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## Deutsche Bank Expects to Post \$6.33 Billion Fourth-Quarter Loss

By [ULRIKE DAUER](#) and [WILLIAM LAUNDER](#)

FRANKFURT -- [Deutsche Bank AG](#) Wednesday warned on fourth-quarter and full-year earnings, saying that exceptionally tough market conditions in sales and trading drove it to an after-tax loss of about €4.8 billion (\$6.33 billion) for the fourth quarter and about €3.9 billion for the full year.

The surprise market update sent bank shares lower across Europe amid fears that the Deutsche Bank result gives a taste of other fourth-quarter results still to be announced across the sector.

By early afternoon in Frankfurt, Deutsche Bank shares were down €2.68, or 9.8% at €21.92, underperforming the wider market, which was down 2.5%. The Stoxx Europe 600 banks index was down 6.1%.

Ruland Research analyst Heino Ruland said Deutsche Bank's outlook was disconcerting, and that even with the "very bad" fourth-quarter numbers, the end isn't in sight as further corrective measures have been announced for the current year. He added that with a relatively high Tier 1 ratio the bank wouldn't require a capital increase, but that this cannot be ruled out in light of its takeover of Postbank.

Deutsche Bank has agreed with [Deutsche Post AG](#) to restructure the terms of its planned acquisition of 62.3% in [Deutsche Postbank AG](#) in a deal that has a cash value of €4.9 billion. The new deal will likely give Deutsche Post a temporary 8% stake in Deutsche Bank, while the German government, which owns 31% in Deutsche Post through KfW state development bank, will have a temporary Deutsche Bank stake of just below 3%. (See [related article](#).)

Kepler Equities analyst Dirk Becker said Deutsche Bank's net loss was worse than expected but the fact that it has adequate capital is good.

Deutsche Bank, Germany's largest bank by market capitalization, slashed its full-year dividend to 50 European cents a share for 2008 from €4.50 the year before. It said the dividend reduction would help give it a Tier 1 capital ratio of around

10% for the fourth quarter. The Tier 1 ratio is a measure of financial strength and is being closely watched by analysts for indications of how well equipped banks are to cope with the current market crisis.

Part of the fourth-quarter loss was due to restructuring costs following "a number of corrective adjustments" aimed at lowering balance-sheet risks by cutting exposure to certain credit market products, the bank said, adding that further measures will follow in 2009.

"We are very disappointed at this fourth-quarter result, which leads to a loss for the year," Chief Executive Josef Ackermann said. "We have substantially reduced our exposures in leveraged finance, commercial real-estate and other key credit market exposures, and expect no further material negative impact from these areas," Mr. Ackermann said.

The bank has also scaled back or exited from trading activities that are most affected by market turbulence. "We have significantly reduced trading assets, and thus reduced balance sheet leverage," Mr. Ackermann said.

Deutsche Bank said the sales and trading businesses most under pressure included its equity derivatives and equities proprietary trading activities. The bank said the results also reflect increased provisions against certain of its monoline counterparties, and other exceptional gains and costs, including restructuring charges.

The bank cut its exposure to leveraged loans and loan commitments, to €1 billion in December from €11.9 billion in September. Exposure to commercial real-estate loans was also cut to under €3 billion from €8.4 billion in the same period.

In asset and wealth management, the bank anticipates a fourth-quarter loss driven by an impairment charge on intangible assets related to DWS Scudder and substantial injections into money-market funds, it said.

Landesbank Baden-Wuerttemberg analyst Olaf Kayser called the earnings "terrible" and much worse than he had anticipated. He said it had been important that Deutsche Bank release some figures, especially as its core capital may get watered down by the Deutsche Postbank acquisition. He added it is positive Deutsche Bank seems to have made a clean cut by reducing risky positions, such as leveraged loans and commercial real-estate, in the fourth quarter.

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