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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8904 ↑	14	0.16%	11.0	20.92%
FTSE 100	6160 ↓	-42	-0.68%	12.4	9.64%
DAX 30	6476 ↑	16	0.24%	15.0	19.75%
DOW	12327 ↑	5	0.04%	19.5	14.32%
NASDAQ	2466 ↑	11	0.45%	15.6	11.82%
S&P	1406 ↑	3	0.23%	21.0	12.94%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2933	0.6758	150.8600
Dollar	1.2933	1.0000	1.9135	116.6100
Sterling	0.6758	1.9135	1.0000	223.1700
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	59.2400			

**This Week's Research**  
Anglo Irish Bank  
British Land  
United Drug

**Today's Research**  
RBS

## Breaking News

**RBS (£18.83) Trading statement catalyst Stuart Draper**  
**Target : £20.50 (23/11/06; previously £19, issued 13/06/06)**

- Statement catalyst : On Wednesday week, 6th December, RBS will release its pre-close period trading statement for the year ending 31/12/06. Given this year's strong capital markets conditions, there is the potential for some stronger than expected guidance in relation to the group's Global Banking and Markets division. Also, given this year's recovery in UK mortgage lending, as well as the recent improvement in US mortgage lending, the outlook for the group's retail operations in both markets could be more upbeat than current consensus expectations, implying some upgrades to 2007 forecasts.
- Earnings upgrades : The current consensus forecast is for a 2007 eps of £2.01, representing 10% growth on the 2006 consensus forecast of £1.83. Post Wednesday week's trading statement, there is the potential for a 2% upgrade to this 2007 forecast to £2.05, based on the better than expected guidance above, and as a result we upgrade our 12 month price target to £20.50 (9% further upside), based on 10x consensus forward earnings.
- Target upgrade : Such a rating appears very achievable by comparison with the current European bank sector average of 12x 2007 eps, and when combined with a current dividend yield of c.4.4%, this provides a sufficient further return to justify maintaining our current BUY recommendation.
- Credit quality : RBS' bad debts charge continues to grow at a lower rate than its loan book, resulting in the group's credit quality remaining more robust than peers such as Barclays and Lloyds TSB. This is helped by RBS' lower than sector average exposure to UK unsecured personal lending of c.7% of global loan book, which has been the only problem area to date.
- Savings growth : Also, in line with most of the other UK banks, sales of savings and deposit products continue to be very strong, with Wealth Management performing particularly well. This should help ensure that margin erosion remains in line with previous guidance.
- Deal risk : Earlier this year, RBS confirmed that all of its growth targets could be achieved organically from its UK and Irish, US and Chinese operations and its current share buyback programme would continue. This means that the risk of a major acquisition in the near term is very low. RBS' share price has risen by 10% since our last BUY note of 04/08/06 : BUY.

## Breaking News

### Blackrock to purchase 3 UK properties

Blackrock announced today that it has entered into agreements to purchase three substantial, high quality office buildings totalling 10,530 sq meters located in Milton Keynes, England for a total outlay, including costs, of €37.5m. The portfolio provides a net initial yield of 6.2%. On completion of rent reviews currently outstanding or due in 2007, the yield is anticipated to rise to 6.6%. Milton Keynes is strategically located midway between the UK's two largest cities, London and Birmingham, in close proximity to the M1, M6, M25 and M40 motorways and only 35 minutes by rail from London Euston. These transactions take total investment by Blackrock since its listing in May to €95.5m.

### ESOT rejects Ryanair €2.80 offer

Yesterday Michael O'Leary trimmed his holding in Ryanair from 4.5% to 4.2%. He sold 2.5 million shares at €9.70, leaving him with 32.5 million shares. This happened on the same day that Mr O'Leary criticised Aer Lingus executives for their "negligible" stakes in the airline. Also ESOT voted yesterday to reject the takeover bid by rival airline Ryanair. In a ballot, 97% of members voted against the £1bn bid, effectively scuppering it. The trust is the third largest Aer Lingus shareholder, with 12.6% of stock. In related news Qantas the Australian flag carrier was approached regarding a possible takeover by Macquaire Australia's biggest investment bank and a US based private equity firm Texas Pacific Group. Shares in the company have risen 15% since the approach was made.

### M&T CEO to step down

M&T Bank Crop. has announced that Robert Sadler is retiring at the end of 2006 as CEO and President of the Company and its primary banking subsidiary, M&T Bank, but will remain at the bank as a Vice Chairman of both organizations. Mark J. Czarnecki has been named President of the Company and M&T Bank, and has been appointed to the boards of the Company and M&T Bank. The bank has performed very well since Mr. Sadler took over in 2005. AIB is the largest shareholder in M&T with a 24.1% stake in the company.

## Business Press

- Eircom to take last 3G licence (II)
- Market cheers win by Celtic (II)
- Dell reports strong earnings (IE)

## Investment Press

- Spanish acquisitiveness: Spanish companies hunt in packs. Between 1992 and 2001 they bought €80bn of assets in Latin America. UK purchases followed, including O2, Abbey National and BAA. China seems to be the next destination.



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