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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6276	↓ -2	-0.04%	11.0	1.26%
FTSE 100	5015	↑ 22	0.44%	13.5	4.17%
DAX 30	4373	↓ -20	-0.46%	15.0	2.76%
DOW	10833	↑ 21	0.19%	19.5	0.46%
NASDAQ	2058	↓ -9	-0.44%	15.6	-1.46%
S&P	1210	0	0.03%	21.0	-0.13%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3109	0.6873	138.1900
Dollar	1.3109	1.0000	1.9068	105.4300
Sterling	0.6873	1.9068	1.0000	201.0400
Yen	138.1900	105.4300	201.0400	1.0000

## This Week's Research

CRH  
Elan  
HBOS  
Fyffes

## Today's Research

Lloyds TSB

## Today's Recommendations

Lloyds TSB (£4.88) Full year results announced Stuart Draper

- Results announced : This morning, Lloyds TSB announced results for the year ended 31/12/04. Profit before tax and earnings per share of £3.493 bn and 43.3p respectively were ahead of consensus forecasts of £3.38 bn and 42p, and were year on year increases of 2% and 3%.
- Low growth : This low level of growth was because of lower revenue year on year, as there was an improvement in the bank's credit quality, with the bad debts charge as a percentage of the overall loan book reducing slightly. The major year on year fall in the reported results was because of last year's business disposals in New Zealand and South America.
- Takeover speculation : In recent times, some speculation has resurfaced with regard to the potential of Lloyds TSB as a takeover target. Spanish bank, BBVA, has been mentioned as the potential acquirer, with the rumour gaining some credence as a result of Banco Santander's 2004 acquisition of Abey National.
- Cross-border difficulties : Even though such a deal cannot be ruled out, the probability of major further share price upside as a result of its announcement is quite low. The legal, cultural and language barriers for a Spanish acquirer of Lloyds to overcome would also be quite substantial.
- Fairly valued : Therefore, with the shares now trading at 10.8x consensus 2005 earnings per share of 45p, we re-iterate our current NEUTRAL recommendation, and recommend a SWITCH into RBOS (£17.92) or HBOS (£8.32) as providing more value at current levels in the UK bank sector. RBOS is currently trading at only 9.4x consensus 2005 eps of £1.90.
- Danske portfolio : In an effort to improve its earnings growth outlook, it was recently announced that Lloyds had entered into exclusive talks to buy Danske Bank's £5 bn UK wholesale corporate loan portfolio. Danske is getting out of the business of lending to UK corporates, and the portfolio of assets, which includes a range of syndicated loans and bilateral loans, are all performing loans.
- Switching opportunity : Therefore, even though a takeover approach from a major US bank can also not be ruled out currently, on a stand alone basis, there is now better value elsewhere in the UK sector and the current share price strength, helped by the recent takeover speculation may represent an opportunity for some profit-taking. Lloyds' share price has risen by 14% since our BUY note of 13/12/04 : NEUTRAL.

## Breaking News

### Biogen, Elan confirm 2nd case of PML in Tysabri-treated patient

Biogen and Elan said a case of PML has been confirmed in a second patient receiving their multiple sclerosis drug Tysabri. The companies suspended sales of Tysabri on Monday after one confirmed case and one suspected case of progressive multifocal leukoencephalopathy (PML) in patients participating in a long-term clinical trial of Tysabri in combination with Avonex, Biogen's older multiple sclerosis drug. Biogen and Elan said they will work with clinical investigators to evaluate Tysabri-treated patients and will consult with leading experts to better understand the possible risk of PML. Based on the full results of these evaluations, the companies, in consultation with regulatory authorities, will determine the appropriate next steps. The companies said to date, they have received no reports of PML in patients receiving Tysabri monotherapy for MS or in patients with Crohn's disease or rheumatoid arthritis.

### Ryanair reports February passenger statistics

Ryanair said on Thursday passenger numbers in February rose 13 percent from last year to 2.12 million. The airline said in a statement its passenger load factor was 79 percent in February compared to 77 percent a year ago. Ryanair announced last week it had ordered new planes worth more than \$4 billion from Boeing Co. as part of an ambitious plan to double its passenger numbers by 2012.

### Moody's assigns A2 rating to B of I's €600m tier 1 issuance

Moody's has assigned A2 rating to the €600 million fixed rate / variable rate guaranteed non-voting non-cumulative perpetual preferred securities. The securities will be issued by BOI Capital Funding which is a wholly owned subsidiary of Bank of Ireland and guaranteed by Bank of Ireland. The ratings have a stable outlook.

## Business Press

- HSBC in research unit review (FT)
- Trinity Mirror plans £250m in share buy-backs (FT)
- Telecoms: S&P upgrades Deutsche Telekom (FT)
- DaimlerChrysler's CEO rules out more big deals (WSJE)
- Norish to exit Dublin for AIM (IT)

## Investment Press— Lex

- AstraZeneca: Another of the famous five has had a narrow escape. The US Food and Drug Administration has given a mostly clean bill of health to Crestor, a cholesterol-lowering pill. That boosted shares in its maker, AstraZeneca, by 3.8 per cent on Thursday.



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