



Creative Global Investments

Deutsche Bank AG (DE: DB EUR 14.54)

BUY (12-Mo TP EUR 18)

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Deutsche Bank Q3 results were broadly in line with expectations, however they were better than expected on a pretax profit level (delta of EUR 0.4bn), mainly due to lower than expected litigation and restructuring activities (delta of EUR 0.25bn). Revenues were down by 10% y-o-y to EUR 6.8Bn, which were slightly above consensus estimate. Q3 revenue decreased almost -10% to EUR 6.8 Bn, hurt by a -30% drop in sales and trading revenues and lower deal-advisory fees.

DB Q3 net income was EUR649 Mn (\$766.7 Mn) compared with EUR278 Mn in the same period last year, helped by lower operating costs and legal expenses. Although Q3 Tier 1 capital ratio declined by 30 basis points, it remained strong at 13.8% and relative to its peer group.

For Q4 DB expects both higher restructuring and litigation expenses. Positively, DB made further progress on the cost side with a decline of adjusted costs by -6% y-o-y, while the negative revenues trend continued. Deutsche Bank earlier this year settled a big US probe into crisis-era sales of mortgage securities and raised \$8.5 Bn in a share sale, putting immediate fears about inadequate capital to rest. DB shares remain too cheap in our view given the earnings recovery potential in the mid-term. DB shares keep gathering momentum from the September lows.

Looking at the chart technical outlook for DB shares, we reiterate our Buy rating with a 9-12 months' target price of EUR 18. DB shares keep gathering momentum from the September lows.



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When looking at the chart technical of the US listed DB shares, one can see uptrend more pronounced, and with improving RSI and MACD. Our 9 – 12 months target price for the US listed shares is USD 20.



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