturers, which account for 12% of the US economy, are cutting back as surging fuel and food costs and rising job losses are causing consumers and businesses to retrench. Meanwhile growth in Britain's manufacturing sector slowed to 51.0 from 51.3 in April, according to the Chartered Institute of Purchasing and Supply index, which was slightly better than forecasts, but the second lowest reading for two years.



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# Irish Life & Permanent

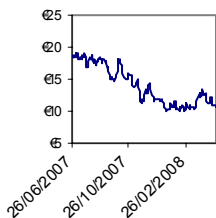
<b>Target</b>	<b>€ 14</b>
<b>Previous</b> (27/02/08)	<b>€15.50</b>
<b>Current</b>	<b>€10.35</b>

**ISEQ**
**Insurance**
**Company Profile**

The Group's principal activity is providing financial services in Ireland. The Group operates through its Insurance and Investment, Banking, General Insurance and Other segments. Insurance and Investment includes long term savings products including pensions to both individuals and group schemes.

**Fundamental view :** This morning, Irish Life & Permanent released a better-than-feared interim management statement, showing a significant outperformance of its life and pension business versus peers during Q1 2008. Overall, the group re-iterated its comfort with 2008 full year earnings guidance in line with current market consensus, which is for a 2008 eps of €1.82, representing a year on year decrease of 7%. Even though the company guidance at the end of February was for operating profit "ahead of 2007", neither we nor the market ever expected this to be achieved. The Q1 2008 outperformance from the life business was driven by an increase in pension sales helping to offset a sharp fall in the sales of single premium investment bonds. An overall 10% year on year decrease in life and pension sales compares very favourably with the c.35% year on year decline reported for Ireland by both Standard Life and Aviva. Even accounting for sterling weakness, the group's loan book remained largely unchanged on the year end 2007 level of £6.1 bn, implying Q1 2008 new lending 15% lower year on year. Increased funding pressures on the net interest margin have been offset by increased rates on a range of lending products and higher liability spreads. Credit quality remains excellent and the group has advanced its plans to replace c.€3 bn of long-term funding maturing in Q3 2008, being "confident of its ability to do so".

**Next catalyst :** Further company specific potential positive catalysts during Q2 2008 would include any comments on current trading contained in the group's AGM statement on 23rd May, as well as its H1 trading statement, due to be released on 19th June. Sector general potential positive catalysts during Q2 2008 would include Anglo Irish Bank's H1 results' announcement on 7th May and Bank of Ireland's full year results' announcement on 21st May, as well as any overall improvement in credit market conditions which would ease funding concerns. A current year consensus eps of €1.82 implies a pe ratio of only 5.7x, once again below the consensus current year dividend yield of 7.6%. On a sum of the parts basis, the group's current valuation is even more compelling. Valuing the group's banking business at 8x 2008 eps of 50c to reflect its continued solid medium term earnings growth prospects gives a per share value of €4, valuing the group's life business at the conservative multiple of 1.3x 2007 embedded value per share of €6.95, below the bottom of the historical sector average range of 1.4x to 1.7x, gives a per share value of €9.04, and valuing the group's 30% interest in Allianz Ireland at 8x 2008 eps of 12c, gives a per share value of €0.96. Summing these 3 different parts gives a per share value for the group on a stand-alone basis of €14, providing the basis for our current conservative share price target of €14 (35% upside), which takes account of the downward move in peer valuations in recent months. When combined with a current year dividend yield of c.7.6%, this provides a very attractive 12 month total return from current levels.

**Statistics**
**Price Performance**

**Chart View: Irish Life & Permanent**

Support Primary: €9.90  
 Support Secondary: €9.45  
 Resistance Primary: €11.75  
 Resistance Secondary: €13.60

The longer-term chart outlook is still far from positive and daily momentum indicators are suggesting that problems look set to continue. We are approaching the critical €10 support area and caution is hence required. However, if the stock manages to bounce from this area then excellent short-term gains are on the cards.

**Revenue by Sector**


■ Insurance & Investment Business 61%  
 ■ Banking 39%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Capital Research Global	4.02%	<b>IP&amp;M</b>	5.8	5.7	2.25%
Bank of Ireland Asset Mgt.	3.83%	Aviva	7.1	6.4	8.72%
Irish Life & Permanent	2.75%	Friends Provident	8.4	7.4	14.60%
Capital World Investors	2.54%				
Allianz Global Investors	1.64%				

Shares Outstanding 268.57m

Share Data	Financial Data	2007	2008e	2009e
Current Price (€)	PBT (€m)	460	537	556
Mkt Cap (€m)	EPS (€)	1.47	1.78	1.82
Reuters	P/E(x)	7.04	5.81	5.69
Bloomberg	DPS (c)	0.75	0.78	0.81
Sector	Dividend Yield	7.25%	7.54%	7.83%
Chairman				
CEO				
Website				





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