

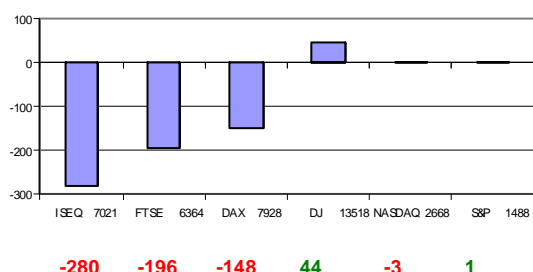
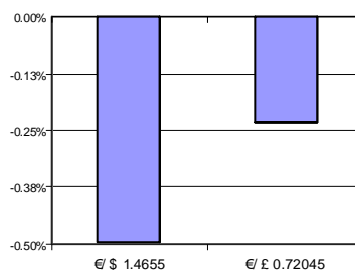
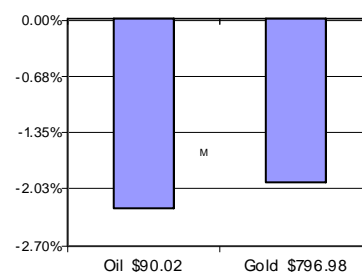

**DAILY COMPANY NOTE - Irish Life & Permanent** See page 2 for full details

**Daily Market Comment**

**Yesterday's Summary :** The Irish market was hit hard yesterday, finishing down over 3.8% and dropping below the 7,000 mark at one point. As usual, the financials were at the forefront, down 4.1% for the day, Irish life was down 12% at one stage after their trading statement failed to reassure a wary market, although the shares fought back to finish down 6% for the day. Bank of Ireland, AIB and Anglo lost 4%, 3.5% and 4.4% respectively on heavier than usual volumes. The FTSE closed down 3% with Northern Rock, HBOS and Barclays all getting hit hard.

**Overnight News :** Stock markets across Asia were mostly lower this morning, as investors digested the latest headlines on the subprime crisis, including a Moody's downgrade of Citigroup and its plan to take over seven troubled investment funds. Sentiment was also weighed down by Wall Street's mixed finish overnight as a spike in wholesale prices triggered inflation concerns and partially overshadowed a strong increase in retail sales last month.

**Breaking News :** Anglo announced today the sale of their Swiss private bank subsidiary, Anglo Irish Bank (Suisse) SA to St. Galler Kantonalbank. The sale is expected to be completed in the first quarter of 2008 pending regulatory approval. United Drug has announced the acquisition of Dublin-based laboratory equipment distributor JVA Analytical Ltd for up to €21 million. United will pay an initial €16.5 million and a further €4.5 million if targets are met within 2 years.

**Equity Index's change on day**

**Currency daily % change**

**Oil/Gold daily % change**

**Paper Headlines**

- "Profit concerns hit IL&P shares" - Irish Life and Permanent - (Irish Times)
- "Elan shares slump after partner fails to find buyer" - Elan - (Irish Examiner)
- "Ryanair's challenge violates peace deal, says DAA" - Ryanair - (Irish Independent)
- "Lehman rides out credit squeeze - **Lehman Brothers** - (Financial Times)
- "HBOS shrugs off write-down" - **HBOS** - (Financial Times)

**Market Themes and Movers**

**Oil moves higher:** World oil prices gained in Asia amid jittery trade after earlier slumping on scepticism over a joint effort by central banks aimed at easing credit conditions. In morning trade, New York's main contract, light sweet crude for January delivery, was 32 cents higher at 92.57 dollars a barrel. The contract had fallen 2.14 dollars to close at 92.25 dollars a barrel in New York on Thursday. Brent North Sea crude for January was 41 cents higher at 92.53 dollars after falling 1.90 dollars in London trade on Thursday. Prices had jumped more than 4 dollars Wednesday on the view that a co-ordinated plan by five major central banks to ease a global credit squeeze would support the world economy and, as a result, demand for oil.

