



Thursday 30th October 2008

DAILY COMPANY NOTE — Anglo Irish bank See page 2 & 3 for full details

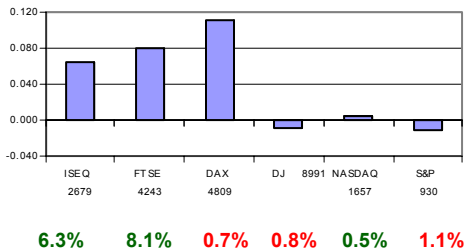
Daily Market Comment

Yesterday's Summary : Yesterday saw a strong rally in the ISEQ, taking its lead from strength in US markets. The index closed at 2,679, up 177 points or 7% on the day. As might be expected, banks were the biggest gainers. Anglo Irish closed up 50% at €1.70, while Irish Permanent closed up 43% at €2.10. Bank of Ireland's and AIB's gains were less spectacular at 16% and 6% respectively. Ryanair also posted strong gains, up 5%. Independent News & Media was one of the few firms to post a loss, down 6% to €0.50.

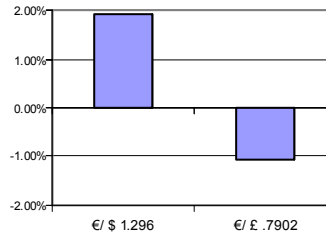
Overnight News : Visa released results after the close in the US last night, earnings beat expectations, with the company maintaining full year earnings guidance albeit on weaker revenues. Elan's partner, Biogen, reported a third case of Tysabri related PML last night, leading to a steep decline in Elan's US listed shares in after hours trading. The Fed cut rates by 0.5% last night, this had little impact on markets as the move was fully expected. The Dow closed down 74 points at 8991, losing 300 points in the last 15 minutes of trading. Asian markets were mixed, with the Nikkei gaining over 7% on expectations of a central bank rate cut tomorrow.

Breaking News : British American Tobacco announced EPS for the first nine months of the year at £0.95, and expects consumer weakness to be off-set by the strength of its brands. Royal Dutch Shell reported net profits of \$8.45bn for the third quarter versus \$6.92bn expected, and reiterated its policy of paying progressive dividends. BHP has squashed rumours that it will add a cash component to its all-share offer for Rio. Unilever's third-quarter sales excluding acquisitions and currency impact rose 8.3% over the third quarter compared to 6.6% expected by analysts.

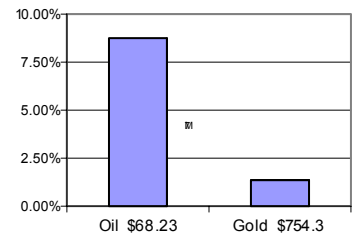
Equity Indices change on day



Currency daily % change



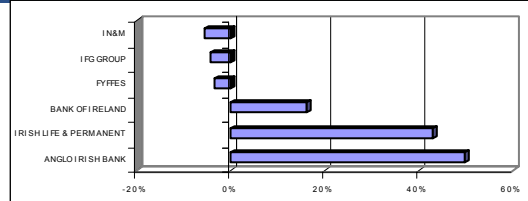
Oil/Gold daily % change



News

- "Fed cuts interest rates to half-century low"-(Irish Independent)
- "Brien raises INM stake to 26pc"-(Irish Independent)
- "Hypo wants €15bn added to German government €50bn"-(Irish Independent)
- "IMF to agree emergency lending scheme"-(Financial Times)
- "Eurozone inflation expected to record sharp fall"-(Financial Times)

ISEQ Performers/Losers 29/10/08



Market Themes & Movers

Federal Reserve lower interest rates / focus now on US GDP

Last night the US Federal Reserve (the Fed) lowered its benchmark interest rate by 0.50% to 1.00% and signalled that further rate cuts may be on the way. The Fed also lowered its discount rate (the rate at which it lends to banks) by 0.50% to 1.25%. The central bank commented that growth had slowed markedly and 'downside risks to growth remain'. The Fed also dropped its reference to threats from inflation, projecting that inflation levels are consistent with price stability in the coming quarters. Meanwhile, the US Commerce Department may report today at 12.30pm that the economy contracted by 0.5% during the third quarter. Estimates range from a 1.2% rate of expansion to a contraction of 1.9%. CEOs from some of the largest US corporates including Ford and Caterpillar are among those in the past two months that have said the US is in a recession, while General Electric's CEO, Jeffery Immelt, said on October 24th that he expects 2 – 3 quarters of negative growth and then a slow rebound. Elsewhere, in a new step to increase the availability of dollars in emerging markets, the Fed yesterday agreed to provide \$120bn to four counterparts. Brazil, Mexico, South Korea and Singapore will get access to the funds by signing the so-called currency swap lines. The US already has unlimited agreements with the ECB and Bank of England.



