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Growth in U.S. Demand for International Trade Finance Benefits Big Banks

2015 Greenwich Leaders: U.S. Large Corporate Trade Finance

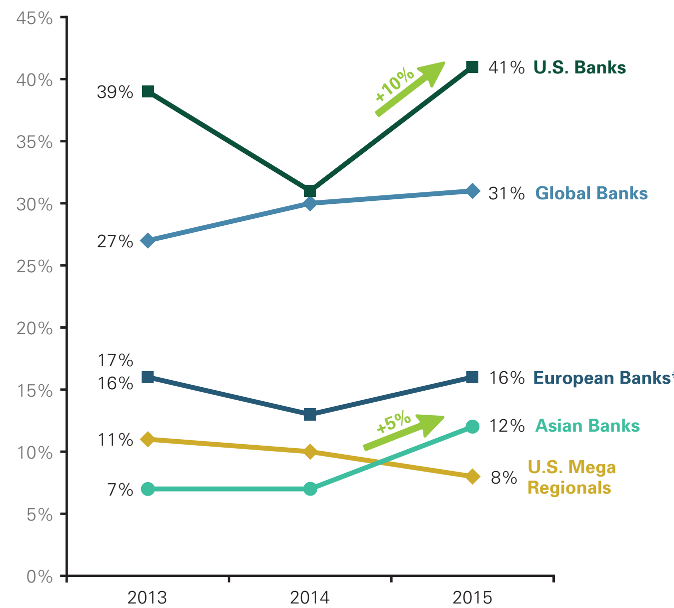
Q4 2015

The market's biggest banks are expanding their trade financing and servicing footprints as large U.S. companies seek support for their expanding international businesses.

Bank of America Merrill Lynch and J.P. Morgan are tied atop the U.S. large corporate trade finance market. About 40–41% of large U.S. companies use one or both banks for trade finance. Citi ranks third with a market penetration of 37%, followed by HSBC and Well Fargo, which are tied at 24–25%. These firms are the 2015 Greenwich Share Leaders in U.S. Large Corporate Trade Finance.

As a group, these leading banks are claiming a growing number of trade finance relationships with large U.S. companies. The largest domestic banks alone saw their aggregate market penetration score increase by some 10 percentage points over the past 12 months. This growth has been driven largely by gains from the two banks at the top. Bank of America in particular has been successful in winning new large corporates as clients over the past year. Ranking third and fourth respectively, Citi and HSBC have also gained momentum and relationships.

Average Share of Banks in U.S. Trade Finance



Note: Based on 132 respondents in 2013, 168 in 2014 and 206 in 2015.
*RBS is not included in the European banking group.
Source: Greenwich Associates 2015 U.S. Large Corporate Trade Finance study

Increasing Demand for International Trade Services

The success of these big banks in winning new clients can in turn be attributed in part to the growing demand for international trade finance among large U.S. companies. Approximately two-thirds of these companies now use cross-border trade finance services for transactions into Mexico and Canada. Fifty-two percent use international trade finance for transactions associated with trade in Asia, and about half the companies use it for transactions with Western Europe. Usage rates for both Latin America and Central/Eastern Europe are 35–36%. With international activity on the rise, the average number of banks used by large U.S. companies increased to 3.3 in 2015 from 2.8 in 2014.

"The market's biggest banks are taking full advantage of this mounting demand for international trade services," says Greenwich Associates consultant Andrew Grant.

Greenwich Share Leaders — 2015

GREENWICH ASSOCIATES Greenwich Share Leader 2015

U.S. Large Corporate Trade Finance

Bank	Market Penetration	Statistical Rank
J.P. Morgan	41%	1T
Bank of America Merrill Lynch	40%	1T
Citi	37%	3
HSBC	25%	4T
Wells Fargo	24%	4T

Note: Based on 206 respondents. Market penetration refers to the proportion of companies interviewed that consider each bank an important provider of trade finance services. Leaders are based on top 5 leading banks including ties.
Source: Greenwich Associates 2015 U.S. Large Corporate Trade Finance Study

