Deutsche Bank
Corporate & Investment Bank

ifr Review of the Year 2011

Passion to Perform

GLOBAL PASSION

True market leaders rise to the top in times of turmoil. And when much of the world is engulfed by turbulence, it takes a bank with a truly global presence to be able to perform at its best on a consistent basis. Deutsche Bank is IFR's Euro Bond House of the Year and Bond House of the Year.

IFR AWARDS 2011

In turbulent markets it takes a bank of the highest calibre to ensure that its clients, both on the buy and sell-side, are able to continue functioning as efficiently as possible in spite of the prevailing conditions. This means presenting full access to all market opportunities, no matter the asset class or currency, maturity or size.

And there is no doubting that 2011 threw up some of the most challenging conditions ever witnessed. Indeed, it was a year that access to funding proved a far from easy task no matter the borrower's provenance, with the highest grade issuers being sucked into the maelstrom as never before. Sound advice across the piece was essential.

"When markets get difficult, people turn to us for best execution," said Ivor Dunbar, Deutsche Bank's head of global capital markets. "And this is irrespective of geography, product, client or currency."

"We are looked to for leadership," added Zia Huque, global head of syndicate. "The year threw up any number of market issues – the sovereign crisis, the Arab Spring, the Japanese earthquake, a summer repricing of credit and a capital recalibration, where no-one knew what would happen to lending – and Deutsche Bank was not only able to remain at the forefront but also increase its standing across the various markets."

And from the beginning of the calendar year, it was clear that Deutsche would have a key role to play in the major events at play, acting as lead manager on the €5bn five-year EU/EFSM transaction that set the scene for the EFSF to be able to access the market with its groundbreaking €5bn debut deal against a backdrop of a €45bn order book.

Reopenings and windows

Indeed, reopenings were something that "kept cropping up", according to Dunbar. "It was a recurring theme. I have almost lost count of the number of times that it was Deutsche Bank that was asked to reopen the market," he said.

Against the background of the major events mentioned by Huque, the bank was instrumental in bringing a US$4.4bn deal for IPIC from the Middle East in March, a €1.75bn 10-year covered bond for ING in August, following nearly two months of no supply in that market, and a €1.5bn senior unsecured transaction of its own in September at a time when some were questioning whether the senior unsecured sector would ever re-emerge. The firm's sensitivity to market sentiment also allowed it to react quickly to rapidly changing situations, one example in the corporate market being its bookrunner duties on BMW's €1bn seven-year in July, which turned out to be the only such investment-grade deal between mid-July and mid-September. Similarly, in the same month it proved that the apparently dormant high-yield sector was still functioning with a deal from ONO, the Spanish cable operator.

In terms of being a frontrunner as far as the critical themes were concerned, it played a leading role in attempting to tackle two of the major problems in Europe: the eurozone debt crisis – most notably through talks surrounding Greece – and financing European banks – the covered bond sector that became so central and important to their funding being one of its strengths. It was also at the forefront of advising corporate borrowers of how best to gravitate from a world where bank lending was the avenue of choice to one where the bond market played an increasingly important and crucial role.

But in no way could it be accused of exhibiting a Eurocentric view of the world. It was also instrumental in the shift out of the historically relied upon currencies into non-core markets, the BRIC sector being key among them.

But this progress was in no way down to chance, according to Dunbar. In fact, its genesis went back to the end of the previous year, when the decision was taken to create a multi-product treasury coverage group, bringing together specialists from DCM, transaction banking and other areas into one integrated team: capital markets and treasury solutions. This initiative was undertaken in tandem with efforts to boost Deutsche's presence in various areas of the world, at a time when a number of its competitors were already in the throes of cutting back their commitments.

"This has allowed us to present a deep and broad platform," said Dunbar. "In these times, you really need to be viewed as major player. There were those that questioned whether we would be able to make it pay, but the fact that Deutsche Bank has been on one in five bond deals across the planet surely answers that."

Indeed, a top five league table position across euros, US dollars, sterling, Swiss francs and non-core currencies is something that none of its competitors was able to match.

Crisis management

Even in 2010, it was becoming increasingly obvious that eurozone borrowers, be they financial institutions or sovereigns, could face greater funding difficulties than had previously been the case. Deutsche was quick to move, setting up a debt crisis team, which combined staff from both these sectors, across coverage, rating advisory, research and strategy.

The result was high-level discussions with those closest to the nub of the problems and a seat at the table when it came to attempting to address the situation.

"While previously we would just advise clients, we now spend far more time with policymakers," said Hakan Wohlin, co-head of European DCM and the corporate coverage group.

"The speed of the capital markets and politicians has been completely different," he added, meaning that a mediator that understood the needs of both was required to try to broker agreements.

As far as embattled financials were concerned, particularly from the peripheral nations, borrowing conditions became steadily more challenging as the year progressed. When they had access, however, Deutsche was there to help them. Notable deals included BBVA's €2bn five-year in March and its €2bn four-year the following month, which attracted orders of €9bn, the most ever for a covered bond, and Banca Intesa's €2.5bn covered transaction in February, which was the largest from an Italian issuer.

In Ireland, which was shut out of the new-issue market, Deutsche helped banks reduce their debt burdens and strengthen their Tier 1 positions through liability management exercises, such as Bank of Ireland's €2.3bn debt to equity exchange and Irish Life & Permanent's €872m tender and consent, both carried out in June.

Euro resurgence

Having seen its euro crown slip slightly in recent years, Deutsche returned to the top of the pile with a performance that saw it shine across all asset classes. The fact that it was front and centre of the various resolution discussions was not a coincidence.

Perhaps most notable was the number of mandates it received from French corporates, long the bedrock of this market and the key hunting ground for its competitors, while intensified coverage efforts also saw it return to favour with issuers such as Cades, CDC and CNP Assurances.

Again, the bank was timely with its advice. Deteriorating conditions in the second half of the year led it to say to clients that issuing then rather than later was the route they should take. Those that did, such as first-time issuers Elering (€225m seven-year), Amadeus (€750m five-year) and Brenntag (€400m six-year), which all issued during the summer months, had no reason to regret their decisions given that the market slammed shut shortly thereafter.

