DEUTSCHE BANK CEO TO SHY AWAY FROM 'BIG BANG' REFORM AT BOARD SUMMIT

News / Finance

John Cryan, Deutsche Bank's new chief executive, will not present "big bang" reforms at a weekend supervisory board retreat, rather an acceleration of existing plans to shed assets and exit countries.

The group's 19-member top oversight body began a three-day meeting late on Thursday set to be held at the luxury Alpine resort near the Tegernsee lake south of Munich, a favorite location for Germany's corporate elite.

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Cryan's ability to reform is constrained by factors that include costly litigation and fallout from turmoil in Asian markets. Also, his job is made more difficult because Deutsche is the last big investment bank to try to slim down, embarking on its restructuring long after rivals such as UBS (UBSG.VX), Barclays (BARC.L) and Credit Suisse (CSGN.VX).

Cryan will speed up the "salami slicing" approach of making incremental changes to strategy and cutting the balance sheet in a way that avoids hefty one-off charges, discussions

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held by Reuters with several people ahead of the weekend retreat revealed.

A big annual loss could result if the bank attempted, for example, to sell many of the long-dated derivative positions like interest rate swaps that use up a lot of the regulatory capital at its investment bank.

It could also alienate the very executives Cryan needs most to execute the new plan, because their bonus payments could be clawed back due to the loss.

But Cryan is keen to keep up the momentum for reform after a series of leaks hampered efforts led by his predecessor Anshu Jain and outgoing co-CEO Juergen Fitschen.

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“He can’t re-invent the bank but he’ll opti the bank,” said a former, long-time colleague of Cryan's. “He wouldn’t be where he is today if he was a pussycat.”

Deutsche, hit by a string of scandals and fines, is the lowest-valued global investment bank when measured by its price to book ratio of around 0.5.

Cryan will shy away from major reforms and opt instead to speed sales of unwanted assets warehoused in Deutsche's so-called bad bank. “He’ll pull out all the stops to cut back the balance sheet,” the former colleague said.

But he will have to tread lightly. Deutsche still has to resolve ongoing litigation and faces 3 billion euros ($3.4 billion) in outstanding fines and settlements, according to analysts' estimates.

Deutsche's ability to lighten its balance sheet through a sale of its 20 percent stake in Chinese brokerage Hua Xia (600015.SS) is likely to have been hampered by extreme volatility in Asian markets.

FROM GLOBAL TO REGIONAL

While sweeping change may be out of reach, Cryan will be able to shrink the bank's global spread of businesses into a regional one focusing on Europe, the United States and Asia.

That means Deutsche would be likely to keep its retail operations in Italy and Spain but sell operations in South America and Africa, certain operations in Asia, and others such as Russia.

One of the hottest topics for discussion will be how Cryan plans to restructure group governance, an area where the supervisory board has direct say. Cryan is keen to streamline decision-making and pare back bureaucracy.

The CEO aims to dissolve Deutsche's Group Executive Committee, a form of extended management board, by lifting some of its members into the management board and then creating a larger group of managing directors below the board level.

The supervisory board is impatient for change. “I expect straight talk,” one member of the board told Reuters ahead of the meeting. Cryan was a member of the supervisory board before his appointment as CEO in July.

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While the supervisory board ultimately holds a veto over the bank's strategy, the management board is charged with formulating it.

A spokesman for Deutsche Bank declined to comment on the meeting but said that details of the strategic Image not found or type unknown plan were to be expected by the end of October.

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