

CONTENTS

Market View :

RBS : Considering alternatives to the issuance of B shares to the Government

Microsoft : Dell agree to buy Perot Systems

Petroceltic : Test results from its Algerian drilling campaign

CRH : Heidelberg Cement announces completion of share offer placing

Rio Tinto : Rio to sell its Alcan composites unit to Schweiter

Market Movers

IRISH PAPERS TODAY

Irish Nationwide customer deposits down €899m
(The Irish Times)

Fitch downgrades EBS's mortgage-backed bonds
(The Irish Times)

Bad bank 30pc discount on loans tallies with stress tests, says Moody's

INTERNATIONAL PAPERS TODAY

Bank of England report hits sterling
(Financial Times)

Dell in \$3.9bn cash deal for Perot Systems
(Financial Times)

London's City regains its footing, gingerly
(The Wall Street Journal)

Market View

Analyst : Edward Keeling

European equity markets have opened higher this morning, after some profit taking and mild risk aversion sent markets lower yesterday. It was a relatively subdued session in Asia overnight, while in the US, indices were led lower by energy and material stocks as commodity prices traded down. On the corporate front, the main newsflow came from Caterpillar who said that worldwide dealer sales fell 49% in the three months ended August 31st, unchanged from the three months that ended July 31st. Despite the data showing signs of stabilisation, the market was expecting more from the group and the stock finished down 1.8%. In terms of today session, there is no significant corporate or economic news expected. Looking forward towards the rest of the week, we reiterate our view that there is little in the way of economic releases that will upset equity markets. We expect the Fed to talk up the strength of the US economy post the conclusion of its two day meeting tomorrow. While at the G20 meeting, we anticipate world leaders will reiterate the view that it is too early to implement any exit strategies from existing stimulus measures.

RBS : B shares alternatives

Current Price (54p)

Analyst : Oliver Gilvarry

RBS have released a statement following the speculation it is looking to raise equity to off-set part of the payment for the Government Asset Protection Scheme (GAPS). The group has confirmed it is considering "whether there are any partial alternatives to the issuance of B shares to the Government." The release also stated these considerations are tentative only, with no firm plans to put it to the Board or shareholders at this stage. The statement removes concerns that the equity raise was required to insure more assets within the GAPS, and its aim will be to lower the Government stake in the bank. We expect both RBS and Lloyds Banking Group to raise ordinary equity to reduce the level of Government holding in each bank following the GAPS, which may be in the range of £3-4bn.

Microsoft: Buy Current Price (\$25.29) Price target (\$28.00) Analyst : Stephen Taylor

Dell have announced overnight they have agreed to buy Perot Systems for \$3.9bn allowing it to compete with IBM and HP in computer services. The offer was \$30 per share in cash, 68% higher than Perot System closing price on the 18th of September. Services businesses have higher profits margins and more recurring revenue than hardware businesses, which makes it attractive to Dell. The company is paying 31x Perot's full year earnings and the acquisition is guided to become earnings accretive by 2012. The deal highlights M&A activity remains strong and we believe it will continue as businesses look for opportunities to expand

Petroceltic : Buy Current Price (19p) Price target (Under Review) Analyst : David Dunk

Petroceltic has released the first of its long awaited test results from its Algerian drilling campaign. The AT-1 well, on the Isarene permit in Algeria, has successfully located the target zone. The well flowed gas up to 11.4mmscf/d and condensate up to 233 barrels per day. The flows from the well are a multiple of that which Algerian state oil company Sonatrach deems commercially viable. Hydraulic fracturing was not used to increase the flow rates of the test well, due to the better than expected porosity and permeability of the reservoir. The gas water contact at 1,948 metres is deeper than expected, which has positive implications for the potential reserves in the reservoir. Petroceltic also stated that AT-2 well from the same prospect, is currently coring in the target zone. The INE-2 well, which was drilled earlier this year, will be tested following the completion of the AT-2 well. We will review our price target on Petroceltic following today's announcement.

CRH: Buy Current Price (€19.90) Price target (€20.30) Analyst : Stephen Taylor

CRH peer Heidelberg Cement has announced the completion of a share offer placing this morning. Shares were offered at a price of €37 per share, 15% below yesterday's closing price. The company stated that all new shares had been taken up by investors, and that the company expects to see net proceeds of €2.25bn from the issue. The move significantly reduces the group's outstanding net debt, which was just over €11bn at the end of 2008.

Rio Tinto: Buy Current Price (2718p) Price target (2800p) Analyst : Stephen Taylor

Rio Tinto has announced that it will sell its Alcan Composites unit to Schweiter Technologies for \$349m. The move is the latest in Rio Tinto's efforts to reduce its large debt position. Rio Tinto has sold \$7bn of assets since March 2008, and is expected to continue to divest of non-core assets. Alcan Composites had sales of \$649m in the year ending August, and EBITDA of \$54m. We do not anticipate any significant moves in Rio Tinto's share price as a result of today's announcement.

