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IRISH PAPERS TODAY

State takes over Anglo Irish Bank

(Irish Independent)

Oil prices fall 5% on economy fears

(Irish Times)

Apple chief's health prompts shareholder fears

(Irish Times)

UK PAPERS TODAY

Distressed asset indices fall sharply

(FT)

Ban on short-selling lifted

(The Independent)

BofA gets a \$138bn life loan from US

(Daily Telegraph)

DOLMEN DOZEN

| Company | 1-day % | YTD % |
|-------------|---------|--------|
| Aryzta | -0.4% | -8.0% |
| BP | -0.8% | -5.9% |
| CRH | 1.2% | 0.8% |
| E.On | -2.8% | -8.2% |
| HP | 1.0% | -1.5% |
| IL&P | 3.2% | 45.2% |
| INM | 0.0% | -11.9% |
| J&J | -0.5% | -3.7% |
| JPMorgan | -6.1% | -18.5% |
| Microsoft | 0.8% | -1.0% |
| Paddy Power | -0.4% | -15.8% |
| Vodafone | -2.9% | -4.1% |

Market View

Analyst : Stephen Taylor

Financials led equity markets lower again yesterday as concern around Bank of America and Citigroup intensified. Last night the US government agreed to invest a further \$20bn into Bank of America to help it absorb its recent acquisition of Merrill Lynch. Closer to home the nationalisation of Anglo Irish Bank is clearly a negative for the other Irish banks. It is becoming clearer by the day that financials throughout the world are in need of more capital and we expect further government bailouts to take place. In relation to equity indices, taking the FTSE as our benchmark index we have broken through the critical technical level of 4,200 and we look to be heading back to our November lows. Unless earnings season provides some positive surprises or there is an Obama led rally when he takes office in the White House on January 20th there is little in the way to stop the market from further declines. On the positive side our short calls continue to perform well with BMW, Thomson Reuters and Wolseley falling by a further 3% each yesterday. As for today, the main event will be Citigroup's 4Q results which are due to be released before the US market opens at 11am. Keep your hard hat on for this one because it won't be pretty! We have previewed the results below.

Anglo Irish Bank

Analyst : Oliver Gilvarry

Last night, the Irish Government nationalised Anglo Irish Bank (Anglo) in order for the government to safeguard the Irish financial system and the deposits of the bank. In the statement released by the Department of Finance, it commented the funding position of Anglo had weakened and the unacceptable practises disclosed before Christmas forced the nationalisation.

For existing shareholders, some form of compensation will be provided, but this will be determined by a state appointed assessor. The assessor will value the bank and determine what a fair value to compensate shareholders is, but the amount and the date of payment are uncertain. The Minister for Finance did state that clients of Anglo with large loans outstanding and holding Anglo shares will not receive any compensation for their shares directly as it will be used to repay part of their outstanding debt.

In relation to deposit holders, their position is no different than before the nationalisation, as their deposits were guaranteed by the Irish Government. Dated senior and sub-ordinated bond issues are in a similar position and the government have confirmed Anglo will continue to service its obligations and repay its debts at maturity.

For the state finances, the nationalisation will put further pressure on the Irish government and could potentially increase the amount of debt issuance it will undertake this year. Yields on Irish debt have increased this morning increasing the cost of further debt issuance and the bail-out of Anglo will add to the risk, of the Irish credit rating been downgraded from its AAA rating.

The implications for the other Irish banks are significant with AIB and BOI falling in early trades this morning. With the state appointed assessor potentially writing down the value of loans in Anglo, similar types of loans in the other Irish banks, would in that situation, also have to be marked-down.

Irish Life and Permanent has performed better due to its lack of exposure to the type of loans Anglo was involved in and it is still our preferred Irish financial.

