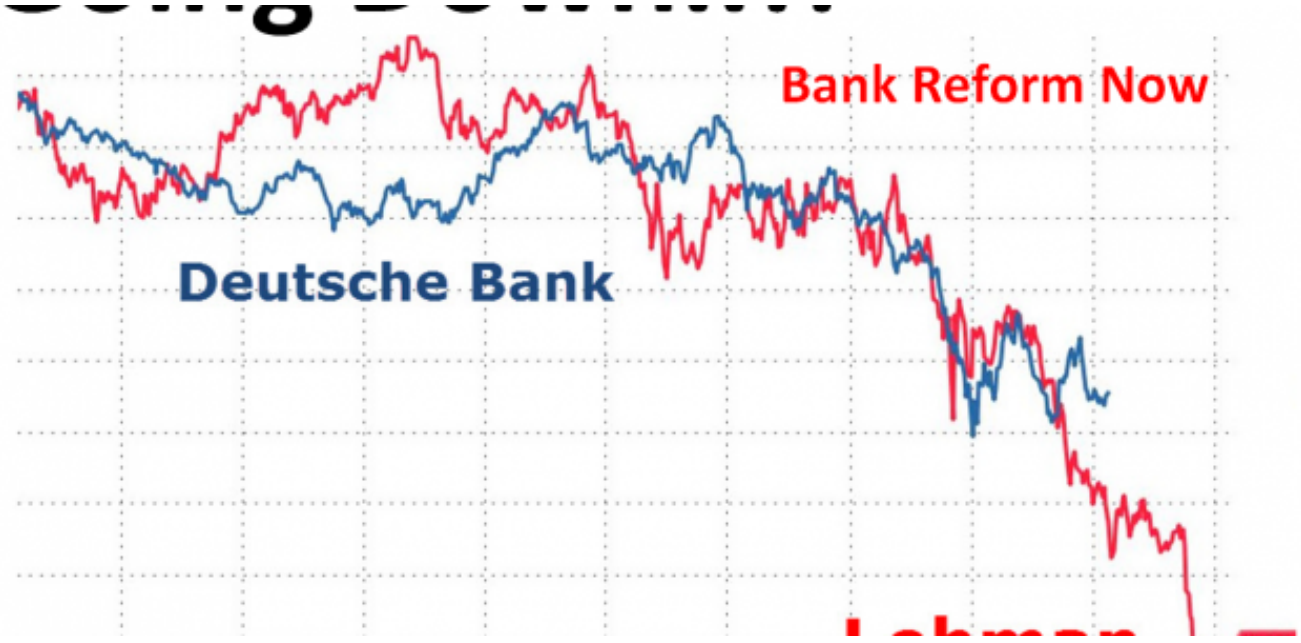
Will Deutsche Bank's Multi Billion Dollar Fines Tip It Over The Edge?

Summary:
Banks are being fined tens of billions of dollars in Europe and America. The people who profited from the crimes are not paying a penalty. Shareholders and taxpayers are paying. The world can no longer afford bankers getting away with these predatory and unconscionable business tactics. Banking is organised crime on a grand scale. We will only see reforms when the bankers involved are jailed and stripped of their ill-gotten assets.

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Deutsche Bank to Settle U.S. Mortgage Probe for $7.2 Billion

Civil penalty is $3.1 billion; balance is consumer relief

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Settlement compares with U.S. opening request of $14 billion

Deutsche Bank AG said it reached a $7.2 billion agreement to resolve a years-long U.S. investigation into its dealings in mortgage-backed securities, removing a legal hurdle that fueled investor angst.

Deutsche Bank will pay a $3.1 billion civil penalty and provide $4.1 billion in relief to consumers under a settlement in principle with U.S. authorities, according to a statement early Friday. The fine will cut pretax profit by $1.2 billion this quarter as the firm taps existing legal reserves to blunt much of that cost. The relief may drag on earnings for years.

The deal is far below the Justice Department's initial request of $14 billion, which had spooked stock and bond holders earlier this year, rattling entire markets. The agreement reached by negotiators will probably spare the bank from having to raise capital, said George Boubouras, the chief investment officer of Melbourne-based Contango Asset Management Ltd.

"It'll be a relief to investors," said Boubouras, whose firm oversees about A$650 million ($470 million) of equity investments.