But even at the start of the year, Deutsche marked itself out as a leader. It brought Telecom Italia to market in mid-January, with a deal that saw other peripheral issuers follow, such as Telefonica, EDP, Gas Natural, Coca-Cola Hellenic Bottling and Red Electrica.

And in the hybrid sector, Deutsche led the first such transaction following release of the rating agencies' new rules – for DONG – and was also active on the bulk of the follow-on transactions.

In financials, it was predictably active when the conditions were benign, as early-year senior deals for ABN AMRO (in the midst of burden-sharing concerns), RBI (the first unsecured offering from an Austrian bank since 2008) and Nordea (low new issue premium in spite of €3bn size) demonstrated.

It then used its prominent position to help banks switch to covered bond funding as investor predilections centred on that asset class, but also began the gradual rehabilitation of unsecured paper with its self-led FRN in September. All the while, it also played an important role in bolstering bank's balance sheets through equity issuance and liability management.

"There were a few themes, although these mainly centred on market closure and volatility, which, coupled with regulatory uncertainty and the need for capital, meant that we had to think strategically," said Vinod Vasan, head of European FIG DCM. "And in periods of stress, we achieved a disproportionate market share."

It was also a critical year for the SSA sector in Europe, an area which often set the tone for other markets. Deutsche again cemented its credentials as a leader in this arena.

"We have a balance of business and have increased our market share across all currencies. We think it important to lead with intellectual capital, not dumb capital," said Bill Northfield, head of SSA DCM.

And in high-yield it was also extremely active in a market that continued to build on the progress of the previous year. It brought deals from a wide range of sectors and countries and in different conditions, from a market opener for Cirsa in January and a reopener

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Head of Sovereign, Supranational & Agency Origination
Deutsche Bank

for ONO in July, to a rare FRN for Refresco, the largest transatlantic offering for Wind (€2.7bn) and the tightest 10-year from Fresenius.

"In good times we have a good run; in bad times we have an excellent run," said Henrik Johnsson, head of European high-yield capital markets.

Also notable in the European markets was Deutsche's seemingly inexorable rise in the Swiss franc sector. In 2009, it languished down the league table with a 2.7% market share. Two years later, this has risen to nearer 14% and a solid third position behind the two Swiss majors, often acting on the more thought-intensive transactions, such as hybrids and those from emerging market credits.

Sterling too was an area of pride, the bank being the top-ranked non-UK domiciled underwriter.

Dollar momentum

But it was in US dollars that Deutsche proved that it is truly a bank with a global passion. The dollar market is one of the most difficult areas for European institutions to break into, often because issuers want to rotate underwriters and will favour awarding deals to banks in their home markets, or core currencies.

The push in dollars was spearheaded by Deutsche's SSA franchise, which saw it act on almost one-third of deals from the asset class (ex-US GSEs). Its most notable contribution was helping European institutions tap into one of the most consistently available sources of funding throughout the year.

This was no better exemplified than by a US$2bn five-year from Kommunalbanken – the largest dollar benchmark from a Nordic agency – and a US$2.5bn three-year from Cades – the biggest ever Eurodollar deal from an SSA issuer.

Deutsche was also active further down the curve with 10-year transactions from the EIB and KfW, the latter towards the end of August in the midst of the market volatility.

The bank's global franchise was further underlined with a string of deals from EM credits from all corners of the globe, something that showed its ability to concentrate on areas other than the mainstream, as did its strong showing in high-yield, where it performed strongly away from its home territory.

Miles Millard, global head of capital markets and treasury solutions, was in no doubt what set Deutsche apart from the rest.

"It is not just the fact that we have done 20% of all international deals, it's the sheer breadth of those deals. We have made consistent market share gains and have shown leadership in the crisis, which is as much about what is going on behind the scenes as what is readily visible.

"The backbone of our DCM group is continuity in terms of coverage. We have added and supplemented personnel but there is an underlying backbone. Clients trust this continuity.

"While in previous years it could be said that we have missed some themes, that is not true of this year."

Philip Wright

Deutsche Bank

SOLVING THE EM PUZZLE

Emerging market borrowers got off to a decent start in 2011 but as Europe's financial crisis intensified, issuance almost ground to a halt. For bond houses, the ability to read market conditions quickly was key. No bank was faultless, but for its consistency across all developing regions, Deutsche Bank is IFR's Emerging EMEA Bond House of the Year and Emerging Markets Bond House of the Year.

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The past 12 months proved to be a defining period for the emerging debt capital markets. Despite the eurozone crisis intensifying during the course of 2011, EM borrowers proved they had access to international capital. The big issue was timing.

For bond houses, operating in such a stop-start environment was a considerable challenge. No bank had a faultless year but the best were flexible, opportunistic and able to read market conditions early.

Most banks could point to successes in particular countries or regions but only a handful demonstrated that they have a significant global reach. Deutsche Bank and JP Morgan were ahead of the pack, according to Thomson Reuters data, if only international EM bonds are taken into account. If local currency transactions are included then HSBC, and to a lesser extent, Citigroup come to the fore as well.

Thanks to its consistency across all emerging regions – according to Thomson Reuters league tables it is the only bank to rank inside the top three for international bond issuance for the year to November 15 2011 in Latin America, emerging Europe and Africa, the Middle East, and emerging Asia – Deutsche can claim to lead the pack.

The German firm has not only shone in the international market, where it has executed more deals, for more borrowers, from more countries than any other bank this year, according to Thomson Reuters; its local currency business is becoming more significant too.

While Deutsche cannot match the volumes of HSBC or Citigroup in local currency debt, it still managed to complete deals in 12 EM currencies (excluding Hong Kong and Singapore dollars and offshore renminbi – markets it was also active in).

In a combined international and local currency league table, Deutsche ranks ahead of both HSBC and JP Morgan, according to Thomson Reuters. As much as volumes, however, Deutsche's execution has also stood out. Like every bank, it has made mistakes – not surprisingly given the volatile markets. But it has also priced a host of good deals.

