



December 6, 2005

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 '05	YTD
ISEQ	7031 ↑	29	0.42%	11.0	13.45%
FTSE 100	5510 ↓	-18	-0.32%	13.5	14.47%
DAX 30	5267 ↓	-41	-0.77%	15.0	23.75%
DOW	10835 ↓	-43	-0.39%	19.5	0.48%
NASDAQ	2258 ↓	-16	-0.69%	15.6	8.07%
S&P	1262 ↓	-3	-0.24%	21.0	4.13%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1780	0.6761	142.5600
Dollar	1.1780	1.0000	1.7413	121.0300
Sterling	0.6761	1.7413	1.0000	210.6900
Yen	142.5600	121.0300	210.6900	1.0000
Oil (Nymex)	59.9100			

This Week's Research  
Grafton Group

Today's Research  
HBOS

## Breaking News

### BOI ups its forecast for lending draw-downs

Bank of Ireland's business banking unit on Monday revised upwards its forecast for lending draw-downs for the year to end-March 2006 to 7.1 billion euros from the 6.5 billion it predicted in June. The bank said the increase was a result of a strategy unveiled earlier this year to capitalise on the small and medium-sized business (SME) sector of the Irish economy, which accounts for some 60 percent of the workforce. Lending to SMEs had doubled in the past two years, the bank said in a statement, adding it now had a 27 percent share of the SME lending market.

### Ryanair passenger data

Ryanair said on Monday that it carried 2.7m passengers in November 2005, up 25% on the 2.2m carried in November 2004. In the rolling 12 months ended Nov. 30 the airline carried 32,731,836 passengers. Load factor was 81% in November against 82% last year. The figure was 84% in the rolling 12 months ended November 30.

### Tullow drilling update & comments from Gordon Brown

Tullow has announced updates on recent drilling activities and the acquisition of additional equity in the Hewett Field Unit which includes the Bacton Terminal. The key item of note in the update was the news that drilling at a well in which it has a 32% stake has revealed hydrocarbon bearing sandstones offshore Mauritania. A full update on the rest of Tullow's activities will be provided in its Trading Statement and Operational Update on 31 January 2006. Meanwhile, UK chancellor Gordon Brown has indicated in his pre-budget report that the supplementary corporation tax rate on North Sea oil and gas production will increase by 10% in 2006. Such a move would have a negative impact on Tullow's earnings and would prompt us to reduce our 2006 EPS forecast from 25p to 22p.

### Bond named as Vodafone chairman

Sir John Bond, the retiring chairman of HSBC, is to become chairman of Vodafone next year. Bond will take over from Lord Ian MacLaurin, who is retiring next July.

### HBOS (£8.67) Will exceed market expectations Stuart Draper

- Trading statement : This morning, HBOS released its year end pre-close trading statement. Overall, the UK bank stated that it will now exceed current market expectations for underlying 2005 eps of 84.4p. The main area of positive surprise appears to be the sales performance in insurance and investment, where "bancassurance is leading the way in Investment".
- Share buyback : The other area of positive surprise was the continuation of the bank's share buyback programme, which has been set at £750m for 2006, as was initially the case for this year's £1 bn share buyback programme. Credit quality is expected to be in line with the market's expectations.
- UK focus : Following a very tough H1 2005, there is growing evidence that a recovery in UK mortgage lending has started to take hold in recent months, which is particularly important for HBOS which has the largest share of the UK mortgage market. Last week's trading statement from UK mortgage bank, Alliance & Leicester, provided a similar message.
- September growth : According to the British Bankers Association, gross mortgage lending for September 2005 was £17.8 bn, 6% stronger than August 2005, and seasonally adjusted net mortgage lending rose by an underlying £4.9 bn during the month, representing an acceleration on the August 2005 rise of £4.4 bn, and the highest monthly increase so far this year.
- Mortgage approvals : The number of UK mortgage approvals in September showed 2% growth on the August figure, rising to 199,031 approvals. Given that the UK banks in general reported quite solid H1 results in a very weak mortgage lending environment, the improving environment shown by this statement could lay the foundations for some further positive earnings surprises when all of their full year results are announced.
- Concerns overdone : Our more positive than consensus recommendation for HBOS over the past 12 months has been based on the view that with the base rate of the current UK interest rate cycle likely to peak at c.4.5%, a slight slowing in the level of loan growth for 2005 was a more likely ultimate scenario for HBOS, than a major slowdown, which is what the share price was factoring in at times last year.
- Further upside : Our current 12 month price target for HBOS of £9.50 (10% further upside) is based on 10x 2006 earnings per share of 95p. Investors will also be paid a dividend yield of c.4.1% for waiting for this upside to be achieved. HBOS' share price has risen by 28% since our BUY note of 18/08/04 : BUY.

## Business Press

- Eircom says Swisscom failure will not distract from core strategy (IT)
- Ruling clears way for €65m CRH acquisition (IT)
- Construction has record year (II)
- Grafton seeks more companies in Ireland (II)

## Investment Press— Lex

- NTL/Virgin: NTL's 323p per share approach for Virgin Mobile makes strategic sense. Adding mobile to its product offering may help combat customer migration from fixed line telephony. Since Virgin brings no infrastructure to the deal, the appeal is its brand.



Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies. Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995. Dolmen Stockbrokers is regulated by the Financial Regulator as a Mortgage Intermediary.