

Deutsche Bank Writedowns Exceed \$11 Billion

By [Global Research](#)

Theme: [Global Economy](#)

Global Research, August 02, 2008

Reuters 31 July 2008

FRANKFURT — Deutsche Bank AG announced fresh writedowns on Thursday, taking its bill from the global financial crisis beyond \$11 billion.

Germany's flagship financier had originally been seen as one of the few to emerge unscathed from the crisis, but as the problems on global markets continue Deutsche Bank is being sucked ever deeper into trouble.

The group's pretax profit collapsed in the second quarter to 642 million euros (\$1 billion) — a fraction of the 2.7 billion euros it made a year earlier — as writedowns ate into its bottom line.

Deutsche listed its latest injuries from the global crisis, saying it made 1 billion euros of writedowns in residential mortgage-backed securities and a further 500 million euros linked to monoline insurers which insure against bond defaults.

Commercial real estate investments cost it 300 million.

Its bill from the turmoil, while modest compared to Swiss rival UBS AG, has overtaken that of its Zurich-based competitor Credit Suisse Group AG, which has made about \$8 billion of writedowns.

The extra damage in the second quarter, however, had been broadly expected and Deutsche's shares were just 0.4 percent lower at 3:24 a.m. EDT, in line with European rivals.

"We remain cautious for the remainder of 2008," said Chief Executive Josef Ackermann, who also chairs top global banking group the Institute of International Finance.

His remarks contrast with his bullish statements of the past. As late as last November, Ackermann signaled he saw no further writedowns and stood by his goal of making a pretax profit of 8.4 billion euros this year, a target that has since been quietly dropped.

So far this year, the bank has made roughly 400 million euros.

Konrad Becker, an analyst with Merck Finck, said: "the writedowns are the decisive point and show that the crisis lingers ... But the results, if you look at costs and interest income, for example, are better than expected."

Deutsche's wage bill fell by almost one third to almost 2.7 billion euros in the second quarter as bonus payouts fell.

INVESTMENT BANKING

Many investors believe Deutsche is over-reliant on investment banking, which is suffering as the liquidity which oils international financial markets dries up.

Credit Suisse, for example, can fall back on its business managing the money of the world's rich, which accounted for roughly 40 percent of profits even in the investment banking bull years.

Deutsche Bank, by contrast, earned almost two thirds of pretax profit in 2006 from investment banking.

Its investment banking business dipped into the red in the second quarter this year, making a loss of 311 million euros after the writedowns.

Investor concern is reflected in Deutsche's share price. It is trading on a price earnings ratio of about 6 — making it cheaper than its Swiss rival, which is priced above 8 times.

© 2008 Reuters. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters.

The original source of this article is Reuters
Copyright © [Global Research](#), Reuters, 2008

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Global Research](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca