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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7363	↓ -54	-0.73%	11.0	-0.01%
FTSE 100	5658	↑ 32	0.57%	12.4	0.70%
DAX 30	5494	↑ 54	1.00%	15.0	1.58%
DOW	10975	↑ 33	0.30%	19.5	1.78%
NASDAQ	2107	↓ -3	-0.16%	15.6	-4.46%
S&P	1240	0	0.00%	21.0	-0.39%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2615	0.6833	144.7000
Dollar	1.2615	1.0000	1.8456	114.6900
Sterling	0.6833	1.8456	1.0000	211.7100
Yen	144.7000	114.6900	211.7100	1.0000
Oil (Nymex)	68.9400			

This Week's Research
CRH
Lloyds TSB

Today's Research
IL&P

Today's Recommendation

IL&P (€18) Earnings upgrades Friday ? Stuart Draper

- **Statement Friday :** This Friday, 23rd June, at 10am, Irish life & Permanent (IL&P) will release its H1 pre-close period trading statement. Given the recent start of SSIA account release, as well as recent data for overall Irish mortgage loan growth, this trading statement could result in the consensus 2006 and 2007 eps forecasts for IL&P being raised by c.2% to €1.55 and €1.70, representing 14% and 10% growth respectively.
- **Sales growth :** This is because current consensus eps forecasts are based on 2006 life sales growth and mortgage loan growth both of c.20%. However, given the recent start of SSIA account release, as well as the fact that overall Irish mortgage loan growth for April, the most recent month available, was 27.7%, could mean that after Friday's trading statement, life sales and mortgage loan growth both of 25% are expected for IL&P in 2006. The group's leading share (c.27%) of the Irish life and pensions market leaves it well positioned to profit from the continued growth and ageing of the Irish working population.
- **Margin resilience :** In 2005, IL&P's overall group life margin increased to 20.4% from 14.9% for 2004, with the 26% growth in bancassurance sales (the group's highest margin distribution channel) being a key factor in helping to achieve this margin expansion. Further strong growth in bancassurance sales should help maintain the group's life margin at c.20% in 2006. Slightly higher interest rates and current account market share gains should also help to offset some of the margin pressure at the banking business this year.
- **Allianz value :** Valuing the group's banking business at 12x upgraded 2006 earnings to reflect its continued strong growth gives a per share value of €6.53, valuing the group's life business at 1.8x embedded value per share of €6.26 to reflect its above average future growth prospects gives a per share value of €11.27, and valuing the group's 30% interest in Allianz Ireland at 10x 2006 earnings (a discount to FBD's current 10.8x), gives a per share value of €1.67.
- **Attractive upside :** Summing these 3 different parts gives a per share value for the group on a stand-alone basis of €19.47. Therefore, our current 12 month price target is €19.50 (8% further upside), and when combined with a current year dividend yield of c.3.7%, provides attractive further upside to justify re-iterating our current BUY recommendation : **BUY**.

Breaking News

HBOS on track to meet market forecasts

HBOS has said first-half trading has been robust and it remains comfortable with market consensus estimates for full-year underlying profit and earnings per share. The bank said earnings have continued to grow amid stable margins, with a good contribution from non-interest income and cost management. Market estimates are currently for full year underlying pretax profit to rise 7.4% to £5.2bn, while EPS is expected to rise 9.8% to 94.9p. The trading statement said HBOS's share of mortgage lending remains steady, and banking and savings products are growing. The company also said sales of investment products have continued to be strong across all channels, while general insurance has seen strong growth in household insurance sales and slower sales of motor and repayment insurance.

BOI announces fund of funds JV

Bank of Ireland said yesterday that it has established a joint venture with Paul Capital Partners (PCP), a U.S. private equity specialist, to provide private equity fund of funds products and advisory services. The new joint venture will be called Paul Capital Top Tier Investments, (PCTTI). Bank of Ireland said it has paid \$25m in cash for a 50% share in PCTTI and may increase its shareholding up to 70% no earlier than 2008. In addition, Bank of Ireland has paid \$5 million in respect of interests in existing funds of funds. PCP has contributed its existing private equity fund of funds business (AUM \$1.1bn), including the firm's fund of funds team and associated investment resources and facilities in return for a 35% interest.

Airtricity posts record results

Yesterday Airtricity posted a record set of results for the fifteen months to the end of March 06. Airtricity reported 2005/06 revenues of €236m (+185%), gross profit of €38m (+90%) and EBITDA of €18m (+450%). Growth in revenue was driven by the company's expansion which has seen power generated at operating wind-farms increase from 64 MW in 2004 to 177MW in 2006. Customer numbers have increased 72% from 36,000 to 50,000 over the same period. There are currently wind farms under construction which will yield 444MW while 6,000MW of new projects are under development.

Business Press

- Providence and ExxonMobil define Dunquin well locations (IT)
- House prices grow at nine times inflation (IT)
- C&W fails with investors (FT)

Investment Press

- **Mergers of equals:** Like inflation and earnings per share enhancement, mergers of equals have made a comeback. The traditional view of capital markets was that mergers of equals were disguised takeovers

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