EMEA powerhouse

Nowhere was its presence felt more deeply than in emerging Europe, the Middle East and Africa. While other banks were strong in sub-regions – HSBC in the Middle East, for example, and JP Morgan in Russia especially and emerging Europe in general – Deutsche could point to successes across all geographies.

Tellingly, of the EEMEA deals of the year submissions, more transactions involving Deutsche were put forward than those from any other firm – and that is excluding Hungary's record-breaking US$3.75bn 10 and 30-year dual-tranche transaction that was clearly one of the best deals out of the region. Deutsche, therefore, also wins IFR'S EEMEA Bond House of the Year award, edging out JP Morgan.

Highlights include IPIC's US$4.4bn-equivalent triple-tranche sterling and euro transaction in March, which was the first bond out of the region after a two-month closure caused by turmoil in Egypt and Tunisia; Afren's US$500m, 10-year offering in January, which was Nigeria's first ever corporate bond; Garanti Bank's US$800m two-tranche financing in April, which included a 10-year tranche that was the longest dated unsecured bond ever issued by a Turkish bank, and also the country's first ever dual-tranche deal; and Ukreximbank's US$300m-equivalent hryvnia Eurobond, the first local currency international bond by a Ukrainian borrower, also in January.

The bank was also involved in two other significant local currency international bonds – an increasingly important theme in EEMEA: the Russian Federation's Rbs90bn (including tap) seven-year offering, which was the first ever international local currency bond for the sovereign, and Russian Agricultural Bank's Rbs32bn (including tap), five-year deal, which represented the largest rouble-denominated international bond by a non-sovereign issuer.

Most impressive

Of all the above trades, Abu Dhabi oil fund IPIC's transaction was arguably the most impressive. The deal was priced in March against a turbulent political backdrop as the Arab Spring moved from North Africa into the Gulf region and protests broke out in Bahrain.

Even so, IPIC garnered total orders of about US$12.2bn-equivalent, with the bonds enjoying a relatively steady aftermarket performance, belying accusations that the three-tranche transaction was priced too cheaply.

The deal included a €1.25bn 4.875% five-year, which came at the tight end of mid-swaps plus 200bp–212.5bp guidance; a €1.25bn 5.875% 10-year, which was also at the tight end of price talk; and a £550m 6.875% 15-year at 270bp over Gilts after initial talk of plus 275bp area.

The deal is the largest non-sovereign bond from the Middle East and the first euro and sterling multi-tranche transaction from the MENA region. "The IPIC deal reopened the market to GCC borrowers," said Martin Hibbert, Deutsche's head of CEMA bond origination, referring to the regional market's two-month closure caused by events in Egypt and Tunisia.

IPIC also proved that, if the timing, size and pricing were right, borrowers in EEMEA could find a receptive audience despite the world's political and financial troubles. In short, access was limited, but unlike previous crises, available.

"Our advice to clients was to get into the markets early and take advantage of issuance windows," said Hibbert.

Controversy

Deutsche's list of transactions in the region was not without controversy. The US$1bn 10-year debut bond for Serbia, which Deutsche led with JP Morgan, sparked more criticism from rival banks than any other. "It was the wrong name, at the wrong price, at the wrong time," said one banker referring to a deal that was issued at the height of market panic in September. Many bankers believe the issue jeopardised the primary market for other EM borrowers.

On the other side of the coin, though, the book was oversubscribed, with 90% of the allocations going to large institutional investors. And while the price fell by several points shortly after launching, having been reoffered at 98.263, the bonds were trading above par a few weeks later.

Latin pedigree

In Latin America, Deutsche demonstrated its pedigree by the strength of its showing across numerous categories. The bank ranked first for sovereigns, second for financial institutions, first for global local currency transactions, first for non-US dollar hard currency deals and second for inaugural issuers, such as Mexico's Comision Federal de Electricidad's first US dollar bond.

What stands out is the diverse nature of Deutsche's Latin American business with transactions from borrowers across the region, including central America and the Caribbean.

"We've done more deals in more countries, in more sectors, and in more currencies," said Jake Gearhart, the bank's head of emerging markets syndicate for the Americas.

One criticism is that its corporate business is not as strong as its sovereign showing, though that is partly because it is so dominant in the latter space. But transactions such as the US$750m seven-year bond for Marfrig and Fibria's US$750m 10-year non-call five demonstrated its credentials in the high-yield corporate market.

In the high-grade corporate space, meanwhile, Deutsche was the only bank to act as a bookrunner on both the euro and sterling tranches of America Movil's €1bn eight-year and £500m 15-year issue in October. The trade was the only dual-currency offering in Europe this year from a Latin American issuer and the only sterling transaction in 2011 from the region.

Also notable was the pricing. The deal achieved the lowest new issue premium of any borrower in Europe since before the summer, and a tighter final spread to its high-grade European telecom peers than its long-term historical average. The order book reached €3.3bn for the euro tranche and £2.1bn for the sterling piece, with more than 400 investors submitting bids. The book for both tranches surpassed America Movil's euro and sterling offerings in 2010, both of which were highly successful.

While there was nothing remarkable about the structure of the bond, it demonstrated both America Movil's strong standing in Europe and Deutsche's ability to deliver for both borrower and investors.

In the financials arena, the bank also scored a number of notable successes, including Banco Votorantim's R$1bn (US$620m) inflation-linked five-year bond, which drew a book of R$2.2bn and saw an initial 2.5-point jump in the secondary market. The deal was the largest non-sovereign offshore Real bond. Deutsche was the only non-Brazilian bank on the trade.

Another FIG highlight was Banco Galicia's US$300m seven-year non-call four, the first international bond deal for an Argentine bank since 2004.

There was also BBVA Bancomer's US$750m senior unsecured notes due 2016 and US$1.25bn subordinated Tier 2 notes due 2021. This was both the largest total offering and the largest tranche of subordinated debt ever issued by a Latin American bank.

The Tier 2 yield of 6.68% represents a very attractive regulatory capital cost of funding for Bancomer, which had raised Tier 1 capital at a 7.25% yield a year earlier.

Launched in early March, the intention was to raise US$1.5bn, with price whispers in the low 200s for the five-year and low 300s for the 10-year. After official price guidance was released, however, demand quickly grew and the order book reached US$4bn.

