

Deutsche Bank starts cutting London jobs with 18,000 at risk worldwide
Some staff in London reported to be in tears after hearing their jobs have gone

What went wrong at Deutsche Bank? Profile of Deutsche Bank boss Christian Sewing
Nils Pratley: Deutsche Bank is clutching at straws
Sean Farrell, Julia Kollewe and Edward Helmore

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People outside Deutsche Bank office
People carry bags outside a Deutsche Bank office in London. Photograph: Simon Dawson/Reuters
Deutsche Bank started slashing thousands of jobs in the City of London and in New York only hours after announcing a drastic plan to reduce its global workforce by 18,000.

Germany's biggest lender employs almost 8,000 people in the UK, with 7,000 in London, which is one of the main hubs for its global investment bank, where the bulk of the job losses will be focused. The jobs being cut make up about a fifth of Deutsche's global workforce of 91,500.

Some staff in London were reported to be in tears after hearing that their jobs had gone. Workers started leaving the bank's building in the City at around 10am carrying bags of belongings. Some said they were told their passes would stop working at 11am.

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A male contract worker on his way into the building in Great Winchester Street said: The bank is not doing well, so they have to do something to get back up and running.

Deutsche has failed to recover from the financial crisis of 2008 and, faced with rising costs and a falling share price, Deutsche's chief executive, Christian Sewing, is shutting the division that sells and trades shares and cutting back on the bank's other businesses. The shares, which peaked at 110 in 2007, have crashed to less than 7, and lost another 5

The cull started in the Asia Pacific region, soon after the cuts were confirmed on Sunday evening in Europe, with employees being let go in Sydney and Hong Kong. A Hong Kong equities trader told Reuters the mood was gloomy as people were called individually to meetings. [There are a] couple of rounds of chats with HR, and then they give you this packet and you are out of the building, the trader said.

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In New York, hundreds of workers were summoned to the cafeteria at Deutsche's Wall Street office to hear their fates. Employees were seen leaving with their redundancy terms in large white envelopes. Staff at the nearby Full Shilling Irish bar were expecting laid-off Deutsche workers to congregate in the afternoon.

After suffering big losses in the wake of the financial crisis and also in four of the past five years, Deutsche Bank's problems have raised fears about its future among German government ministers. Berlin encouraged it to discuss a merger with its German rival Commerzbank, but talks ended in April, leaving Sewing to look for other means to safeguard the 149-year-old bank's future.

Sewing, who travelled to London to announce the cuts outlined on Sunday, expects to spend 7.4bn in order to cut the banks annual running costs by 6bn a year by 2022.

Deutsche is also separating 74bn of bad loans and risky derivative contracts into a so-called bad bank, to be run down or sold to banks under less pressure. Sewing also pledged to invest an extra 13bn in technology and increase revenue in the core bank.

Quick guide Deutsche Bank job cuts what staff and analysts had to say

Show Advertisement He promised not to ask shareholders for fresh funds. They have already stumped up almost 30bn in the past decade, only to see the companys market value plunge to half that amount.

Analysts at the US bank JP Morgan said Deutsches plan was for the first time not half-baked. But they also pointed out the banks poor record on executing plans, and questioned how motivated investment bank employees would be to revive the remaining business. Deutsche indicated that it could post another loss this year. It has already been through a series of attempted revamps, but without the big overhauls put in place by rivals such as Royal Bank of Scotland.

The bank has given no breakdown for the job cuts, but they are likely to fall most heavily in Europe and the US, where its investment bank, which has 38,000 workers, employs thousands of people. Job losses will affect frontline traders and support staff in areas such as IT and compliance.

The cuts will undo decades of expansion as Deutsche tried to compete with the biggest Wall Street firms such as Goldman Sachs. It made bold moves in the late 80s and 90s, buying Morgan Grenfell in London and Bankers Trust in the US.

Deutsche earned the grudging respect of Wall Street rivals during the boom years leading up to the financial crisis, but the bank, which was a big player in the mortgage bonds at the centre of the US subprime crisis, struggled in the aftermath. It failed to absorb extra costs imposed by regulators after the crisis, turning its once powerful investment bank into a burden.

Deutsche has also been at the centre of a string of scandals caused by lax controls during the boom years and has come under scrutiny over its business dealings with Donald Trump. Bankers Trust was the only New York bank prepared to lend to Trump in the 90s. Congress and New York state are investigating Trump, his family and Deutsche.

The bank paid billions of dollars in fines and settlements related to failings before and after the 2008 financial crisis. It agreed a 7.2bn settlement with the US Department of Justice in 2012, of that sum was earmarked for homeowners who had lost out as a result of Deutsches dealings.

The job cuts will be some of the biggest since the bankruptcy of Lehman Brothers in 2008 put 26,000 people out of work. Deutsches woes also show that the financial crisis is continuing to reverberate more than a decade after its peak.

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Twitter at @BusinessDesk Sewing, who joined Deutsche as an apprentice 30 years ago aged 19 and is the banks fifth chief executive since 2008, said he regretted the cuts, but drastic action was needed after his predecessors careless expansion. He said the investment bank would now rely less on sales and trading of shares and bonds to make it viable.

We tried to compete in nearly every area of the banking market at the same time, Sewing said. Too many resources went to businesses where we dont compete to win Parts of our investment bank have been a drag on our results for years.

Deutsche said a slimmed-down corporate bank would keep a significant business in London, where it is currently constructing a new City headquarters. Sewing said Deutsche could continue to advise on flotations and other share issues for corporate clients without an equities trading division.