Greenwich Quality Leaders — 2015

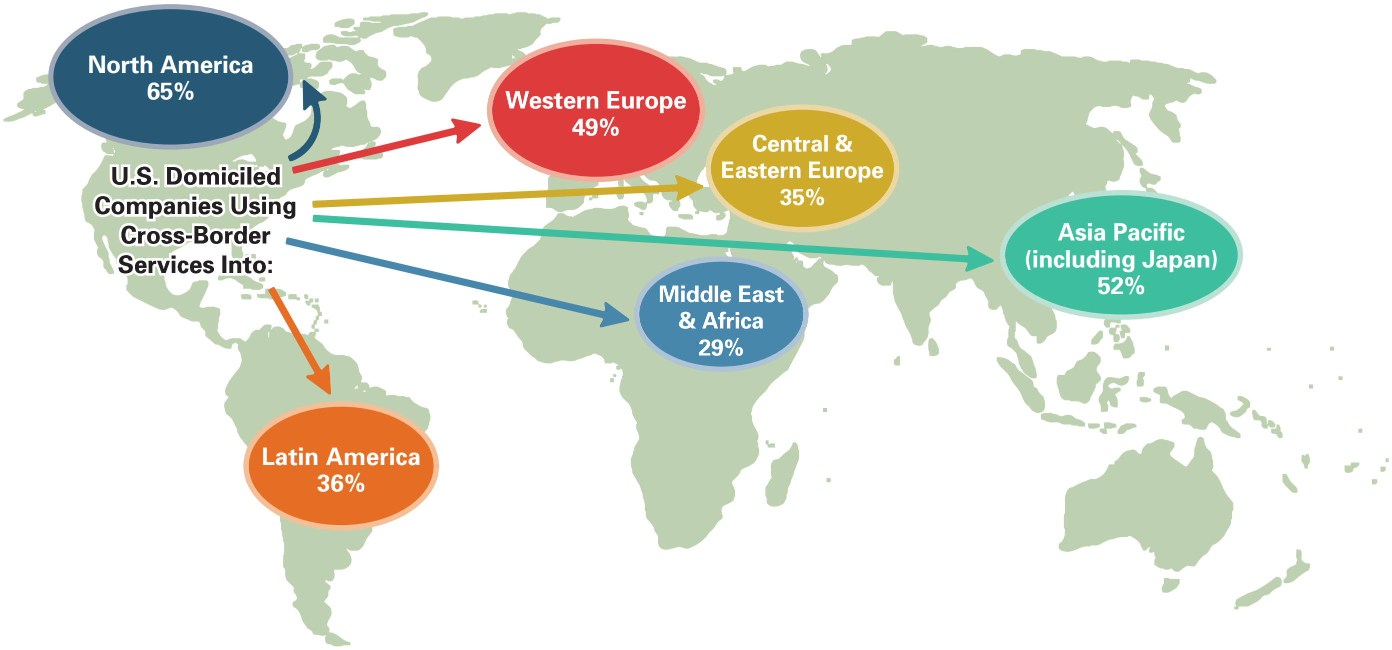
GREENWICH ASSOCIATES Greenwich Quality Leader 2015

U.S. Large Corporate Trade Finance Overall Quality

Bank
Bank of America Merrill Lynch
Deutsche Bank
J.P. Morgan
Wells Fargo

Note: Based on 206 respondents. Leaders cited in alphabetical order including ties.
Source: Greenwich Associates 2015 U.S. Large Corporate Trade Finance Study

Share of U.S. Domiciled Companies Using Cross-Border Services into:



Note: Based on 206 respondents.
Source: Greenwich Associates 2015 U.S. Large Corporate Trade Finance Study

"They have an obvious built-in advantage as they are leveraging existing corporate banking relationships to cross-sell their trade finance services."

Foreign banks are also benefitting from U.S. companies' growing international business. Large and small non-U.S. providers are pursuing a variety of strategies to court companies' international trade finance business. Each provider has been forced to differentiate from their U.S. competitors through local presence in specific industry verticals, expertise and networks into key cross-border markets. Among the next tier of foreign trade finance providers increasing their profiles with U.S. companies are BNP Paribas, Bank of Tokyo Mitsubishi UFJ, Standard Chartered, and Scotiabank.

Electronic Transactions

U.S. and global providers are also getting a boost from companies' increasing use of digital systems to initiate and manage trade finance. The share of U.S. companies using electronically initiated and managed trade finance increased meaningfully in 2015. The proportion of companies overall that use electronic rose an average of seven percentage points, while the smallest companies in the study—those with annual revenues between $500 million and $2 billion—saw even sharper increases.

The United States stands out for the amount of trade finance business done electronically. One reason: The U.S. large corporate trade finance business consists largely of plain-vanilla products. By far the most popular trade finance offerings in the U.S. market are trade services, including letters of credit (LCs), standby LCs and, to a lesser extent, guarantees. These relatively commoditized products are especially conducive to electronic initiation and management as a means to gain efficiencies and to reduce cost.

"As trade finance becomes increasingly electronic, business is naturally going to gravitate to the biggest providers who have made significant investments in their technologies. The market will become increasing concentrated among the top players," says Andrew Grant.

Greenwich Quality Leaders

Four banks share the title of Greenwich Quality Leader in 2015: Bank of America Merrill Lynch, Deutsche Bank, J.P. Morgan and Wells Fargo.

Consultants Andrew Grant and Don Raftery specialize in corporate banking in the United States.

Methodology

From May to July of 2015, Greenwich Associates conducted 206 interviews in trade finance with financial officers (e.g., CFOs, finance directors and treasurers) in the United States. Subjects covered included product demand, quality of coverage and capabilities in specific product areas.

The findings reported in this document reflect solely the views reported to Greenwich Associates by the research participants. They do not represent opinions or endorsements by Greenwich Associates or its staff. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in *relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results.*

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