



**DAILY COMPANY NOTE — Aviva** See page 2 for full details

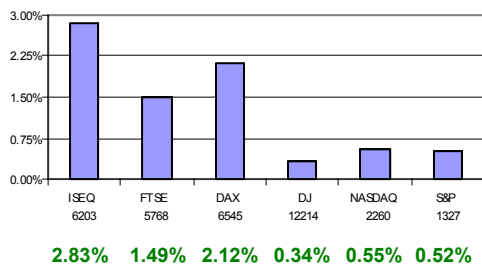
**Daily Market Comment**

**Yesterday's Summary:** After five straight sessions of decline, the ISEQ finished in positive territory yesterday, as investors appeared to conclude that Irish stocks had been oversold. The ISEQ gained 2.8% closing at 6378.41. Irish financials and builders lead the charge with AIB and Irish Life & Permanent adding 2.3% and 4.7% to close at €13.32 and €10.80 respectively. Anglo Irish Bank soared 4.3% higher and Bank of Ireland rose 2.3% to finish at €9.15. CRH closed 4.9% higher at €25.20, while kingspan reversed some of its recent harsh market treatment, gaining 4.3% to end the days trading at €8.45.

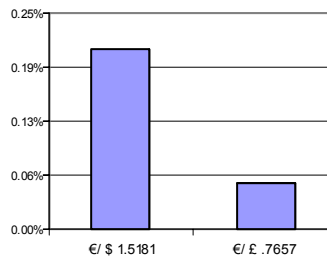
**Overnight News:** US markets had a strong rally in early morning trading, on the back of evidence that the US services sector was not as weak as expected. These gains were reduced late on however as a monoline insurers bailout plan, despite speculation, never arrived. The Nasdaq closed 0.55% higher at 2272.81 and the S&P index added 0.52% to finish at 2272.81. In China, the benchmark Shanghai Index closed up 1.6% at 4,360.99, as investors picked up oversold financial stocks after a two-day decline. In Japan, the Hang Seng Index followed wall street to finished 1% higher at 23,342.73.

**Breaking News:** Ambac has disappointed investors by announcing it will attempt raise \$1.5bn in the public securities market to shore up its capital. This figure comes in considerably lower than the \$2.5bn investors were anticipating. Mclnernerney Holdings has posted a 1.4% decline in its 2007 net income, as it slipped from €48.6m to €47.9m. Sales were little changed for Irelands largest traded housing developer at €632.8m. Taylor Wimpey has reported pretax 2007 profits of £535.6m, down from €776.5m a year earlier. In addition, the British house builder warned against the impact of difficult trading conditions on future earnings.

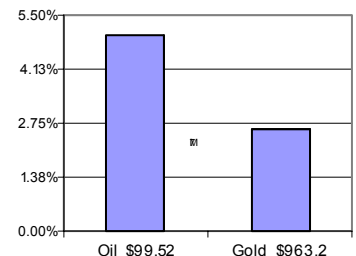
**Equity Index's change on day**



**Currency daily % change**



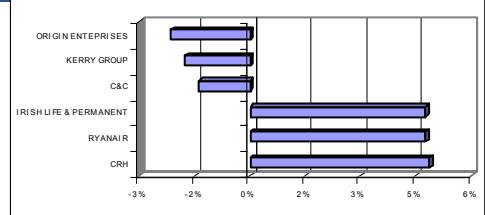
**Oil/Gold daily % change**



**Paper Headlines**

- "Glanbia planning to spend €200m on acquisitions"-**Glanbia**-(Irish Times)
- "FBD warning on flat growth until process recover"-**FBD**-(Irish Independent)
- "Dragon Oil profits jump 63% to €199m as it plans to raise output"-**Dragon Oil**-(I.E)
- "ECB expected to leave rates unchanged"- (Irish Examiner)
- "Paddy Power, McManus and Magnier prepare to bid for tote bookmakers"-(I.E)

**ISEQ Performers/Losers 05/03/08**



**Anglo Irish Bank Trading Statement**

Anglo Irish Bank issued a trading statement this morning and they have reiterated their guidance for full year earnings growth of 15% and full year net loan growth of €10bn to €12bn. There was more conservative and cautious trading statement language than we would be used to from Anglo, as they said that there are a limited number of smaller relationships which require additional active management, "a few cases requiring above normal levels of attention" in the US, and that "economic conditions will remain challenging throughout 2008. We would suggest however that when this conservative tone is quantified with their statement that "the lending impairment charge for the full year will be below the current consensus of 0.25%", that nothing has really changed and we would maintain a price target of €12, based on a current sector average rating of 8x 2008 eps of €1.52.



