

BUSINESS DAY

Big German Bank, Key to Trump's Finances, Faces New Scrutiny

By BEN PROTESS, JESSICA SILVER-GREENBERG and JESSE DRUCKER JULY 19, 2017

During the presidential campaign, Donald J. Trump pointed to his relationship with Deutsche Bank to counter reports that big banks were skeptical of doing business with him.

After a string of bankruptcies in his casino and hotel businesses in the 1990s, Mr. Trump became somewhat of an outsider on Wall Street, leaving the giant German bank among the few major financial institutions willing to lend him money.

Now that two-decades-long relationship is coming under scrutiny.

Banking regulators are reviewing hundreds of millions of dollars in loans made to Mr. Trump's businesses through Deutsche Bank's private wealth management unit, which caters to an ultrarich clientele, according to three people briefed on the review who were not authorized to speak publicly. The regulators want to know if the loans might expose the bank to heightened risks.

Separately, Deutsche Bank has been in contact with federal investigators about the Trump accounts, according to two people briefed on the matter. And the bank is expecting to eventually have to provide information to Robert S. Mueller III, the special counsel overseeing the federal investigation into the Trump campaign's ties to Russia.

It was not clear what information the bank might ultimately provide. Generally, the bank is seen as central to understanding Mr. Trump's finances since it is the only

major financial institution that continues to conduct sizable business with him. Deutsche Bank has also lent money to Jared Kushner, the president's son-in-law and senior adviser, and to his family real estate business.

Although Deutsche Bank recently landed in legal trouble for laundering money for Russian entities — paying more than \$600 million in penalties to New York and British regulators — there is no indication of a Russian connection to Mr. Trump's loans or accounts at Deutsche Bank, people briefed on the matter said. The bank, which declined to comment, scrutinizes its accounts for problematic ties as part of so-called “know your customer” banking rules and other requirements.

And with one of its most famous clients headed to the White House, the bank designed a plan for overseeing the accounts of Mr. Trump and Mr. Kushner and presented it to regulators at the New York State Department of Financial Services early this year. The plan essentially called for monitoring the accounts for red flags such as exceptionally favorable loan terms or unusual partners.

Additionally, the New York regulators recently requested information related to the hundreds of millions in loans Deutsche Bank's private wealth management division provided Mr. Trump, one of the people said, paying particular attention to personal guarantees he made to obtain the loans. Those guarantees have declined as the loans were paid down and the property values increased, but it remains a source of interest to the regulators.

While there is no formal investigation of the bank — and personal guarantees are often required when people receive big loans from their wealth managers — the New York regulators have questioned whether the guarantee could create problems for Deutsche Bank should Mr. Trump fail to pay his debts. To collect, the bank would either have to sue the president, or risk being seen as cutting him a special deal.

It is not a hypothetical concern: Mr. Trump sued the bank in 2008 to delay paying back an earlier loan.

Mr. Trump has had a complicated relationship with the bank over the past 20 years, which has included more than \$4 billion in loan commitments and potential bond offerings, a majority of which were completed, according to a New York Times

review of securities filings and interviews with people with knowledge of the deals. Despite all the risk-taking — and a brief loan default that spurred the 2008 litigation — Mr. Trump's business has made the bank money, the people said.

A spokesman for the New York regulators declined to comment, and the White House did not respond to requests for comment.

A few years after Mr. Trump sued the bank in 2008, he moved his business from the bank's commercial real estate lending division to its private wealth division, where executives were more willing to deal with him, according to the people briefed on the matter.

In the past six years, the private wealth unit helped finance three of Mr. Trump's properties, including a golf course near Miami and a hotel in Washington, according to Mr. Trump's most recent financial disclosures and the people with knowledge of the loans.

The size of the loans — totaling about \$300 million — is somewhat unusual by Wall Street standards, according to former and current Deutsche Bank executives and wealth managers at other Wall Street firms.

While it is not unheard-of for real estate developers to obtain large wealth management loans for projects deemed too risky for an investment bank, it differs from bank to bank, and those that do issue loans of that size typically do so for top clients known to pay their bills.

Mr. Trump's wealth manager at Deutsche Bank, Rosemary Vrablic, has specialized in real estate lending and is known for taking risks on clients, two of the executives and wealth managers said. And her relationship with Mr. Trump is close enough that Ms. Vrablic attended Mr. Trump's inauguration, according to a person who attended.