Irish Life & Permanent BUY

Current Price : €5.20

Price Target : €6.90 (previous €4.80)



Analyst: **Oliver Gilvarry**

Date: **22/09/09**

- Irish Life & Permanent (IPM) fell out of view last week due to the focus on NAMA which the company is not participating in.

- Since our buy rating following the results at the end of August, we have met with management and increased our price target on the stock.

- Sales in the Life & Pension business have been guided to fall 25-30% for the full year, but protections sales have remained strong. Net margins in the Life Business has fallen to 10.5%, but gross margins have increased to 50-60% due to lack of competition in the market. Focus on costs has increased and part of this increase in gross margins will feed through into net margins in time. On adverse persistency moves, a €90m charge this year takes into account the impact of 2010 when management expect levels to move back to normal assumptions by the middle of that year.

- Due to the recovery in markets the STIF has also begun to reverse. On the securitisation of part of the Value in Force book, management are hopeful this will be complete by the end of the year releasing €200m of capital.

- Guidance on impairments in the banking arm was increased mainly due to higher estimates for peak Irish unemployment. They believe arrears in the Irish mortgage book will stop increasing in the next 5-6 months. The Buy-to-Let book in Ireland is stable with an arrears profile better than the owner-occupier book.

- On funding, IPM is expected to increase deposits by €2bn by year end. The loan to deposit ratio should improve from over 3.0x to 2.5x at the end of the year. Over a 3-year period, Permanent TSB is aiming for a mid-teen share of the deposit market. The extension of the Government guarantee covering deposits and new debt issuance with a maximum maturity of five years is a positive for the group.

- While IPM is not a participating institution in NAMA, it will benefit from the creation of the Super Mutual. We have included a value for the banking arm in our up-dated price target. This is due to the ability of IPM moving the banking arm of the business into the "Third Banking" force in Irish banking. This would be created out of EBS, Irish Nationwide and the banking arm of Irish Life & Permanent.

- Such a bank would have a loan book of €58.6bn with a deposit book of €32.2bn. The loan to deposit ratio of the new group would be 1.82x, still high but better than IPM current levels. EBS and Irish Nationwide will have €9bn of NAMA bonds of which €8.55bn can be used to raise liquidity from the ECB, further helping the liquidity position of the new entity.

- The removal of loans into NAMA from EBS and Irish Nationwide will require capital injections into these banks prior to the creation of a Super Mutual. Assuming this capital is injected by the Government and IPM transfer the banking arm of their group with sufficient capital to achieve an equity tier 1 of 5%, the Tangible NAV of the new bank would be €2.6bn. Recent comments seem to indicate that IPM would retain a stake in the new entity of circa 45%, which if valued at 1.1x TNAV, would add €4.72 to the value of the group.

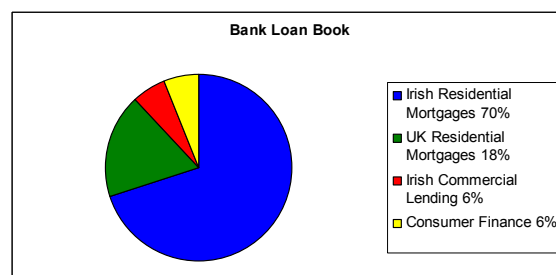
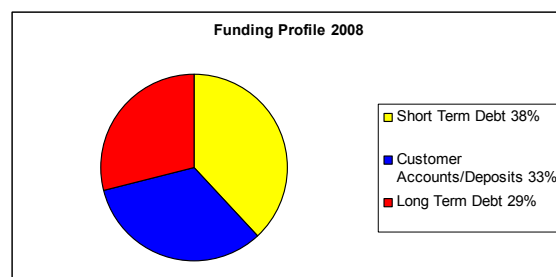
- We maintain our current price target of €6.90 on the group based on valuing the Life Business at 0.7x Embedded Value, the JV at BV and the banking business at 0.7x TNAV due to the funding issues it faces.

- The creation of a super mutual in our opinion is not far away, but a large level of uncertainty still exists. Our simple analysis above indicates the creation of a third banking force could provide significant value for IPM moving forward.

