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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6127 ↓	-13	-0.21%	11.0	-1.15%
FTSE 100	4946 ↓	-27	-0.54%	13.5	2.75%
DAX 30	4372 ↓	-24	-0.55%	15.0	2.73%
DOW	10508 ↑	59	0.57%	19.5	-2.55%
NASDAQ	2005 ↑	13	0.67%	15.6	-4.00%
S&P	1188 ↑	7	0.55%	21.0	-2.00%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2937	0.6831	138.8000
Dollar	1.2937	1.0000	1.8933	107.2800
Sterling	0.6831	1.8933	1.0000	203.1500
Yen	138.8000	107.2800	203.1500	1.0000

This Week's Research
British Land
Tullow Oil

Today's Research
RBOS

Today's Recommendations

Breaking News

US stocks rally on Fed comments

US stocks rallied sharply on Tuesday, after minutes from the Federal Reserve alleviated worries about aggressive interest-rate hikes, while crude oil fell to below \$52 a barrel. The relief over the Fed's view lifted rate-sensitive bank stocks like Citigroup, which closed up 1.8 percent at \$46.45. The Dow Jones industrial average was up 59 points, or 0.57 percent, to finish at 10,508, after having been down 70 points at one stage mid session. The minutes from the Fed's March 22 meeting stated an opinion that an accelerated pace of monetary policy tightening "did not appear necessary at this time".

Tysabri lowers MS disability risk in 2-Year trial

Two-year data from the affirm Phase III monotherapy trial presented yesterday, showed that treatment with Tysabri led to a significant reduction in disability progression and the rate of clinical relapses in patients with relapsing forms of multiple sclerosis (MS). The data was presented at the 57th annual American Academy of Neurology meeting in Miami. The two-year trial of 942 patients found that Tysabri reduced by 42 percent the risk of greater disability compared with a placebo. The drug also cut relapse rates by 67 percent.

Minco announces drilling commencement

Minco PLC said it and its joint venture partner Noranda Inc have begun drilling for zinc and sulphide mineralisation on the Pallas Green property in Ireland, around the Caherconlish area which the company considers 'highly prospective'. 'We are delighted that our partner Noranda intends to focus a major effort on the Pallas Green property this year. The reef limestones of the Limerick Trend appear to be the most mineralised of any in Ireland and hold great potential for a major zinc discovery,' said chief executive Matthew Dorman.

RBOS (£16.55) Bank of China speculation Stuart Draper

- China speculation : Some speculation in the UK weekend press, given further credibility by the FT since, has caused some weakness in the RBOS share price this week. Our view is that there is a low probability of RBOS buying the 20% stake in Bank of China referred to in the speculation.
- Contradicts strategy : Such a move would contradict the bank's existing strategy of building on its UK and US platforms where it can add scale economies, with plenty more scope for further deals in the US.
- Joint ventures : As recently as February, RBOS stated that joint ventures in particular product areas, similar to RBOS' Tesco Personal Finance relationship, are the most likely way forward in China, rather than large deals.
- Limited control : Current rules also prevent foreign entities owning more than 20% of Chinese banks, so RBOS would have limited control over any acquisition in China.
- Wrong time : Following last year's \$10.5 bn Charter One deal in the US, RBOS' core capital (shareholders funds less goodwill) was 4.4% at 31/12/04. With management more comfortable at 5.5%, a level which won't be reached until H2 2006, now would not be an appropriate time for another major acquisition.
- Credit rating : The acquisition of a major stake in the Bank of China may also damage the credit rating of the RBOS group and raise its required core capital.
- Investment horizon : Therefore, even though it is not unusual for a global top ten bank such as RBOS to have a look at a large scale deal such as Bank of China, when invited to do so, and even though anything is possible, our view is that on any reasonable investment time horizon, the current share price of £16.55 will have represented an attractive entry level.
- Compelling valuation : The obvious valuation argument is that given the bank's strong US growth prospects, as well as its dominant UK market position, the shares at least warrant a UK sector average rating of 10x 2005 earnings and a fair value of £19 (15% further upside), based on 10x consensus 2005 eps of £1.90. RBOS will also pay a dividend yield of c.4% this year.
- Hidden value : However, if the value of the bank's US Citizens business is given a US sector average multiple of 14x 2005 eps (AIB's M&T stake is currently rated at 15x 2005 eps), then this unit is worth c.£16 bn, leaving the rest of the RBOS group valued at only £36.6 bn currently, or at c.7.2x 2005 eps : **BUY**.

Business Press

- Tesco to beef up global arm (FT)
- Baugur joins consortium for Somerfield bid (FT)
- Paddy Power founder sells stake (IT)
- New exchange for smaller firms opens (IT)
- Dragon Oil find In Turkmenistan (IT)

Investment Press— Lex

- Tesco: It took Tesco 75 years to make £1bn in pre-tax profits and just four to double that to £2bn. This demonstrates the power of a business model where economies of scale are invested in lower prices, which drive sales, thereby increasing buying power and enabling further price cuts.



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