

Deutsche Bank
Corporate Banking & Securities

Euromoney Awards for Excellence 2012

Best Global Investment Bank

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Best Investment Bank in Nordics & Baltics
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Passion to Perform



Deutsche's momentum drives it to the TOP

Deutsche Bank has grown from being a top-three global markets trader into a top-three global corporate finance house as well: a powerful combination whose architect, Anshu Jain, now hands over to two successors to guide through its most testing period. Deutsche is the master of markets so broken and illiquid that high share is almost a curse, not a blessing. But if better times lie ahead, it will reap rich rewards

By: Peter Lee

Come September, Anshu Jain, co-chairman of the group executive committee and management board of Deutsche Bank, will be presenting on the bank's strategy 100 days into his tenure alongside Jürgen Fitschen, as co-head of the eurozone's regional champion bank.

He will face plenty of questions on the bank's plans to build its fully loaded Basle III core equity tier 1 ratio: how far can it raise equity organically now that plans to sell its global alternative asset management division appear to have foundered? Can it sell or mitigate more risk-weighted assets without hurting the bank's earnings and profits, and what return on tangible common equity can the bank generate if market and regulatory demands on banks continue to require higher ratios?

What new plans does the bank have for its retail banking businesses in Germany and abroad? Which will it grow and which sell? And how will it fix the asset management and wealth management businesses?

If the present macro-uncertainties in Europe continue to intensify and if wholesale clients continue to reduce activity and avoid risk, it could be a tough time for Jain.

It's probably just as well, therefore, that the corporate banking and securities division that Jain ran before taking over as co-chief executive of the whole bank and built up over a 17-year career at Deutsche, is in such good shape. The bank has long been in the

top three in the world as a sales and trading intermediary across the currency, bond, credit, equity and commodity markets. More recently it has established itself also as a top-three firm in the corporate finance disciplines of investment banking: debt and equity capital raising and M&A.

Look back four years to the first quarter of 2008 at the start of the financial crisis. Deutsche had a 4.3% share of the global investment banking fee pool, according to Dealogic. The combined shares for Bank of America and Merrill Lynch were 9.1%. JP-Morgan, then the top-ranked firm, enjoyed a 7.5% market share. Goldman Sachs had 6.4%.

At the end of the first quarter of 2012, Deutsche Bank had lifted its share far more than any of those firms, to 5.6%. It still lags behind JPMorgan, which has increased share more marginally to 7.9%. The combined Bank of America Merrill Lynch now comes in at 6.2%. Deutsche has pulled above Goldman Sachs, whose share has fallen to 5.3%, and also above Morgan Stanley. So although markets are tough, at least Deutsche Bank can say it is winning.

"The silver lining of a bad macro picture and a tough, but understandable, regulatory picture is that the industry is finally consolidating," Jain says. "Some firms are starting to scale back in certain businesses and even withdrawing. A lot of liquidity was injected into the system in 2008 and 2009, so many firms remained active, and 2009 and 2010

were good years for the industry with rallying markets and regulatory changes yet to take effect. But that was a false dawn."

The good news for Deutsche Bank is that it took key decisions in the first quarter of 2009 to radically reshape its investment banking business.

Jain recalls: "We shut down prop trading completely, scaled back on exotic derivatives and securitizations. We shuttered businesses that together accounted for one-third of our revenues but it was fundamentally necessary. Then in 2010, with project Integra, we drove much closer connectivity of the wholesale businesses, for example with combined coverage for the global transaction bank and the investment bank."

It is not the only bank to have responded to the new normal by reducing proprietary risk and breaking down the old silos but it has executed particularly well. When Deutsche Bank formed a joined-up corporate and investment bank in 2010, it set itself the target of generating €500 million of synergies within a year. This was a formidable task yet in 2011 the bank exceeded that target.

In its most recent quarterly results, Deutsche Bank's newly renamed corporate banking and securities division had bounced back from the near closure of investment banking markets in the second half of 2011 to show €5.2 billion of revenues and €1.7 billion of pre-tax profit, with a cost-income ratio of 65% and a return on equity of 26%.

Perhaps a more useful period to exam-

ine is the full-year 2011 for which, after a dire second half and a fourth-quarter loss, the division still managed €14.9 billion of revenue, €2.9 billion of pre-tax profit and a 16% return on equity: numbers that many of its peers would kill for.

Jain's expectation is that his successors running the corporate banking and securities division as its co-heads, Colin Fan, head of markets, and Robert Rankin, head of corporate finance, can continue where he left off. "We are fully committed to all aspects of the investment bank," says Jain, "and any changes will be modest. There will be short-term ebbs and flows in profitability, driven by client volumes. But what we have built will be structurally viable in a post-Basle III, post-Dodd-Frank, post-Volcker world, with a return on equity target in the mid to high teens."

Jain takes pride that the formidable intellectual firepower assembled among bankers inside Deutsche's markets businesses in the heyday of financial innovation is now trained on solving client problems rather than devising ever more exotic derivatives for its traders.

He singles out the €12 billion longevity hedge for Aegon (see page 58). "Pension funds are struggling to cope with long-term longevity exposure. That was an example of taking the financial technology we had built up over a long time and using it to create a customized client transaction. And there are many other examples."

As well as running a more client-focused operation, all banks will now have to run much more efficient ones, and cutting costs is another focus for those smart minds. Jain says: "We have to manage expenses and so we're taking our technology know-how and applying a lot of it to making our platforms more efficient, for example, creating algorithms that improve automated trading efficiency, rather than creating the next-generation complex product."

Jain looks forward with guarded optimism. "For so long people in our business concentrated on the flow and ignored the tail risks. Now all that anyone seems to think about is the tail risk, rather than the mean. The US has successfully restructured its economy and the housing market there looks like it may have bottomed. Asia hasn't slowed down that much at all. There's a lot of good news that's not priced in. Corporate balance sheets are very healthy and investors hold a lot of cash that they are eager to expose to a little incremental risk in order to earn a return."

And if the markets remain slow and clients

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risk averse and not inclined to deal for the rest of this year? "A prolonged slowdown will further test the stamina of certain banks and raise the question for how long they can carry their less profitable investment banking divisions." Deutsche, Jain suggests, has shown that it can pick up share in tough markets and still earn a decent return.

Robert Rankin is a relative newcomer to the tight-knit team around Jain who have worked for years building up the corporate and investment bank, converting its European debt markets business into a corporate finance leader and slowly building up in the US, traditionally the graveyard for ambitious European investment banks.

Rankin, an Australian, joined Deutsche in 2009 in Asia, having run investment banking for UBS there. While taking lead responsibility for corporate finance in the new management structure, he has an eye across the markets businesses and the strengthened links Deutsche has enjoyed with hedge fund and institutional clients, as other banks have cut back.

It delights him that of the six largest start-up funds launched by former Goldman and JPMorgan traders in the past year, four have chosen Deutsche Bank to be their prime broker. Typically as banks cut back proprietary trading and great traders set up on their own, they choose their old firm as one prime broker – new clients would probably worry if the traders' previous employers didn't back them – and then appoint another. Very often, these days, that other will be Deutsche. It's a noteworthy validation of the bank's broad trading and prime brokerage franchises, its momentum and its ability to pick up market

share, especially when those traders are setting up global macro hedge funds, operating across geographic markets and asset classes, which is what many of the ex-Goldman proprietary traders, for example, are now doing.

But it is in the corporate client sphere, particularly in the US and Asia, that Rankin sees most progress at Deutsche Bank. He says: "The adjacency of corporate finance, markets and global transaction banking helps us gain new clients and win market share across all of those businesses. For instance, we can float the business of a company owner in Hong Kong, then offer the client other services like transaction banking and trade finance, which sets us apart from several key competitors in investment banking."

Traditionally, Deutsche Bank's share of the global investment banking fee pool looks better when M&A, ECM and DCM volumes are higher in Europe than in the Americas and Asia. In recent quarters it hasn't been, but the bank has still improved its market share by picking up business in the US and especially Asia.

In the past 12 months Deutsche Bank has been a joint bookrunner in the largest-ever IPO of a jewellery retailer globally, for Chow Tai Fook Jewellery in a \$2.1 billion offering in December 2011; the largest-ever healthcare IPO in Asia, for Shanghai Pharmaceuticals, with a \$2.1 billion offering in May 2011; the largest insurance IPO globally in 2011, for New China Life on a \$1.9 billion offer last December; the largest-ever Reit IPO in Singapore, for Mapletree Commercial Trust, with a \$764 million deal in April 2011; and the largest gaming IPO globally since 2009, with MGM China's \$1.6 billion offering last May.

Rankin points to a sign of the bank's growing relevance as a top global investment bank in its role alongside Morgan Stanley, Goldman Sachs and Citigroup as joint global coordinator on AIG's sell-down of \$6 billion-worth of shares in its Hong Kong-listed pan-Asian life assurance business, AIA, in March 2012, with proceeds used to pay back the US Treasury.