Ahead of Friday's statement, analysts at Keefe, Bruyette & Woods had estimated **a fine exceeding $9 billion would cause the bank's capital to fall to dangerous levels requiring action.**

Tapping Reserves

Germany's biggest bank still faces U.S. probes into other matters and potentially expensive civil suits - liabilities that Chief Executive Officer John Cryan has set out to resolve as he seeks to restore confidence.

Deutsche Bank had set aside 5.9 billion euros ($6.2 billion) for all of its outstanding legal costs as of Sept. 30, when its common equity Tier 1 ratio, a measure of financial strength, stood at 11.1 percent. The bank targets a level of at least 12.5 percent in 2018. Each $1 billion of litigation costs not covered by provisions would lower the ratio by 20-25 basis points, Bloomberg Intelligence analyst Arjun Bowry has estimated.

Friday's statement indicates that about $2 billion of the stockpile was earmarked for the mortgage-securities case. The consumer relief doesn't have to be provisioned in the same way as the civil penalty because it will be provided through loan modifications or other assistance over five years or more. In other settlements, banks haven't typically booked immediate charges for relief, instead incurring costs as a longer-term drag on profits.

"The financial consequences, if any, of the consumer relief are subject to the final terms of the settlement, and are not currently expected to have a material impact on 2016 financial results," the bank said in its statement.

In a related case, the Justice Department sued Barclays Plc for fraud over its sale of mortgage bonds after the bank balked at paying the amount the government sought in negotiations. The lawsuit announced on Thursday is rare for big banks, which typically settle with the government rather than risk drawn-out litigation and a possible trial.

Mortgage Probes

The Obama administration is pressing to wrap up investigations of Wall Street firms for creating and selling the subprime mortgage bonds that fueled the 2008 financial crisis. **Authorities have already extracted more than $46 billion in fines from six U.S. financial institutions over their dealings in mortgage-backed securities. Bank of America Corp., which had the largest such settlement, agreed to pay $16.7 billion over bonds that were worth four times those of Deutsche Bank.**

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Deutsche Bank said in September that the Justice Department had made the opening $14 billion request and that executives had no intention of paying that amount. The news spurred concern about whether the firm had enough capital, roiling markets around the world while pushing the company's stock to a record low. The shares have since pared losses.

The agreement doesn't resolve probes into whether Deutsche Bank manipulated foreign-currency rates and precious metals prices and whether it facilitated transactions that helped investors illegally transfer billions of dollars out of Russia. Deutsche Bank also faces civil lawsuits related to claims that its traders manipulated key interbank interest rates. It isn't clear how much more wrapping up these cases will cost.

Deutsche Bank already has paid more than **$9 billion in fines and legal settlements worldwide since the start of 2008,** according to data compiled by Bloomberg. That includes settlements related to violations of U.S. sanctions, rigging of interest-rate benchmarks and allegations that it defrauded U.S.-backed mortgage issuers Fannie Mae and Freddie Mac.

Year of Struggle

A slump in earnings, negative interest rates and challenging markets have caused the bank to continue to struggle this year. Cryan's strategy, announced in October 2015, called for cost cuts and the elimination of dividends for two years to preserve capital. Deutsche Bank has said it may not be profitable in 2016 as it focuses on moving past its legal battles.

At least four other European banks remain under investigation over the role of their mortgage-backed securities business: **Credit Suisse Group AG, UBS Group AG, HSBC Holdings Plc and Royal Bank of Scotland Group Plc. In addition to Bank of America, U.S. banks that have settled include Goldman Sachs Group Inc., JPMorgan Chase & Co. and Morgan Stanley. Wells Fargo & Co. and Moody's Corp.** have disclosed U.S. investigations into their mortgage-backed securities dealings and have said they're cooperating.

Websites For More Information: Deutsche Bank to Settle U.S. Mortgage Probe for $7.2 Billion
https://www.bloomberg.com/news/articles/2016-12-23/deutsche-bank-to-settle-u-s-mortgage-probe-for-7-2-billion
Why Deutsche Bank's Shares Are at a Record Low: QuickTake Q&A
https://www.bloomberg.com/news/articles/2016-09-26/why-deutsche-bank-s-shares-are-at-a-record-low-quicktake-q-a

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