**US inflation concerns:** The U.S. consumer price index scheduled for release today is forecast to have increased by 4.1 per cent in November on a year-over-year basis, compared with 3.5 per cent in October. The core rate of inflation, which excludes food and energy, remains above the comfort zone. It is estimated to have increased to an annual rate of 2.3 per cent during November, up a notch from October. Although the U.S. Federal Reserve Board made clear this week that it remains concerned about inflation, bond investors think it will continue to focus on the mortgage debacle and resultant liquidity problems.

**Dolmen Squawk Box**

This day 4 years ago, the ISEQ closed at 4769.49 up 0.2% for the week, led by Iona Technologies, which jumped 9.3% to 40c on Friday on hopes for improved earnings.



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# Irish Life & Permanent

**Target** €15.50

**Previous (24/08/07)** €20.00

**Current** €12.31

**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. Banking provides retail banking services including current accounts, residential mortgages and other loans. General Insurance includes property and casualty insurance.

**Statistics**
**Price Performance**

**Operating Profit**


- 52% Life Assurance
- 4% Banking
- 7% General Insurance

**Fundamental view :** Irish Life & Permanent has released a more detailed than usual year end trading statement. The statement confirmed that the group remains on course to achieve 2007 core pre-tax operating profit growth of c.20%, in line with previous guidance. This was driven by life operating profit growth of c.25% and bank profit growth of c.15%. When account is taken of the lower contribution from the group's Allianz Ireland general insurance associate, and the exceptionally low prior year tax charge, this very strong operating profit growth should translate into underlying 2007 earnings per share growth of 10% to €1.95. This enabled the group to re-iterate its expectation for a full year dividend per share of 75c in line with market consensus, representing a dividend yield of c.6% on the current share price. The major fear arising from the trading statement centred around the group's worst case scenario guidance that if funding spreads continue at the present high level of c.1% over the official ECB rate until the end of H1 2008 and then rebase to 0.4%, which is still c.0.18% above the historic average, that group earnings growth could be "high single digit percent negative" year on year. This is largely in line with our worst case scenario analysis included in our recent Irish banking sector research note, which estimated a worst case group 2008 eps of €1.72, representing a year on year earnings decline of 12%. However, our view is that the much more likely scenario is that funding spreads continue at current levels until the end of Q1 2008 and then rebase to 0.4%, resulting in a flat year on year 2008 eps of €1.95, in line with our median case scenario.

**Next catalyst :** More specific guidance with respect to 2008 is expected to be issued in conjunction with the group's 2007 full year results' announcement on 27<sup>th</sup> February, which in helping to reduce the current uncertainty could act as a positive share price catalyst. Valuing the group's banking business at 8x 2007 eps of 63c to reflect its continued solid medium term earnings growth prospects gives a per share value of €5.04, 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 2007 eps of 20c, gives a per share value of €1.60. Summing these 3 different parts gives a per share value for the group on a stand-alone basis of €15.68, providing the basis for our current conservative share price target of €15.50 (26% upside), which takes account of the downward move in peer valuations in recent months. When combined with a current year dividend yield of c.6%, this provides a very attractive 12 month total return from current levels.

**Chart view :**

Support Key: €10.90  
 Support Secondary: €10.45  
 Resistance Key: €14.10  
 Resistance Secondary: €18.00

Medium term support still exists at 10.90. Key short term resistance level is at 14.10 and a move above this should carry

Major Shareholders	%	Peer Group Multiples.			
		Company name	P/E 07	P/E 08	EPS Growth 07-08
BIAM	5.99	<b>Irish Life &amp; Permanent</b>	<b>6.2</b>	<b>6.2</b>	1.02%
Capital Group	4.04	Aviva	8.4	7.6	12.05%
UBS Gam	3.66	Friends Provident	9.7	8.8	10.11%

Shares Outstanding 275.99

Share Data	Financial Data	2006	2007e	2008e
Current Price (€)	Revenue (£m)	390	963	1,011
Mkt Cap (€m)	PBT (£m)	386	602	620
Reuters	EPS (£)	1.35	1.97	1.99
Bloomberg	P/E(x)	9.1	6.2	6.2
Sector	DPS(€)	0.68	0.75	0.82
Chairman	Yield	5.52%	6.09%	6.66%
CEO				
CFO				
Website				





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