



Thursday 14th August 2008

DAILY COMPANY NOTE — Anglo Irish Bank See page 2 for full details

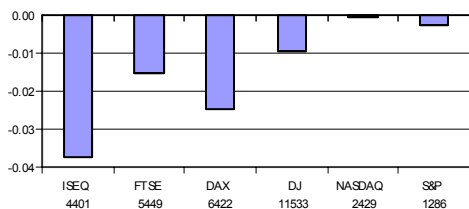
Daily Market Comment

Yesterday's Summary : The ISEQ finished 3.71% lower at 4,401.01 amid a weaker than expected UK unemployment report and the Bank of England's guidance that UK inflation may hit 5% before beginning to slow. The financials all had a poor performance as Bank of Ireland dropped 6.2% to €5.72, AIB shed 3.7% to €8.53 and Anglo Irish Bank, despite a relatively positive interim management statement, shed 2.8% €5.85. Conversely, food stocks had positive day with Kerry Group gaining 2.9% to €19.85, Glanbia adding 3% to €4.07 and IAWS advancing 1% to €16. CRH reversing some of its recent gains, fell 5% to €17.93.

Overnight News: US stocks fell Wednesday as worries about financial companies persisted, oil prices rebounded and the government reported a drop in retail sales. The Dow Jones declined 0.9% to 11,532.96, the Standard's & Poor 500 index lost 0.3% to 1,285.83, while the tech-focused Nasdaq composite index fell 0.1%, to 2,428.62. Bank of America closed 7.3% lower at \$28.86.

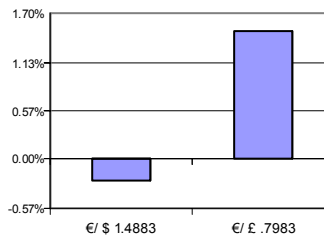
Breaking News : British Land have reported a 10% decline in net asset value for the first quarter ended June 30 to 1212p, citing weak financial markets and the economic slowdown. Underlying earnings per share rose 8% on the quarter to 14p boosting the quarterly dividend to 9.38p per share, a 7% increase from their previous quarter. Sales were contracted totaling £669m, including the £400m sale of the Willis Building in London. Bellway, the UK house builder, has said it completed the sale of 6,556 homes in the 12 months to July 31, after 7,638 homes a year earlier. The average selling price of these homes fell from £173,300 to about £169,000, primarily as 20% of the completions were to housing associations, which typically pay less. The European Union's statistics office has said that the euro zone economy shrank by 0.2% quarter on quarter in the April-June period.

Equity Indices change on day

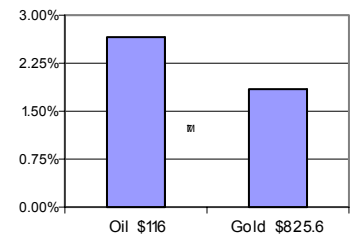


-3.71% -1.55% -2.49% -0.94% -0.08% -0.29%

Currency daily % change



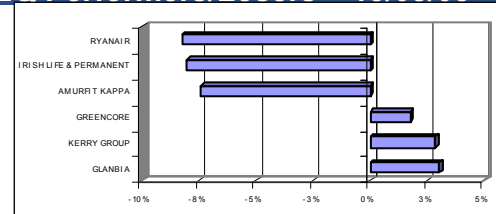
Oil/Gold daily % change



News

- "Anglo Irish shares fall nearly 3% despite growth"-**Anglo Irish Bank**-(Irish Times)
- "**Royal Bank of Scotland** has setback in selling business"-(The Irish Times)
- "Bank of England forecasts economic stagnation and falling inflation"-(I.T)
- "Downbeat forecast knocks 7% off **Kingspan** shares"-(Irish Independent)
- "**HBOS** to axe 425 jobs and halt new mortgages at TMB division"-(F.T)

ISEQ Performers/Losers 13/08/08



Market Themes and Movers

Oil back above \$117: Oil jumped \$3 yesterday, closing at \$116, following a bullish inventory figure, and is trading just above the \$117 this morning. Crude Inventories decreased on the week by 316,000 barrels versus an expected build of 300,000 barrels. Gasoline continued its trend of declining inventories with draws of 6.4 million barrels against an expected draw of 2.2 million barrels. Additional bullish factors weighing on energy markets have been an increase in the risk premium following the Russian/Georgian hostilities. Although the market initially ignored the conflict, there is concern that Russia may become increasingly aggressive towards its neighbors. Also Iran's OPEC governor has suggested that the recent downtrend suggests the market is over-supplied and production should be reduced. Overall it may just be a case of profit taking, oil prices have dropped very sharply in a short period of time, and if oil were to continue downwards a pullback would not be unusual.