Mr. Kushner has established his own relationship with the bank. He and his mother have an unsecured line of credit from Deutsche Bank, valued at up to \$25 million, and the family business he ran until January, Kushner Companies, received a \$285 million loan from Deutsche Bank last year.

Mr. Kushner's dealings at the bank have included Ms. Vrablic. In 2013, he ordered up a glowing profile of her in the real estate magazine he owned, *The Mortgage Observer*, according to a person with knowledge of the matter. The piece concluded with a disclaimer that her "past clients" included Mr. Kushner.

In an interview with *The Times* last year, Mr. Trump suggested reporters speak with Ms. Vrablic about his banking relationships.

"Why don't you call the head of Deutsche Bank? Her name is Rosemary Vrablic," he said. "She is the boss."

A Relationship Is Born

It was 1998, and Mike Offit, fresh off the trading floor of Goldman Sachs for a new job at Deutsche Bank, was hired to put Deutsche Bank's real estate lending business on the map. To do that, Mr. Offit knew he had to snag big name developers.

That moment arrived when Rob Horowitz, with the real estate firm Cooper-Horowitz, approached him with an idea: Would he work with Mr. Trump, who at the time had a tarnished reputation after several of his casinos landed in bankruptcy?

"My reaction was, why wouldn't I?" Mr. Offit recalled in a recent interview.

To Mr. Offit, there was little downside to hearing Mr. Trump's pitch. A short time later, Mr. Trump came by Mr. Offit's Midtown Manhattan office to discuss a loan for renovations at his 40 Wall Street building. Unlike other developers who arrived with their entourages, Mr. Trump showed up alone, Mr. Offit said, and despite a reputation for bluster, he knew the financials of the deal cold.

"There was some resistance from management because of Donald's reputation, but I told them that our loan would be wildly overly collateralized even in the worst-case scenario," Mr. Offit said.

More deals followed. Later in the year, Mr. Trump needed \$300 million to build Trump World Tower near the United Nations. But he required a construction loan, which, at the time, Deutsche did not have the right staff to manage. Determined to get the deal nonetheless, Mr. Offit found another German bank to make the loan

with the commitment that Deutsche Bank would take possession once the building was constructed.

But as the deal was being finalized, the other German bank had second thoughts because of worries of a labor strike. Just as the deal seemed to be falling apart, Mr. Trump produced a signed commitment from all the major construction unions promising not to strike.

“We were all amazed he managed to get that,” said Mr. Offit, who retired from the bank in 1999.

In the mid 2000s, Mr. Trump was in need of another construction loan. But this time, the loan — up to \$640 million to build Trump International Hotel and Tower in Chicago — did not go as well.

A few years after the project began, the 2008 financial crisis upended the global economy and Mr. Trump fell behind on loan payments. According to a person briefed on the deal, Deutsche Bank was discussing a possible extension, when Mr. Trump sued it to avoid paying \$40 million that he had personally guaranteed.

His argument, as detailed in a letter to the bank, was novel: “Deutsche Bank is one of the banks primarily responsible for the economic dysfunction we are currently facing,” Mr. Trump wrote.

With the help of a lawyer — Steven Schlesinger of Garden City, N.Y. — Mr. Trump argued that the financial crisis allowed him to invoke the extraordinary event clause in his contract with the bank. Mr. Trump argued Deutsche Bank should pay him \$3 billion in damages.

The bank filed its own action against Mr. Trump, demanding he make good on the loan. In a legal filing, Deutsche Bank, which had distributed the loan to a number of other banks, called the lawsuit “classic Trump.”

The standoff culminated with a meeting in Trump Tower, Mr. Schlesinger said.

At the meeting, Mr. Trump threatened to remove his name from the building if he did not get more time to pay. That move, Mr. Trump suggested, would reduce the

value of the building.

Ultimately, the bank granted Mr. Trump additional time to repay. And when he did, it was through the Wall Street equivalent of borrowing from one parent to repay the other.

Mr. Trump received a loan from Deutsche Bank's wealth management unit to pay off the debt he owed the bank's real estate lending division, according to two people briefed on the transaction. The wealth management unit later issued another loan for the Chicago project that is valued at \$25 million to \$50 million.

A Personal Banker

Ms. Vrablic, who helped facilitate the wealth management unit's loans to Mr. Trump, has built a career lending to the rich and famous.

She got her start on Wall Street at Citibank's private bank in the late 1980s and later worked at Bank of America before joining Deutsche Bank in 2006.

