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IRISH PAPERS TODAY

Anglo board considered wind-down of bank - chairman
(The Irish Times)

Banks asked to give names of top 100 developer customers
(The Irish Times)

'Significant number' of lenders ease Smurfit Kappa's credit terms
(Irish Independent)

INTERNATIONAL PAPERS TODAY

US banks to repay \$68bn to Treasury
(Financial Times)

ECB official warns on Europe's banks
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	3.5%	3.6%
BP	0.9%	2.7%
CRH	2.9%	9.1%
DCC	1.8%	47.7%
E.ON	0.6%	-11.8%
HPQ	-1.5%	1.5%
IL&P	-2.7%	139.4%
INM	-1.9%	-37.6%
J&J	0.1%	-6.9%
JPMorgan	-0.4%	11.8%
Microsoft	0.1%	13.6%
Vodafone	1.1%	-17.3%

Market View

Analyst : Edward Keeling

European markets have opened in positive territory this morning as news that Australian consumer confidence increased by the most in 22 years has added further evidence that the worst of the global downturn may be behind us. The sentiment index rose 12.7% from May reflecting better than expected first quarter GDP. Australia's economy expanded by 0.4% in the first quarter, ahead of economists' forecasts for a 0.2% contraction. Investor sentiment was further boosted yesterday by the news that JPMorgan, Goldman Sachs and eight other US banks won clearance to repay \$68bn in taxpayer money. While the fundamental assumptions behind the stress tests may be questionable, one cannot argue with the results. The cleared banks have been able to raise money on their own from the private sector both by selling stock and by issuing debt without the help of the Federal Deposit Insurance guarantees. Among all this positive sentiment however, we do note that the US 30 year mortgage rate has reached its highest level this year the increasing yield on US ten year notes. It has risen 135 basis points since the Fed began its Treasury buying programme in March. Looking ahead to today's session, we will be close attention to the US trade balance figures at 13:00 and the Fed beige book release at 19:00.

Tesco : Buy **Current Price (366p)** **Price target (400p)** **Analyst : Stephen Taylor**

Europe's largest clothing retailer, Inditex, reported a 16% drop in net income to €184m in the three months through April. The result was slightly below market expectations of €186m. Revenue increased by 5.4% to €2.34bn after the group added more than 400 new outlets compared with a year earlier. The economic back drop in its largest market, Spain, which accounts for about 30% of group revenue continues to remain difficult and is likely to remain so for the foreseeable future. The group is however increasing its geographic diversity and reiterated its investment program for the year that includes adding 370 to 450 stores this year with 95% of these outside of Spain. Capital spending for the year is expected to be €600m. We view Inditex's results this morning as a positive, given the current economic environment. Tesco remains our preferred pick in the sector given its diversified product offering from food to electronics, while its expansion into emerging markets is also consolidating profitability. We also believe that Tesco's Personal Finance division could be a major source of growth over the next number of years as customers will have trust in its brand, where many other banks reputations have been tarnished over the last number of years. Tesco is due to issue an interim management statement on June 16th.

Microsoft : Buy **Current Price (\$22.46)** **Price target (\$24)** **Analyst : Stephen Taylor**

Yesterday, ComScore Inc. reported that Microsoft's new Bing search engine increased its market share in the US search engine market to 11.1% from 9.1% in the previous week. Average daily penetration among searchers, a measure of how many people are being reached by the product increased to 15.5% from 13.8%. Microsoft has launched an extensive advertising campaign for Bing in an attempt to compete with Google. ComScore pointed out that overall the data showed a substantial improvement in Microsoft's position in the search market. We take ComScore's comments as a positive for the company and reiterate our buy rating on the stock. We believe that over the long-term, shares in Microsoft offer compelling value. We expect earnings growth for the company to return next year as the company benefits from new product offerings including Windows 7 and Office 2010. Microsoft is due to reported fiscal fourth quarter earnings on 23rd July

British Airways : Sell **Current Price (148p)** **Price target (120p)** **Analyst : David Dunk**

British Airways has begun four days of discussions with unions in relation to reducing cabin-crew numbers by about 2,000, from 14,000. The company has given 30th of June as a deadline for an agreement to be reached. Management has said that they are confident that they will reach an agreement with unions, and that terminations wont be necessary. Nevertheless, the risk of industrial action stemming from these talks is high, and management is reportedly developing contingency plans, in case of strike action. Separately, airport operator, BAA, has released its traffic figures for May. Overall UK passengers fell 7.3% last month, with Stansted reporting an 18.5% fall in traffic. Traffic numbers at Gatwick declined by 6.5%, with Heathrow and Edinburgh reporting declines of 3.9% and 1.4% respectively.

Bord Gais : Bond Issuance

Analyst : David Dunk

Bord Gais yesterday issued a bond, for the first time in the semi-state body's history. The issue, originally expected to hit the market last week, was postponed until yesterday. Bord Gais is expected to raise approximately €1.7bn for capital expenditure through debt markets this year. The issue was €550m in size, paying a fixed coupon of 5.75%, with a maturity in June 2014. The issue is expected to receive an A2 rating from Moody's and A- from S&P. The offer was well received by the market, with orders in excess of €1.5bn in total. The issue is currently trading well in the secondary market at about 101.50, with a 5.4% yield to maturity. Given the downgrade by S&P on Monday of Irish Government debt, appetite may have been larger if the bond had been issued last week.