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Anglo Irish Bank

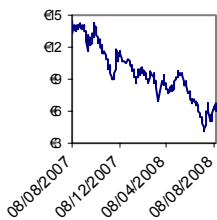
ISEQ
Bank
Company Profile

The Group's principal activity is providing banking services. The Group's three core areas are Business Lending, Treasury and Wealth Management. Business lending focuses on lending primarily to proven operators on transactions that are supported by secure cash flows and strong collateral. Products and services include corporate lending, commercial mortgages and asset finance.

Fundamental View: Anglo Irish Bank released a management statement relating to the second half of their financial year prior to their year end on the 30th of September. Management re-stated their guidance for a 15% growth in EPS to €1.51 for 2008 with loan growth of 15% for the year and net interest margin to remain stable year on year. On asset quality the level of impairments for 2008 will be between 13 & 18bps compared to 10bps for the first half of the year and 11bps for the previous full year. A large amount of concern has been raised over the level of exposure to property with 87% of the portfolio weighted towards construction and property compared to 37% and 26% for AIB and BOI respectively. The statement highlighted the strengths of the client base due to their experienced and well capitalised clients plus the secured nature of the lending. On the Commercial book (~25% of the loan book) management have seen no significant increase in impaired loans. Similar to other Irish Banks, the residential development portfolio (~7% of the loan book) represents "the principal risk to future impairment" and Anglo is monitoring the portfolio carefully.

Funding for Anglo is strong with 62% of the loan book funded by customer deposits and the bank has accessed capital markets for longer term funding during the year. On capital ratios, core tier 1 should be just under 6% at Sept 30th 2008 and management guided the figure will be in excess of 6.5% in the next period without recourse to any extra capital raising. Management have also guided that retained earnings this year will be circa €1Bn and this will add roughly €1 to Tangible Net Asset Value per share (tNAV) resulting in a tNAV of €6.30 for FY2008.

Next catalyst: While management stated that lending quality remains robust, the level of impairments have increased from the 10bps to March of this year to an expected range of between 13 to 18bps for the full year. At the higher end of this range, it is almost double the half year figure indicating credit quality is deteriorating as the year progresses. On funding, Anglo has circa €5.8Bn or 17% of wholesale funding maturing in 2009. This will be replaced at higher levels than previously obtained the management stated the cost of deposits has increased due to increased competition. Added to this, loan growth of 15% in 2008 will not be repeated in 2009; with management stating it will restrict new lending and will focus on management of asset quality and growing the capital base. With loan growth in 08/09 of circa 5% at most, the higher input costs from more expensive deposit and wholesale funding will reduce net interest margin as the level of newer loans coming onto the book at higher margins will be limited.

Statistics
Price Performance


It is still difficult to obtain a view on where impairments will go in 2009 and 2010, but I believe Anglo is in a strong position to weather the effects. The cost:income ratio of 19% plus the large percentage of funding sourced from customer deposits are strengths for Anglo. Added to this is the secured nature of Anglo's lending with their policy of tasking first legal charges on loan plus cross security taken on other assets.

Due to the poor visibility on earnings looking forward, as with other Irish banks I am using multiples to tNAV. In the case of Anglo despite the lack of diversification in their portfolio and exposure to retail and commercial property in the book I use a multiple of 1.2x. The strong management, the low cost base and strong capital base justifies such a multiple. Using the estimated tNAV at Sept 08 of €6.30, this will give a 12-month price target of €7.60.

Chart view: Anglo Irish Bank

Primary Support: 4.91
 Secondary Support: 3.90
 Primary Resistance: 7.02
 Secondary Resistance: 9.78

Stock recently bounced off its short term uptrend. Expect to see further positive price action with the stock likely to test trendline support at 7.44. A break of this level would suggest a rally to key medium term resistance at 9.78.

Revenue by Division


- Business Lending 49%
- Treasury & Asset Mgt. 46%
- Wealth Management 5%

Major Shareholders	%	Peer Group Multiples.			
Invesco	7.01%	Company name	P/E 08	P/E 09	EPS Growth 08-09
AIM Trimark Invnt.	3.74%	Anglo Irish Bank	3.9	4.7	-16.56%
Janus Capital Mgt.	3.29%	AIB	3.6	4.3	-15.06%
Schroder Invnt. Mgt.	1.85%	Bank of Ireland	4.8	3.9	23.08%
Fidelity Mgt. & Research	1.62%				
Shares Outstanding	760.12m				

Share Data	Financial Data	2007	2008e	2009e
Current Price (€)	PBT (€m)	1,243	1,441	1,419
Mkt Cap (€m)	EPS (€)	1.34	1.51	1.26
Reuters	P/E(x)	9.70	3.90	4.67
Bloomberg	DPS (€)	0.19	0.23	0.19
Sector	Dividend Yield	1.46%	3.90%	3.23%
CEO				
Chairman				
Website				





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