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Contact Details:

Email : [research@dsl.ie](mailto:research@dsl.ie)  
[info@dsl.ie](mailto:info@dsl.ie)

Tel : +353 1 633 3800  
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7602	↓ -44	-0.58%	11.0	3.24%
FTSE 100	5838	↓ -94	-1.58%	12.4	3.91%
DAX 30	5640	↓ -41	-0.72%	15.0	4.29%
DOW	11243	↑ 43	0.38%	19.5	4.26%
NASDAQ	2092	↑ 14	0.65%	15.6	-5.12%
S&P	1280	↑ 2	0.13%	21.0	2.83%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2789	0.6762	147.4000
Dollar	1.2789	1.0000	1.8905	115.2400
Sterling	0.6762	1.8905	1.0000	217.8800
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	75.4600			

**This Week's Research**  
Ryanair  
HBOS  
AIB  
Lloyds TSB

**Today's Research**  
RBS

**Today's Recommendation**

**RBS (£17.19) H1 results announced Stuart Draper**  
**Target : £19 (13/06/06; previously £20.50, issued 12/05/06)**

- Results announced : This morning, Royal Bank of Scotland announced its results for the 6 months ended 30/06/06. Profit before tax of £4.51 bn was 4% above the consensus forecast of £4.35 bn, and was a year on year increase of 23%. The main drivers of the growth was 21% operating profit growth from the bank's Corporate Markets unit, combined with a modest 5% increase in the bank's bad debts charge.
- Credit quality : The growth in the bad debts charge was lower than the bank's loan growth, resulting in a slight improvement in overall credit quality. Given the H1 growth in bad debts announced by both Barclays and Lloyds TSB earlier this week of 50% and 16% respectively, RBS' credit quality performance was stronger than sector average. Its lower than sector average exposure to unsecured personal lending of c.7% of global loan book provides some important protection from this risk.
- Savings growth : However, in line with the other UK bank results this week, sales of savings and deposit products were very strong, with Wealth Management performing particularly well. This helped ensure that margin erosion was no greater than previous guidance.
- Corporate Markets : In addition to the income growth at the Corporate Markets division, particularly Global Banking & Markets, Ulster Bank also showed strong growth. The one area of slightly lower growth was the group's US business, where income growth is being constrained by the continuing impact of the flatter yield curve.
- Share buyback : RBS recently re-iterated that all of its growth targets could be achieved organically from its UK and Irish, US and Chinese operations and that the current share buyback programme would continue. It now plans to buyback a further £800m of its own shares in H2 2006. An interim dividend of 24.2p per share will go ex on 16th August.
- Attractive upside : Our current 12 month price target of £19 (11% upside) is based on 10x 2006 underlying eps of £1.90. This would represent 8% growth on the 2005 eps result of 175.9p. The recent Bank of China IPO showed a trebling of the initial value of the RBS investment a year ago : **BUY**.

## Breaking News

### Horizon announces acquisition

Horizon Technology has announced that it has completed the acquisition of WBT Systems Limited. WBT is a provider of learning management solutions in the enterprise applications software market. With over 1 million licensed users of its products, it has a broad range of corporate customers in the financial services, life sciences and education market sectors. The consideration for the Acquisition is an initial payment of €1.15m cash plus deferred consideration, depending on the value of net tangible assets at completion, of up to one million Horizon ordinary shares to be issued in February 2007. WBT's net assets at completion include net cash of €1.5 million. The Acquisition is expected to be EPS enhancing from 2006.

### Ryanair passenger figures for July 06

Ryanair said on Thursday its load factor was steady in July at 90 percent. Ryanair also said its passenger traffic in the month rose 23 percent to 3.94 million. This would indicate that Ryanair is on course to meet its target of 42 million passenger for the year-ended March 2007.

### McInerney acquires Bowey Homes

McInerney said it has acquired Bowey Homes Holdings Ltd, which operates in the North East of England, for £23.6m plus the assumption of £6.94m in bank debt. The group said the acquisition is expected to boost earnings immediately. Bowey is based in Gateshead and made a pretax profit of £3.9m for the last year to Oct 31 and had net assets worth £10.8m at that date. The acquisition is an acceleration of McInerney's UK expansion plans. The deal significantly increases its area of operation in the North East of England. The Bowey area of operation has virtually no overlap with McInerney's existing operations in the North East.

## Business Press

- Moody downgrades Eircom's debt rating (IT)
- Influx of new business gives BIAM a boost (IT)
- Tullow production levels on target (IT)

## Investment Press

- UK and Eurozone interest rates: It was supposed to be the European Central Bank that was bad at communication. Yet its quarter-point rate rise to 3 per cent on Thursday was exactly as the market expected.



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DOLMEN SECURITIES → Website : [www.dolmenstockbrokers.ie](http://www.dolmenstockbrokers.ie)  
Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland. • Tel : +353 1 633 3800 • Fax : +353 1 677 7044 • Email : [info@dsl.ie](mailto:info@dsl.ie)  
45 South Mall, Cork, Ireland. • Tel : +353 21 422 2122 • Fax : +353 21 422 2123 • Email : [cork@dsl.ie](mailto:cork@dsl.ie)

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