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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6046 ↓	-51	-0.84%	11.0	-2.45%
FTSE 100	4901 ↓	-18	-0.37%	13.5	1.80%
DAX 30	4348 ↓	-4	-0.10%	15.0	2.15%
DOW	10541 ↑	135	1.30%	19.5	-2.24%
NASDAQ	2006 ↑	32	1.61%	15.6	-3.99%
S&P	1181 ↑	16	1.38%	21.0	-2.52%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2932	0.6890	138.5900
Dollar	1.2932	1.0000	1.8765	107.1600
Sterling	0.6890	1.8765	1.0000	201.1400
Yen	138.5900	107.1600	201.1400	1.0000

**This Week's Research**  
IFG Group  
RBOS

**Today's Research**  
Anglo Irish Bank

**Today's Recommendations**

Anglo (€18.90) IFRS concerns explained Stuart Draper

- IFRS concerns : Concerns over the impact of the move to International Financial Reporting Standards (IFRS) have caused some share price weakness in recent days. The main effect on Anglo's reported earnings will be for loan arrangement fees.
- Arrangement fees : As these fees are received up front on a cash basis, they have previously been recognised up front in Anglo's profits. However, the move to IFRS in the year ending 30/09/06 will mean these fees having to be amortised over the life of loans in future.
- 2006 impact : With Anglo's average loan life being 6 years and its loan arrangement fees expected to be c.€70m for the year ending 30/09/06, the effect of having to spread the €70m over 6 years rather than recognising all of it next year will reduce Anglo's 2006 earnings by €58m, or c.13c per share.
- EPS reduction : Even though the impact on reported profits is largely a timing issue and will reduce in subsequent years as new arrangement fees are received and as the deferred income rolls-off, a 13c reduction in 2006 eps would imply a c.9% reduction in the consensus 2006 eps from €1.49 to €1.36.
- Succession risk : Our view has been that given the strong investor relations skills of Sean FitzPatrick, investors may this year start to focus on the potential for some succession risk as a result of his retirement and move to the position of non-executive chairman. With BOI, AIB and IL&P all issuing clear guidance in recent months with regard to the impact of IFRS on their reported earnings, Anglo's slowness in doing likewise reinforces our view of this succession risk.
- Major premium : Trading at 14.5x consensus 2005 eps of €1.30 and at 5.1x the bank's most recently reported net asset value (NAV) per share of €3.71, Anglo continues to trade at a major premium to its UK and Irish peers. Such a premium would appear to quite fully value Anglo's historical track record of stronger than sector average earnings growth. For example, RBOS (€16.78) is currently trading at 8.8x consensus 2005 eps of €1.90, and at a 2.1x NAV per share of €7.92.
- Switching opportunity : Therefore, we continue to re-iterate our current NEUTRAL recommendation for Anglo, and recommend a SWITCH into RBOS (39% discount) as providing more value at current levels in the European bank sector. The consensus 2006 earnings growth for RBOS is 7%, whereas if Anglo's consensus 2006 eps is reduced by 13c, as explained above, its consensus 2006 earnings growth would fall to 5% : **NEUTRAL**.

## Breaking News

### Elan confirms 3rd Tysabri-related case

Elan and Biogen on Wednesday said PML has been diagnosed in a third patient receiving their suspended sclerosis drug Tysabri. The companies said the latest diagnosis was in a patient participating in a trial of Tysabri as a treatment for Crohn's disease who died in December 2003. This latest setback is particularly bad news for Elan as it appears that, unlike in previous cases, the patient was being treated with Tysabri on its own. The previously reported cases of PML had involved patients being treated with a combination of Tysabri and Avonex. Last night's announcement is going to make it very tough for Elan to get Tysabri back onto the market at any stage in the future. Elan shares fell 12 cents to close at \$6.98 on the New York Stock Exchange, but then plunged 38.4 percent to \$4.30 after hours.

### Viridian sells IT unit

Viridian has announced that it has agreed to sell its software and IT services subsidiary to Northgate Information Solutions for 155 million pounds in cash. Viridian Chief Executive Patrick Haren said the sale of Service and Systems Solutions Limited, or Sx3, shows the company's "commitment to the development of our energy businesses in Ireland and enables us to return a significant amount of value to shareholders." Viridian also said it planned to return some of the proceeds of the sale of Sx3 to shareholders, as well as paying off 25 million pounds of its pension deficit. Viridian said the cash return would be worth around 10 percent of its current market value.

### Sportech annual results

Sportech Plc, the owner of Littlewoods Gaming, has this morning reported a 50% increase in turnover for the year ended 31 December 2004, thanks to significant growth in betting products, particularly on-line casino and poker. Profit before tax, goodwill and exceptionals of £9.6m, while representing a major year on year decrease, was ahead of market forecasts. Roger Withers, Acting Managing Director said he was pleased with the positive start the company has made in 2005 and was excited by the long-term opportunities for growth.

## Business Press

- Man Group upbeat (FT)
- France drags on Emap (FT)
- Icon pushed into the red by exceptional charges (IT)
- AIM-listed EiRx upbeat as it posts interim losses (IT)
- Oil prices drop as demand slows (IT)

## Investment Press— Lex

- Man Group: Man Group has moved with the times. It spent its first two centuries as the monopoly supplier of rum to the Royal Navy. Its transition over the past decade to become a hedge fund manager has proved remarkably prescient.



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