Descriptive Stats		Shareholders	
52 Week High	€7.60	UBS Invst. Bank	3.77%
52 Week Low	€0.59	Capital Research	3.36%
Reuters	IPM.I	Fundamental Investor	3.18%
Bloomberg	IPM ID	Cominvest Asset Mgt.	2.99%
		ADIG Invst.	1.81%

	FY08	FY09e	FY10e
Operating PBT	341	-120	30
Profit Before Tax	-364	-265	30
EPS €	-1.56	-0.92	0.53
DPS	0.00	0.00	0.00

Funding Profile & Loan Book



AIB & BOI

Neutral

Date: **22/09/09**



Analyst: **Oliver Gilvarry**

- Last week, the Minister for Finance released details of the breakdown of loans to be transferred from participating institutions into NAMA. At the same time he disclosed the haircut to be applied to loans being transferred, on an industry wide basis.
- Both AIB and BOI saw significant gains in their share prices following the release of the 30% haircut. The reason for the moves include the realisation that the Government will not nationalise either bank if at all possible and they will be given time to raise equity from private sources rather than being forced to take Government cash. Another positive in the release was the actual size of the haircut, ignoring rolled up interest which consists of €9bn of the €77bn of loans being transferred. The size of the haircut being applied is just under 21% if rolled up interest is ignored, much better than what the market had feared.
- Both AIB and BOI released statements following the NAMA speech with each guiding that the haircuts on their loans will be lower than the industry average.
- AIB's statement announced it will aim to raise €2bn of capital over the next 12-18 months from sources such as the equity market, strategic investors or asset sales/business disposals. It must be remembered that AIB still has to raise an additional €400m of capital to meet the €1.5bn that the Government told the bank it required, earlier this year. Our estimate of the capital required by AIB is higher than €2.5bn and we believe it is unlikely to be allowed 18-months without announcing concrete options in raising this capital. Sale of M&T would raise circa €500m with a sale of its Polish assets generating €1bn in new capital, still leaving at least a €1bn shortfall in capital.
- BOI's statement provided an up-date on trading conditions with the group noting that conditions are still difficult. Underlying operating profit is being guided lower for the first six months of this year compared to the previous year. Income is impacted by higher cost of funding with Net Interest Margins (NIM) to be "low double digit basis points lower" than in the same period of 2008. Impairment guidance has increased from €6bn over the cycle to €7bn. The increase in guidance is mainly due to land and development loans, but issues are starting to appear on the SME and Corporate loans books.
- The group believes there will be a positive move in the investment variance in the life company towards the end of September and part of the negative AFS reserve of €1.5bn will be reversed due to improvements in credit markets. BOI have also stated it aims to reduce its reliance on ECB and BOE funding from €17bn to €10bn by the end of September. Highlighting Bank of Ireland's ability to attract deposits and whole-sale funding.
- On capital, the group is aiming for an equity tier 1 of between 5-6% over the current 3 year cycle. Management implied on its conference call that accessing equity markets was unlikely until NAMA was fully in place. The timeline for this is circa the middle of October.
- Both banks guided the cost of the Government Guarantee will increase next year to 22.4bps of the covered liabilities. The new guarantee, to be put in place in the next number of weeks ,will according to AIB "significantly increase" the costs associated with accessing the government guarantee, which will impact pre-provision profits of both institutions.
- Following the disclosure of the details of NAMA we have modelled the impact on both banks. Assuming a yield of 1.5% on the NAMA bonds the banks will receive, we estimate pre-provision profits of each bank will be €1.25bn and €1.37bn for BOI and AIB respectively. We have also estimated the potential levy both banks could face if NAMA fails to at worst break-even over its life. This assumes there is no recovery in the Irish market and a levy is imposed to clawback the losses NAMA makes.
- In our opinion, both banks must have an equity tier 1 of at least 6% in the current cycle. Under this assumption, both banks must raise equity with AIB requiring over €2.5bn and BOI circa €340m.
- NAMA is beginning the process of de-risking the balance sheets of the Irish banks. Significant issues still remain as they are focused on the Irish economy and still have significant property exposures on their balance sheets. We see both banks fairly valued at current levels based on a TNAV multiple of 1.2x compared to the European average of 1.4x and a UK average of 1.3x.
- Our **target prices** on each bank are **€3.35** and **€3.00** for BOI and AIB. Of the two banks our preference remains for BOI due to a lower level of capital raising required and the lower risk profile of the loan book compared to AIB.
- Overall our preference is for BOI, with an entry level of €3.05. In the case of AIB, we would look for an entry level sub €2.70. In both cases, investors must be prepared to follow their money as we expect equity raises by both in the next number of months



