DOLMEN DAILY

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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6097 ↑	19	0.31%	11.0	-1.63%
FTSE 100	4923 ↑	1	0.02%	13.5	2.27%
DAX 30	4327 ↑	11	0.26%	15.0	1.67%
DOW	10630 ↑	3	0.03%	19.5	-1.42%
NASDAQ	2008 ↓	-9	-0.43%	15.6	-3.89%
S&P	1190 ↓	-1	-0.05%	21.0	-1.84%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3239	0.6916	138.9700
Dollar	1.3239	1.0000	1.9138	104.9300
Sterling	0.6916	1.9138	1.0000	200.8500
Yen	138.9700	104.9300	200.8500	1.0000

This Week's Research

Today's Research
HBOS

Breaking News

UK mortgage lending picks up in February

UK mortgage lending picked up in February, with banks increasing net lending and building societies recording a rise in approvals, data issued by the British Bankers' Association and the Building Societies Association Friday showed. The data will support the view that the housing market, while having slowed markedly from the boom levels seen a year ago, has not gone into freefall. The building societies data showed the value of mortgage approvals, a good indicator of future housing market activity, rose to 3.518 billion pounds in February from 3.281 billion in January. In addition, The banks, who make up the bulk of the mortgage market, saw lending climb. The BBA data showed underlying net mortgage lending climbed to 4.798 billion pounds from 4.170 billion.

US housing starts continue to rise

US housing starts rose 0.5 percent last month (for the third consecutive month) to a 21-year high, defying Wall Street expectations for a fall, as single-family starts jumped to a record, a US Commerce Department report showed last Wednesday. Housing starts climbed to a seasonally adjusted annual rate of 2.195 million units in February from an upwardly revised 2.183 million unit pace a month earlier, the government said. The monthly rate was the highest since a 2.260 million unit pace posted in February 1984. This is positive news for CRH, who are estimated to earn approximately 30% of its US revenues in this sector.

Arcon recommends Lundin merger deal

On Friday Arcon said it has agreed terms for a takeover by Canada's Lundin Mining Corp that values the company at 93.4 million euros or 0.522 euro per Arcon share. Under the takeover terms, a holder of 100 Arcon shares will receive just over 36 US dollars in cash and 3.2196 Lundin Mining Swedish shares. There is also a limited cash alternative that applies to the first 1,000 shares held by any shareholder. Separately, Arcon announced a return to profit for the year to December 31 as turnover rose 67 percent to 37.3 million euros.

Today's Recommendations

HBOS (£8.15) Irish branch network acquired Stuart Draper

- ESB deal : Last week's €120m acquisition of ESB's retail business gives HBOS the Irish retail branch network it needed at a major discount to the €1.45 bn which Danske Bank paid for National Irish Bank (NIB) and Northern Bank.
- Branch network : The deal gives HBOS up to 54 branches, the FinancElectric consumer loan book, as well as access to over 185,000 ESB customers who use the ESB shops' Bill Pay and cash management facilities. Even though the first branches are expected to open by November, HBOS is indicating that it will be summer 2006 before all have been refurbished.
- Spread pressure : The HBOS expansion, when combined with Danske's NIB acquisition, will further increase the competitive pressure in Irish retail banking. Mortgages are likely to be the initial area of focus, given that HBOS is the UK's largest mortgage lender, which will continue the downward pressure on Irish mortgage spreads. Given its mortgage focus, IL&P's earnings are most at risk from more competition in this area.
- Margin pressure : With HBOS expected to soon join the Irish clearing system, it may also start to pay interest on current accounts, which if replicated by the Irish banks, would put further pressure on their margins. Other product categories where Irish spreads are higher than in the UK currently are overdrafts and credit cards.
- Recent results : HBOS recently announced very strong results for the year ended 31/12/04. Profit before tax and earnings per share of £4.592 bn and 84.3p respectively were ahead of consensus forecasts of £4.547 bn and 79.6p, and were year on year increases of 22% and 23%. HBOS is also undertaking a £750m share buyback programme in 2005.
- 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.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 (17% further upside) is based on 10x consensus 2006 eps of 95.2p. Investors will also be paid a dividend yield of c.4.4% for waiting for this upside to be realised. HBOS' share price has now risen by **20%** since our BUY note of 18/08/04 : **BUY**.

Business Press

- BA set to lift fuel costs (FT)
- Surge in flotations continues to gather strength (FT)
- Shell investors may be buying revival, or not (WSJE)
- Man Utd faces pressure on Glazer bid as profit fall looms (II)
- Viridian loan for 'general purposes' (IE)

Investment Press— Lex

- Corporate Governance: The wave of governance initiatives that followed corporate scandals such as Worldcom and Tyco, has now turned into a rising tide of red tape.

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