That enabled Bancomer to raise the size of the deal by US$500m, while maintaining pricing in line with guidance – 237.5bp over US

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Director , Global Risk Syndicate – Emerging Markets
Deutsche Bank

Treasuries for the five-year and 312.5bp over for the 10-year. Taking into consideration an average 25bp new issue premium, that meant the Tier 2 offering priced 25bp–35bp through where a new Tier 1 deal would have priced. The senior note priced at a spread of 120bp over a new Mexico five-year bond, which was in line with where other leading banks in the region were pricing relative to their respective sovereigns.

Solid Asia

In emerging Asia, the bank had a solid rather than spectacular year. Still, it was involved in several good deals, especially in the high-yield corporate market.

A US$300m 10-year bond for Energy Development Corp, for example, was the biggest Philippines corporate issuance of 2011. Priced at 6.5% in January, the issue attracted total bids in excess of US$1bn from more than 80 investors. One of the main reasons behind the deal's success was the way it was promoted to local funds, which eventually accounted for 46% of the bond allocation. Also, by adopting the less regulation-heavy Reg S structure, EDC was able to secure further demand despite its lack of rating.

Another impressive transaction was Tata Power's US$450m 60-year non-call five. The transaction was the first non-investment grade corporate hybrid in Asia and established a template for hybrid capital in India. It was also Tata Power's debut international bond. The outcome was even more impressive considering the last-minute pull-outs by more established names such as South Korea's Hana Bank and Hong Kong blue-chip Wharf Holdings.

The Reg S-only transaction printed late in the evening of April 19, coming after global markets had been rattled by S&P's warning of a downgrade to the US's top credit rating a day earlier.

In the sovereigns space, Deutsche was involved in the Philippines' US$1.5bn 5.5% 2026 in March, which reopened the Asia G3 offshore bond markets amid challenging conditions, though it also had the worst immediate aftermarket performance of any offshore Philippines deal in the past five years. It was also a bookrunner on Indonesia's US$2.4bn 4.875% 2021, one of Asia's largest single-tranche bonds and a transaction in which the country paid its lowest coupon ever on a US dollar deal. However, Deutsche missed out on transactions by Malaysia and Sri Lanka.

One area where Deutsche headed the pack in emerging Asia was liability management, executing four deals worth US$1.05bn for clients in Thailand and Indonesia. For example, the tender offer by Thai mobile phone operator True Move to buy back US$690m of US dollar-denominated bonds was the largest ever exercise of its kind for an Asian corporate high-yield issuer.

"We have a very versatile platform," said Herman van den Wall Bake, Deutsche's head of global risk syndicate for Asia, though he highlighted the bank's high-yield and liability management businesses as its trump cards.

Sudip Roy

Deutsche Bank

VARIETY ACT

The European corporate market was characterised by heightened volatility and short execution windows in 2011. For its swathe of landmark transactions, currency-agnostic approach and status as the bank of choice during difficult times, Deutsche Bank is IFR's EMEA Investment-Grade Corporate Bond House of the Year.

IFR AWARDS 2011

Thanks to the experience of its syndicate and DCM teams, the depth of its sales, strategy and research teams, and the consistency of its trading franchise, Deutsche Bank was the "go-to" bank in 2011 for southern European names, inaugural borrowers and those looking to issue more complex structures such as hybrids.

"The core strength of Deutsche Bank's EMEA IG corporate franchise is the fact that it is a leader in all major European currencies and can be completely agnostic and find the best solution for its clients rather than always pitching ideas in one of two currencies," said Zia Huque, global head of syndicate.

In the early part of the IFR awards period at the end of 2010 – when renewed eurozone peripheral sovereign-fuelled volatility largely closed the market – Deutsche strongly encouraged its southern European clients to access the market as soon as windows became available.

That strategy bore fruit in January when Telecom Italia re-opened the market for southern European names under Deutsche's stewardship. That paved the way for an influx of peripheral corporates, which quickly followed suit. Deals included Telefonica and Red Electrica from Spain, as well as Portugal's EDP Finance – again with Deutsche at the helm.

Then in February Deutsche executed a €300m tap of Coca-Cola Hellenic Bottling's November 2016 transaction, the first Greek corporate bond since November 2009 when the same issuer brought a five-year transaction.

After a buoyant market in April and May, fresh cracks in sentiment began to reappear in June on concerns about the sustainability of the Greek bailout. The bank continued to work closely with potential issuers throughout that rocky period, advising them that the best course of action would still be to secure funding ahead of the summer.

Thanks to that strategy, the bank was well placed to guide a number of companies through the volatility in July, despite an increasingly risk averse backdrop. Deutsche spearheaded six of the eight corporate issues during the month, highlights of which included Estonian issuer Elering's inaugural Eurobond and more peripheral supply from Spain's Amadeus and Italy's Enel.

Deutsche also ran a stellar deal for BMW during a brief market window on July 22, following the EU leaders' summit on July 21.

"We were used as the lead of leads on this deal and it was proven right with the fact that even by the close of business on the day of issuance, sentiment was turning which resulted in the market being shut until early September," said Francois Bleines, head of corporate syndicate at Deutsche Bank.

Variety is key

Aside from its success with southern European issuers, Deutsche also led an unrivalled number of other challenging deals in 2011.

The bank priced 10 inaugural transactions during the IFR awards period, spanning a wide range of industries, ratings, maturities and nationalities in the process. These included names like Global Switch, HSE Netz, Freenet, Gerresheimer, GEA, Brenntag and Amadeus, as well as unrated issuers GfK and Praktiker. Particularly unusual for a maiden issue was that undertaken by German utility HSE Netz, which raised €320m with a 30-year maturity, the second longest euro issue in 2011 and the longest ever for an inaugural borrower.

The bank also reinforced its expertise working with crossover issuers, successfully using its extensive retail and real money network to help issuers diversify their funding sources and navigate away from more traditional funding sources. The bank executed trades for the likes of Peugeot, Brenntag and Gerresheimer. The latter's Ba1/BBB– rated €300m seven-year commanded an order book of €2.4bn from a very broad range of accounts, allowing pricing through guidance at mid-swaps plus 195bp.