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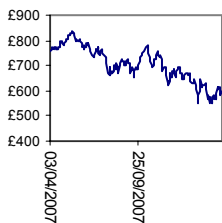
# Aviva

**Stuart Draper**
**BUY**
**Target**
**£8**
**Current**
**£6.02**
**FTSE**
**Insurance**
**Company Profile**

The Group's principal activity is providing life insurance and long-term savings business, asset management and all classes of general insurance. It operates in the United Kingdom, continental Europe and Ireland, North America, Asia and Australia. Its main activities are long-term savings, fund management and general insurance.

**Fundamental view :** Last week, Aviva announced results for the year ended 31/12/07. Operating profit before tax and operating eps of £3.286 bn and 76.5p respectively were c.8% ahead of consensus forecasts, even though they were both flat year on year as a result of the impact of last summer's UK floods. The better than expected group result was driven by a better than expected performance from the life business, where the new business margin improved from 3.5% to 3.7%. There was no material impact from sub-prime writedowns or related issues, and it was announced that the group's equity market exposure had been reduced. The full year dividend was increased by 10% year on year to 33p. Aviva also announced a new target of doubling its IFRS eps, the key driver of dividend growth, by 2012, implying average eps growth of c.15% per annum over this period. The group remains on target to achieve sales growth of 9% for 2008 and 10% for 2009, primarily driven by European and Asian sales growth

**Next catalyst :** Aviva also confirmed evidence, already shown by Royal & Sun Alliance and Axa, that the UK general insurance cycle appears to be turning positive as small UK premium rate increases were achieved in 2007. The UK flood losses of 2007 should imply that Aviva's general insurance business generates strong year on year growth in 2008. Aviva also announced an embedded value per share of £7.72 as at 31/12/07, a year on year increase of 13%. Even excluding goodwill, a tangible embedded value per share of £6.62 is implied, and our current 12 month share price target of £8 (33% upside) is based on the current sector average multiple of 1.2x tangible embedded value per share of £6.62, which appears achievable given that the group continues to generate a return on equity in line with the sector average at 15%. Our 12 month share price target rates the shares at a conservative multiple of 9.1x consensus 2008 IFRS eps of 88p. The shares will also pay a current year dividend yield of 6.3% for waiting for this upside to be achieved, with the 2007 final dividend per share of 23.4p going ex on Wednesday fortnight, 26th March.

**Statistics**
**Price Performance**

**Chart view: Aviva**

Support Primary: 558  
 Support Secondary: 523  
 Resistance Primary: 644  
 Resistance Secondary: 708

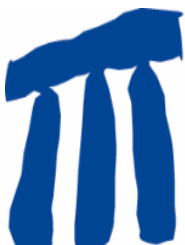
The 600 area is important from a longer-term perspective and a sustained move above here would suggest that there is significant upside to follow. Stock is well supported but a break of trend support at 558 would warrant caution.

**Profit By Sector**


- Life Operations 71%
- Fund Management 2%
- General Insurance and Health 27%

Major Shareholders	%	Peer Group Multiples.			
AXA	5.53%	Company name	P/E 08	P/E 09	EPS Growth 08-09
BNP Paribas Securities	0.50%	<b>Aviva</b>	<b>6.8</b>	<b>6.4</b>	<b>6.92%</b>
Santander Inv't. Services	0.14%	Prudential	8.4	7.8	7.56%
Alliance Capital Mgt.	0.14%	Legal & General	9.9	8.0	21.60%
Nestle UK Ltd.	0.06%				
Shares Outstanding	2,623				

Share Data		Financial Data	2007	2008e	2009e
Current Price (p)	602	PBT (£bn)	3286	3715	3951
Mkt Cap (£m)	151,215	EPS (p)	76.5	88	94
Reuters	AV.L	P/E (x)	7.87	6.83	6.39
Bloomberg	AV LN	DPS (p)	33	37	40
Sector	Insurance	Dividend Yield	6.30%	6.15%	6.64%
CEO	Andrew Moss				
Group Finance Director	Philip Scott				
Website	www.aviva.com				





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