



DAILY COMPANY NOTE - Bank of Ireland See page 2 for full details

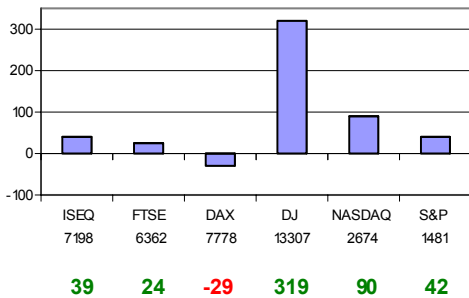
Daily Market Comment

Yesterday's Summary : DCC was the main talking point with the Supreme Court ordering it to pay all the costs of the case taken against it by Fyffes. The legal costs are expected to be around €15m. The case will now go back to the High Court to determine what compensation is due to Fyffes for the consequences of the unlawful dealing by DCC. DCC recently put aside €50m to cover the costs of compensation.

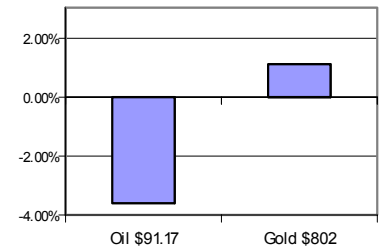
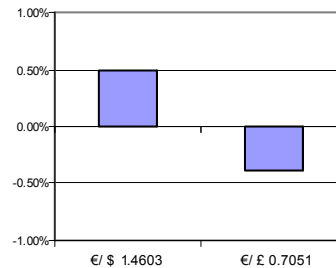
Overnight News : Stock markets across Asia rallied last night buoyed by Wall Street's bounce overnight after reassuring news from Goldman Sachs and Wal-Mart Stores eased concerns about the credit crisis and the economy.

Breaking News : Land Securities reported it plans to demerge into three separately quoted companies which will reflect its three main business streams. The group also revealed that its interim pretax profit fell to £375.2m from £1.2bn previously, while adjusted NAV per share increased 2.55% to £22.36. Sainsbury's announced a 27% jump in H1 profits and said it had formed a joint venture to develop its property potential. Underlying pretax profit of £240m was up from £189m at the same stage last year.

Equity Index's change on day



Currency daily % change Oil/Gold daily % change



Paper Headlines

- "Vodafone set for expansion with €80m Perlico deal " - **Vodafone** - (Irish Independent)
- "Rock faces years of debt " - **Northern Rock** - (Financial Times)
- "Northern Foods' appetite returns " - **Northern Foods** - (Financial Times)
- "Wal-Mart lifted by improved US stores " - **Wal-Mart** - (Financial Times)

Market Themes and Movers

Inflation risks lingering in the US : Federal Reserve Bank of Dallas President Richard Fisher commented yesterday that while the Fed remains 'ready to act if needed' in response to credit markets, the economy will probably keep growing and inflation risks are rising. Recall that Fed Chairman Ben Bernanke said last week that inflation and growth risks are 'roughly' balanced. Today will be key for the interest rate outlook with Producer Price inflation data due for October in the US with analysts expecting a rise of 0.3%. The equity market will be hoping for a more benign number to materialise if the Fed is to reduce interest rates again when in meets in December. The market is currently expecting a further 25 basis point interest rate cut from the Fed this year.

Oil snaps two day losing streak : Crude oil was 1% higher this morning at \$92 a barrel after falling 6% over the previous two days of trading. US crude oil supplies have fallen by 10 million barrels in the three weeks ending November 2 and expectations are that inventories probably fell a further 750,000 barrels last week ahead of tomorrow's weekly inventory report from the US Energy Department. Meanwhile, OPEC said yesterday that it is 'not happy' with the current high oil price. OPEC is due to discuss Oil production quotas when in meets in Abu Dubai on December 5.

European economic growth remains resilient : Economic growth in Europe for the third quarter increased by more than economists had expected as corporate investment rebounded from a decline in the previous three months. GDP growth rose by 0.7% from the second quarter beating economist expectations of 0.6% and representing year on year growth of 2.6%.

