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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9502	↓ -163	-1.69%	14.1	1.00%
FTSE 100	6596	↓ -53	-0.80%	13.2	6.03%
DAX 30	7965	↓ -126	-1.55%	14.2	20.73%
DOW	13546	↑ 56	0.42%	15.2	8.68%
NASDAQ	2617	↑ 17	0.65%	26.1	8.35%
S&P	1522	↑ 9	0.62%	15.9	7.32%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3415	0.6724	166.4000
Dollar	1.3415	1.0000	1.9947	124.0400
Sterling	0.6724	1.9947	1.0000	247.3900
Interest Rates (%)	3.7500	5.2500	5.5000	0.4800
Oil (Nymex)	68.6500			

### This Week's Research

Glanbia  
 Metro Baltic  
 Ericsson  
 CRH

### Today's Research

IL&P

### Today's Recommendation

**IL&P (€18.89) Statement upgrades guidance Stuart Draper**  
**Target : €23 (15/12/06 ; previously €19.50, issued 08/03/06)**

- Guidance upgraded : Irish Life & Permanent (IL&P) has released its H1 pre-close period trading statement, which upgraded its 2007 earnings guidance to "high teens" % growth in pre-tax operating profit growth, from a previous forecast of "low to mid-teens" growth. The main driver of the earnings upgrade was the continued strength of the group's life business, with H1 life sales expected to grow by in excess of 35%. This strong life sales growth is also being achieved against a favourable margin outlook as higher margin products such as property bonds make up a greater portion of the life sales product mix.
- Soft landing : However, if there was anything worse than a soft landing occurring with regard to Irish mortgage loan growth (full year growth of €3.4 bn versus full year 2006 growth of €4.2 bn), last month's AGM earnings guidance would have been maintained rather than raised. Some of the H1 2007 loan growth of 20% was driven by strength in non mortgage lending. Yesterday's abolishment of stamp duty for first-time buyers, in removing the recent stamp duty uncertainty from the Irish housing market, should also help prevent any major H2 2007 fall in Irish mortgage lending.
- SOTP valuation : Valuing the group's banking business at 12x upgraded 2007 eps of 63c to reflect its continued strong growth gives a per share value of €7.56, valuing the group's life business at 1.9x 2007 embedded value per share of €6.95 to reflect its above average future growth prospects gives a per share value of €13.21, and valuing the group's 30% interest in Allianz Ireland at 11x 2007 eps of 20c (in line with FBD's current 11x), gives a per share value of €2.20. Summing these 3 different parts gives a per share value for the group on a stand-alone basis of €22.97, and our current price target of €23.
- Major upside : Our current 12 month price target of €23 (22% upside), is based on the above sum of the parts analysis, and when combined with a current year dividend yield of c.4%, provides attractive upside from current levels to justify re-iterating our current BUY recommendation. Given the group's change of leadership this year and its previously stated willingness to be part of a larger European financial services group, there is also an above average probability of further takeover speculation over the next 12 months : **BUY**.

### Breaking News

#### Royal Bank consortium to start offer in Mid-July

Royal Bank of Scotland, Fortis and Santander will start their offer to ABN Amro shareholders in mid-July. The group will hold extraordinary general meetings for their shareholders to vote on the deal by the first half of August. The consortium said they are making good progress in seeking regulatory approval for the transaction and remain convinced the deal represents superior value for ABN Amro's shareholders. The Royal Bank-led consortium trumped Barclays with a €72bn bid on May 29<sup>th</sup>, contingent on the group buying ABN Amro's LaSalle unit. ABN Amro agreed to be bought by Barclays, on April 23<sup>rd</sup> in a deal valued that value the company at €64.8bn.

#### AIB appoints Non-Executive Director

AIB announced that it has appointed David Pritchard as a Non-Executive Director. Pritchard held senior positions in Citigroup and the Royal Bank of Canada before joining Lloyds TSB Group in 1995 as Group Treasurer. He was seconded for two years to the Financial Services Authority, and, subsequently, was appointed to the Board of Lloyds TSB Group and in 2003 was appointed Non-Executive Deputy Chairman. Pritchard retired from that role in 2005 and is currently Non-Executive Chairman of Songbird Estates, and a Non-Executive Director of LCH Clearnet and The Motability Tenth Anniversary Trust.

#### Reports suggest Bear Stearns plans \$3.2bn fund rescue

Press reports suggest that Bear Stearns plans to take on \$3.2bn of loans to stop creditors from seizing assets of one of its money-losing hedge funds in the largest fund bail out since 1998. According to the reports, Bear Stearns' told lenders to the High-Grade Structured Credit Strategies Fund yesterday that it would assume their loans. The fund speculated it CDOs - securities backed by bonds, loans and derivatives - that were pressured in March and April as defaults on subprime mortgages to people with poor or limited credit histories increased. The bailout of the fund would be the biggest since Long-Term Capital Management, which received \$3.625bn from 14 lenders in 1998. Creditors of the fund include Merrill Lynch, Lehmans, JPMorgan and Goldman Sachs.

### Business Pres

- Strike threat over Eircom pay dispute. (IT)
- Bank shares fall as IL&P warns on mortgage lending. (IT)
- CRH moves into the Spanish DIY market. (II)

### Investment Press

- LSE and Borsa Italia: Even by the promiscuous standards of the exchange sector, Borsa Italia qualifies as a complete flirt, having been in discussions with Euronext and Deutsche Börse while also, interminably, considering an initial public offering.



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