

Q&A WITH CEO

Deutsche Bank betting big on China

Lender to leverage strength in linking nation and Europe, explore opportunities in country's capital market opening-up

By LIXIANG

lixiang@chinadaily.com.cn

Deutsche Bank plans to capture more market share in China as the country continues to open its financial sector to foreign players, said Werner Steinmueller, the bank's Asia-Pacific CEO.

Steinmueller envisioned good prospects for the German banking giant's business in China, a major growth pillar for it in the Asia-Pacific region, as its corporate and investment banking units saw a fruitful year in the country last year.

"The bank will continue to expand its business by leveraging its strength in linking China and Europe through facilitating bilateral investment and exploring more opportunities along with the further integration of the Chinese capital market into the global financial system, the senior executive said.

"We see abundant opportunity in China as we are strong here and competitively positioned to capture market share in our key areas of focus," Steinmueller said.

Deutsche Bank served as the sole financial adviser for German automaker BMW in raising its stake to 75 percent in its Chinese joint venture with Brilliance China Automotive Holdings in October.

The bank was also one of the securities underwriters of the \$5.4 billion Hong Kong initial public offering of Chinese smartphone maker Xiaomi Corp. It also led the \$14 billion private fundraising by Ant Financial Services Group, operator of China's biggest online payment platform, in June.

In a recent interview with China Daily, Steinmueller shared his views on the future operations of Deutsche Bank in China, the trend of bilateral trade and investment between China and Europe and how it could affect the German bank's business.

Given the importance of the Asia-Pacific market to Deutsche Bank, how do you intend to grow your business and presence in the region?

We view our strength in the Asia-Pacific region as a competitive advantage for us globally. Some 88 of our top 100 most important global clients are working with us on matters related to this region. The strength of our regional network is a key differentiator versus our peers, particularly our full product capability across segments locally in so many markets. We are leaning in to our business in the Asia-Pacific region, to defend our position, build on our existing edge here, and ensure that we are able to capture continued growth. We're selectively investing in areas of our focus businesses across the region. We are, for instance, investing in our China platform, particularly in our technology and coverage capabilities.

Chinese regulators have pledged further liberalization of the financial sector. How do you plan to capitalize on this, and in what areas do you think Deutsche Bank has a competitive edge over local and other foreign players in the market?

China has demonstrated clearly its determination to open up the financial sector to global players. We of course welcome this approach, and see abundant opportunities in China as we are strong here and competitively positioned to capture market share in our key areas of focus. We have two clear points of differentiation versus our peers.

First, we have a unique ability to link China with Europe, given our long history and deep ties in both geographies. This is particularly relevant as we are starting to see closer collaboration and increased trade linkages along this corridor. We add

significant value in cross-border work in both directions, outbound from China servicing the country's increasingly globally relevant companies as they expand abroad, and inbound as European investors and companies deepen their investments and operations here.

Second, we have consistently helped to drive the development of China's capital markets over the years, and occupy an important role in the ongoing smooth integration of China's capital markets with the global financial system. For example, as an industry leader in global foreign exchange and transaction banking, we have been an active pioneer in the internationalization of the renminbi, both onshore and around the world. As a leading fixed income house globally, we have quickly become one of the leading players facilitating Bond Connect trading volume, and one of the top foreign settlement agents on the China Interbank Bond Market. Our advisory strength, particularly in global cross-border transactions, has also helped us win leading roles on some of the most groundbreaking global capital raises and mergers and acquisitions work for China's emerging champions.

What makes you convinced that we will see closer China-Europe cooperation?

I hear examples of it every day from our client base in both geographies. I've just returned from a trip to Shanghai where I met with a number of European corporate clients who were very focused on increasing their operations and capabilities in China, and were speaking with us about how we could support them in their efforts, not just in raising capital but in managing risk and establishing efficient payment flow systems.

The German Chamber of Com-



CV

Name: Werner Steinmueller

Age: 65

Nationality: German

Career:

2016 till now: Deutsche Bank Asia-Pacific CEO

2004-16: Head of global transaction banking, Deutsche Bank

2003-04: Chief operating officer for global transaction banking, Deutsche Bank

1998-2003: Head of global banking division Europe, Deutsche Bank
1996-98: Co-head of corporate finance Germany, Deutsche Bank

Education: Diploma in business administration and mechanical engineering from TU Darmstadt

Family: Married with three children

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panies and investors cannot rely solely on the North American market for capital linkages or investment. We are seeing increased dialogue outbound from China into Europe as well, and of course we are very well placed here to support these moves.

How do you appraise China's efforts to contain the country's debt levels and push deleveraging in the economy? What does it mean for Deutsche Bank's business here?

China's deleveraging push is a long-term and crucial part of the economy's restructuring efforts. This is a welcome and healthy process as long as it's managed carefully, and will upgrade the quality of economic growth for the country going forward. As deleveraging continues, we expect there will be more foreign investment interest and opportunities as investors look more favorably and optimistically on China's fundamental growth outlook. This is of course also positive for Deutsche Bank's business in China, as we are well positioned to help inbound investment into China, given our strength in cross-border work, not just for capital markets, but also in advisory.

What risks and uncertainties do you see in the global economy?

The only thing in recent months that has been certain is uncertainty. This has been true for geopolitics, macroeconomy and markets. I expect this to be the case in the year ahead as well, as we see potentially big shifts in the broader global policy environment and trade and capital flows. But I've been in the banking business now for 40 years. I have seen a whole lot of crises. If you prepare yourself and stay alert to what is happening around you, there is little reason for serious concern.

How do you see emerging technologies such as cloud computing, blockchain and big data changing the banking business? What are your plans for boosting Deutsche Bank's innovative capability for your products and services in the Asia-Pacific region?

The advance of fintech is playing a significant role in reshaping the financial services industry, not just in discrete operations or efficiency, but more fundamentally in how we think about the future of our industry and how the way we add value to our clients will transform. We have recently launched our first innovation lab in Singapore as part of our drive to digitalize and embrace emerging technologies for the benefit of our clients. This is a crucial addition to our global innovation platform, which enables us to support the best startups and adopt solutions that could greatly enhance and improve our client services while addressing business needs in a swift and responsive way.

China is a vibrant market on this front, and is one of the leading countries in the world when it comes to adopting digitalization and technological innovation, especially on a large scale.

On the product side, Deutsche Bank China has worked closely with regulators in introducing new financial market instruments, and we are widely recognized for some of our industry-leading breakthroughs. We have a strong track record in originating and implementing innovative solutions for our clients, and intend to keep a strong focus on doing so going forward.



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