In its own right it was a noteworthy transaction in the Asian equity capital markets. This was the second-largest accelerated bookbuild ever done in Asia. Deutsche Bank commenced wall-crossing top-tier accounts globally prior to launch to generate demand and the deal was covered inside eight hours and the books closed early to crystallize momentum, even though the Hong Kong market fell 1.4% on the day.

Rankin says there is a larger story of how the bank's capabilities in Asia have helped buttress its position and credibility in the US. He says: "If you look back at the initial IPO of AIA in 2010, the US Treasury's re-IPO of its AIG stake in 2011 and most recently the accelerated bookbuild for AIA, they were all landmark transactions, and we were privileged to be involved in all three. It was a global effort, and our equity markets capability across Asia Pacific, Europe and the US on the AIA IPO helped build our credibility with AIG management and the US Treasury over time."

In the Americas, Deutsche has picked up business from some demanding clients, such as Charlie Ergen, acquisitive chairman of broadcast satellite company EchoStar. "We've come a long way in a short time but we still have some work to do in the US," says Rankin. "For instance, we're investing further in natural resources. And globally, we are number one in Europe and a top three investment bank in Asia Pacific."

He's convinced that the size of the bank's US trading operations, double the size of those of certain top-tier US firms, will help it to continue to progress in corporate finance. "Our sales and trading platform in the US is a key competitive advantage as we continue to build out our advisory business in the region."

As Jain, who built the business, moves into the co-CEO seat at Deutsche, is it a backward step for the bank to appoint co-heads of the business to replace him, with Rankin taking lead responsibility for corporate

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We need more normal patterns of market behaviour to resume. Assuming it does, then this platform promises great operating leverage

Colin Fan

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finance and Fan for the markets businesses?

Rankin says: "Co-heads is a proven concept at Deutsche Bank. There are some banks where, for reasons of history and culture, it just works. Judge us on how we manage, and don't underestimate how far these businesses have integrated already. We don't want to compete separately, we want to bring them even closer together."

While fighting for more clients, Deutsche must also wrestle with new capital constraints that reduce its capacity to extend balance sheet, for example in debt and equity underwriting and acquisition financing. Rankin says: "We want to be the scale provider with the greatest efficiency. We're a market leader at intermediating risk globally. We'll work with clients we can help grow, and deploy balance sheet in the expectation

of decent returns on doing so. The good news for us is that more and more competitors do not offer that any more."

The inspiration for the corporate finance effort at Deutsche remains the markets businesses that have continued to build market share, notably in the US, and to produce returns even while continuing to reduce risk-taking. This is down by 30%, as measured by quarterly value at risk, from the first quarter of 2011 to the first quarter of 2012.

A tour with Colin Fan around the financial markets right now is a reminder how tough a business this is to be in, even for a market leader.

The proposition at Deutsche, as for many firms since the financial crisis, is that it should be in the moving business not the storing business, that it should not build risk inventory but move it on quickly for clients, assuming the least risk it can. Deutsche, as one of the big-three firms in the rates markets with JPMorgan and Barclays Capital and a leader in credit, equity and commodities, has prided itself up to this point as a provider of liquidity to clients when other firms pulled back. But its capacity to provide this is now being tested by dire market conditions.

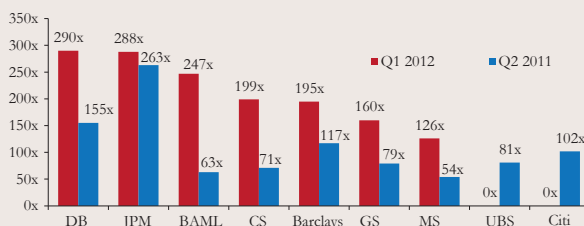
Fan picks up the point about reduced value at risk. "We look at measuring risk in all sorts of ways. Value at risk is one useful measure but it has some limitations such as assumptions around underlying liquidity."

A trader at different times in his 14-year career at Deutsche of Asian equities, global convertibles and structured credit, Fan is well versed in recognizing patterns in financial markets. But markets are now driven by politics and characterized by periods of frenetic activity that suddenly give way to periods of severe illiquidity. The best way for firms to ride out the high volatility attendant on low volumes is to be as flat as they can be.

"Primary dealers have reduced cash bond inventory levels to what they carried 10 years ago," says Fan. "We've always prided ourselves on our ability to provide liquidity, though every market maker must face restrictions on capital and balance sheet." He agrees that "a lot of real money investors have legitimate concerns about a lack of liquidity in the markets".

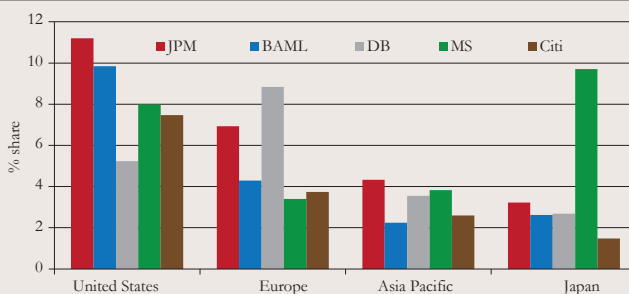
Even in markets where liquidity looks good and Deutsche is a clear leader, such

Deutsche Bank has the highest return on value at risk in the industry



Source: Deutsche Bank, bank financial results

Top five banks by IB revenue market share



Source: Dealogic

as in foreign exchange, Fan is concerned. “Volumes in FX have increased steadily throughout the last decade including through the crisis, albeit some of the liquidity is in the euro/dollar pair which has become a simple barometer for European sovereign stress,” he says. “Subtle insights into economics and relative value aren’t much use when the underlying flows are driven by reactions to the credibility of the latest political development.”

In rates markets for high-quality government bonds, such as those issued by the US, Germany and even the UK, it’s the same story as in foreign exchange. Fan says: “There’s decreasing value in analysis and all we can do is try and facilitate the market when volumes are challenged and bid-offer spreads widen.” Shareholders and credit analysts must wonder whether banks picking up share in such volatile and inconsistent markets might be better off not doing so.

Meanwhile, there is the challenge that many other government bond markets have become credit markets but cannot simply be handed over to credit traders. And the credit markets themselves are all but broken. Fan says: “The market has divided into four groups – financials, sovereigns, US corporates and European corporates – with very little relation to each other, and for which ratings and analysis of fundamental relative values are less meaningful. If you look at the secondary markets in high-yield bonds, bid-offer spreads are wider than ever, and you can

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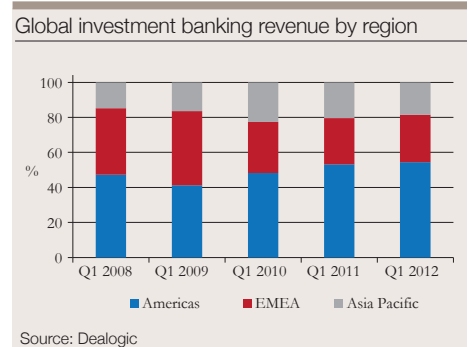
barely trade \$10 million in a name without moving the market.”

What about the equity markets? Trading in equity seems to have been particularly hard hit by new risk weightings at a time when the whole thrust of regulations is pushing banks to hold only government bonds or triple-A-rated corporates. Fan says: “Equity as an asset class has positive convexity on a two to three year horizon – if there is a recovery, equity will reward investors while on the downside, equity will protect against inflation and loss of confidence in fiat instruments. The problem is near-term volatility which is taken into account in current pricing.”

Fan is clearly proud of the success of the bank’s long, slow organic build-out in the US bond markets to a number one position, which took on added urgency after the finan-

cial crisis of 2008 and 2009. Deutsche is still fighting hard in certain battlegrounds and has much more work to do in building up in cash equities in the US. Fan says: “Electronic trading is one key battleground and we’ve been trying to provide differentiated new pools of liquidity and have brought in new clients and won market share. But we still have a way to go in US cash equities. It’s the single biggest gap we have.”

There are limits to how much share is comfortable to have though. He says: “We’ve always had a gem of a business in distressed credit and are never complacent, but we have such a high share that at times it could eventually impact liquidity.”



If that tour d’horizon makes it sound like a bad time to be a flow-monster trading house, the only consolation for Deutsche is that being one is probably preferable to the alternative. Even in financial markets that are driven more by political pronouncements than economics and commercial considerations, being in the flow brings some information advantage. And rather like investors that must ride out the short-term volatility, the big trading firms such as Deutsche might find the long-term prize is well worth clinging on for if they gain significant pricing power.

“There used to be a dozen relevant global firms, now there are only half that number”, says Fan, “with a premier league of three or four that are robust, healthy and with a long-term sustainable business model. For a while, this period of regulatory change may perversely obscure differentiation between firms. But as more banks realize the necessity to transform their business models, and with the barriers to building a platform like ours high, the advantage should follow.