Bank of Ireland

Neutral

Current Price : €2.05

Price Target : €1.50



DOLMEN STOCKBROKERS

Analyst: **Oliver Gilvarry**

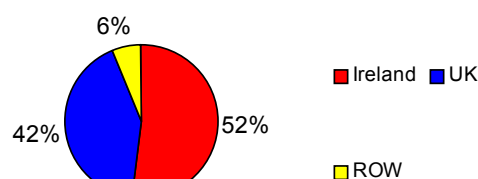
Wednesday 15th April 2009

- In its recent full year results, BOI reported an underlying pre-tax profit of €332m, a fall of 81% on the previous year. Profit before tax was lower in all divisions with Bank of Ireland Life profits declining by 129% and ROI Retail down 97%. In line with expectations pre-provision profits of the group only declined by 5% in the period to €1.88bn. Net Interest Margins (NIM) increased during the year by 8bps to 1.74%, as the bank passed on higher margins to customers especially in the UK and due to the balance sheet structure. The increased cost of deposits took 7bps from NIM and higher wholesale funding costs took 4bps. The cost income ratio increased by 1% to 52% which is disappointing as the group has reduced staff numbers by 5% and reduced variable staff payments.
- On future impairments management are now guiding a level of €6bn for the 3-years to March 2011, which was previously their stress case. In the results it was stated "downside risk to this estimate arises in the event of even further deterioration in economic conditions or further prolonged low levels of activity in residential and commercial property markets." Management have guided challenged loans, loans that are impaired and other loans that are subject to increased credit scrutiny, have increased from €4.1bn at the end of March 08 to €15.7bn in March 2009 or 11.7% of the loan book. The majority of the impairments relate to Property & Construction with Small and Medium size businesses (SME) the other big contributor.
- As part of the process to re-build its capital base, BOI announced a buy-back of its hybrid debt at discounts to their face value. The result of this tender process was released last week with €1.262bn of bonds to be bought back at prices between 38 and 50% of face value. Two additional hybrid debt issues are currently in the process of being tendered for and these amount to \$600m notional and if the full amount is bought back, the gain to equity for the group will be circa €1bn.
- A drag on the company over the last number of months has been its exposure to the UK economy and specifically its UK mortgage book. This equates to 23% of group loans and includes residential mortgages plus buy-to-let and self certified mortgages. The recent improvements in UK housing data suggest that the rate of deterioration in the UK housing market seems to have stabilised. Unlike the Irish market, the UK's level of house building was much lower and a shortage of good quality homes still exists. This fact will help the market recover sooner and should help reduce the level of loan losses, BOI will suffer in the UK. The mortgage book in the UK also provides funding to the group through the use of securitisations of parts of the loan book with the Bank of England.
- On credit quality in Ireland we believe the falls in property prices will continue during the year and the effect of tax increases and higher unemployment will result in higher impairment charges on the Irish mortgages and personal loan portfolios. The slowdown in economic growth will also lead to more business failures and add to impairments in the SME loan books. Despite the lower impairment charges we expect on the UK mortgage book, losses on the Irish portfolio will offset this and we are increasing our estimate for impairments to €6.8bn from 2008 to 2011, higher than current guidance from the bank.
- From recent conversations with senior management in BOI, we believe the group will have first mover advantage on NAMA as it seems the bank has organised its loan portfolio to move whatever assets the government wish to move into NAMA quickly. The details of the haircut and the timing of the set-up of NAMA are still uncertain, but we believe the legislation will be in place by July. On the haircut to be applied to the transfer of assets, the level will be dependent on the amount of losses the bank can take without requiring significant capital injection by the government. On our analysis such a haircut for BOI is 20% based on a transfer of €15.9bn of property loans.
- Based on our analysis we estimate Tangible Net Asset Value (TNAV) at €1.45 in FY2011 for BOI. This is based on a haircut of 20% on the €15.9bn of assets to be transferred into NAMA and assuming €1.5bn of new ordinary equity is raised to ensure equity tier 1 remains above 6% over a two year period. With the group now trading at almost 1.3x 2011 TNAV, we believe the stock is overvalued. While the uncertainties over NAMA's final form and current political situation are taken into account, we do not believe such a premium is justified.
- While the short-term outlook is uncertain for the group we believe the bank is in a stronger position than AIB due to having senior management in place (and according press reports the likely appointment of former CEO Pat Molloy to group chairman), completing a successful buyback of its hybrid debt by paying cash for the debt. We also believe it will benefit from first mover advantage with the introduction of NAMA and will have a lower level of government equity holding than its peer. For longer term holders, a level below €1.50 does provide value in BOI, but given the recent rally in the share we recommend clients to reduce their exposure at current levels due to the uncertainties facing the group. Should share price pull back below its 2011 TNAV, we believe this provides an attractive entry level to long-term holders as we believe NAMA may be equity friendly but it will be a number of months before this clarified for certain.