Deutsche was also at the helm of some of the biggest multi-tranche and multi-currency deals of the year. The more high profile of these included TDC's triple-tranche exercise in the shape of a €800m four-year, a €800m seven-year and a £550m 12-year issue as the Scandinavian telecom group set out to refinance €2bn-plus of secured loans in order to optimise its debt profile following an IPO. This turned out to be the only euro/sterling multi-tranche transaction in 2011 and Deutsche spearheaded the process by being elected arranger of the €4bn EMTN programme.

Other notable multi-tranche successes for the bank in 2011 included BP Capital's €1.5bn five and nine-year issue, Enel's €1.75bn dual-tranche six-year and 10-year transaction, and Vivendi's €1.75bn four-year and 10-year exercise.

The bank also reinforced its strong position in the sterling and Swiss franc markets in the past year with some stand out transactions. US cable and internet company Comcast re-opened the sterling market for US issuers in November 2010 with the first benchmark from the region since 2009 and its first outside its home market. The 19-year maturity was chosen to maximize the funding arbitrage, and the £1.5bn book enabled the issuer to raise £625m at a very competitive Gilts plus 140bp.

Deutsche was also on the top line of Time Warner Cable's £625m 20-year deal that followed in May 2011 – also the group's first benchmark away from US dollars. Like Comcast, the exercise offered not only competitive pricing but also diversification for a borrower that had already raised US$14.5bn in the dollar market in the past three years.

Meanwhile, the bank's impressive push into the Swiss franc corporate market is clearly reflected by its position at the top of the table of most active non-Swiss banks in the Helvetian market. According to its own data, it has steadily increased its share in the Swiss franc corporate market from zero in 2009 to 3.1% in 2010 and an impressive 11.4% in 2011. The bank brought a variety of issuers to the Swiss market such as General Electric, Akademiska Hus, Daimler and GDF Suez.

In other non-core markets, Deutsche's progress was unmatched. In 2011, it was the leading arranger of Norwegian krone and Swedish krona Eurobonds for corporate issues. Notable issues included Deutsche Bahn's first Norwegian krone issue in 10 years and Daimler's first ever bonds denominated in Norwegian krone and Swedish krona.

"We are also the only bank to have done issues for all three German auto makers in non-core currencies," Bleines said. Other companies that benefitted from Deutsche's expertise in these EMEA non-core currencies included General Electric, Total and BMW – the latter of which was the biggest deal this year at NKr3bn, having been subsequently tapped twice.

Hybrid resurgence

2011 saw the hybrid market continue to expand and evolve following the release of new methodology from the rating agencies. Deutsche was the first to react to these changes, bringing the €700m Perpetual/NC10 liability management driven hybrid for DONG Energy in January. That already reflected many of the changes to Standard & Poor's methodology that was published in March 2011. The transaction was extremely well received, and – following the re-opening of the market – Deutsche also took a lead-management role in subsequent transactions for OMV and Origin.

All in all, Deutsche Bank spearheaded three of the four benchmark euro-denominated corporate hybrids that emerged in 2011.

Josie Cox

CRADLE TO GRAVE

Constant reinvention was needed to keep the securitised product businesses afloat and profitable. One bank had the necessary holistic market view, used structured finance expertise broadly, with a consistent team, to address its clients' multiple needs. For its creative solutions, integrated approach, and enduring commitment, Deutsche Bank is IFR's Americas Securitisation House and US Securitisation House of the Year.

IFR AWARDS 2011

After three tumultuous years of recovery and stabilisation, some segments of the US securitisation markets, such as ABS and CMBS, may be poised to end 2011 with a modicum of year-on-year growth for the first time since 2006. Deutsche Bank has been a stalwart, committed, top-five league table player and consistent leader in those sectors for 11 years.

With RMBS closed off for the near future, prohibitive new regulations, a consolidated competitive landscape of five top investment banks, and a sputtering recovery in CLOs and commercial real estate, the old-style siloed approach to structured credit is outmoded; at the very least, it's not going to grow a bank's business.

Realising this three years ago, Deutsche started evolving and reinventing itself – its securitisation team now defines itself more broadly and organises itself differently, in a "global credit solutions" group – an approach that has paid off with hefty profit margins and a reputation for being the premium brand for clients' every need.

"From structuring to marketing, to getting good execution and being supportive with their balance sheet, our experience has been great with Deutsche Bank," said Jason Kulas, the CFO of Santander Consumer USA. "We deal with a lot of banks, and Deutsche Bank gives a great view of what's going on in the broader market, not just the flow side. They do a good job of giving advice based on what they're seeing. We try to deal only with the people who can do all of those things, and they are pros."

Shrewd planning

What the Deutsche senior team saw at the beginning of 2011 was not a pretty macroeconomic picture, and this informed its internal strategic dialogue. Despite increasing consumer and corporate deleveraging and perhaps a modest 10%–15% asset-creation growth expected for the year in mainstay anchor ABS issuance, 2011 was bookended by global volatility and an inability to revive certain sectors.

In January the main issue was the mortgage market outlook: foreclosure fraud, steep losses, and the shadow of increasing crisis-related litigation. By December, the overhang from the eurozone debt crisis and tepid US GDP growth were most palpable.

"When we thought of our business at the beginning of the year, we knew that new-product creation in the mortgage market was not going to come back online. It wasn't going to solve itself," said Tom Cheung, head of Deutsche's global credit solutions group.

"From a fund-flow perspective, cash was coming back into the hands of portfolio managers. In the classical consumer ABS market, we thought we'd see modest growth in terms of creation of assets – but not enough to absorb this massive wall of amortising cash that was going to happen."

The answer was to extend even more deeply into the non-flow side of the business, including timeshare deals, cell tower, container, railcar, aviation and whole business offerings – areas Deutsche has expertise in.

"Our structure allows us to provide 'cradle to grave' solutions for clients. It's not just the ABS capital markets piece anymore," Cheung said.