“We need more normal patterns of market behaviour to resume. Assuming it does, then this platform promises great operating leverage.”

Bank	1Q12	1Q11	1Q10	1Q09	1Q08
JPMorgan	7.9	8.4	7.5	8.3	7.5
BAML	6.2	7.6	6.6	7.0	9.1
Deutsche Bank	5.6	5.6	5.5	5.0	4.3
Morgan Stanley	5.4	5.5	4.8	5.3	4.6
Citi	5.3	4.3	4.8	6.6	5.9
Credit Suisse	5.3	5.4	4.7	3.7	4.5
Goldman Sachs	5.3	6.0	6.4	5.3	6.4
Barclays	4.4	4.5	3.6	3.4	3.8
UBS	3.4	3.5	4.1	5.8	4.7
RBC	2.7	1.5	1.5	1.2	1.3

Source: Dealogic

	Q1 2012	Q4 2011	Q1 2011	Q1 12 v. Q4 11	Q1 12 v. Q1 11
Goldman Sachs	101	142	115	(29%)	(12%)
Morgan Stanley	89	129	123	(31%)	(28%)
JPMorgan	67	60	65	12%	3%
Deutsche Bank	55	56	81	(1%)	(31%)
Barclays	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Deutsche Bank, bank financial results



BEST GLOBAL INVESTMENT BANK

DEUTSCHE BANK

The bank has made further progress in equity capital markets and M&A, winning many new clients, building on its familiar leadership in flow markets, all while dialling down risk

Deutsche Bank's leadership in global investment banking is built on the foundation of its dominant position across most of the traded financial markets. In foreign exchange, it has been ranked number one for market share in Euromoney's annual ranking for eight years. It is the top-ranked firm globally in all rates derivatives across the major currencies, according to Euromoney's survey published in March. Intriguingly, for a bank headquartered in the eurozone, Deutsche is now the top-ranked firm for market share in dollar rates: the goal of long and steady investment by the bank.

Since Anshu Jain, then co-head of Deutsche's corporate and investment bank and now co-chief executive of the whole bank, took the key strategic decisions three years ago to close down proprietary trading and exit some of the principal businesses at the centre of the financial system crisis in 2008 and 2009, Deutsche has concentrated its bankers' efforts on addressing customers' requirements instead of devising ever-more complex products for its traders.

A classic example: in March 2012, Deutsche executed the largest-ever longevity hedge, for Aegon, by finding a way to distribute longevity risk to real-money investors for the first time.

The deal transferred risk from €12 billion of Aegon's €30 billion of Dutch reserves. As well as being the largest-ever such trade, it was the first to reference population mortality in continental Europe, in this case the Dutch population, with a series of model points representative, in demographic breakdown and annuity amount, of Aegon's underlying portfolio. This transaction enables Aegon to manage economic capital in such a way that it can increase the capacity of its pensions business.

In the classic corporate finance businesses, Deutsche Bank made further progress this year, building far beyond its traditional strength in debt capital markets. Again, the key breakthroughs have been in the largest market with the biggest revenues. As well as being the top-ranked firm in US dollar rates, Deutsche is now a top-five US debt capital markets house, complementing its position as the top debt markets bookrunner in Europe in the 12 months under review.

Similarly in equity capital markets, Deutsche has the top market share for Europe, and is the only firm with a share above 10% in the period under review, putting it ahead of Goldman Sachs, Credit Suisse, JPMorgan and Morgan Stanley. In the US, always the toughest

market for non-US firms to break into, it is now comfortably inside the top 10 as an equity arranger, according to Dealogic. It has made strides in key Asian markets, for example now being inside the top five in Hong Kong.

A noteworthy success was being named one of the active joint book-runners on AIG Group's \$8.7 billion re-emergence offering in May 2011. Deutsche Bank was also included on AIA's \$6 billion sell-down in March: the second-largest accelerated bookbuild ever done in Asia. Being included on those required credibility with the US government, the vendor of the AIG stake, as well as strong equity capability in Asia.

In M&A, a business so long dominated by a small handful of firms, Deutsche now ranks third in Europe and is established in the top 10 in the US. Growing numbers of US and Canadian companies are now choosing Deutsche over US firms to advise on complex overseas acquisitions, for example Colfax on its £1.5 billion (\$2.3 billion) purchase of Charter, a company three times its own size, and Molson Coors on its €2.65 billion acquisition of Starbev.

Deutsche is a growing force in China-related M&A. It was sole adviser to CGNPC on its \$2.2 billion acquisition of Kalahari Minerals in February 2012. It advised the Moreira Salles family of Brazil on the September 2011 sale of a \$1.95 billion 15% stake in CBMM to a Chinese consortium that included Citic – the first overseas acquisition by a state-owned Chinese company.

The bank is now a force in the big global M&A deals, for example advising Xstrata on its \$48 billion merger with Glencore, which will be the largest-ever mining M&A deal, assuming it is approved.

Deutsche Bank has won many new corporate clients in the past year, such as Echo Star, BTG Pactual and Saudi Electricity, after building a new integrated corporate coverage model. For many of these companies, Deutsche Bank's ability to offer strategic advice, financing and risk management has been a key selling point.

The breadth and depth of its business model has served it well in 2011/12: a year that put European banks at a disadvantage to US banks but during which Deutsche Bank improved its position across almost every area. It is noteworthy that Deutsche managed all this while reducing its value at risk by 30% from the first quarter of 2011 to the first quarter of 2012. That is more, by far, than any other leading bank that reports quarterly value at risk in a comparable way. Its investment bank also reports a return on equity well above most of its peers.



BEST GLOBAL RISK ADVISER

DEUTSCHE BANK

Structuring novel trades in volatile markets separates the bank from the risk crowd

Being able to help clients with a rising tide of problems while limiting their own risk is the tricky challenge facing risk management houses today.

Deutsche Bank coped with the pressures applied by tumult in the markets better than others, particularly when it came to structuring neat ways to bring a stretched balance sheet to bear across all asset classes.

Risk management is embedded into the culture and structure of banks such as Deutsche and shortlisted rivals BNP Paribas and HSBC, setting them apart from many competitors that appear to see risk management as an overlay that can be imposed on top of existing businesses. At its heart, good risk management comes down to effective communication across areas of expertise within a particular firm, enabling it to structure solutions that would not be possible in a bank with silos or bad cross-asset and cross-border cooperation. To manage risk well banks need to understand the elements to which they are exposed with absolute clarity.

Deutsche Bank says the key to doing well this year with respect to its own risk profile and the ability to manage the risks of others is the distribution of that risk. “We were able to pass on large amounts of risk taken on during trades to third parties looking for that exposure,” says Deutsche’s Ram Nayak. Several other banks, he added, had to hold the lion’s share of risk on their own balance sheets.

Deutsche adds that its ability to hedge longevity risk, which arises because of ageing populations, is a prime example of how it has set itself apart. Longevity risk has always been tricky and expensive to hedge because only a few institutions are willing to assume the risk on their books. In November last year, Deutsche arranged a £3 billion (\$4.7 billion) 40-year trade for Rolls Royce that hedged the aero-engine maker against risk on its main UK pension fund. And in February this year it completed a €12 billion hedge for Dutch insurer Aegon, the largest longevity hedge ever done by a corporate.

The bank says the crucial breakthrough was opening up the market to institutional investors to which most of the risk on the Aegon deal was transferred. Historically, such investors have steered clear of buying longevity risk because it is difficult to analyse and has exceptionally

long duration. Through a novel structure, the bank found a way to address these concerns by linking the payments to a public longevity index and reducing maturity to 20 years. Immediately following the hedge, the share prices of Aegon and Rolls-Royce rose substantially.

Another aspect of risk management in which Deutsche is playing a leading role is portfolio diversification. Since the global financial crisis, with markets so volatile, beholden to (mainly bad) news and

correlated, many traditionally accepted asset allocation procedures no longer deliver true portfolio diversification. Last year, Deutsche Bank worked with PKA, a Danish pension fund, to develop a solution to this growing problem. This involved PKA switching from an asset-allocation model based on geographical and asset-class weightings to one based on risk-premia analysis, with capital allocated to a broad range of trading strategies chosen for their low correlation with each other. This so-called risk-factors approach is becoming an increasingly important aspect of modern portfolio theory.

Deutsche has also advised many banks on reducing risk by selling off non-core assets to raise their capital ratios to levels required by regulations such as Basle III. For example, last year Deutsche advised Bank of Ireland on the disposal of its project finance book.

The innovation displayed by Deutsche was perhaps the main reason it beat impressive rivals in risk management such as HSBC and BNP Paribas. Judging risk management is no easy task as it is by no means an exact science, more a way of doing business that has to flow through a firm from the top down.

