



January 10, 2005

Contact Details:

Email : research@dbb.ie
info@dbb.ie

Tel : +353 1 633 3800
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '04	YTD
ISEQ	6373 ↑	61	0.00%	11.0	2.82%
FTSE 100	4854 ↑	30	0.00%	13.5	0.83%
DAX 30	4316 ↑	15	0.75%	15.0	1.42%
DOW	10604 ↓	-19	-0.18%	19.5	-1.66%
NASDAQ	2089 ↓	-1	-0.07%	15.6	-3.97%
S&P	1186 ↓	-2	-0.14%	21.0	-2.13%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3199	0.7028	137.9800
Dollar	1.3199	1.0000	1.8774	104.5400
Sterling	0.7028	1.8774	1.0000	196.2300
Yen	137.9800	104.5400	196.2300	1.0000

This Week's Research

Today's Research
Anglo Irish Bank

Breaking News

UK House Prices Bounced Back In December

U.K. house prices rose for the first time in three months during December, but 2004 was the weakest year since 2001 for the market, lender Halifax said Friday. According to the Halifax house price index, released by HBOS PLC, house prices rose by 1.1% on the month and were 15.1% higher from December 2003. The increase in prices during December is the first sign that the market is stabilising after recent declines. However, Halifax expects house prices to fall slightly during 2005. "We expect a 2% decline in prices nationally this year followed by a market characterized by modest price increases and a steady improvement in transactions beyond 2005," said Martin Ellis, Halifax's chief economist.

M&S profit alert after dismal Christmas

Marks & Spencer issued a profits warning on Friday after sales at its 300 stores slumped over the crucial Christmas period. The troubled retailer surprised investors by bringing forward its trading update ahead one week early after the new management team discovered the extent to which profits would be hit by the sales fall. The retailer revealed the extent of the damage days before the six-month ban imposed by the Takeover Panel on Philip Green expires. Despite promotions designed to lure shoppers into stores before the Christmas holiday, M&S failed to clear unwanted stock to the extent it had hoped for. Over the Christmas period - the six weeks to January 3 - like-for-like sales fell 5.6%. During the longer 13-week period like-for-like sales were down 6%.

Irish consumer sentiment up sharply in December

Irish consumer sentiment rose sharply in December after a surprise drop in November as people's outlook on their job prospects improved, a survey published on Friday showed. The monthly index compiled by IIB Bank and the ESRI climbed to 103.9 in December from 92.6 the previous month, resuming the upward trend of previous months. "We think the message of recent sentiment readings is that consumer sentiment, like the Irish economy as a whole, is on a clearly improving trend," the report's compilers said.

Today's Recommendations

Anglo (€18.90) Split and buyback EGM Stuart Draper

- EGM resolutions : The circular sent to Anglo shareholders ahead of its EGM on 28th January contains some important resolutions. The first is a two for one share split, which is likely to be implemented, even though the bank is not issuing any guidance with regard to its timing in the aftermath of the likely 28th January approval.
- Share buybacks : Another resolution being voted on is for approval to enable Anglo to make purchases of up to 10% of its issued share capital. However, with the bank's loan growth remaining very strong and its shares very expensively rated by the market, major buybacks are very unlikely in 2005.
- Recent results : Anglo recently reported profit before tax and earnings per share of €504.1m and 114.53c respectively, for the year ended 30/09/04, year on year increases of 45% and 47%. Such strong growth was driven by the usual mixture of strong loan growth, stable margins and robust credit quality.
- Provisioning policy : However, excluding the once-off boost from last year's change in the bank's general provisioning policy, the underlying earnings growth would have been 27%. In 2003, Anglo's previous policy of providing 1% of all net loan growth as a general provision was changed to a "zero general provision charge over the next few years."
- Succession risk : Also, given the strong investor relations skills of outgoing CEO, Sean FitzPatrick, investors may this year start to focus on the potential for some succession risk.
- Major premium : Trading at 14.7x consensus 2005 eps of €1.29 and at 5.1x the bank's most recently reported net asset value (NAV) per share of €3.71, Anglo continues to trade at a major premium to its UK and Irish peers. Such a premium would appear to quite fully value Anglo's historical track record of stronger than sector average earnings growth. For example, RBOS (£17.75) is currently trading at 9.4x consensus 2005 eps of £1.88, and at a 2.2x NAV per share of £7.92.
- Switching opportunity : Therefore, we continue to re-iterate our current NEUTRAL recommendation for Anglo Irish Bank, and recommend a SWITCH into RBOS (36% discount) as providing more value at current levels in the European bank sector : NEUTRAL.

Business Press

- Standard Chartered poised for share placing as it prepares for Korea win (FT)
- GM casts doubt on earnings target (FT)
- Sainsbury trading update will put King in spotlight (FT)
- US warned by IMF to act on excessive deficit (IT)

Investment Press— Lex

- Oil Investment: Some challenges are more welcome than others. For oil companies, deciding how to allocate the excess cash generated by high oil prices beats trying to survive with crude at \$10 a barrel. But the growing interest by state-sponsored oil companies in foreign acquisitions lends the problem a new twist.



DOLMEN SECURITIES

Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies.

Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.
45 South Mall, Cork, Ireland.

Tel : +353 1 633 3800
Tel : +353 21 422 2122

Fax : +353 1 677 7044
Fax : +353 21 422 2123

Email : info@dbb.ie
Email : cork@dbb.ie

Dolmen Stockbrokers is a Member of the Irish Stock Exchange, the London Stock Exchange, and is authorised by the IFSRA. Dolmen Stockbrokers is regulated by the IFSRA as a Mortgage Intermediary.