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Deutsche Bank lagging 'monster' US peers

Filippo Alloatti, Senior Analyst at Hermes Credit, reacts to today's Deutsche Bank results:

Deutsche Bank's fourth quarter pre-tax loss of €1.2bn is further evidence of the difficult current environment for traders in fixed-income, commodities and currencies – as well as the exorbitant rise of conduct costs. This raises questions about the size of the €2.3bn litigation reserve - is it enough?

Deutsche Bank revenues declined 27% year-on-year on a headline basis, however, the decline was less dramatic without temporary valuation differences. The performance is not good compared to flow-monster US peers, especially considering Deutsche Bank has a strong American franchise. On the positive side, its asset management and retail banking operations are doing reasonably well.

We would not go as far as some pundits, who suggest the German giant has the 'wrong capital structure'. Deutsche Bank's management is attacking this well flagged issue. Nevertheless, more needs to be done on its leverage ratio. AT1 issuance of €5bn until 2015, held back by tax issues in Germany, will clearly help. Also risk-weighted asset density appears very low; it is a safe bet to assume this is going up.

-ENDS-

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Notes to Editors:

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