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

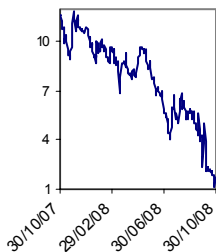
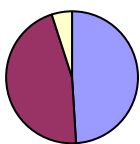
Website : www.dolmenstockbrokers.ie
 Tel : +353 1 633 3800/1890 400 300
 Tel : +353 21 422 2122
 Tel : +353 61 436 500

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

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.

Statistics
Price Performance

Revenue by Division


■ Business Lending 49%

■ Treasury & Asset Mgt. 46%

■ Wealth Management 5%

Fundamental view

- Anglo has just ended the full financial year on the 30th of September and the full year results will be released on the 3rd of December. Since its pre-close statement in September, the Irish banking sector and the global banking sector has changed substantially. Over the past number of weeks the share price of Anglo has suffered greater falls than its other peers and this is due to the large exposure to property in the loan book of 87% compared to 37% and 26% for AIB and BOI respectively.
- Guidance for full year impairments is between 13 and 18bps or in cash terms €85.7m to €118.6m with management stating a worse case scenario in 2009 or 70bps of €461.3m. These estimated loan losses compare to retained earnings of circa €1Bn this year in Anglo and will result in core tier 1 at year end of 6.0%. The level of impairments Anglo can suffer before making a loss is significant and is circa 250bps due to its lower cost-income ratio and higher margin book compared to AIB and Anglo.
- Deposit growth in the bank will also have been helped due to the Government guarantee put in place at the end of September and due to the strong deposit business model Anglo has, the level of customer deposit growth will be strong.

Valuation

- Anglo management has been stating the strengths of the bank and its business model over the past number of months and these include real strengths such as customer relationship, reliance on customer deposits and low cost base. As with the BOI and AIB, the capital levels in Anglo are lower than its peers in the UK and Europe. The government guarantee on deposits has helped the Irish banks on liquidity, but it has done nothing for capital.
- Similar to our analysis on AIB and BOI, an increase in core tier 1 to 9% would require €2.4Bn in new capital and an increase to 8% would require €1.5Bn. Any injection would result in capital dilution for existing shareholders if the capital raise was completed without their involvement. Raising core capital to 8% would result in Tangible Net Asset Value (TNAV) falling to €3.40 from €6.20 and if capital is raised to 9%, the TNAV falls to €2.75. The cash amounts for 8% is over €1.5Bn in new capital and €2.4Bn for 9%.
- Due to the uncertainty over capital raisings and the more uncertain outlook in the economic conditions in Ireland and the UK, we are downgrading our rating on Anglo to Neutral with a price target of €2.30. The discount to the TNAV is due to the lack of diversification in the loan book and the poor economic conditions facing the Irish economy.
- Until the uncertainties over capital are resolved in the Irish banks, Anglo share price will remain under pressure as investors will be reluctant to invest due to the worries over dilution.

Next Catalyst

- Full year results for Anglo will be released on the 3rd of December and this will include guidance on the outlook for the coming year.

Chart view: Anglo Irish Bank

Support Primary: €1.40

Support Secondary: €0.97

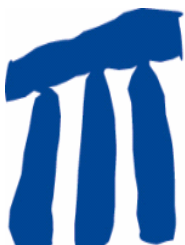
Resistance Primary: €2.00

Resistance Secondary: €2.65

Long-term trend remains negative with stock continuously exhibiting bearish breakdowns. The recent bounce from the €1.00 area was not accompanied by impressive volumes and a return towards these lows cannot be ruled out. €2.00 is a key pivot point with a break setting up a range trade in the €2.00 to €2.65 area. Short-term momentum indicators are struggling to break higher. Expect volatility to remain elevated.

Major Shareholders	%	Peer Group Multiples			
Invesco	7.14%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Janus Capital Mgt.	7.12%	Anglo Irish Bank	1.1	1.9	-42.40%
Lehman Brothers	4.81%	AIB	1.5	1.9	-20.31%
Janus Capital Mgt. Overseas	2.28%	Bank of Ireland	0.9	1.5	-40.00%
Axa	2.09%				
Shares Outstanding	760.12m				

Share Data		Financial Data	2007	2008e	2009e
Current Price (€)	1.65	PBT (€m)	1,243	1,424	1,419
Mkt Cap (€m)	1,254	EPS (€)	1.28	1.50	0.86
Reuters	ANGL.I	P/E(x)	9.70	1.10	1.91
Bloomberg	ANGL.ID	DPS (€)	0.19	0.20	0.12
Sector	Bank	Dividend Yield	1.46%	12.06%	7.45%
CEO	David Drumm				
Chairman	Seán Fitzpatrick				
Website	www.angloirishbank.com				





Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only 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 issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. 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. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report 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.

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.

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 issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and 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 & 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 SECURITIES LTD