Descriptive Stats		Shareholders	
Year to date	130.22%	Harris Associates	7.92%
52 Week High	7.20	Bank of Ireland Asset	3.06%
52 Week Low	0.12	Capital Research	1.62%
Reuters	BKIR.I	Charles Schwab	0.36%
Bloomberg	BKIR ID	Threadneedle Inv.	0.32%

	FY08	FY09e	FY10e
Revenue €m	3,957	3,846	3,803
Pre Tax profit	332	-1,534	-740
EPS €	0.30	-1.33	-0.58
DPS	0.00	0.00	0.00
Div Yield	0.00%	0.00%	0.00%

Full Year Segmental Revenue Breakdown





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,896	1.0%	25.3%
FTSE	4,405	0.0%	0.8%
Dow Jones	8,763	0.0%	-0.2%
S&P	942	0.4%	4.3%
Nikkei	9,991	2.1%	12.8%
Stoxx 50	2,479	0.4%	2.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	219	0.1%	8.9%
Technology	175	1.8%	15.6%
Oil & Gas	306	0.8%	17.2%
Financials	182	0.6%	22.6%
Retail	211	-0.3%	16.8%
Food & Drink	234	0.7%	1.8%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	70.0	2.8%	30.9%
Copper	236.6	5.0%	66.2%
Gold	954.8	0.3%	8.8%
Silver	15.1	1.2%	35.0%
Wheat	613.8	2.6%	-3.3%
Cattle	81.7	1.4%	-4.6%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.407	1.2%	0.8%
€/£	0.863	-0.4%	-11.0%
£/\$	1.631	1.6%	10.6%
\$/JPY	97.39	-1.1%	7.1%
€/JPY	136.97	0.1%	7.9%
€/SFR	1.517	0.0%	1.5%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	122.3	-6.3%	-32.5%
High Yield	782.4	-6.0%	-24.8%
Financials	106.7	0.3%	-11.0%
BoI	340.6	5.4%	31.1%
AIB	348.0	6.5%	60.7%
RBS	170.2	-0.9%	28.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.4%	0.3%
3-Month	1.3%	1.3%	0.7%
1-Year	1.6%	1.5%	1.1%
2-Year	2.0%	2.4%	1.8%
5-Year	3.1%	3.7%	3.4%
10-Year	3.8%	4.2%	4.2%

Date	Company	Region	Event
10/06/2009	ESI Group SA	FR	Q1 SALES
10/06/2009	Home Retail Group plc	GB	TRADE
10/06/2009	Premier Farnell plc	GB	Q1
10/06/2009	France Telecom SA	FR	S/HOLDERS
10/06/2009	National Semiconductor	US	Q4
10/06/2009	Del Monte Foods	US	Q4
11/06/2009	Independent News & M	IE	S/HOLDERS
15/06/2009	Volvo AB	SE	TRAFFIC
16/06/2009	Aeroports de Paris SA	FR	TRAFFIC
16/06/2009	Halma PLC	GB	PRELIM
16/06/2009	Ted Baker PLC	GB	TRADE
16/06/2009	Whitbread PLC	GB	TRADE
16/06/2009	Best Buy Co., Inc.	US	Q1
16/06/2009	Adobe Systems	US	Q2
17/06/2009	J Sainsbury PLC	GB	TRADE
17/06/2009	Assura Group Ltd	GB	PRELIM
17/06/2009	WS Atkins PLC	GB	PRELIM
17/06/2009	FedEx	US	Q4
17/06/2009	ArcelorMittal SA	LU	INVESTOR
18/06/2009	Arcandor AG	DE	Q2
18/06/2009	Cadbury PLC	GB	TRADE
18/06/2009	Go-Ahead Group PLC	GB	TRADE

Date	Event	Region	Estimate
10/06/2009	Consumer Price Index (MoM)	GE	--
10/06/2009	CPI - EU Harmonised (MoM)	GE	--
10/06/2009	Total Trade Balance (GBP/MUK)		--
10/06/2009	Industrial Production (MoM)	UK	--
10/06/2009	MBA Mortgage Applications	US	--
10/06/2009	Trade Balance	US	-\$28.7B
10/06/2009	Monthly Budget Statement	US	-\$175.0B
10/06/2009	Fed's Beige Book	US	--
11/06/2009	ECB June Monthly Report	EC	--
11/06/2009	Advance Retail Sales	US	0.20%
11/06/2009	Initial Jobless Claims	US	--
11/06/2009	Business Inventories	US	-1.00%
12/06/2009	Euro-Zone Ind. Prod. sa (Mo)	EC	--
12/06/2009	Import Price Index (MoM)	US	1.00%
12/06/2009	U. of Michigan Confidence	US	68.6
15/06/2009	Eurozone Employment (QoQ)	EC	--
15/06/2009	Empire Manufacturing	US	--
15/06/2009	Total Net TIC Flows	US	--
15/06/2009	NAHB Housing Market Index	US	--
16/06/2009	BOJ Target Rate	JN	--
16/06/2009	CPI (MoM)	UK	--
16/06/2009	RPI (MoM)	UK	--

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Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie