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Contact Details:

Email : research@dsl.ie
info@dsl.ie

Tel : +353 1 633 3800
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7429 ↑	23	0.32%	11.0	0.88%
FTSE 100	5634 ↓	-27	-0.48%	13.5	0.27%
DAX 30	5334 ↓	-14	-0.27%	15.0	-1.37%
DOW	10712 ↑	23	0.22%	19.5	-0.66%
NASDAQ	2265 ↑	17	0.75%	15.6	2.72%
S&P	1267 ↑	3	0.24%	21.0	1.76%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2273	0.6879	141.0700
Dollar	1.2273	1.0000	1.7840	114.9300
Sterling	0.6879	1.7840	1.0000	205.0400
Yen	141.0700	114.9300	205.0400	1.0000
Oil (Nymex)	67.0600			

This Week's Research
Inditex
Vodafone

Today's Research
HBOS

Today's Recommendation

Breaking News

Prudential FY slightly ahead of expectations

Prudential turned in better than expected full-year sales, buoyed by strong growth in Asia and the US. The UK life insurer said group sales for the year to December 31 came in at £2.15bn on an annual premium equivalent basis, a 15 percent increase on the previous year, and slightly ahead of the consensus forecast of £2.13bn. Sales for the fourth quarter stood at £534m, down slightly from £583m a year earlier, but ahead of the £474m expected by analysts. The increase in full-year sales was driven by Asia and the US, where revenues rose 23 percent and 13 percent respectively. Sales in the UK and Europe were up a more moderate 10 percent.

Irish housing market set for 8% growth in 2006

According to a report issued by IIB bank, the Irish housing market is predicted to continue to grow at record levels, with house prices to rise by 8% this year. The report showed that Irish housing wealth - the market value of houses minus housing-related debt - has risen by 350% since 1996 to €375 billion. The bank believes this 'astonishing' build-up in wealth in the past 10 years will support the market in the future. The bank expects SSIA money to generate as much as €10 billion of spending on property by the middle of 2007. This, along with high levels of immigration, will support strong demand for housing over the coming year, according to IIB. It believes these positive factors will 'more than offset' the prospect of an increase in euro zone interest rates to 3% by late summer.

Adidas gets EU approval for Reebok deal

Adidas has won EU regulatory approval on Tuesday for its €3.1 billion takeover of Reebok. That leaves just one final hurdle, as Reebok shareholders vote on the agreement. It is expected to pass without controversy. The European Commission said its investigation into the European sports footwear market showed the deal would not harm competition in Europe because the two companies had different brand and pricing positions and targeted different customers.

HBOS (£9.54) NR results show UK recovery Stuart Draper

- NR results : This morning, UK mortgage bank, Northern Bank, reported strong underlying profit before tax of £505m, which was ahead of the consensus forecast of £498m, and which was a year on year increase of 14%. Net new lending grew by 17% in H2 2005 and the bank's pipeline of new lending showed 11% year on year growth. Even though such strong growth may now be quite fairly reflected in Northern Rock's share price, now rated at 11.6x consensus 2006 eps, the results provide useful further evidence that a recovery in mortgage lending is starting to take hold currently in the UK.
- Mortgage recovery : This is particularly important for HBOS, which has the largest share of the UK mortgage market. 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.4.5%, a slight slowing in the bank's loan growth in 2005 was a more likely ultimate scenario, than a major slowdown, which is what the share price was factoring in at times in 2004.
- Non-interest income : HBOS' pre-close trading statement released last month stated that the UK bank will exceed previous market expectations for underlying 2005 eps of 84.4p, with the consensus 2005 eps forecast now 85.6p. The main area of positive surprise was the bank's sales performance in insurance and investment, where "bancassurance is leading the way in Investment".
- Accelerating growth : HBOS' insurance and investment profit growth should accelerate from c.7% for 2005 to 9% for 2006 to 11% for 2007, driven by an ability to distribute to high net worth customers through its St James Place subsidiary, driven by its strong position in the UK group pensions market and driven by increasing UK retail demand for investment products.
- More buybacks : The other area of positive surprise was the continuation of the bank's share buyback programme, which has been set at £750m for 2006, as was initially the case for last year's £1 bn share buyback programme. Credit quality continues to remain robust, in line with market expectations.
- Further upside : Our new 12 month price target for HBOS of £10.50 (10% further upside) is based on 10x 2007 eps of £1.05. Investors will also be paid a dividend yield of c.4% for waiting for this upside to be achieved. HBOS' share price has risen by 10% since our last BUY note of 06/12/05 : BUY.

Business Press

- Buoyant CPL looks abroad for growth (II)
- Irish market highest earner for Vodafone (IT)
- Irish Ferries cancels daily route (IT)
- J&J shares fall 2.3% on poor drug sales (IT)

Investment Press— Lex

- BOC/Linde: ThyssenKrupp might have lost its bottle on Do-fasco, but Germany's industrial fighting spirit is alive and well. The day after Thyssen backed down, BOC Group revealed an approach from Linde, the gases-to-fork-lifts business from Wiesbaden.



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