In 2011 Deutsche led and agented syndicated credit facilities totalling more than US$10bn, for issuers such as GM Financial, DSC, Santander, Ally, Dollar Thrifty, and Avis Budget Group. In October, the bank advised American Home Mortgage on the first successful consent solicitation on a distributed ABS transaction. Deutsche's knowledge of the noteholders and scenario analysis of a trigger amendment that needed to be removed achieved a 90% consent rate in less than one week – unheard of in the ABS world.

CRE and ABS

The bank's CRE team not only maintained its activity, but double-downed in this space in 2011. It was by far the earliest player to re-engage in CMBS this year, breaking open the conduit market with its US$2.176bn DBUBS 2011-LC1 transaction in early February. The bank's CRE team maintains the top market share in US CMBS.

The bank is also one of the busiest when it comes to flow ABS. In 2010 Deutsche had 48 new issue lead assignments – equating to nearly one per week. It recently exceeded that pace for 2011.

The team has led multiple deals in 2011 for Santander Drive, GM Financial, and Ally – the three largest, most frequent issuers in terms of dollar volume over the past year. Deutsche also led two deals for Ford, an issuer which accounts for 40% of the auto ABS marketplace, and 75% of the floorplan universe.

The team leveraged its flow auto ABS experience in 2011 to structure the inaugural securitisation of used car floorplan financing for an independent auto dealer. The March 2011 US$252m DSC Floorplan Master Owner Trust Series 2011-1 deal distributed three-year Triple A and Triple B rated notes to more than 12 investors.

It also structured and distributed Newcastle 2011-MH1, following Newcastle 2010, the only manufactured housing securitisations since 2007. Driven by investor demand, Deutsche was able to place Double A and Single A Tranches. It received more than US$500m of orders from over 30 accounts and was able to tighten pricing by more than 100bp.

Meanwhile, three servicer-advance deals for American Home Mortgage were led by Cheung's team as well as three deals in a row for timeshare issuer Wyndham, for whom Deutsche pioneered the introduction of a Double B class.

Perhaps the bank's flagship offering for 2011, however, was the US$188m first ever securitisation of broadcast-tower lease payments for Richland Towers, completed in March.

An offshoot of the cell tower space, the offering was backed by the lease payments that broadcasters make to the communication tower owners. An iterative process with investors resulted in a clever structure which included an acquisition account to fund future site purchases.

"DB did a great job engineering the flexibility of the structure, and working with the ratings agencies to get the rating we wanted," said Matt Bray, vice-president of Richland Towers. "We wanted a good multiple, a good rate, and the flexibility to acquire more assets. We got the main facility we wanted, and a prefunded facility added on, which is pretty unique for this type of business."

Unconventional advice

The bank's broad approach also gives it a wider window into the markets – sometimes it provides offbeat advice to clients looking to tap into ABS during turbulent times.

In early December 2010, for example, Deutsche advised CNH to hold off on a transaction until mid-January because of the belief that spreads were too cheap; this ultimately saved the company nearly 50bp when the offering was finally launched.

Similarly, amid the volatility of early August caused by S&P's US sovereign debt downgrade and the eurozone crisis, Deutsche advised Santander, Ally, and GM Financial to hold off on deals, despite the fact that this might have put them on a collision course if they all issued post-Labor Day in early September.

"Instead of a car crash we had a road rally," said Randall Outlaw, the head of Deutsche's securitisation syndicate. "We got the deals to play off of one another, and investor demand led to better spreads and execution."

The decision to wait was a controversial call relative to the advice the issuers were hearing from other desks. But it paid off. Some of the classes on the Deutsche-led transactions that week were three to four times oversubscribed. The Ally one-year note became such a strong sale that competitors called them up seeking information about it.

"As they started working on structures for other clients, they immediately started making that one year larger," Outlaw said. "They realised we were on to something."

Adam Tempkin

Deutsche Bank

COMMITTED TO THE CAUSE

Deutsche Bank's strategy in 2011 was to be number one in European leveraged loans. Lending conditions deteriorated throughout the year, but the bank remained at the forefront of the market. For its consistency, and the ability to deliver the most challenging of deals, Deutsche Bank is IFR's EMEA Leveraged Loan House of the Year.

IFR AWARDS 2011

The European leveraged loan market faced an uphill battle in the second half of 2011 and many banks stopped underwriting deals. Deutsche Bank took a committed and consistent approach to the market throughout the year, supporting new buyouts and helping clients to refinance, amend and extend existing loans.

This approach made Deutsche the biggest arranger of European leveraged loans, entrenching the bank's position at the top of the league tables for a second consecutive year and fulfilling its strategy to be number one.

Dedication to the leveraged loan market with the help of a powerful high-yield bond franchise brought key roles on some of the year's most notable buyouts including the buyout of Polish mobile operator Polkomtel – IFR's EMEA Leveraged Loan of the Year.

"We have been keen to drive the leveraged loan market and build a US equivalent in Europe to provide an alternative source of liquidity for sub-investment grade companies," said Nick Jansa, the firm's head of European loans and high-yield bonds.

Strong start

Deutsche started the year off strongly and wasted no time by acting as bookrunner and facility agent on the €667.5m senior credit facilities backing the acquisition of Spanish food can maker Mivisa by Blackstone from CVC Capital Partners.

The deal was Blackstone's first European LBO since the credit crunch and the firm made the lowest equity contribution to an all-senior post-crunch buyout financing of 33%, reduced from 37% at signing.

Benign market conditions at the beginning of the year created a perfect climate for Mivisa's LBO. A lack of deals in the market met hungry CLO funds seeking to spend the cash they had received after record high-yield refinancings in 2010.

This led to a big oversubscription, which produced a double reverse flex – the first structural flex of the year and the largest reverse flex of a European LBO since 2007. It was also the only double reverse flex in a difficult year.

Underwriting Mivisa was still a risky undertaking for Deutsche, as the deepening sovereign debt crisis cast a cloud over Spanish risk as well as other peripheral European sovereigns.

"We were first out of the blocks testing the market with Mivisa. We were then at the forefront of the market for the next six months," Jansa said.

Fashion world

Deutsche continued to underwrite large deals with an underwriting and joint global co-ordinator and bookrunner role on the €850m senior facilities backing Apax's acquisition of Germany's Takko, which was the largest all-senior European buyout since the crisis.

