



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

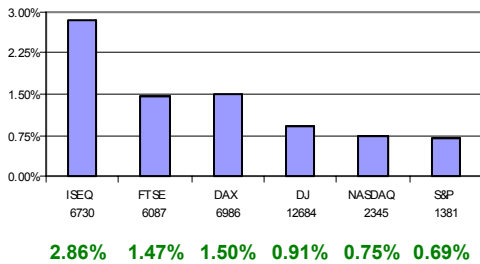
**Daily Market Comment**

**Yesterday's Summary :** The ISEQ, still benefiting from the news that the global banking sector will be spared huge credit losses from the troubled monoline insurers, gained 2.9% to finish at 6703.13. Irish financials led the charge, with Irish Life & Permanent adding 8.7% to close at €11.25. Bank of Ireland soared up 3.3% to €9.15 while Allied Irish Bank, ahead of their dividend payment this morning, gained 1.6% to €14.53. After reporting that pre-tax profits grew by 35% to €298m, Kerry group ended the day up 30 cent at €20.65. IAWS were also gainers in the food sector as it added 6% to close at €13.039.

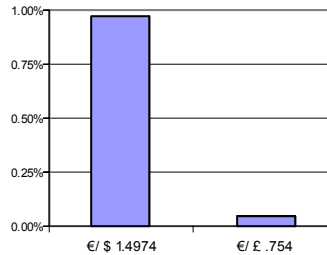
**Overnight News :** US markets reversed earlier losses and rallied Tuesday after IBM approved a \$15bn stock buyback. The Dow closed up 0.9 percent, at 12,685 and the S&P gained 9.49 points closing at 1381. Stock markets across Asia rose Wednesday, taking their cue from Wall Street with the Nikkei closing up 1.5 percent at 14,031.30. The Hang Seng was the strongest performer in the region, adding 3 % to 24,394, after Financial Secretary John Tsang unveiled a series of tax cuts.

**Breaking News :** Despite announcing further writedowns of up to £47m, HBOS has said its full year net profit rose 3.8% to £3.97bn from £3.82bn. HBOS has also declared an increase its full year dividend to 48.9p from 41.4p. Barratt Development, Britain's second largest house builder by volume, has posted a 14.3% rise in its first half underlying profit. UK insurer Royal & Sun Alliance has reported a 4.4% rise in operating profit from £780m to £814m which was ahead of market expectations. United Drug has said that business was ahead of last year's levels in January but warned it may have to revise full year guidance if sterling continued to weaken.

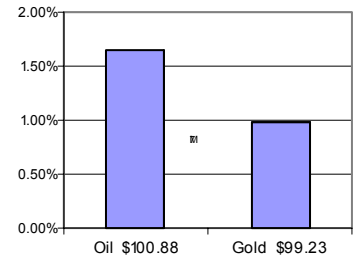
**Equity Index's change on day**



**Currency daily % change**



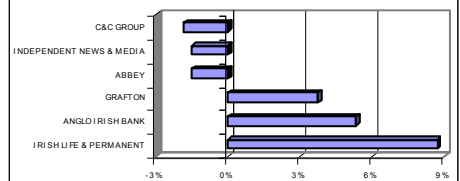
**Oil/Gold daily % change**



**Paper Headlines**

- "Kerry Group plans to double size in 5 years"-**Kerry Group**-(The Irish Times)
- "United Drug says time needed to assess HSE cuts"-**United Drug**-(The Irish Times)
- "Premier Group bids €60m for Imprint"-**Premier Group**-(Irish Independent)
- "Elan ratings raised on Tysabri outlook"-**Elan**-(Irish Independent)
- "Ryanair would have to lift fare prices by 3% if baggage numbers decline"-**Ryanair**-(Irish Examiner)

**ISEQ Performers/Losers 27/02/08**



**Market Themes and Movers**

**Dollar falls to record low against euro:** Speculation that the Fed chairman Ben Bernanke will indicate that the US central bank is ready to cut interest rates again has caused the dollar to weaken below \$1.50 per euro for the first time since the Euro began in 1999. Bernanke will testify to the US congress today and it is expected that he will reemphasise that helping the slowing US economy is more of a priority than the recently reported inflation pressures. Crude oil has risen to a record high as the weakening US dollar has encouraged investors to buy commodities priced in the US currency. Crude oil for April delivery rose as much as \$1.20 to \$102.08 a barrel in electronic trading on the New York Mercantile Exchange.