Citigroup

Analyst : Oliver Gilvarry

Citigroup will release Q4 and full year earnings at 11am. EPS is estimated to fall to (\$1.00) in Q4 driven mainly by mark-to-market losses and larger loan loss reserves. The increase in loan loss reserves by \$5bn will decrease EPS by \$0.60. With regard to capital, Tier 1 will have increased in Q4 due to the sale of assets and the capital injections from the US Government. At the end of Q4, Tier 1 will be 14.5%, but Tangible Common Equity (TCE) will fall to circa 2% compared to 3.8% in JPM. With a large level of uncertainty over these results, there is also the possibility of some form of announcement on capital injections and/or the break-up of the bank, which has been speculated in the market over the last number of days.

European Central Bank

Analyst : Stephen Taylor

As expected the European Central Bank (ECB) lowered interest rates yesterday by 0.50% to 2.00% and is now in line with its all time low. On the conference call ECB president Jean Claude Trichet indicated that the governing council will likely wait until its March meeting (05/03/09) when it will have revised growth and inflation forecasts before deciding on further rate cuts. Trichet indicated that the governing council is reluctant to keep up the current pace of interest-rate cuts as risks to inflation remain broadly balanced in line with its definition of price stability and that it does not want to find itself in a 'liquidity trap'. While the primary mandate for the ECB is inflation we believe that in the current environment they are continuing to remain overly concerned with inflation. Data in Europe has deteriorated significantly over the last few months in particular the most recent industrial production figures on Tuesday which showed a 7.7% decline for the month of November. We expect economic data across Europe to weaken further over the next few months and as a result we expect interest rates in the Euro-Zone to fall to at least to 1.50% by June.

C&C : Buy Current Price (€1.10) Price target (€2.10) Analyst : David Dunk

C&C has released an interim management statement this morning. As expected, operational performance was poor, with a revenue decline in the three months to November of 13%. The company stated that performance was affected by very weak consumer demand, declining price yield, and strong competition. Seasonally weak December saw further margin pressures, this is likely to continue into January and February. The company are guiding for €90 of operating profit, for the full year ending February 2009. C&C's net debt declined by €37m over the period, to €216m. C&C's pension deficit currently stands at €60m, and the company will likely inject €20-25m before year end. We continue to see strong value in C&C, however operational performance is likely remain under pressure in the near future.

JPMorgan

Buy

Current Price : \$26.00

Price Target : \$40.00



DOLMEN STOCKBROKERS

Analyst: Oliver Gilvarry

- Earnings surprise** : JP Morgan (JPM) released Q4 results yesterday that were better than market expectations. EPS had been expected between a range of \$0.01c to (\$0.20), but came in at \$0.07. These results were improved by \$0.68 of gains related to merger items and the sale of Paymentech. While these exceptional items flattered the results, items such as write-downs on leveraged lending, mortgage exposures and private equity totalled -\$0.46 per share.

| Descriptive Stats | | Shareholders | |
|-------------------|---------|--------------|-------|
| Year to date | -18.50% | Barclays | 4.13% |
| 52 Week High | \$50.63 | State Street | 4.04% |
| 52 Week Low | \$19.69 | Fidelity | 3.81% |
| Bloomberg | JPM US | Axa | 3.55% |
| Reuters | JPM.n | Vanguard | 3.06% |

- Loan loss** : JPM has also increased its loan loss reserve significantly to \$4.1bn compared to the expected \$2.4bn, bringing its reserve/loan ratio to 3.16%. The pressure on the US consumer is evident in these results with JPM guiding Net Charge Offs (NCO) for their Credit Card division to reach 7% in Q109 compared to 5.56% in Q4 and may end the year at 8%. Overall the bank has NCO of 2.2%, with subprime mortgages and autos the main contributors. Similar to peers, Morgan Stanley and Goldman Sachs, JPM's investment bank performed poorly, with \$2.3bn of losses being recorded due to poor fixed income and equity trading results. The lack of M&A activity also put pressure on profitability in the division.

| | FY08 | FY09 | FY10 |
|------------------------|-------|-------|-------|
| Revenue (\$m) | 69220 | 86568 | 93725 |
| Operating Profit (\$m) | 4290 | 17139 | 31892 |
| Net Income (\$m) | 4072 | 9434 | 15756 |
| EPS (\$) | 1.25 | 2.29 | 3.5 |
| DPS (\$) | 1.52 | 1.52 | 1.52 |
| P/E | 17.1 | 11.4 | 7.4 |
| Div Yield | 5.85% | 5.85% | 5.85% |

- Acquisitions** : Looking to the future for JPM, the WaMu purchase has helped to increase the geographic footprint of the group and as with Bear Stearns added earnings to the group. These purchased earnings will add \$0.70-\$1.00 to EPS and in turn add to retained earnings.