An example of innovation comes through Deutsche Bank’s work with European power producers to hedge their exposure against changes in the price of power far beyond the five years at which most banks are willing to do trades. Deutsche surmised that it could take on the positions because it had confidence it would be able to sell electricity to consumers at a later date. These deals enabled clients to proceed with refurbishment and construction of new power stations knowing the internal rates of return they would make. For this and many other structured solutions, Deutsche Bank is Euromoney’s best global risk adviser.

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We were able to pass on large amounts of risk taken on during trades to third parties looking for that exposure

Ram Nayak

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BEST GLOBAL HIGH YIELD HOUSE

DEUTSCHE BANK

Deutsche demonstrated the ability to tackle off-the-run deals in challenging conditions last year to cement its leading position in high yield

The past 12 months has been a rollercoaster ride for the high-yield market. It has enjoyed periods of record inflows and new issuance, as well as extreme volatility and sporadic access. Navigating such a choppy seascape requires not only a first-class origination and distribution platform but also a truly global franchise. Deutsche Bank has demonstrated both over the past year and is Euromoney's global high-yield house for 2012.

"We are not a commoditized lender and our high-yield business is not based on capital commitment," says Mark Fedorcik, global head of leveraged DCM at Deutsche Bank. "We have to compete with hustle and ideas. In future every company in every country is going to want a pipe into the rest of the world and no other high-yield house is as well positioned as we are across the US, Europe and Asia to provide this."

The persistent problems in the eurozone precipitated a wave of issuance in US dollars from the region's corporates. While Deutsche has been dominant in this business, it has also impressed with its efforts to maintain issuance across currencies. "As a lot of companies gravitate towards dollars we are focused on keeping issuance in euros," says Henrik Johnsson, head of European high-yield capital markets. "We don't want to lock companies that don't have a reason to issue in dollars out of the market."

When Polish telecoms firm Polkomtel was looking to clear its hung LBO bridge loan in January, the initial view was that the deal would come in dollars. "We had done a lot of pre-wiring for Polkomtel in the US and had done a non-deal roadshow," says Johnsson. "We thought the deal might be all dollar but we had a lot of success in euros, which resulted in a better outcome for the issuer." The €900 million equivalent deal was the largest CEE high-yield bond ever and included the first PIK issuance by a company operating in Poland. It included \$500 million and €542 million tranches that yielded 12% to 12.5%.

Deutsche's dominance in the euro market was again in evidence on the February jumbo transaction for Schaeffler, a German ball-bearing manufacturer. The €2 billion deal, part of the company's €8 billion bank and bond refinancing, was the largest ever transatlantic deal for a debut issuer and the first jumbo deal in Europe since June last year. It was also the landmark deal for the European market as it was the first

to give full proportional voting rights to bondholders in a restructuring. The prevailing view had been that the deal would come in dollars but in the end the euro tranche was the larger one.

"If a deal is properly marketed in Europe, it can get done," says Johnsson. This was also demonstrated with HeidelbergCement's SFr150 million (\$156.7 million) deal in October. Deutsche sole-led the deal, through which the company diversified its funding sources, and achieved this at a 100 basis point discount to primary euro issuance it had undertaken two weeks earlier.

Deutsche's strength in Europe is a given, considering its status

among German corporates, but it also has clout worldwide. "In Asia the challenge is to compete with bank debt – it is the reverse of the situation in Europe," says Johnsson. "But we can compete by doing different things: foreign currency, hedging. You need a much broader product suite." The bank was joint bookrunner on Shui On Land's \$400 million three-year deal in February, the first Chinese issuer to tap the market since May 2011.

It is a top-five bank in the US, competing against domestic banks with large lending platforms. "Companies want to use banks that will deliver," says Fedorcik. "The value of our business is in cross-border deals, first-time issuers, smaller illiquid trades. Many of our competitors concentrate on straight-forward T-plus-300bp business – we will concede T-plus-300bp business all day."

Colorado-based satellite and video operations company EchoStar mandated Deutsche as sole left lead in its \$2 billion issue to fund the acquisition of Hughes Communication. This was the largest sole bookrun offering in the past 12 months. Deutsche was also sole bookrunner on satellite TV firm Dish Network's \$1.9 billion trade, which at 4.625% for five-year notes was the tightest true high-yield execution in over a decade.

In terms of global reach it would be hard to top the Consolidated Minerals deal, which closed in April last year. The \$405 million five-year deal was for a manganese-ore producer company owned by a Ukrainian with mines in Australia and Ghana that sells its product to China. "We organized a roadshow in Singapore, Hong Kong, London and the east coast [of the US] – it is very rare for that to be done for a high-yield deal, it was very unconventional," says Johnsson. "We don't do off-the-run stuff. We do business that requires brains and energy."

“

The value of our business is in cross-border deals, first-time issuers, smaller illiquid trades

Mark Fedorcik

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BEST GLOBAL COMMODITIES HOUSE

DEUTSCHE BANK

An aggressive organic growth strategy has propelled the firm into the top tier of the commodities trading market

Barclays and JPMorgan most recently may have led the way in taking the fight to Goldman Sachs and Morgan Stanley in the global commodities market, but a new contender has emerged and is taking on the ruling hierarchy.

In the past year, Deutsche Bank has broken into the commodities firmament and is now showing the type of momentum that suggests it can continue to take market share from the once dominant quartet.

Faced with heightened competition between banks for deal flow, low prices and slim trading volumes, Deutsche's commodities business still attracted a healthy number of new clients and revenues hit a record.

Although the bank does not break out earnings for commodities, analysts estimate revenues hit about \$1 billion in 2011 on the back of successful trades in aluminium, precious metals and gas and power.

With Goldman Sachs and Morgan Stanley generating revenues estimated to be between \$1.5 billion and \$2 billion from commodities trading, Deutsche can claim to be a top-tier house by revenues.

Its market share in the lucrative over-the-counter energy and commodity derivatives markets has surged too.

According to a Greenwich Associates survey this year of over 250 of the main companies globally that hedge energy price exposure using OTC derivatives, Deutsche works with a third of them. By comparison, Deutsche has 40% market share among 70 of the top global commodities investors – up 7% on the year before and the highest percentage gain of all the top banks.

Combined, that's an impressive achievement for an investment bank that five years ago had nothing of the full-scale capabilities it has today across both financial and physical products in the global commodities market.

Since the acquisition of Bankers Trust in 1998, Deutsche has been particularly active on the financial or derivative side of commodities, but without meaningful penetration in physical products it trailed its rivals.

The catalyst for change came in 2007 when Deutsche hired David Silbert from Merrill Lynch, where he was the European head of commodities, to run the global commodities business and ultimately build a more powerful and profitable franchise.

Today, Silbert says that "having built a diverse platform from the ground up across the entire commodities space, whether physical or financial," Deutsche has achieved its goal of creating a "top rated global commodities house".

Core to achieving that was bringing in the right people to help realize a clear, methodical and aggressive growth strategy.

Louise Kitchen, global head of commodities structuring and sales, says: "We started with a base of precious metals and investor products, and expanded out from there, enhancing our offering across the physical and financial markets of European natural gas and power, crude and refined products, carbon, US gas and power and base metals. More recently, we added agricultural products and bulks."

She adds that once these building blocks were in place, Deutsche then "layered in the commodity client offering with the wider banking franchise products" such as its corporate finance franchise, credit and finance capabilities, as well as structuring and the institutional client coverage groups.

This has undoubtedly proven a compelling proposition to clients, whether corporates or hedge funds, and one of the main reasons Deutsche has made strong gains.

"By combining our financing, structuring and physical capabilities, this has enabled us to get straight to the heart of the problem a client faces," says Richard Jefferson, head of commodities sales.

Supplementing this capability has been Deutsche's ability to link hedge funds and corporates directly, which, in turn, has meant that it hasn't had to load large amounts of risk onto its balance sheet, enabling it to execute some big trades.

On the physical side, Deutsche has significantly expanded this business by offering clients the type of sophisticated financial solutions it has long been known for in other markets. And it was critical for Deutsche to do so.

"It's only by being involved in the physical side of the business that enables you to get closer to what clients need," says Bill Gebhardt, head of European power and gas trading.

Being in tune with investor appetite is just as important, and here Deutsche's commodity investment products business excels.

Assets under management increased to over €22 billion for non-benchmark products alone year on year, and its client base grew to over 1,000 institutions in more than 30 countries. The proliferation of new products such as the physical metal exchange-traded commodities has been a key driver of growth.

Looking ahead, Jefferson believes clearing could be one area where future growth in the commodities business could come.

"Given the new regulations, clients are going to demand a seamless provision of service between OTC, cleared swaps and futures," he says, adding: "When you look at our competitors they tend to either compete on the physical side, or the derivative side, or the listed side, and so one of the elements in which we are trying to serve clients better in the future regulatory environment is to combine all of those capabilities. If you can get that right then clients will reward that efficiency and service."