Ms. Vrablic, who declined to be interviewed for this article, has a reputation for being an aggressive advocate for her clients, according to two executives familiar with her work and profiles written in *The American Banker* and *The Mortgage Observer*.

In a 2013 *Mortgage Observer* article, one of her clients, Herbert Simon, owner of the Indiana Pacers, remarked that "when she came into the picture, it was a tough time to get money, and she was able to be very creative and get us what we needed."

In a 1999 *American Banker* article, Ms. Vrablic described her clients as having "many homes, ex-wives, and many children."

Mr. Trump fit that mold, but he was far from her only client in the rarefied world of New York real estate. Others included Stephen Ross, the chairman and founder of the Related Companies in New York.

Mr. Ross extolled Ms. Vrablic's ability to make deals happen. "She brings knowledge — and the fact is that if she tells you something, you know it's going to get

done,” he told The Mortgage Observer.

Ms. Vrablic was quoted in the same article as saying that real estate is her “deep dive.”

While Mr. Kushner has never disclosed the exact nature of his business with Ms. Vrablic, his financial disclosure shows a line of credit worth between \$5 million and \$25 million. And according to securities filings, Deutsche Bank provided a \$285 million mortgage to Kushner Companies to help it refinance the loan it used to purchase several floors of retail space in the former New York Times building on 43rd Street in Manhattan.

Mr. Kushner's company bought the space from Africa Israel Investments, a company owned by Lev Leviev, which has a sizable real estate portfolio in Russia.

Deutsche Bank, other securities filings show, is also involved in loans the Kushner Companies received for the Puck Building in Manhattan's SoHo neighborhood and a property on Maiden Lane near Wall Street. The bank was responsible for either pooling those loans into mortgage-backed securities that were sold to investors, according to Trepp, a data and analytics firm, or distributing payments to the investors.

In the autumn of 2014, Ms. Vrablic and Mr. Kushner attended the Frick Collection's dinner, a black-tie event where patrons dined among famous works of art by Manet, El Greco and Turner.

A picture of the pair appeared in the New York Social Diary. Mr. Kushner, dressed in a tuxedo, had his arm around Ms. Vrablic.

The Russia Question

There is no indication that federal investigators suspect a Russian connection to Mr. Trump's dealings with Deutsche Bank, according to people briefed on the matter.

Mr. Horowitz, of the real estate firm Cooper-Horowitz, also saw no Russian ties in his many years of working with Mr. Trump.

“I’ve arranged financing for the majority of Mr. Trump’s transactions, and I’ve never once seen any money coming to him from Russia,” he said. Mr. Horowitz was not involved in any of the private wealth management loans from Ms. Vrablic.

But separate from Mr. Trump, the German bank has a host of Russian connections.

Soon after Mr. Trump took office, the bank settled allegations that it helped Russian investors launder as much as \$10 billion through its branches in Moscow, London and New York. In May, the Federal Reserve reached its own settlement with the bank over the money laundering violations.

Deutsche Bank also had a “cooperation agreement” with the Russian state-owned development bank, Vnesheconombank, which has been swept up in the investigation into Russian interference in the presidential election. And it had ties to VTB Bank, a far larger Russian bank facing sanctions in the United States and the European Union. The Russian firm’s investment banking arm, VTB Capital, was created by hiring dozens of bankers from Deutsche Bank’s Moscow office.

Some ties are less direct. Josef Ackermann, Deutsche Bank’s former chief executive, is now chairman of the board at the Bank of Cyprus. A large shareholder of that bank was Dmitry Rybolovlev, the Russian oligarch who purchased Mr. Trump’s estate in Florida.

And in May, federal prosecutors settled a case with a Cyprus investment vehicle owned by a Russian businessman with close family connections to the Kremlin.

The firm, Prevezon Holdings, was represented by Natalia Veselnitskaya, the Russian lawyer who was among the people who met during the presidential campaign with Donald Trump Jr. about Hillary Clinton.

Federal prosecutors in the United States claimed Prevezon, which admitted no wrongdoing, laundered the proceeds of an alleged Russian tax fraud through real estate. Prevezon and its partner relied in part on \$90 million in financing from a big European financial institution, court records show.

It was Deutsche Bank.

Adam Goldman and Sharon LaFraniere contributed reporting from Washington, and Steve Eder from New York. Kitty Bennett contributed research.

A version of this article appears in print on July 20, 2017, on Page A1 of the New York edition with the headline: Regulators Review German Bank At the Center of Trump's Finances.

© 2017 The New York Times Company