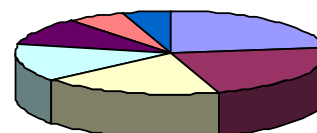
| Peer Analysis | P/E 08 | P/E 09 | Div Yield |
|-----------------|--------|--------|-----------|
| JPMorgan | 17.1 | 11.4 | 5.85% |
| Wells Fargo | 9.5 | 10.3 | n/a |
| Bank of America | 7.1 | 7.1 | n/a |
| Morgan Stanley | 10.7 | 7.1 | n/a |

- Asset quality** : JPM is positioning its book to manage the current credit conditions. Its aim is to focus on higher quality mortgage related activities and scaling back on more risky home loan products. This can be seen in the 77% fall in home equity loans and 60% decline in alt-A/subprime mortgages. With competitors consolidating or struggling, JPM has increased its share of the mortgage market to 13.6%. Asset quality in the loan book is key to the future performance of JPM. The profile of the loan book is not as risky as its peers and the strong capital position of the group will enable it to manage the increased bad debts that will occur from corporate failures and increased unemployment levels in the US.

- Capital** : As with all banks, capital has been an issue for JP Morgan. In the recent results Tier 1 capital in Q4 was 10.8%, higher than expected by analysts. The key ratio, JPM focus on is Tangible Common Equity (TCE) and this ratio was at the higher end of estimates at 3.8%. Another metric used as an indicator of leverage is TCE/RWA. On this metric, JPM performance improved to 7.9% from 7.8% in the previous quarter. Both of these measures of capital are better than its peers, with TCE/RWA at 4.3% and 3.2% in Citibank and Wells Fargo respectively.

- Buy rating** : JPM results were not as bad as feared by some market commentators and they indicate the capital position within the bank remains strong and are significantly better than its peers. Based on the results yesterday book value of the bank is \$36.15 and the tangible book value is circa \$24. With the position JPM will hold once market normalise, an entry point into JPM at 1.1x tangible book value is attractive and our 12-month price target is \$40 based on 1.1x book value.

Revenue Breakdown



| |
|--------------------|
| Investment Bank |
| Retail |
| Card Services |
| Asset Management |
| Treasury |
| Corporate |
| Commercial Banking |



| Index | Value | 1-Day | YTD |
|-----------|-------|-------|-------|
| ISEQ | 2,480 | -0.6% | 7.1% |
| FTSE | 4,121 | -1.4% | -5.7% |
| Dow Jones | 8,212 | 0.2% | -6.4% |
| S&P | 844 | 0.1% | -6.6% |
| Nikkei | 8,230 | 2.6% | -7.1% |
| Stoxx 50 | 2,258 | -1.8% | -5.6% |

| Sector | Index | 1-Day | YTD |
|--------------|-------|-------|-------|
| Construction | 191 | -0.4% | -3.7% |
| Technology | 149 | 0.3% | -1.0% |
| Oil & Gas | 262 | -1.0% | 1.7% |
| Financials | 137 | -3.0% | -7.4% |
| Retail | 182 | -0.7% | 2.6% |
| Food & Drink | 229 | 0.6% | 0.6% |

Commodity Prices

| Commodity | Index | 1-Day | YTD |
|-----------|-------|-------|--------|
| Crude Oil | 35.4 | -5.0% | -21.8% |
| Copper | 145.4 | -2.3% | 8.2% |
| Gold | 817.8 | 0.8% | -7.0% |
| Silver | 10.4 | -0.3% | -5.8% |
| Wheat | 568.8 | -1.0% | -6.1% |
| Cattle | 87.3 | 0.5% | -1.6% |