BEST GLOBAL PRIME BROKER

DEUTSCHE BANK

As hedge fund assets return to pre-crisis levels, banks are increasing their efforts in prime brokerage. Deutsche Bank is already there

Having a prime brokerage relationship is a lot like being married,” says Barry Bausano, head of global prime finance at Deutsche Bank. “It is a very entwined relationship connecting you with the client in reporting, execution, finance, platform – and those interdependent relationships tend to be long lasting.”

That made it difficult for Deutsche Bank to nudge into the top two before the financial crisis in 2007/08. The bank was winning clients based on its international presence and deep product range but Goldman Sachs and Morgan Stanley were firmly entrenched at the top. When confidence in Wall Street firms was shaken in the crisis, that dominance was undermined, with clients looking for multiple prime broker relationships to spread their risk. Deutsche Bank won most of that diversifying business and, while competitors were licking their wounds, the German bank committed itself to ensuring that it would retain its enhanced market share even after the markets had settled.

The strategy of a seamless multi-asset class platform and commitment to start-up funds has resulted in the firm receiving Euromoney’s award for best global prime broker.

It was a brave decision in 2008 to make the call that the hedge fund industry would grow beyond its \$2 trillion peak, given the difficult markets and lower performance of many strategies. Bausano says it was a secular bet: “The asset/liability mismatch in pensions was a key indicator that there would be significant demand for alternative investments to compensate for low returns on passive equity index holdings and government bonds. Consequently we were confident that the pressure to find good managers would increase, and institutional asset inflows would return industry AUM to beyond the prior peak.”

There were far fewer start-ups during and directly following the crisis. However Bausano says those that launched were incrementally more important than ever. And while some competitors turned away from courting start-ups, Deutsche Bank increased its commitment. “For a start, we knew that managers who could launch a fund despite the crisis would be very high calibre and very credible – so we thought start-ups of this vintage were actually very promising,” he says. “Regulation drove talented risk-takers out of bank prop desks, and the economic dynamics of hedge fund high-water marks encouraged many key lieutenants of established funds to strike out on their own.” So while competitors were cutting resources, Deutsche Bank invested

in its capital introduction, consulting and start-up service groups.

Of the six largest start-up funds launched by former Goldman Sachs and JPMorgan traders in the past year, four have chosen Deutsche Bank as their prime broker.

Deutsche Bank is also one of the few players that can truly turn its hand to any asset class. Goldman Sachs deserves credit for being the prime broker of choice for equity hedge funds that make up most of the hedge fund industry, but the trend towards multi-strategy has played to Deutsche’s advantage. It has a deep product range across credit, FX and equities and is structured so it can provide financing across assets.

“It requires a lot of operational and financial efficiency to finance assets in addition to equity without overburdening your balance sheet,” says Bausano. “We have been structurally creative consolidating risk, margins and reporting across all assets. One of our biggest competitive advantages has always been that we have our synthetic and traditional financing integrated within prime finance.” Many prime brokers have put synthetic financing into their equity derivatives business, so end up competing for the client on two sides.

Deutsche Bank’s emergence as a top-tier electronic execution provider along with its financing expertise has enabled it attract many of the world’s largest high-frequency trading funds as clients over the past two years – the final gap in its offering.

Bausano sees the prime brokerage market as continuing to evolve over the next few years. Those competitors that lack balance sheet and can only focus on equity products, he says, will narrow their client focus.

Those that can service clients across a broad range of products will reap the rewards. Barclays, for example, makes this year’s shortlist because it has ensured it is set up to be product agnostic and has been seeing its client base increase.

Optimal balance-sheet efficiency in a post-Basle III world will be a key to success. Additionally, the trend towards internationalization will continue, and those with a narrow domestic bias will need to expand their geographic presence, says Bausano.

It will be hard to catch up with Deutsche Bank though. Clients are indeed like spouses and are not easily pulled away. Growth might have to come through enticing start-ups away from the German bank. It remains to be seen whether or not competitors have the start-up platform to compete.



We have been structurally creative consolidating risk, margins and reporting across all assets

Barry Bausano



AWARDS

UNITED STATES

BEST FLOW HOUSE
DEUTSCHE BANK

REGIONAL AWARDS

LATIN AMERICA

BEST RISK ADVISER
DEUTSCHE BANK

REGIONAL AWARDS

WESTERN EUROPE

BEST INVESTMENT BANK
BEST EQUITY HOUSE
BEST CASH
MANAGEMENT HOUSE
DEUTSCHE BANK

Deutsche Bank is this year's best US flow house. Its combination of product innovation, strong balance sheet and distribution enabled the bank to expand its share in flow products over the period despite volatile markets. Not having to shed risk, the bank was able to concentrate on market-making. In the summer of 2011, when many US investors wanted to sell their dollar-dominated European corporate credits, the bank was able to complete a large sale of Italian credit for a US insurance company by distributing it through its sales force in Italy. "There was a flight to quality within the US, so being global was essential," says Jeff Mayer, head of corporate banking and securities in North America. Deutsche Bank also has the leading FX platform globally as confirmed by Euromoney's FX poll. When it comes to innovation and growing markets, Deutsche Bank excels. The firm increased its market share in the US inflation derivatives market for last year to 19% with the number of clients in 2011 triple that of 2010. Capstone, the most active US inflation-oriented hedge fund, traded inflation derivatives almost exclusively with Deutsche Bank, totalling around \$2.7 billion over 2011. It also traded almost \$1.5 billion of inflation swaps with BlackRock from 2011 to March 2012.

In 2011 the bank also launched the first US inflation breakeven exchange-traded product taking out exposure to rates. In equities, Deutsche Bank is number one in the US block-trading league tables, with over \$4 billion of deals in 2011, and was left bookrunner on GlaxoSmithKline's record Quest Diagnostics trade. In commodities, the bank is on a growth trajectory. It expanded its physical business while other firms are pulling back.

The breadth and depth of products offered by HSBC gave the bank a strong claim in the risk adviser category but last year's winner, **Deutsche Bank**, retains the award for having demonstrated its market-leading ability to innovate and execute tailored and effective risk solutions for clients. An example of this is when a corporate client wished to hedge the US dollar principal of a new 10-year issuance into local currency but couldn't afford to trap cash as collateral resulting from mark-to-market movements of a long-dated hedge. The client was also concerned about receiving the best possible price, while at the same time distributing the transaction among its relationship banks.

Deutsche proposed to carry out the market risk and credit risk syndication of a 10-year option structure with a deferred premium profile, which allowed the client to pay the premium over time. Through this transaction the bank was able to execute market hedges for the full notional of the transaction in an illiquid market and then helped the client syndicate the transaction among its top relationship banks. Deutsche provided the market hedges for these relationship banks so that the client could further reduce the bid-offer paid for market risk hedges. And, at the same time, Deutsche kept a portion of the transaction on its books with a clean credit line for the client.

Under attack from all sides, few of Europe's leading banks could claim to have won many battles in the past year, and fewer still could offer much optimism that they are winning the war.

Whether it is the eurozone sovereign debt crisis and faltering economic growth on one front, or the spectre of another acute funding crisis, round of bailouts and onslaught of new regulation on the other, Europe's leading banks are facing immense challenges, and the pressure is taking its toll.

Driven in large part by staggering losses, the market capitalization of the western European banking sector has plummeted 58% from 2007 through to 2011, according to Boston Consulting Group, and European banks' share of the entire banking sector's global market capitalization was 23% last year – down from 35% in 2007.

Revealingly, Banco Santander and BNP Paribas are today the only eurozone banks left in the world's top 30 banks by market capitalization, illustrating just how far former titans such as UniCredit, UBS, Royal Bank of Scotland and Deutsche Bank have fallen.

But while Banco Santander can rely on the earnings support of its lucrative Latin American banking business, which now accounts for about 50% of its group profits, BNP Paribas cannot call on anything like the same level of support from outside its core European market.

This is why the resilience BNP Paribas has shown this year to the challenges the entire banking sector faces stands out, and why it takes the Euromoney award.

Indeed, the French bank has not only

demonstrated an ability to adapt well to the new banking environment in maintaining profitability, but has also strengthened its solvency without external capital and in good time.

Although net income for 2011 was down 20% on the year before, BNP Paribas still managed to generate an impressive €6.1 billion for the year and despite incurring a hefty €3.2 billion Greek debt impairment charge, equivalent to 75% of its sovereign debt exposure to the country. With €3 billion of net income in the first quarter of this year alone, BNP Paribas is maintaining positive momentum.

Asset sales have helped too. The bank sold its 28.7% stake in French real estate investment company Klepierre, resulting in a capital gain after tax of €1.5 billion.