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,370	-2.5%	44.8%
FTSE	5,134	-0.7%	16.7%
Dow Jones	9,820	0.4%	11.4%
S&P	1,068	0.3%	17.9%
Nikkei	10,444	1.7%	17.1%
Stoxx 50	2,873	-0.5%	18.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	268	-2.0%	1.7%
Technology	196	0.4%	3.7%
Oil & Gas	310	-0.8%	2.9%
Financials	234	-1.6%	2.4%
Retail	229	-0.3%	1.8%
Food & Drink	271	-0.2%	4.1%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	69.7	-3.2%	23.2%
Copper	280.6	0.7%	96.4%
Gold	1,003.7	-0.4%	14.7%
Silver	16.9	-1.1%	51.1%
Wheat	456.0	-0.3%	-31.8%
Cattle	84.5	-0.4%	-6.5%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.468	-0.2%	-5.4%
€/£	0.905	0.2%	5.3%
£/\$	1.622	-0.3%	-10.2%
\$/JPY	91.932	0.7%	-0.7%
€/JPY	134.953	0.5%	-6.1%
€/SFR	1.515	0.0%	-1.4%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	99.3	0.9%	-46.4%
High Yield	574.0	-0.3%	-45.5%
Financials	79.1	2.3%	-34.1%
BoI	182.8	-6.5%	-29.4%
AIB	177.2	-4.8%	-14.0%
RBS	111.0	0.3%	-19.0%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.4%	0.2%
3-Month	0.8%	0.6%	0.3%
1-Year	1.2%	0.8%	0.6%
2-Year	1.7%	1.9%	1.4%
5-Year	2.8%	3.4%	2.8%
10-Year	3.6%	4.0%	3.7%

Date Company Region Event

Date	Company	Region	Event
22/09/2009	AGI Therapeutics Plc	IE	INTERIM
22/09/2009	Imperial Tobacco Group	GB	TRADE
22/09/2009	JD Sports Fashion PLC	GB	INTERIM
22/09/2009	Ridge Mining Plc	GB	INTERIM
22/09/2009	ConAgra Foods	US	Q1
23/09/2009	Game Group PLC	GB	INTERIM
23/09/2009	TEG Group (The) PLC	GB	PRELIM
23/09/2009	United Utilities Group Pl	GB	TRADE
23/09/2009	Bed Bath & Beyond Inc.	US	Q2
23/09/2009	Red Hat, Inc.	US	Q2
23/09/2009	AutoZone Inc.	US	Q4
24/09/2009	Ryanair	IE	AGM
24/09/2009	Escada AG	DE	Q3
24/09/2009	Scisys Plc	GB	INTERIM
24/09/2009	Mitchells & Butlers Plc	GB	TRADE
24/09/2009	Peter Hambro Mining Pl	GB	MEETING
24/09/2009	McCormick & Co., Inc.	US	Q3
25/09/2009	Alexon Group PLC	GB	INTERIM
28/09/2009	Aryzta AG	CH	FINAL
28/09/2009	Wolseley plc	GB	PRELIM
28/09/2009	McInerney Holdings PL	IE	EGM

Date Event Region Estimate

Date	Event	Region	Estimate
22/09/2009	Richmond Fed Manufact. Ind	US	16
22/09/2009	House Price Index MoM	US	0.50%
22/09/2009	ABC Consumer Confidence	US	--
23/09/2009	PMI Manufacturing	GE	50.8
23/09/2009	PMI Services	GE	54
23/09/2009	PMI Manufacturing	EC	49.7
23/09/2009	PMI Services	EC	50.5
23/09/2009	Bank of England Minutes	UK	--
23/09/2009	Industrial New Orders SA (M	EC	2.00%
23/09/2009	MBA Mortgage Applications	US	--
23/09/2009	FOMC Rate Decision	US	0.25%
24/09/2009	IFO - Business Climate	GE	92
24/09/2009	Initial Jobless Claims	US	546K
24/09/2009	Existing Home Sales MoM	US	2.10%
25/09/2009	Euro-Zone M3 s.a. 3 mth av	EC	3.10%
25/09/2009	Durable Goods Orders	US	0.10%
25/09/2009	U. of Michigan Confidence	US	70.3
25/09/2009	New Home Sales MoM	US	1.60%
28/09/2009	Hometrack Housing Survey (UK	UK	--
28/09/2009	GfK Consumer Confidence	SE	--
28/09/2009	Chicago Fed Nat Activity Ind	US	--

Regulatory Information

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes in order to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only, they are not a reliable guide to the future performance of this investment. Investors should be aware that forward-looking statements and forecasts may not be realised.

This report is the property of Dolmen and may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments / derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in the companies they publish research, views and recommendations on. Accordingly analysts involved in the production of this report may have positions in any securities herein. Dolmen ensures that all staff dealing is undertaken in strict compliance with Dolmen's internal staff dealing procedures. Therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, David Dunk, Stephen Taylor and Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and David Dunk, Stephen Taylor and Edward Keeling are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.

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