The underwriting presented several challenges, not least because the company is a value fashion retailer and consumer spend was coming under pressure. The company had also undergone a restructuring between 2004 and 2005. Deutsche and three other bookrunners closed the deal oversubscribed with about 20 new lenders.

Deutsche then acted as joint global co-ordinator on the €565m senior credit facilities backing CVC's public-to-private acquisition of a majority stake in French rail equipment maker Delachaux.

The deal was launched in mid-June, before the markets started to wobble. The arrangers started to discuss margin flex, structural changes and introduce discounts but the deal was successfully allocated at par on July 21 with a margin of 425bp – the lowest pricing seen on any buyout in 2011.

By June the market was overheating and Greece started to implode, spreading contagion fears across Europe. Like other active arrangers, Deutsche was caught with a couple of deals in a market that was repricing, but took a pragmatic view out of necessity and worked hard to find a clearing price on the debt and get rid of the backlog.

"During 2011 Deutsche Bank has been helpful, client-focused and still tried to provide liquidity although it has been difficult in the current environment," one investor said.

Deutsche got stung on the €465m loan backing KKR's buyout of Versatel, which failed to fully syndicate despite its low leverage multiple. The lender said it was a tough syndication, but luckily one of the smallest deals on which they could have been left hanging.

Unlike many houses, Deutsche maintained a strong underwriting presence in the second half of 2011 and used flex and documentation changes to clear its positions, although it had managed to avoid heavier losses on many of the other difficult deals in the market.

The bank was a bookrunner on the €1.34bn loan backing the buyout of French electrical and mechanical engineering group Spie by a private equity consortium led by Clayton, Dubilier & Rice, AXA Private Equity and Caisse de depot et placement du Quebec.

Cocktail of measures

Pricing on the loan was flexed by 50bp while an original issue discount of 97 and most-favoured-nation status was added to place the deal, which allowed the deal to allocate in August.

Com Hem was another difficult deal as it was denominated in Swedish krona, highly leveraged and generally seen as aggressive. A cocktail of measures was applied to the deal including a large OID of 93, changes to the structure like the inclusion of a PIK facility and flexes on the pricing. However, the banks managed to clear their positions – albeit at a loss.

"Deutsche Bank was a slick player this year, very professional and very present in the market," another investor said.

Other than a dedicated presence in the new issue market, Deutsche also saw the importance of supporting clients' ongoing financing needs, and was at the forefront of a wave of refinancings and amend-and-extend exercises.

The bank was bookrunner on nine out of 17 refinancing transactions this year, including Merlin, KDG, Gala Coral, Virgin Media, Tata Steel and Wind as well as R Cable – one of the few dividend recapitalisations of 2011 which was very well received in the market.

In the absence of new issues, A&Es became an important part of the leveraged market in 2011 and provided essential intelligence on rapidly changing investor liquidity. Deutsche saw the importance of this and led the way as bookrunner on two high profile and complex A&Es: Danish services company ISS and German Broadcaster ProSiebenSat1 Media.

"Amend and extends are viewed as very, very important. We have been chasing companies such as ProSieben for three years to get into their A&Es," Jansa said.

2012 could be a very different market, one with more emphasis on A&E's rather than LBOs. Deutsche's consistent performance in 2011 and dedication to being a top player in the market leaves it well positioned going into next year.

"We market to people through good and bad times and they trust us in volatile times when things are tricky. In a bull market it is more challenging as clients have about 20 banks to go to but in volatile and tricky markets the clients come to Deutsche Bank," Jansa said.

He added: "We are positioned for the next wave [and] to underwrite the next set of LBOs on different terms. The list of banks is fewer now as other banks are running to the hills."

Claire Ruckin, Isabell Witt

LEADING THE WAY

As the eurozone sovereign debt crisis intensified in 2011, the credit market experienced its most challenging year since 2008. Volatility soared as participants cut exposure, leaving many casualties along the way. For its leading role in guiding clients through the crisis with unparalleled liquidity provision and market insight, Deutsche Bank is IFR's Credit Derivatives House of the Year.

IFR AWARDS 2011

2011 will be a year many credit investors will want to forget. After a relatively bright start, the European sovereign debt crisis swiftly came to weigh heavily on the markets, spurring some of the most severe and prolonged bouts of volatility witnessed since 2008.

Liquidity quickly evaporated as the line between supposedly risk-free sovereigns and run-of-the-mill corporate credits became increasingly blurred. Doubts over the willingness and ability of European politicians to push through fiscal reforms plagued the markets, which increasingly traded on news headlines rather than economic fundamentals.

While other shied away from this treacherous trading environment, Deutsche Bank built market share in credit derivatives, guiding clients through the latest crisis with a mixture of keen insight as to how events would unfold and liquidity provision when times were toughest.

"This sovereign crisis is our version of the 2008 US crisis: they had mortgages, we have sovereign debt. We have been the main beneficiaries of that as we are literally the strongest bank in the region in terms of financial strength, liquidity, reputation, and ideas," said Colin Fan, global head of credit trading at Deutsche Bank in London.

"We are self-vested in this problem, and so we're very much part of the solution. Our involvement in the crisis is much deeper than US banks that have the option to be here. Many US banks have withdrawn and retreated. We don't have that option, so we're engaged," he added.

Top of the leader board

Deutsche's commitment has paid dividends in terms of market share. Industry surveys consistently place the bank at the top of the leader board, which is backed up by information from the Depository Trust and Clearing Corp.

"Our latest market share from the DTCC was 16%. People like to trade with us because of our liquidity, our knowledge and our insight," said Antoine Cornut, the bank's head of European credit trading.

Credit default swap market-making was not for the faint-hearted as risk was driven less by credit fundamentals than by macroeconomic (and in some cases political) issues, making it fiendishly difficult to price.

Meanwhile, markets were predominantly one-way: few participants were willing to put risk on, while demand for credit protection has remained consistently elevated as participants cut risk. Single-name liquidity quickly became patchy, but by the fourth quarter market-makers were even complaining about index liquidity.