However, the underlying performance of businesses has been a key driver.

Last year retail deposits increased by 6.4% on the year before, and outstanding loans were up 2.9% in the first quarter of 2012 compared with the same period a year earlier.

Broken down by country, pre-tax income from retail banking in France was up 12.5% at €1.96 billion in 2011 on loan and deposit growth of 5.2% and 8.4%, respectively. Loan and deposit growth also boosted pre-tax income in Italy to €502 million – up 16.2% on 2010 – and to €809 million in Belgium and Luxembourg – up 18.9%.

Meanwhile, BNP Paribas was one of few banks to pay a dividend of any size in 2011, rewarding shareholders with €1.20 per share, corresponding to a 25% payout. And with an increased common equity tier 1 ratio of 10.4% and a return on equity of 8.8% (return on tangible equity of 11.1%) for 2011, the bank not only offered investors robust capital strength but also the highest ROE of any of the leading eurozone banks.

There are weaknesses, however. BNP Paribas' eurozone sovereign debt exposure remains an acute concern to investors, albeit less so than to those of many of its European peers. And its ability to fund itself should the situation in the European financial system deteriorate rapidly could prove problematic, analysts argue.

Sensitive to such concerns, the bank has made progress there too: it reduced its US

dollar funding requirement by \$65 billion and strengthened its cash balance sheet. At the end of March, it had a €51 billion surplus of stable funding and a liquidity buffer equivalent to about 100% of short-term wholesale funding needs.

Reflecting on his first six months as group chief executive, Jean-Laurent Bonnafé can be pleased with the performance of the bank and its strength, but he will be keenly aware of the many battles that are still to be fought.

With BNP Paribas in robust shape, the bank is perhaps perfectly poised to lead a counter-attack.

Deal volumes in mergers and acquisitions and primary markets issuance in equity and debt were down on the previous year, but, as ever, that just heightened the competition between investment banks to win business in western Europe.

Top among the leading M&A advisers, by volume, was Goldman Sachs, which advised on 101 transactions worth a combined \$225 billion, equivalent to a 31.6% share of the market, according to Dealogic.

In equity and debt capital markets, however, there was no such outright dominance by one investment bank and the margins of difference between the top three in each market were much tighter.

But it is often in the throes of such tough competition that the best investment banks emerge on top and that's precisely what **Deutsche Bank** did in the past year, affirming the strength of its franchise in a particularly difficult environment.

Ranked top in European equity and debt capital markets, the German investment bank successfully fought off fierce competition from Goldman Sachs and Credit Suisse in ECM, and Barclays and HSBC in DCM to complement its top-three position in M&A.

Still willing and able to commit its balance sheet, Deutsche Bank also ranked fourth as a mandated lead arranger of syndicated loans in western Europe.

Such a strong performance by volume of deals executed across each of the three main markets was further vindicated by Deutsche's performance in the fee-income league tables for western Europe, which the investment bank topped with €651 million of total fee income generated across M&A, ECM and DCM. JPMorgan ranked second

with €647 million, which was over €140 million more than third-ranked Credit Suisse.

One of Deutsche Bank's standout M&A deals was its role as joint financial adviser and joint corporate broker to Xstrata on its still-live \$48 billion mega merger with Glencore. Other notable deals in the natural resources sector include its role as sole financial adviser and corporate broker to UK utility Northumbrian Water on its £4.8 billion (\$7.5 billion) acquisition by a consortium led by Hong Kong billionaire Li Ka-shing's Cheung Kong Infrastructure Holdings.

Deutsche was also sole financial adviser to CGNPG (China Guangdong Nuclear Power Group) Uranium Resources on its \$2.2 billion acquisition of Namibia-based Kalahari Minerals, the largest-ever deal in the uranium sector.

In the financial institutions and industrial sector, Deutsche acted as sole adviser to ING on its sale of ING Direct USA to Capital One for \$9 billion – the largest M&A deal in the US FIG sector since 2008 – and was the sole adviser to UK Financial Investments (UKFI) on the £1 billion sale of Northern Rock to Virgin Money.

In ECM, Deutsche Bank reopened the European IPO market in 2012 with landmark listings of Swiss service company DKSH, Dutch cable operator Ziggo and UAE healthcare provider NMC Health. The bank was also bookrunner on the main rights issues of the past year, including Commerzbank's €11 billion and UniCredit's €7.5 billion capital raisings, as well as the €5 billion rights issues for Porsche and Intesa Sanpaolo.

Deutsche Bank's performance in DCM was similarly strong across asset classes, industry sectors and countries, with perhaps one deal in particular exemplifying its ability to get complex, high-profile deals done amid difficult market conditions: Greece's €206 billion PSI debt exchange in March 2012.

Deutsche Bank not only led the mediation between the myriad stakeholders but also sole underwrote the €35.5 billion issue by the European Financial Stability Facility that provided the cash component of the deal.

Equally important, the performance of the investment bank's sales and trading

business in Europe has been robust and helped the corporate banking and securities division generate a market-leading return on equity of 26% at the end of the first quarter of 2012 despite a 30% cut in value at risk during the period.

Anshu Jain and Jürgen Fitschen, who officially took over as co-CEOs of Deutsche Bank at the end of May, will have applauded this performance but one of the new bosses in particular will doubtless be pushing harder to ensure this lead is not lost to rivals.

In western Europe as much as in the global market, Barclays, Deutsche Bank and JPMorgan continue to hold a vice-like grip on the core flow businesses, and a power shift is unlikely to come in the near future.

Indeed, bank analysts argue that there is greater likelihood of the three further extending their lead, and particularly in Europe, which is undergoing by far the biggest changes in the investment banking industry.

Amid a difficult trading environment during much of 2011, these three banks have shown a canny ability to adapt, making gains where possible and adjusting their businesses where necessary. Keeping costs under control while maximizing income from the most lucrative of clients has been a priority. Enhancing electronic execution platforms has helped achieve this.

Deutsche Bank topped the European equity capital markets league table rankings, acting as bookrunner on a greater volume and a larger number of deals than its closest challengers. It ran nearly \$12 billion-worth of equity raising between the start of the second quarter of 2011 and the end of the first quarter this year on 36 transactions, giving it a 10.2% market share. That compares with \$11 billion for second-placed Goldman Sachs from 25 deals and \$10.5 billion from Credit Suisse from 29.

Deutsche Bank also led the league table rankings last year but in the most recent period under review has increased its market share from 9.5% last time. This is perhaps all the more impressive for the fact that as corporate broker to Xstrata, the bank was conflicted out of the IPO for Glencore, the largest single deal in the period under review.

Given what subsequently happened to Glencore's share price that might not have been a bad deal to miss out on. It certainly

did nothing to hurt Deutsche's reputation in the IPO business in Europe.

In 2012, Deutsche Bank reopened the European IPO market with the landmark listings of Swiss service company DKSH, Dutch cable operator Ziggo and UAE healthcare provider NMC Health. These transactions were key milestones in the short-lived revival of the capital markets in the first few months of this year and Deutsche Bank was the only bank involved in all three of them. In addition, both DKSH and Ziggo were priced at the top of the range, with books several times oversubscribed, and they continued to trade above issue price in the secondary market. Ziggo listed at €21 a share and traded at €26 in mid-June. DKSH floated at SFr48 (\$51) and was at SFr49.90 as Euromoney went to press.

Many other IPOs of the latest year's generally disappointing vintage are trading well below issue price, handing buy-and-hold investors a loss.

Although Deutsche Bank has bid less aggressively than some of its competitors for block trades in the volatile equity markets of the past 12 months, it has topped the rankings in other important sub-sectors of the equity capital markets aside from IPOs, notably in rights issues and equity-linked offerings, which have enjoyed a revival in recent months.

Deutsche Bank acted as joint global coordinator and joint lead bookrunner in the largest capital increase in the western European automotive sector in decades: Porsche's €5 billion rights issue in the second quarter of 2011. The bank has played a prominent role in bank capital raisings across Europe.

In June 2011, Deutsche Bank acted as sole process bank, joint global coordinator and joint bookrunner in the innovatively structured two-step transaction by which Commerzbank raised €11 billion. This consisted of a €5.7 billion conditional placement of equity securities and a €5.3 billion rights issue.

It also brought its deal-structuring skills to bear for corporates. Deutsche was sole global coordinator on Siemens' \$3 billion bond with warrants in February 2012, the largest corporate equity-linked transaction of the past 10 years. It used a tailor-made structure to enable Siemens to tap the RegS

US dollar market while avoiding FX risk on the warrants. It was a transaction that took Deutsche's competitors by surprise.

The award for best cash manager in western Europe was hard fought this year, with Citi presenting strong credentials. However, Deutsche Bank has won once again on the strength of impressive revenue growth, strong market share and innovative mandates from clients.

