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Charges to drive Deutsche Bank to €6.7bn loss

James Shotter in Frankfurt

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John Cryan, Deutsche Bank chief executive

Deutsche Bank warned it was facing a loss of “approximately €6.7bn” for 2015, after taking another multibillion-euro round of litigation and restructuring charges.

John Cryan, who succeeded Anshu Jain as co-chief executive of Deutsche in July and will take sole charge of the bank when co-chief Jürgen Fitschen steps down this year, said that the result — Deutsche’s first annual loss since 2008 — was “sobering”.

Germany’s biggest lender said on Wednesday night that it was likely to incur charges of about €2.1bn in the fourth quarter. In combination with a fall in revenues in its securities trading unit, the charges will push it to a €2.1bn net loss for the quarter.

The bulk of the charges — €1.2bn — are litigation-related. The bank cautioned that the figure might change before it releases its final financial statements on March 11, but did not say to what litigation the charges were linked.

Of the remaining €900m in restructuring costs, €800m are mainly due to Deutsche’s decision to close scores of branches in its retail banking division. The final €100m is an IT impairment charge linked to Deutsche’s decision to split off Postbank, the post office bank that it bought in stages from 2008.

Mr Cryan, who helped restore UBS to health after the Swiss bank flirted with disaster during the financial crisis, said that the exceptional costs — which come on top of €7.6bn in charges in the third quarter — were the necessary consequences of Deutsche’s efforts to turn its fortunes round.

The bank’s five-year strategy — sketched out by Mr Jain and Mr Fitschen in April and completed by Mr Cryan in October — envisages cutting costs, exiting countries, slashing assets in Deutsche’s securities business, splitting off Postbank and overhauling the low-returning retail bank.

Mr Cryan insisted in a note to staff on Wednesday that these efforts would “make Deutsche Bank simpler and more efficient by reducing the number of products and services we offer, deepening our relationships with the most promising clients and bringing focus to the number of locations in which we operate”.

“They will also help us to lower the bank’s risk profile by being prepared to resolve existing regulatory and litigation matters as quickly

as possible,” he wrote.

However, the forthright Briton, who warned when he took charge at Deutsche that the coming months would not all be “sweetness and light”, reiterated that he expected the turnaround process to be “hard work, burdened by the costs of restructuring the bank and making much-needed investments”.

Deutsche will give full details of its results on January 28. However, it said that on a preliminary basis, it expected revenues of €6.6bn for the fourth quarter and €33.5bn for 2015. It expected its core tier one capital ratio — a measure of financial strength — to have been about 11 per cent at the end of the year.

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