



August 18, 2005

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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6692	↓ -26	-0.38%	11.0	7.97%
FTSE 100	5293	↓ -30	-0.56%	13.5	9.94%
DAX 30	4871	↓ -12	-0.25%	15.0	14.46%
DOW	10551	↑ 37	0.35%	19.5	-2.15%
NASDAQ	2145	↑ 8	0.38%	15.6	2.69%
S&P	1220	↑ 1	0.07%	21.0	0.68%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2271	0.6798	135.1300
Dollar	1.2271	1.0000	1.8046	110.1000
Sterling	0.6798	1.8046	1.0000	198.6800
Yen	135.1300	110.1000	198.6800	1.0000
Oil (Nymex)	63.2600			

## This Week's Research

RBS  
CRH

## Today's Research

Deutsche Bank

## Breaking News

### RBS reveals Bank of China plans

Royal Bank of Scotland has announced that it has agreed to lead a 10 percent investment in Bank of China worth \$3.1 billion (£1.7 bn). In its first major investment in China, the bank said it would invest \$1.6 billion (£0.9 bn) of the total. The UK's second-largest bank said it would fund the deal by selling its stake in Spain's SCH for 900 million pounds.

### BoE chief opposed rate cut

Bank of England Governor Mervyn King and three other officials voted against cutting interest rates in August, denting expectations Britain's nine-strong monetary policy committee would trim borrowing costs again soon. Minutes of the committee's August 3-4 meeting published on Wednesday showed King, Deputy Governors Rachel Lomax and Andrew Large and executive director Paul Tucker thought inflation might be a problem and opposed the quarter-point cut to 4.5 percent. They were outvoted by the other five committee members, including Bank of England chief economist Charles Bean, marking the first time the governor has been in the minority on any decision since the team began setting interest rates in 1997. Analysts had predicted that eight policymakers would have backed the cut -- the first in two years -- aimed at boosting flagging consumer spending after economic growth slowed to its weakest pace in 12 years in the second quarter of 2005.

### US PPI jumps on high energy costs

Soaring energy costs pushed U.S. producer prices up by twice as much as expected in July, government data showed on Wednesday, with core prices excluding food and energy also indicating future inflation. The Labour Department said the producer price index rose 1.0 percent last month. Prices for finished energy goods jumped 4.4 percent, the biggest rise since October 2004. Wall Street economists had expected overall producer prices to rise 0.5 percent

## Business Press

- Tysabri go-ahead 'likely by year-end' (II)
- Kelly consortium eyes move to take part in Jurys offer (II)
- Rolls-Royce wins Chilean deal (IE)
- J&J poised to buy Guidant (FT)

## Deutsche Bank (€70.50) Track record improving Stuart Draper

- Group profile : Deutsche Bank is a leading international financial services group and the largest bank in Germany. It consists of two operating divisions, Corporate and Investment Banking, which makes up 65% of group profit before tax, and Private Clients and Asset Management. Its major presences are in the German and US markets.
- Strong results : The bank recently reported much better than expected results for the 3 months ended 30/06/05. Net profit of €947m was significantly ahead of the consensus forecast of €803m, and was a year on year increase of 44%. These results confirmed that the bank remains on track to achieve its 2005 pre-tax return on equity target of 25%.
- Attractive yield : Deutsche also stated that it had accrued €700m for dividend payments in H1 2005, resulting in the consensus 2005 and 2006 dividend per share forecasts increasing to €2.18 (3.1% yield) and €2.50 respectively. This substantial increase in the 2005 dividend indicates that the recent improvements in the bank's businesses are sustainable.
- Improving record : Given some of the earnings disappointments of recent years as a result of some of the group's problem businesses, the earnings record put together in recent quarters has shown a significant improvement.
- Cost savings : The major restructuring program announced in September 2004 included a 9% reduction in total staff numbers. The cost savings from this restructuring program will help drive further earnings growth in 2006.
- DaimlerChrysler boost : DaimlerChrysler (DC) represents Deutsche's largest single investment and so the recent management changes there and associated share price rally is a significant boost. Deutsche used this recent share price strength to reduce its DC stake from 10.4% to 6.9%, freeing up tier 1 equity of c.€400m in the process. This should enable the investment bank to further improve its return on equity.
- Significantly undervalued : Our 12 month price target of €78 (11% further upside) is based on 10x consensus 2006 eps of €7.80. Such a price target would still only leave the bank trading at 1.44x 2005 book value per share of €54, which would appear very achievable given the bank's sustainable after tax return on equity of 14% : BUY.

## Investment Press— Lex

Wal-Mart: Wal-Mart is testing the patience of its staunchest supporters. In the last 12 months, the retailer's shares have fallen almost 15 per cent, while those of rival Target have soared nearly 30 per cent. Tuesday's results gave little hope for a sudden reversal of fortunes.



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