European Companies Turn to Foreign Banks

2015 Greenwich Leaders: European Corporate Banking, Cash Management and Debt Capital Markets

Q1 2015

The banking groups used by large European companies are shrinking. After briefly spiking during the chaos of the global financial crisis, the average number of banks servicing big European companies has returned to the downward trajectory that started a decade ago.

In 2005, the typical large European company with at least €500 million in turnover used approximately 12 banks, with two to three of those banks considered lead relationships. In 2014, the overall average declined to fewer than 10 banks, with approximately two lead relationships on average.

The contraction of corporate banking groups has accelerated in the post-crisis era. The establishment of Basel III capital rules and other new regulations has caused many European and global banks to abandon past strategies aimed at capturing market share and revenues in favor of maximizing profitability. As part of that shift, they have become much more deliberate in segmenting their clients, pushing resources toward those offering the greatest profit potential while cutting back resource allocations or even severing relationships with smaller and less lucrative accounts.

These break-ups are not always initiated by banks. From companies' perspective, bank relationships are often (but not always) driven by one thing: credit. As one corporate research participant said: "Our core banks lend to us. No lending, no call. Simple." Although European companies have made aggressive use of capital markets amid an extended run of highly favorable conditions, Greenwich Associates research shows clearly that many companies regard the security of bank credit lines as an absolute imperative.

Therefore, as balance sheet pressures, capital rules and other regulations force banks to become more conservative in their lending policies, companies unhappy about the availability or terms of bank credit lines feel forced to act. In some cases, companies find it advantageous to reduce the number of providers overall in order to concentrate their business—and increase their importance as clients—with their remaining banks.

These trends have contributed to the overall reduction in the number of banks servicing large European companies. They have also led to the movement of large corporate banking relationships from Top 10 banks, which are aggressively adjusting their strategies and client portfolios, to banks ranked 11–20.

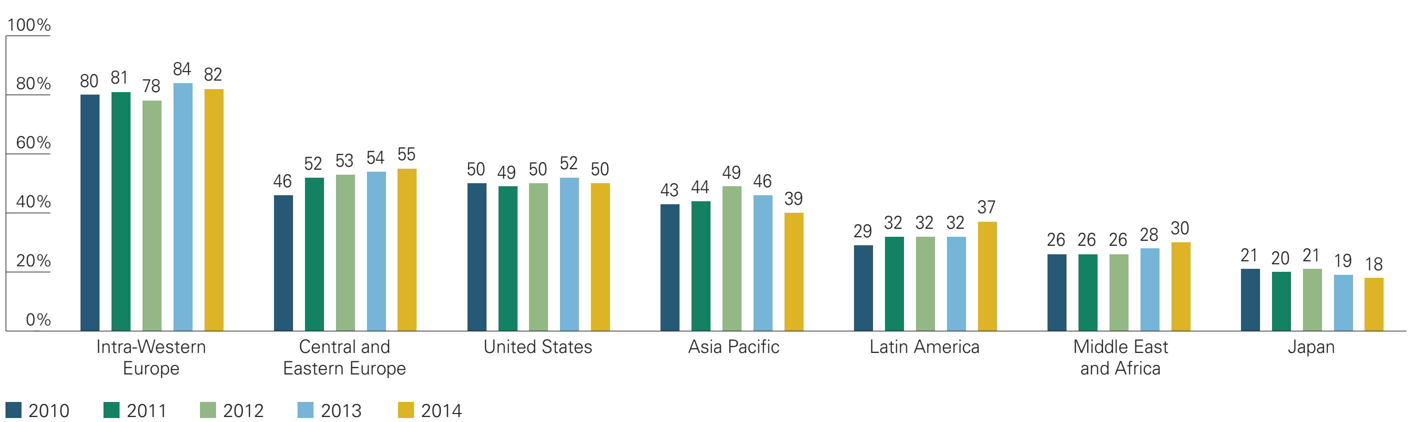
However, as past relationships end, large European companies are not necessarily replacing top-tier European and global banks with replacements from that same pool, or even from the relatively large group of regional European banks and national champions. In fact, the number of banking relationships held by mid-tier European banks is actually on the decline. One reason: In a growing number of cases large European companies are turning to a new resource—foreign banks specializing in specific international markets.

International Banking Needs

Large European companies are among the world's most active when it comes to expanding business beyond their own country borders. The chart below shows the share of big European companies that use banking services in foreign markets. Most European companies that employ

International Needs of Large European Corporates

Use Any Bank in a Region



Note: Based on European Top-Tier companies (635 respondents in 2010, 601 in 2011, 595 in 2012, 608 in 2013, and 636 in 2014).
Source: Greenwich Associates 2014 European Large Corporate Banking Study

banks outside their home markets do so to support business in other Western European countries. For companies in nearly all European countries, the No. 2 foreign market is the United States. The one exception is Germany, where approximately 60% of large companies use banking services in Central and Eastern Europe. Asia is generally next in terms of exposure, and the data reveals a 2014 spike in demand for banking services in Latin America.

When companies make their initial forays into international business, they often call on the services of one or more of the largest global banks. Often these banks are existing relationships and have the types of broad international capabilities and networks required to meet companies' requirements. A key factor in the decision-making process becomes who can best advise them of the pitfalls and opportunities associated with entering a particular country. However, as companies' businesses expand and deepen in foreign markets, they often have developed the necessary skill sets and processes to manage these tasks. What they now need is local infrastructure support, local credit lines and experience with local regulatory subtleties. At this point, companies often begin to consider employing local banks.