Currency Exchange Rates

| Commodity | Index | 1-Day | YTD |
|-----------|--------|-------|-------|
| €/\$ | 1.312 | -0.6% | 5.3% |
| €/E | 0.896 | -0.8% | 7.2% |
| £/\$ | 1.464 | 0.2% | -2.0% |
| \$/JPY | 89.83 | 0.9% | 0.4% |
| €/JPY | 117.86 | 0.3% | 5.7% |
| €/SFR | 1.476 | 0.2% | 0.8% |

5Yr Credit Spreads

| Commodity | Index | 1-Day | YTD |
|--------------|---------|-------|--------|
| Invest Grade | 169.7 | -6.3% | -8.0% |
| High Yield | 1,011.6 | 0.2% | -3.6% |
| Financials | 117.3 | -0.4% | -3.4% |
| Bol | 331.7 | 2.1% | 32.8% |
| AIB | 250.1 | 6.6% | 18.5% |
| RBS | 109.6 | 1.2% | -20.0% |

Money Market Rates

| Rate | EUR | UK | US |
|-----------|------|------|------|
| Overnight | 2.1% | 1.2% | 0.1% |
| 3-Month | 2.5% | 2.6% | 1.1% |
| 1-Year | 2.4% | 1.8% | 1.1% |
| 2-Year | 2.4% | 2.3% | 1.4% |
| 5-Year | 3.0% | 3.0% | 2.0% |
| 10-Year | 3.6% | 3.5% | 2.4% |

| Date | Company | Region | Event |
|------------|-------------------------|--------|---------|
| 16/01/2009 | Anlgo Irish Bank | IE | EGM |
| 16/01/2009 | Citigroup Inc. | US | Q4 |
| 20/01/2009 | Cairn Energy | IE | TRADING |
| 20/01/2009 | JD Weatherspoon | UK | TRADING |
| 20/01/2009 | Bank of America | US | Q4 |
| 20/01/2009 | IBM | US | Q4 |
| 21/01/2009 | GM | US | Q4 |
| 22/01/2009 | Enterprise Inns | GB | AGM |
| 22/01/2009 | WM Morrison Supermark | GB | TRADE |
| 22/01/2009 | Nokia | FI | Q4 |
| 22/01/2009 | Microsoft | US | Q2 |
| 22/01/2009 | Bank of New York Mellon | US | Q4 |
| 22/01/2009 | Lockheed Martin | US | Q4 |
| 22/01/2009 | Southwest Airlines | US | Q4 |
| 23/01/2009 | General Electric | US | Q4 |
| 23/01/2008 | McInerney | IE | TRADING |
| 23/01/2008 | Xerox | US | Q4 |

| Date | Event | Region | Estimate |
|------------|--------------------------------|--------|-----------|
| 16/01/2009 | CPI ex Food & Energy | US | 1.90% |
| 16/01/2009 | Total Net TIC Flows | US | \$286.3bn |
| 16/01/2009 | Industrial Production | US | -0.80% |
| 16/01/2009 | Michigan Confidence | US | 58.9 |
| 20/01/2009 | UK CPI | UK | -0.10% |
| 20/01/2009 | German ZEW | GE | -45.2 |
| 21/01/2009 | German Producer Prices | GE | -1.50% |
| 21/01/2009 | Bank of England Minutes | UK | 9-0 |
| 21/01/2009 | UK Unemployment Rate | UK | 6.00% |
| 21/01/2009 | MBA Mortgage Applications | US | n/a |
| 21/01/2009 | NAHB Housing Index | US | 9 |
| 22/01/2009 | European Industrial New Orders | EU | -6.50% |
| 22/01/2009 | Housing Starts | US | 610k |
| 22/01/2009 | Building Permits | US | 615k |
| 22/01/2009 | Initial Jobless Claims | US | 540k |
| 23/01/2009 | German PMI | GE | 46 |
| 23/01/2009 | Euro-Zone PMI | EC | 33.5 |
| 23/01/2009 | GDP | UK | n/a |
| 23/01/2009 | Retail Sales | UK | n/a |

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