By early October, Markit iTraxx Europe Main and Crossover indices were at levels not seen since late 2008. Intra-day volatility remained stubbornly high, making it incredibly difficult for market-makers to manage their books effectively. Many dealers took large hits on inventory as a result, and third-quarter revenues were depressed. Deutsche's credit business – while impacted by the tough environment – was among the industry's strongest in terms of third-quarter results.

"Our trading stance has hardened, but it hasn't changed. We knew the eurozone [crisis] would take a while to play out. Liquidity isn't just about taking more risk; it's about positioning the books appropriately beforehand. Our macro view allowed us to stay defensive and helped keep our powder dry," said Fan.

With the cash market frozen and CDS levels whipping around, the bank consistently showed its willingness to trade in size across a breadth of markets. As the Arab Spring started in January, Deutsche helped clients reduce Middle Eastern exposure, providing more than US$300m of protection against Egyptian credit risk and US$500m against Saudi risk.

It also stepped up to the plate for clients worried about the eurozone crisis. Overall, Deutsche's understanding of how the situation would evolve has marked it out as a go-to market-maker for clients.

"Clients prefer to trade with us because we have the right colour, as well as the right client approach. We led on the Greek private sector initiative – we're very much part of the dialogue. Most competitors don't even understand the set-up in Europe. When markets are really volatile and you have to take positions and quote prices, it's important you understand what the boundaries are," said Cornut.

In March 2011 the German dealer provided an insurer with over €200m of protection against Spain with a bid/offer spread of only 10bp. In one day in July alone, it executed over US$28bn of CDS index trades with clients nervous about the outcome of a crucial EU Summit. The bank made a point of remaining there for clients during the diciest moments.

"Looking at the data covering the most distressed days, it shows we don't back away when it's really difficult," said Suzanne Cain, head of credit sales for Europe.

Guiding hand

Advisory has been a cornerstone of Deutsche's approach over the past year. Its quantitative research team headed by Jean-Paul Calamaro was instrumental in developing cost-efficient tail risk hedges to the eurozone at a time when conventional protection was expensive.

In one such example, the team identified discrepancies between equity and credit markets to develop a strategy going short Eurostoxx bank equity indices and long iTraxx Senior Financials (where the long leg was six times the size of the short leg), which has so far generated a positive return of 7%.

"The days of creating complexity for complexity's sake are over. Now it's about how socially relevant you can be to your client," said Cain.

Meanwhile, the bank continued to adapt its structured business to the new regulatory and market environment. The recent introduction of Basel 2.5 and its impact on correlation books, not to mention the wane in demand for such products, has led dealers to become less product-focused and concentrate instead on solutions.

"Structured is solutions these days. We try to use building blocks and layer on top what clients need. We haven't done a single transaction that wasn't created by a client enquiry," said Elad Shraga, global head of structured credit.

In one such example, Deutsche helped a major US life insurer to cut the cost of managing universal life insurance policies by providing excess reserve financing of US$500m. With market conditions effectively ruling out more traditional financing methods, Deutsche issued a 20-year letter of credit structured as senior credit protection, allowing the bank to redistribute the risk to the capital markets via credit-linked notes and reinsurance.

This constituted the first such deal for universal life insurance, which requires long-dated letters of credit and significant asset risk. The structure's success has since generated interest from other universal insurers.

E-trading build-out

Flow market-making evolved over the past 12 months as credit e-trading rose in prominence. Deutsche was a relatively late starter in terms of building out its platform, first offering prices on Bloomberg in November 2010. The bank's growth in this area has been impressive, though, coming at a time when all dealers are investing in their own platforms.

Within three months of offering prices via Bloomberg, the bank had 11% of the market share. It was also at the forefront of offering new products such as single-name European sovereigns in February, and was also the first to electronically clear CDS on Tradeweb.

As the eurozone crisis stepped up a gear in August, e-trading volumes soared. In the first week of the month, 70% of trades on iTraxx Main were executed electronically compared with 30% earlier in the year. At the same time, Deutsche's market share grew to a market-leading 25%.

"In the new world of Dodd-Frank and Basel III, more flow is shifting to e-trading. We're not only analysing and complying, but jumping ahead," said Fan.

Christopher Whittall

Key Awards and Rankings in 2011 and 2012

- Credit Derivatives House of the Year
- Hedge Fund Derivatives House of the Year
- Interest Rate Derivatives House of the Year

Risk Awards, 2012

- Bond House
- Emerging Markets Bond House
- EMEA Investment-Grade Corporate Bond House
- Americas/US Securitisation House
- EMEA Leverage Loan House
- Credit Derivatives House

IFR Awards, 2011

- Best Bank Overall for FX for the third consecutive year
- Best Bank for USD/EUR

FX Week Awards, 2011

- Global Bank of the Year for Cash Management

TMI Magazine, 2011

- Best Debt House

Financial News, 2011

- Best Global Bank
- Best Global Debt House
- Best Global Flow House
- Best Global Emerging Market Debt House
- Best Cash Management House Western Europe

Euromoney Awards For Excellence, 2011

- Most Innovative Investment Bank
- Most Innovative for Bonds
- Most Innovative for Commodities

The Banker Awards, 2011

- No.1 Global Fixed Income
- No.1 US Fixed Income

Greenwich Associates, 2011

- No.1 Overall, 7 years in a row

Euromoney, FX Poll, 2011

- No.1 Global Prime Broker, 4 years in a row

Global Custodian Prime Brokerage Survey, 2011

- No.1 Derivatives Dealer

Risk Interdealer Rankings, 2011

- Derivatives House of the Year
- Interest Rate Derivatives House of the Year
- FX Derivatives House of the Year

Derivatives Week, Global Derivatives Awards, 2011

- No.1 All-Europe Equity Research Team

Institutional Investor, 2011

Quality Leader:

- European Large Corporate Cash Management Quality

Share Leader:

- European Large Corporate Banking — Market Penetration
- European Large Corporate Cash Management — Market Penetration
- Asian Large Corporate Banking — Market Penetration
- Asian Large Corporate Cash Management — Market Penetration

Greenwich Associate Awards, 2011