Deutsche Bank nets €5 billion profit in 2009

Stefan Steinberg
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Germany's biggest bank, Deutsche Bank, released figures last week for the 2009 business year. The bank recorded a massive net profit of €5 billion, exceeding analyst expectations of €4.3 billion. Just one year earlier, in the wake of the international financial crisis, Deutsche Bank had a net loss of €3.9 billion.

On Thursday, the chief executive of Deutsche Bank, Josef Ackermann, boasted that 2009 had offered major banks unprecedented opportunities to make money. "It will be a while before we see an investment banking market environment as favourable as that of 2009, when conditions fostered high volumes and high profit margins in many areas," Ackermann told journalists. In fact, 67 percent of the bank's profits for 2009 came from its investment banking sector.

Presenting the latest figures, Ackermann announced that Deutsche Bank intended to double its profit margins for the coming year, projecting an annual pre-tax profit of €10 billion in line with his previously declared intention of making an average annual profit of 25 percent. From Ackermann's perspective, the €5 billion profit for 2009 was somewhat on the low side—a profit rate of just 15 percent.

In line with the latest profit declaration, Deutsche Bank announced it would be increasing the bonuses for its pool of investment bankers by 18 percent to a total remuneration of €11.6 billion.

The return to massive profits by Deutsche Bank within the space of a year is entirely due to the financial measures—amounting to trillions of euros in loans and securities—undertaken by the German government and other governments across the globe to rescue those banks responsible for the crisis in the first place.

Ackermann played a leading role in the politics of the German bailout. In September 2008, he dictated terms to the German government for the rescue of the bankrupt Hypo Real Estate (HRE) to prevent the collapse of the German banking system. The rescue deal was sealed following discussions between Ackermann, other leading bankers and State Secretary Jörg Asmussen (Social Democratic Party), culminating in a late-night phone call by Ackermann with the German chancellor.

Since the federal election last autumn, Jörg Asmussen is the only leading financial advisor to have maintained his leading post in the new German government—a coalition of conservative parties with the free-market Free Democratic Party.

It was Asmussen who also helped draft the €500 billion rescue package for German banks plus the additional hundreds of billions promised to the financial community as part of the government's "bad banks" scheme.

Governments and their personnel change, but the influence of Germany's leading banks and its lobbyists over government policy continues to grow.

Now Deutsche Bank is reaping the profits from the bailout packages it helped create together with various other stimulus measures introduced by the government. The result, according to one finance analyst, is that Deutsche Bank has "definitely had a good crisis…. There's good profit overall."

Major banks such as Deutsche Bank are able to profit from the crisis in a number of ways.

Firstly, the German government's bank bailout packages and other forms of stimuli for big business are financed by loans by the government placed on equity markets. One of the main agencies for such bond transactions is Deutsche Bank, which is able to reap enormous fees in the process.

Secondly, the bank can profit from the record low interests rates established by central banks aimed at revitalising the finance sector. Deutsche Bank is able to lend money from institutions such as the European Central Bank at virtually zero rates of interest and then charge its clients substantial interests rates on their own loans from the bank.

Finally, Deutsche Bank can exploit the fact that the financial crisis has led to the collapse of some of its major rivals—e.g., the stricken Commerzbank, which has been taken under the wing of the German government. It is not surprising, therefore, that Ackermann has been at the centre of the recent campaign by major financial interests to defend the status and influence of banks allegedly too "big to fail."

In fact, Ackermann sees the opportunity to vastly expand the influence and yields of his bank. In a recent commentary, the *Financial Times Deutschland* notes that the bank is hoping that US proposals to restrict banking practices will enable it to encroach on the leading position of its biggest American rival, Goldman Sachs. Goldman Sachs, the biggest US investment bank, notched up nearly $5 billion in profits in the last quarter of 2009.

The FTD writes: "Investment banking remains the most profitable sector for Deutsche Bank.… The fact that fourth quarter profits came in much lower than at competitors like Goldman Sachs is sure to be an annoyance for Ackermann. But he is likely to catch up should the US government fulfill its plans to prevent American banks from operating hedge funds or engaging in proprietary trading."

The political clout of Deutsche Bank was highly visible at the recent Davos World Economic Forum. In the course of the summit of top bankers and politicians Ackermann demonstrably warned against playing the "the blame game"—i.e., any attempt to make bankers accountable for their actions—and later met with fellow bankers, CEOs and finance ministers. After their meeting behind closed doors, Ackermann praised the spirit of cooperation that prevailed, declaring, "There was better dialogue between business leaders, political and regulatory leaders than ever before."

Two days after the Davos forum, the German Federal Financial Supervisory Authority lifted the ban on short selling in Germany. This particular form of highly speculative transaction had been banned by the German regulatory authority in September 2008 following the outbreak of the international financial crisis.

Commenting on the power and influence of the banking community, journalist Lucas Zeise notes in the latest edition of the *Blätter für deutsche und internationale Politik*:

"Two years have passed since the outbreak of the property and financial crisis, yet there has been no progress in the regulation of the banking and financial sectors. Worse still, a serious start has not even been made. This diagnosis doesn't only go for Germany. It applies equally to the US, the European Union, and at the level of international regulation…. Apart from a few mini-corrections and proposals for raising minimum levels of private capital for investment banks, which will be implemented in who knows how many years, nothing, absolutely nothing has happened in terms of serious regulation."