DOLMEN DAILY

June 22, 2006

Contact Details: Email : research@dsl.ie, info@dsl.ie Tel : +353 1 633 3800 Fax : +353 1 677 4708

EQUITIES	Close		Change	% +/-	P/E '07	YTD
ISEQ	7343	↓	-20	-0.27%	11.0	-0.28%
FTSE 100	5665	↑	7	0.12%	12.4	0.82%
DAX 30	5503	↑	10	0.18%	15.0	1.76%
DOW	11079	↑	105	0.95%	19.5	2.75%
NASDAQ	2141	↑	34	1.62%	15.6	-2.91%
S&P	1252	↑	12	0.97%	21.0	0.58%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2669	0.6864	145.4700
Dollar	1.2669	1.0000	1.8456	114.7700
Sterling	0.6864	1.8456	1.0000	211.8700
Yen	145.4700	114.7700	211.8700	1.0000
Oil (Nymex)	70.3300			

This Week's Research

CRH
Lloyds TSB
IL&P

Today's Research

HBOS

Breaking News

Bradford & Bingley comfortable with FY forecasts

Bradford & Bingley has said it is comfortable with consensus forecasts for full-year profit, based on "very healthy" new business volumes, credit quality and a strong pipeline. Consensus forecasts for 2006 pretax profit of £329.6m, up 6.3% from £310.1m in 2005. In a trading statement, Bradford & Bingley said new business volumes during the first half were similar to the strong levels seen in the second half of 2005 and margins have been broadly stable. But it warned there will be progressive modest downward pressure on the net interest margin through 2006 due to strong balance sheet growth and the mix of funding. The credit quality of the bank's fully-secured lending book remains strong, though arrears have increased moderately from historically low levels.

Crest Nicholson upbeat on outlook

UK housebuilder Crest Nicholson reported a 20-percent drop in first-half core profit but said it was confident of meeting its expectations as it had secured 85 percent of its 2006 unit sales target. Crest made £39.2m in profit before tax in the six months to end-April versus £48.9m a year ago. "We expect to deliver steady improvement in operating margin. The steps we are taking to improve the business ... give us confidence that Crest is set on a path of improving performance, which will deliver results in line with our expectations," it said in a statement. It said the current housing market was steady, with better reservation rates than a year ago, and it expected sufficient house price growth to offset build cost inflation.

Ryanair to offer home and car insurance

British travellers using Ryanair's Web site to book flights, reserve hotel rooms and rent cars will now also be able to get quotes on home and car insurance from UK insurer Equity Insurance Group. Ancillary revenues made up about 15 percent of Ryanair's total turnover of €1.693bn last year. The company has said it sees ancillary revenues, which grew 36 percent last year, rising at a faster pace than passenger numbers this year thanks to plans to launch on-board mobile phone services and on-line gambling.

Today's Recommendation

HBOS (£9.39) Patience should be rewarded Stuart Draper

- Statement released : HBOS has released its H1 pre-close period trading statement, which even though low on detail, provided a useful update confirming how the bank's fundamentals remain very strong currently. The statement confirmed that HBOS is comfortable with consensus market forecasts for current year eps of 94.9p, representing year on year growth of 12%.
- Mortgages strong : HBOS' H1 2006 share of net mortgage loan growth was similar to its H1 2005 level, at c.17%, representing a significant strengthening on its H2 2005 market share of 11%. With British Bankers Association data for May showing the largest monthly increase in net mortgage lending since April 2004, at 12%, HBOS is the best placed UK bank to profit from this mortgage recovery.
- Credit quality : The statement also confirmed that credit quality at each of HBOS' lending businesses remains in line market expectations, and that broadly stable margins and cost management are helping to generate strong earnings growth.
- Savings growth : Strong investment product sales are continuing across all channels, and general insurance sales are being helped by growth in household insurance sales particularly. HBOS has a greater than average exposure to UK investment product sales as a result of its ability to distribute to high net worth customers through its St James Place subsidiary, and as a result of its strong position in the UK group pensions market. HBOS' insurance and investment profit growth is expected to accelerate from 7% for 2005 to 9% for 2006 to 11% for 2007.
- Buyback support : Downside risk for the share price is also limited by the bank's share buyback programme. This has been set at £750m for 2006, as was initially the case for last year's £1 bn share buyback programme, with £447.4m spent so far this year buying back 46.3m shares for cancellation.
- New leadership : One possible positive catalyst for the HBOS share price could be when CEO, James Crosby, leaves, and Andy Hornby takes over fully as CEO, as this could result in Hornby announcing some growth targets for the bank at the H1 results' announcement on Tuesday, 1st August.
- Attractive upside : Our current 12 month price target of £10.50 (12% upside) is based on 10x 2007 eps of £1.05, and investors will also be paid a dividend yield of c.4.2% for waiting for this upside to be achieved, giving the attractive total 12 month return of 16.2% : **BUY**.

Business Press

- ECB president warns Ireland to calm housing market (IT)
- Babcock plans float or sale of stake in Eircom (IT)
- B of I raises €2bn from roadshow (IT)

Investment Press

- Hedge funds: Nobody could seriously object to the idea of another guest at the same hotel getting a cheaper room deal. They would, however, have legitimate cause for concern if others had negotiated priority access to the exits in case of an emergency.

DOLMEN SECURITIES

DOLMEN SECURITIES → Website : 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
45 South Mall, Cork, Ireland. ▪ Tel : +353 21 422 2122 ▪ Fax : +353 21 422 2123 ▪ Email : cork@dsl.ie

Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor. Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgement as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.
Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

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.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.