Dolmen Squawk Box

Ireland's central bank governor John Hurley announced this morning that Irish banks have no significant exposure to the US sub-prime and that Irish banks had one of the lowest rates of non-performing loans in the EU. His comments failed to give the sector a lift with all the banks trading down over 4% this morning on the back of Bol's results.



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Bank of Ireland

Target (issued 14/11/07) **€14**
Previous (issued 16/11/06) **€17.50**
Current **€9.95**
ISEQ
Financial
Company Profile

Bank of Ireland provides a range of banking, life insurance and other financial services to customers in Ireland & UK. Services include branch banking, personal and business loans, loan insurance, mortgages, foreign exchange, correspondent banking and credit cards.

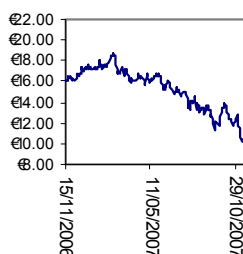
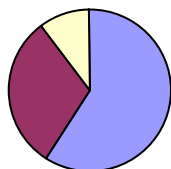
Results announced : This morning, Bank of Ireland (BOI) announced its results for the 6 months ended 30/09/07. Profit before tax and earnings per share of €951m and 80.1c respectively were largely in line with consensus forecasts of €960m and 80c, and were year on year increases of 12% and 10%, driven by customer loan growth of 14%, offset by 0.04% margin erosion and a 0.03% increase in the bad debts charge. The H1 dividend was increased by 15% to 24.2c, going ex next Wednesday, 21st November.

Guidance lowered : The current year earnings guidance was lowered from "low double digit" to "high single digit" as a result of the expectation that the higher group funding costs and lower Irish economic growth of recent months will continue for the remainder of the group's financial year. This would reduce our current year eps forecast by 3% from €1.60 to €1.55. The group's current expectation is that a more normal funding environment will return by the time of its full year results' announcement in May 2008, at which stage clearer guidance is likely to be issued in relation to forward earnings.

Margin stabilising : The group's underlying net interest margin only fell by 0.04% year on year to 1.64%, as a 0.02% liability spread benefit offset 0.04% margin erosion from competition and 0.02% margin erosion from stronger loan than deposit growth. Even though it was stated that further margin erosion of 0.03% (c.€50m profit before tax impact) could be expected if current credit market conditions still persisted then, the margin erosion from competition and stronger loan than deposit growth will be lower in such circumstances.

Credit quality : Even though the bad debts charge increased by 0.03% to 0.12%, this is still below the group's average over the last 5 years of 0.13%, and very strong by international and historic standards. It was confirmed that the bank has an indirect exposure of only c.€10m to US sub prime mortgages and an immaterial SIV exposure also. The €400m of Tier 1 capital recently raised helped increase the bank's Tier 1 ratio to 8% and its equity Tier 1 ratio to 5.3%, with the cost income ratio improving by 2% year on year to 51%.

Major upside : BOI's current funding position remains strong, with c.80% of its customer loans funded by customer deposits and term funding with a maturity profile of greater than one year. It has continued to maintain a 'significant' liquidity buffer over and above regulatory requirements through the recent market volatility. Our new 12 month price target of €14 (40% upside) takes account of this morning's lower earnings growth guidance and is based on 9x current year eps of €1.55. The shares will also pay a dividend yield of c.6.8% for waiting for this upside to be achieved.

Statistics
Price Performance

Profit by Region


- Ireland 59%
- UK 3%
- RoW 10%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 07	P/E 08	EPS Growth 07-08
BoI Asset Mgt	4.95%	Bank of Ireland	6.4	6.2	3.22%
Harris Associates	3.05%	Allied Irish Bank	7.49	6.98	7.28%
Capital research	3.01%	Anglo Irish Bank	8.1	7.0	15.50%
UBS Global Asset Mg	1.57%				

Shares Outstanding 990.69m

Share Data	Financial Data	2006a	2007e	2008e
Current Price (€)	Revenue (€m)	3,495	4,206	4,607
Mkt Cap (€m)	PBT (€m)	1,700	1,914	2,087
Reuters	EPS (€)	1.47	1.55	1.60
Bloomberg	P/E(x)	6.8	6.4	6.2
Sector	DPS(€)	0.60	0.68	0.75
CEO	Yield	6.07%	6.83%	7.58%
Chairman				
Website				





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