The bank has a wide network in the region, offering full services from its own branches in 14 countries and more limited offerings from partner banks in a number of others.

Deutsche's strength in the region was recognized in Euromoney's 2011 cash management survey, in which it was voted by financial institutions as the top provider of cash management services in euros, and second in dollars. The bank has a roughly 20% market share in euro clearing.

Deutsche showcased its ability to deal with multiple countries and currencies in its mandate from Swedish household appliances manufacturer Electrolux. It implemented a system spanning 12 countries and five currencies, across 180 accounts.



Deutsche Bank's investment banking franchise in Austria is traditionally strong, and this year has been no different. The bank topped Dealogic's ECM league table by value of deals for the period and was ranked second in DCM.

Top among its equity deals last year was its bookrunner role on the €619 million IPO for Austrian cellulose fibres group Lenzing and its majority owner, a transaction that marked the largest ever from the country's chemicals sector, and the first sizeable IPO from Austria since 2007.

Deutsche was also involved in the €750 million rights issue for OMV, the largest oil and gas energy company operating in emerging Europe, to bolster its balance sheet after acquisitions.

In DCM, Deutsche acted as a joint bookrunner on the largest bond issue from Austria over the awards period: a dual-tranche combined €5 billion issue for the Austrian Federal Financing Agency. The issue was split between a €3 billion 10-year tranche and a €2 billion 50-year tranche – the longest fixed-maturity euro-denominated government bond over the period, and the first 50-year in the sector since early 2010.

On the corporate side, the bank acted as joint bookrunner on Austrian Federal Railways' €1 billion bond issue in October 2011 – the second-largest corporate bond sale in Austria over the period.

GERMANY

BEST BANK
BEST INVESTMENT BANK
BEST DEBT HOUSE
BEST EQUITY HOUSE
DEUTSCHE BANK



Buoyed up by Germany's safe haven status, the German banking sector has arguably benefited handsomely from the government's super-low borrowing costs and healthy inflow of retail deposits in the past year.

With 10-year and 30-year Bund yields at record lows and the government selling two-year bonds with zero coupons, this has, in turn, translated into lower funding costs for German banks – many of which are seemingly flush with liquidity.

Deposits in Germany rose 4.4% to €2.17 trillion at the end of April from a year earlier, according to European Central Bank figures, while deposits in Spain, Greece and Ireland shrank 6.5% to €1.2 trillion in the same period.

However, while German banks are experiencing inflows, further supplementing more than €1 trillion of liquidity from the ECB, acute concerns remain about whether or not they can withstand further shocks from the eurozone crisis.

In June, rating agency Moody's downgraded six German banks – Commerzbank, DZ Bank, NordLB, LBBW, Helaba and the German unit of UniCredit – on such concerns, although it deferred judgement

on Deutsche Bank to a later date.

Moody's said German banks were still "meaningfully" exposed to structured credit, peripheral countries and problematic sectors such as shipping and finance, and that they had limited capacity to deal with losses, given weak profitability and comparatively small amounts of equity relative to total assets.

For Deutsche Bank, particularly, this last point might resonate. Deutsche has total assets of close to €2.1 trillion and total equity of €56 billion. These figures seen side by side are stark, but Deutsche would argue that it has ample capital and liquidity to satisfy international and domestic regulators.

In its home market, **Deutsche Bank** dominates banking and with the consolidation of Postbank now complete – in February Deutsche accumulated 93.7% of the voting rights in Postbank, giving it access to the retail deposit base – it commands the biggest private-sector retail bank in Germany, with 24 million private clients and €260 billion of retail deposits.

In investment banking, **Deutsche Bank** dominated too.

In the past year, the bank has extended its lead in the country and ranked top in fees, with income of €273 million, taking a market share of 15.1% – 1.4 points higher than last year and over €100 million more in fee income than its closest rival, JPMorgan.

Deutsche led the pack once again in debt and equity capital markets.

From Allianz's €2 billion 30-year non-call 10-year subordinated bond – the largest subordinated bond issue since the 2008 crisis – to BSH Bosch's groundbreaking Rmb2 billion (\$314.4 million) multi-tranche CNH deal, and HeidelbergCement's SFr150 million (\$158.7 million) of high-yield bonds, Deutsche proved its strength in execution and diversity in DCM.

Similarly strong in ECM, where it commanded a market share of over 20%, Deutsche was involved in the big deals of the year including the largest equity-linked transaction since 2002 for Siemens, Commerzbank's €11 billion capital increase and Porsche's €5 billion rights issue – the largest capital increase in the European automotive sector since 1980.

REGIONAL AWARDS

CENTRAL AND EASTERN EUROPE

BEST INVESTMENT BANK
BEST RISK ADVISER
DEUTSCHE BANK

In investment banking, four banks can boast a top-10 position in each of the regional league tables for debt, equity and M&A. Of these, Russia's VTB Capital is the only player based in the region.

Over the past year, VTB Capital opened an office in Sofia to serve the wider Balkans region, and appointed Ozan Ozkural as director for Turkey. These are perhaps signs of things to come. For now, though, the international banks have far wider regional geographic spread.

JPMorgan is one of the four with top-10 positions in each category. However, **Deutsche Bank** has a clear lead over JPMorgan in each category league table. Deutsche has a solid foothold in the main countries for investment banking, which last year meant Poland and above all Russia. But Deutsche generated deal flow in the other investment banking markets too, from Hungary and Slovakia to Turkey and beyond.

In debt capital markets, Deutsche's deals ranged from Russia's seminal \$7 billion triple-tranche bond in March to the first international bond from Azerbaijan large enough for inclusion in global indices (a \$500 million five-year bond for the state oil company). Deutsche also acted on Romania's first dollar bond, a \$1.5 billion 10-year deal in January (the latter's success allowed a \$750 million tap in March).

Deutsche Bank was involved with many of the largest equity deals from the region. Its equity markets performance was particularly strong in Russia. In M&A, it advised on one of the biggest deals of the year in Turkey: the \$1.6 billion sale of local healthcare provider Acibadem to the Malaysian sovereign wealth fund.

Deutsche advised on Sberbank's takeover of local investment bank Troika Dialog. It also advised on Sberbank's acquisition of the central and eastern European operations of Austria's Volksbank, and Raiffeisen's purchase of the Polish unit of Greece's EFG Eurobank. Its work on such deals has led to its being appointed recently to advise on the sale of the emerging Europe operations of Austrian banking group Alpe Adria.

But perhaps most impressive is the part that Deutsche played in the \$5.4 billion leveraged buyout of Polish mobile operator Polkomtel by local entrepreneur Zygmunt Solorz-Zak.

Deutsche was the only bank to act on all elements of the deal, Europe's biggest leveraged buyout since the financial crisis. It advised on the acquisition, underwrote the loan financing, and arranged the placement of a 25% stake in Solorz-Zak's television firm, Cyfrowy Polsat, the proceeds of which were used to part-finance the acquisition. It also provided currency and interest rate hedges and arranged the high-yield bond that replaced the loan.

Deutsche Bank stands out in risk advisory, however. Take commodities, where it executed a number of innovative risk-management products. One example is the local-currency gas-hedging products Deutsche introduced in the region. The ability to hedge effectively against simultaneous risks in both currency and energy prices is increasingly important for energy companies in the region in the context of the eurozone crisis and accompanying exchange-rate volatility, and given Iranian threats to close the Strait of Hormuz.

As another illustration of Deutsche's risk advisory business, the bank helped a company with large export earnings hedge against the rouble strengthening to the dollar. Deutsche made the currency forward rate affordable, despite concerns about the Russian economy, by making the deal expire once a pre-agreed level of profit had been made. It also embedded a feature limiting mark-to-market losses in the case of rouble weakening.

Finally, Deutsche was particularly active in developing principal-protected index-linked products for regional corporates with excess cash: a situation in which many found themselves, particularly in Russia, thanks to the high commodity prices.



POLAND
BEST M&A HOUSE
DEUTSCHE BANK

Deutsche Bank easily topped the league tables for M&A thanks to its involvement as one of only two global coordinators – along with *Crédit Agricole* – on the biggest deal of last year, the Z18.1 billion (\$5.4 billion) leveraged buyout of mobile operator Polkomtel by Polish entrepreneur Zygmunt Solorz-Zak.

The German house also acted as adviser to Vattenfall on the disposal of its Polish assets, comprising the Z4.6 billion sale of electricity supplier GZE to Tauron and the Z3 billion acquisition of the Swedish firm's Warsaw-based heat-and-power business by PGNiG. As well as a handful of smaller deals, Deutsche is also one of five banks advising Santander on its purchase of Kredyt Bank from KBC.



RUSSIA
BEST EQUITY HOUSE
DEUTSCHE BANK

Deutsche Bank continues to be a strong player in Russia and nowhere is this more evident than in the equity markets, where it acted on landmark transactions in international and local markets across various sectors in the period.

