Deutsche Bank slashes over 7,000 jobs in major shake-up

Deutsche ready to do what it takes to return to profitability

FRANKFURT AM MAIN: Germany's largest lender Deutsche Bank said yesterday it will slash over 7,000 jobs and dramatically scale back its investment banking activities as it seeks to turn the page on years of losses. The announcement came just hours before the bank's annual general meeting kicked off, where newly appointed chief executive Christian Sewing sought to reassure unhappy investors Deutsche is ready to do what it takes to return to profitability.

Sewing seeks to reassure unhappy investors

"We are not yet where we should be. Therefore we must act, and we must act swiftly and forcefully," Sewing told shareholders in Frankfurt. In a statement, Deutsche said the number of full-time positions globally would fall from 97,000 "to well below 90,000". "The associated personnel reductions are underway," it added. Deutsche did not mention which countries would be affected, but said a quarter of the jobs in its equities and sales trading business would be cut.

The jobs cull is the first big decision taken by Sewing, who unexpectedly replaced CEO John Cryan in early April. Sewing had already signaled he was planning deep cuts at Deutsche's trouble-plagued investment banking arm, shifting the focus to more stable business activities such as retail banking, particularly in Europe. "We remain committed to our corporate and investment bank and our international presence," Sewing said. "We are Europe's alternative in the international financing and capital markets business. However, we must concentrate on what we truly do well."

As part of the revamp, Deutsche added that it will reduce the investment bank's exposures by over 100 billion euros, or around 10 percent. Deutsche also said it would step up its cost-cutting drive, aiming to reduce adjusted costs to 22 billion euros in 2019, compared with 23 billion this year. "Overall, we see today's announcement as the right step," JPMorgan analysts said in a client note. Investors appeared unimpressed however, with Deutsche shares slipping 1.10 percent to 10.78 by 0945 GMT, against a Dax index of leading German shares up 0.16 percent.

Angry shareholders

Yesterday's shareholder gathering is likely to be a stormy one, with investors expected to vent their anger over the bank's disappointing stock performance, poor earnings results and last month's turbulent leadership reshuffle. Former CEO Cryan was unceremoniously ousted after coming under growing pressure from leading shareholders and supervisory board chief Paul Achleitner, who accused the Briton of taking too long to get the financial giant back on track after it posted its third year of losses in 2017.

FRANKFURT AM MAIN: This file photo shows the logo on the tower of German Company Deutsche Bank in Frankfurt am Main, western Germany.—AFP

Sewing, a Deutsche veteran, has vowed to refocus Deutsche Bank on retail banking and asset management, seen as more stable sources of income, while slimming down its share trading and other investment banking activities. In corporate banking, Deutsche plans to slash its commitment to the United States and Asia, and instead focus more on Germany and Europe.

Other items on Deutsche's restructuring to-do list include fully integrating subsidiary Postbank into its German retail banking operations and further reducing its massive holdings of financial derivatives. Deutsche's woes can in part be traced back to its bold attempt to compete with Wall Street investment banks in the years leading up to the financial crisis-which left the German giant saddled with a toxic legacy of risky assets and costly legal challenges. Although ex-boss Cryan was credited with neutralizing the worst legal threats, mostly by paying billions in fines and compensation, he failed to drag the bank back into the black. —AFP

ECB warns against Italy's spending plans

FRANKFURT AM MAIN: The European Central Bank said yesterday that Italy should stick to EU budget rules rather than pump up spending, warning that financial markets could punish the country's new government for recklessness. "A loosening of the fiscal stance in high-debt countries could impact the fiscal outlook and, by extension, market sentiment" towards governments when they try to sell bonds, the ECB said in its biannual financial stability report.

Departing central bank Vice-President Vitor Constancio was more explicit, telling reporters "Italy should keep within the European rules regarding fiscal policy" because "it's in its own interest", according to Bloomberg News. Italy is the third-largest economy in the eurozone and labors under a 2.3-trillion-euro government debt burden, 132 percent of its annual economic output. That ratio is the highest of any EU nation aside from Greece, and more than double the official EU limit of 60 percent.

The country must turn to investors to refinance hundreds of billions of euros of its debt in the coming years, and could be forced to pay higher interest rates if markets are not convinced it has sound finances. But a coalition deal between the anti-establishment populist Five Star Movement and eurosceptic League parties could see the budget deficit-the amount the government outspends its income-surge as it promises tax cuts, a monthly basic income and rollbacks to money-saving pension reforms.

For now, EU Economic Affairs Commissioner Pierre Moscovici saw yesterday a "fairly good sign" in Italian prime ministerial nominee Giuseppe Conte's openness to "dialogue" with the bloc's executive arm. "I continue to believe Italy will remain a core country of the eurozone," he added. Looking at the 19-nation eurozone more broadly, minutes from the ECB's April meeting released yesterday showed governors were convinced slower economic performance at the start of the year was temporary. "The underlying growth momentum was on the whole assessed to remain intact," the minutes read. —AFP

Canada blocks Chinese takeover of Aecon on national security grounds

SHANGHAI: Canada has blocked a proposed C$1.51 billion takeover of construction company Aecon by a Chinese state builder on national security grounds, underscoring rising wariness of Chinese firms buying up assets in Western countries. Aecon's takeover by overseas investment and financing arm of China Communications Construction Co Ltd was scheduled to close in February. But this was delayed after Canada extended a national security review.

The Canadian government has now ordered CCCC International Holding Ltd not to implement the proposed investment to protect national security, Canadian Innovation Minister Navdeep Bains said in a statement on Wednesday. "Our government is open to international investment that creates jobs and increases prosperity, but not at the expense of national security," Bains said. Canadian Prime Minister Justin Trudeau said earlier his government would closely monitor security issues when it decided whether to allow the deal, examining the implications for intellectual property protections.

China's foreign ministry said it hoped Canada could "abandon its prejudices" and provide a level playing field for Chinese enterprises in response to a question about the Aecon deal. "In principle, China always opposes the politicization of this kind of trade and investment activity and we oppose the mistaken method of carrying out political interference on the basis of so-called national security reasons," ministry spokesman Lu Kang said yesterday.

Aecon said it was disappointed with the government's decision and was no longer pursuing a sale process. An executive from CCCC's investor relations team in Beijing told Reuters the company had yet to receive relevant documents from the Canadian government. Ottawa's move comes as Canada is in exploratory trade talks with China as the country seeks to diversify its export markets.

Chinese interests in overseas assets has worried governments elsewhere such as in Denmark, whose officials have expressed concern over Greenland courting Chinese firms, including CCCC, to expand three airports. The Committee on Foreign Investment in the United States (CFIUS), which scrutinizes foreign purchases of US assets to protect national security interests, has also been tightening scrutiny of Chinese companies' acquisitions of American firms.—Reuters