**UK economic growth slows:** The UK government has announced this morning that UK economic growth for the fourth quarter has been the slowest for more than a year, with consumer spending increasing only a third as much as forecasts. Gross domestic product rose 0.6% in the three months through December, the least seen since the third quarter of 2006. Consumer spending increased 0.2% which was 0.4% lower than economists expectations. Bank of England Governor Mervyn King has indicated that the scope for interest rate cuts to bolster economic activity will be limited due to the existing inflationary pressures.



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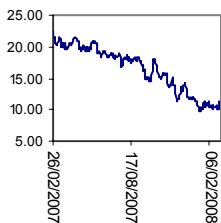
# Irish Life & Permanent

**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 announced its results for the year ended 31/12/07. Pre-tax operating profit and operating eps of €590m and 194.6c respectively were largely in line with consensus forecasts of €596m and 192.2c, and were year on year increases of 12% and 9%. This growth is after charging a provision of €11m in relation to the "actions of a rogue solicitor". Excluding the €29m contribution from the group's Allianz Ireland associate and the exceptionally low prior year tax charge, this would imply underlying core pre-tax life operating profit growth of 26.2% and bank profit growth of 8.9%. This enabled the group to announce a full year dividend per share of 75c, representing a year on year increase of 10% and a dividend yield of c.6.6% on the current share price. With funding spreads having significantly improved from the c.1% over the official ECB rate at the time of the December trading statement to c.0.4% currently, the group's previous 2008 worst case earnings guidance of "high single digit negative" was upgraded to group operating profit for 2008 being "ahead of 2007". As a result, we maintain our previous forecast for a largely flat year on year 2008 eps of €1.95. Not surprisingly, given the equity market weakness of the last 9 months, the short-term investment variance was a negative €114m, versus a positive €101m for 2006.

**Next catalyst :** This upgraded guidance, in helping to reduce the current uncertainty, should act as a positive share price catalyst over the coming weeks. 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 (37% upside), which takes account of the downward move in peer valuations in recent months. When combined with a current year dividend yield of c.6.6%, this provides a very attractive 12 month total return from current levels.

**Statistics**
**Price Performance**

**Chart view: Irish Life & Permanent**

Support Primary: €10.60  
 Support Secondary: €10.00  
 Resistance Primary: €11.93  
 Resistance Secondary: €13.70

Stock has broken out of its medium-term downtrend on high volume and has formed a solid support base in the €10.00-€10.60 area. More upside expected.

**Profit By Region**


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

Major Shareholders	%	Peer Group Multiples			
Bank of Ireland Asset Mg	6.98%	Company name	P/E 07	P/E 08	EPS Growth 07-08
Capital Research	2.80%	<b>Irish Life &amp; Permanent</b>	6.2	6.0	3.85%
Irish Life & Permanent	2.75%	Aviva	7.9	6.8	17.36%
Capital World Investors	2.54%	Friends Provident	8.3	8.3	2.56%
Allianz Global Investors	1.66%				
Shares Outstanding	276.03m				

Share Data	Financial Data	2007	2008e	2009e
Current Price (€)	Revenue (€m)	895.10	913.60	999.50
Mkt Cap (€m)	Profit Before Tax (€m)	590.00	557.20	593.00
Reuters	EPS (€)	1.94	1.82	1.89
Bloomberg	P/E(x)	5.83	6.21	5.98
Sector	DPS	0.75	0.79	0.84
CEO	Dividend Yield %	6.60	7.72	7.83
Financial Director				
Website				





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