Deutsche Bank was senior bookrunner on the \$1.4 billion IPO in New York of Yandex, a Russian internet company, for example. It also arranged a \$534 million IPO in London for port operator Global Ports, one of Euromoney's deals of the year.

Deutsche Bank was joint global coordinator on a \$491 million capital increase for Polymetal, a Russian gold and silver producer. It was also joint coordinator on the \$808 million IPO of Nomos Bank, the largest Russian bank IPO since the global financial crisis.

REGIONAL AWARDS

NORDICS AND BALTICS

BEST INVESTMENT BANK
BEST DEBT HOUSE
DEUTSCHE BANK

Capitalizing on the investment it has made in the Nordic and Baltic markets during the past couple of years, **Deutsche Bank's** investment banking franchise is today a force to be reckoned with in the region.

The German bank not only ranked first by investment banking fee income in the past year, but also commanded leading positions by the value of deals it executed in debt and equity capital markets, mergers and acquisitions, as well as loans, according to Dealogic.

In achieving this, Deutsche is arguably the only international investment bank to hold a commanding position in each of these four markets, enabling it to capture market share and increase client penetration and coverage.

Deutsche's commitment to expanding its presence in Stockholm and Copenhagen has undoubtedly supported its advance, and the same commitment to the region will be critical in retaining clients and entrenching the franchise.

Based on the investment bank's performance this year, and the growth and development it has shown in recent years, Deutsche Bank takes the investment bank award.

For its performance in debt capital markets, where it fought off stiff competition from local rivals Nordea and Danske Bank to clinch the top position in the bookrunner league tables, **Deutsche Bank** wins that award too.

Across the corporate, supranational/sovereign/agency/regional and financial institution sectors, Deutsche showed its strength in execution and distribution, printing 61 international bonds for issuers, worth a combined €11.7 billion, giving a market share of 7.9%.

Among the stand-out deals were Statoil's \$1.75 billion five-, 10- and 30-year financing

in November – the largest ever yankee bond by a Nordic issuer – and Sweden’s inaugural 144a US dollar bond.

Equally notable, Deutsche printed Estonian energy company Elering’s debut Eurobond, as well as an £800 million (\$1.24 billion) dual-tranche offering – the first dual-tranche financing in sterling by a Nordic issuer – for Handelsbanken, and the only insurance capital transaction of the year from IF Insurance.



Using its recently established branch in Copenhagen to mount an assault on the Danish investment banking market, **Deutsche Bank’s** efforts have been rewarded with a strong performance in the past year across ECM and M&A.

This on-the-ground presence enabled the bank to develop close relationships with the country’s leading institutions and, as a result, helped secure a string of key mandates such as sole financial adviser to Danisco on its €5 billion sale to DuPont – the largest M&A transaction in Denmark during the awards period. Another standout advisory role was acting as sell-side adviser to AP Møller-Mærsk on its €1.3 billion sale of Mærsk Liquefied Natural Gas to Teekay LNG and Marubeni Corporation.

In Danish ECM, Deutsche was involved in the one deal that dominated the market: Danske Bank’s DKr20 billion rights issue in 2011 – the second-largest Danish equity raise ever and the second-largest Nordic FIG equity raise. Deutsche’s performance in DCM was markedly weaker, but rivals should expect that to be corrected as it continues to build out its Nordic investment banking business.

REGIONAL AWARDS

MIDDLE EAST

BEST RISK ADVISER DEUTSCHE BANK

Last year’s winner in risk management, HSBC, has taken innovative steps to meet that demand over the course of the year. It launched an Energy Solutions Group to help clients manage their energy exposures and has been involved in deals including a seven-year Shariah-compliant dollar-Indonesian rupee call spread for a Saudi client and a Shariah-compliant cross-currency reverse repo transaction with a Qatari Islamic institution.

Standard Chartered can also point to a number of notable deals, including a \$200 million, 10-year dollar-ringgit cross-currency swap for a company in the UAE.

However, it is **Deutsche Bank** that has impressed the most. It has extended repo financing to dozens of banks and asset managers on collateral that many others in the region would have shied away from. It has also developed solutions that enabled clients to raise large amounts of capital against assets that local lenders would not accept.

Among the key deals it has been involved in were providing \$750 million of hedges to a Saudi company, arranging the first Shariah-compliant enhanced repo for a Gulf bank and arranging \$50 million of three-year debt for a Kuwaiti group backed by its equity holdings. It also helped a Lebanese client raise more debt than was available in the local loan market for a buyout of a regional insurance group by identifying trapped cash and assets held by the company’s subsidiaries.



In investment banking, HSBC Saudi Arabia (of which SABB owns 51%) has long held the title of best investment bank in Saudi Arabia. It remains a market leader. But others have been building profitable investment banks over the past five years – above all **Deutsche Bank**.

In terms of profitability, Deutsche Bank’s Middle East franchise as a whole had a record year in 2011 and a record quarter in the first three months of 2012. Meanwhile, profits from its Saudi franchise doubled over the year, surpassing even the UAE as the bank’s most profitable market – a dramatic turnaround from the situation five years ago.

At the core of Deutsche Bank’s profitability in Saudi Arabia are hedging and structured-finance products – areas that have grown in line with the increasing sophistication of Saudi corporates, many of which are the region’s biggest in their sector.

In the first half of 2011, Deutsche Bank set up a fully fledged platform for sales and structuring and trading in fixed income, currency and commodities in Riyadh. Among the core trades that Deutsche Bank executed last year was a \$750 million four-year dollar-riyal cross-currency swap for a local client, one of the biggest ever cross-currency swaps in the region.

Deutsche Bank was one of the banks, along with HSBC, behind the \$1.2 billion financing for Axis, a subsidiary of Saudi Telecom. This was awarded Euromoney’s Islamic finance deal of the year.

Late last year, Deutsche Bank also helped arrange the region’s first-ever project sukuk for Saudi Aramco’s refinery joint venture with France’s Total. This SR3.75 billion (\$1 billion) deal was also the world’s first sukuk for a greenfield project.

REGIONAL AWARDS

AFRICA

BEST INVESTMENT BANK
DEUTSCHE BANK

In investment banking, notwithstanding the relative decoupling of Africa's real economy, the problems in Athens over the past year has managed to infect the continent's capital markets. Nevertheless, despite febrile market sentiment, capital outflows and modest deal flow, global investment banks have stepped up their presence in the region, eyeing lucrative opportunities in the years ahead if Africa's macroeconomic outperformance translates into capital market gains.

Over the past year, **Deutsche Bank** has quietly but surely snapped up lucrative business in the teeth of surprisingly strong competition from local and global houses. Deutsche was the top investment bank in Africa by fee income in the awards period, generating \$45.3 million with a 15.5% market share, comfortably ahead of Goldman Sachs's \$17.2 million.

Deutsche advised on some 17 M&A deals during the award period and played a key role as joint financial adviser in the largest African M&A deal over the past year: Wal-Mart's epoch-making R16.5 billion (\$1.96 billion) acquisition of South African retailer Massmart, which was finally wrapped up in May 2011.

Deutsche Bank did landmark ECM trades for South African issuers, including the largest block trade, at R2 billion, for shipping and freight firm Grindrod, and the largest accelerated bookbuild as the sole bookrunner for a R1.8 billion capital increase for Growthpoint Properties, the largest property firm on the Johannesburg Stock Exchange.

It was also active in the export credit market, arranging over €380 million of financing for Angolan projects alone in 2011, for example.

Deutsche boasts a 200-plus team in South Africa and a more modest presence in Nigeria. Crucially, it has not cut back on staff in recent years. It has also expanded its commodities capabilities, recently winning its first oil-hedging mandate from the Ghanaian government. The bank also deserves credit in its capacity as the top international investment bank in Nigeria by fee income, and second, overall, during the award period.

Notable hits for Deutsche include working as lead financial adviser on Nigeria's banking sector clean-up mission as well as a bookrunner on the sovereign Eurobond. Still, the battle between investment banks in Africa will only get fiercer, so Deutsche cannot afford to rest on its laurels.



SOUTH AFRICA

BEST EQUITY HOUSE
DEUTSCHE BANK

In equity capital markets, **Deutsche Bank** wins for the number as well as size of deals, relative to its competitors. First, in July, Deutsche was bookrunner on a R1.8 billion capital increase via an accelerated bookbuild for Growthpoint, part of the financing for the acquisition of the V&A waterfront in Cape Town.

In its biggest deal, in September, it was lead adviser to Grindrod, a South African shipping firm, on a R2 billion block trade to finance the expansion of a port in Maputo, Mozambique. In October, the bank was bookrunner on a R795 million deal for property firm Hyprop. Finally, in December, it was sole bookrunner on a R1 billion share placement by Exxaro, a local mining company.

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