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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	7207	↓ -20	-0.27%	11.0	16.28%
FTSE 100	5597	↑ 10	0.17%	13.5	16.27%
DAX 30	5398	↑ 1	0.02%	15.0	26.84%
DOW	10889	↑ 56	0.51%	19.5	0.99%
NASDAQ	2246	↑ 15	0.66%	15.6	7.54%
S&P	1268	↑ 5	0.42%	21.0	4.63%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1882	0.6829	138.5400
Dollar	1.1882	1.0000	1.7396	116.6000
Sterling	0.6829	1.7396	1.0000	202.7700
Yen	138.5400	116.6000	202.7700	1.0000
Oil (Nymex)	58.2800			

This Week's Research
British Land
Bank of Ireland
Ryanair

Today's Research
Aviva

Breaking News

Eircom hits broadband customer target

Eircom said yesterday that it has hit its target of reaching 200,000 broadband customers by December 2005. Eircom said it is now on track to reach 500,000 broadband users in Ireland by December 2007. By March 2006, 90% of the telephone lines in the country will be connected to an Eircom broadband exchange, Commercial Director David McRedmond said.

AIB announces \$2.5m settlement

AIB has announced a \$2.5m settlement in a legal action taken by some shareholders against it following the currency fraud at its US subsidiary AllFirst three years ago. But it said the settlement would have no impact on its financial position as it would be funded by the bank's insurers. Under the terms of the settlement, all claims will be dismissed without any admission of wrongdoing or liability by any defendant. Legal fees will be deducted from the \$2.5m. Meanwhile, AIB says the Supreme Court of the US state of Maryland has upheld decisions made by lower courts to dismiss a suit for damages against the directors and some senior management of AllFirst.

Ovoca agrees to buy 74m ounce silver deposit in Russia

Ovoca Gold said it it agreed to buy a 74 percent controlling interest in CJSC Ajax Prospectors Artel company, a Russian company that owns the Goltsovoe silver deposit in Eastern Russia, and has an option to acquire the remaining 26 percent. It will buy the stake for 110m Ovoca shares and a payment of \$1m within six months of signing the acquisition agreement. Ovoca has been in discussions with the shareholders of Ajax since early September 2005. The Goltsovoe silver deposit has an estimated 74.3m ounces of silver. 'This high-grade, advanced-stage, silver project will allow Ovoca to commence feasibility studies as soon as the acquisition is complete,' said Roger Turner, chairman of Ovoca. In the earlier years of the mine life we believe a production rate of over 6m ounces of silver a year can be achieved and the exploration potential is good,' he added.

Dolmen Research would like to wish all our readers a Happy and Peaceful Christmas and a Prosperous and Healthy 2006.

Aviva (£7.03) Bancassurance to drive 2006 growth Stuart Draper

- Bancassurance distribution : One of the main reasons for our view that Aviva will continue to generate strong sales growth in 2006 is the continued rollout of bancassurance distribution agreements such as the joint venture (JV) recently announced with AIB. Aviva, through its Irish subsidiary, Hibernian, will now have an exclusive distribution agreement with AIB, for the sale of its products to AIB's customer base of 1.6m through the bank's branch network of 280. Aviva already had a distribution joint venture with AIB in Poland.
- Market gains : The JV will be 75% owned by Aviva and 25% owned by AIB, with AIB receiving cash of €205m in addition to its 25%, and Aviva receiving all of the Ark Life policyholder fund management fees. The combined entity will have an initial market share of 18% (Aviva's 11% plus AIB's 7%), but given that AIB's market share was 15% as recently as 2001, there must be the potential now that the new JV will help AIB win back some of this market share. With Aviva's pension products having first access to AIB's SSIA funds as they start to mature in 2006, the JV's market share gains should get off to a strong start.
- EV boost : Once the revenue and cost synergies of the transaction are considered, the AIB JV has the potential to boost Aviva's embedded value per share by c.5p to £4.48. Given that Aviva's 2006 return on embedded value of 16.8% is 21% stronger than the UK sector average of 13.9%, our view is that its price to embedded value should trade at a similar premium to the UK sector.
- Attractive return : Therefore, our current 12 month price target for Aviva of £7.60 (8% further upside) is based on 1.7x embedded value per share of £4.48. Aviva will also pay a 2006 dividend yield of c.3.9% for waiting for this upside to be achieved, implying an attractive 2006 total return of c.11.9%.
- IL&P risk : AIB is estimated to have a c.25% share of the €17 bn of SSIA maturities over the next 2 years. Given Bank of Ireland's stronger investment management performance and larger share of the SSIA market, our view is that its 24% share of the life market in Ireland will prove more resilient than Irish Life & Permanent's 27% to this increased competition from the AIB JV.
- Switching opportunity : Therefore, we re-iterate our current NEUTRAL recommendation for Irish Life & Permanent (€16.40) and recommend a SWITCH into Aviva as providing more value at current levels amongst the European bancassurers : BUY.

Business Press

- Growth rebound indicates happy holiday (IT)
- House prices shrug off slow start (IT)
- Glanbia executive sells shares in firm (IT)
- Hilton confirms Ladbrokes contact (IT)

Investment Press— Lex

- Private equity: Have years of cheap money finally created a bubble capable of rendering public equity extinct? Fans of private equity - leveraged buy-outs and venture capital - argue it is a superior form of ownership. Sceptics, rightly, point out it has no clear advantage.



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