Greenwich Associates data suggest this process is now playing out among many large European companies. Regional banks from Asia and Latin America are winning a share of relationships formerly held by European banks. Obviously most of these banks are not providing credit or service in Europe; instead, growing numbers of companies are crossing the threshold at which they require specialized, local coverage in specific foreign markets.

Greenwich Share Leaders — 2015

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Greenwich Share Leader 2015

European Top-Tier Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	58%	1
HSBC	51%	2
Deutsche Bank	48%	3
RBS	43%	4
Citi	39%	5

Note: Based on 636 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	36%	1
HSBC	33%	2
Citi	29%	3T
Deutsche Bank	29%	3T
RBS	26%	5

Note: Based on 690 respondents from top-tier companies.

European Debt Capital Markets Market Penetration

Bank	Market Penetration[3]	Statistical Rank
HSBC	29%	1
BNP Paribas	25%	2T
Deutsche Bank	25%	2T
J.P. Morgan	25%	2T
Barclays	24%	2T

Note: Based on 412 respondents.

European Debt Capital Markets Market Penetration — Financials

Bank	Market Penetration[3]	Statistical Rank
J.P. Morgan	38%	1T
Deutsche Bank	36%	1T
Barclays	33%	3

Note: Based on 89 respondents.

Eurozone Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	66%	1
Deutsche Bank	54%	2
HSBC	50%	3
UniCredit	47%	4
Commerzbank	42%	5

Note: Based on 399 respondents from top-tier companies.

Eurozone Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	45%	1
Deutsche Bank	35%	2
UniCredit	33%	3
HSBC	31%	4
Commerzbank	28%	5T
Citi	28%	5T

Note: Based on 428 respondents from top-tier companies.

European Debt Capital Markets Market Penetration — Corporates

Bank	Market Penetration[3]	Statistical Rank
BNP Paribas	29%	1T
HSBC	28%	1T
RBS	23%	3

Note: Based on 288 respondents.

European Debt Capital Markets Market Penetration — Government

Bank	Market Penetration[3]	Statistical Rank
HSBC	51%	1
Deutsche Bank	40%	2T
Barclays	34%	2T

Note: Based on 35 respondents.

Note: Proportion of companies interviewed that consider each bank an important provider of: [1]corporate banking services; [2]corporate cash management services; [3]investment banking services. Top-tier companies include those with revenue and/or market capital in excess of €2.0 billion and larger foreign subsidiaries. Leaders are based on top 5 banks including ties. Source: Greenwich Associates 2014 European Large Corporate Banking Study, 2014 European Large Corporate Cash Management Study and 2014 European Debt Capital Markets Study

"Large regional banks from Brazil and other markets are winning relationships with the very biggest European companies, that have the most extensive overseas operations and therefore the most extensive banking needs," says Greenwich Associates consultant Dr. Tobias Miarka. "But these banks are already setting their sights on the next tier of large European corporates with fast-growing businesses in the banks' home regions."

One additional factor could be at play: regulatory impact. Non-European banks from developing countries with less stringent regulatory frameworks could be enjoying an advantage over competitors domiciled in developed and more highly regulated markets.

Of course, foreign banks are not the only competitors benefitting from the increasing internationalization of European businesses. The largest European-based global banks are also getting a lift from increased demand not only for their international networks, but also for their advisory capabilities. "The expansion of cross-border operations adds new levels of complexity to cash management, FX, trade finance and other areas," says Greenwich Associates Robert Statius-Muller. "As a result, companies are calling in banks with global capabilities for strategic discussions. These can be incredible opportunities to expand the bank's share of wallet—if banks field the right people to make these discussions valuable to the client."

Greenwich Leaders

Within this continuously evolving marketplace, BNP Paribas has established itself as the clear leader in European corporate banking and cash management.

As part of its 2014 research study, Greenwich Associates asked large European companies to name the banks they used for corporate banking, cash management and debt capital markets, and to rate the quality of these banks in a series of product and service categories. Banks that receive ratings topping those of competitors by a statistically significant margin are named Greenwich Quality Leaders.

Across Europe, 58% of large companies use BNP Paribas for corporate banking services, followed by HSBC at 51%, Deutsche Bank at 48%, RBS at 43%, and the only non-European player in the group, Citi, at 39%.

Greenwich Quality Leaders — 2015

GREENWICH ASSOCIATES
Greenwich Quality Leader 2015

European Top-Tier Large Corporate Banking Quality

Bank
BNP Paribas
Commerzbank
Deutsche Bank
UniCredit

Note: Based on 636 respondents from top-tier companies.

Eurozone Large Corporate Banking Quality

Bank
BNP Paribas
Deutsche Bank

Note: Based on 399 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Quality

Bank
BNP Paribas
Deutsche Bank
UniCredit

Note: Based on 690 respondents from top-tier companies.

Eurozone Large Corporate Cash Management Quality

Bank
Deutsche Bank
UniCredit

Note: Based on 428 respondents from top-tier companies.

European Debt Capital Markets Quality

Bank
Deutsche Bank
J.P. Morgan

Note: Based on 412 respondents.

European Debt Capital Markets Quality — Corporates

Bank
Deutsche Bank

Note: Based on 288 respondents.

European Debt Capital Markets Quality — Financials

Bank
Citi
Deutsche Bank
J.P. Morgan

Note: Based on 89 respondents.

European Debt Capital Markets Quality — Government

Bank
Deutsche Bank
Goldman Sachs
HSBC
J.P. Morgan

Note: Based on 35 respondents.

Note: Top-tier companies include those with revenue and/or market capital in excess of €2.0 billion and larger foreign subsidiaries. Leaders are cited in alphabetical order including ties.
Source: Greenwich Associates 2014 European Large Corporate Banking Study, 2014 European Large Corporate Cash Management Study and 2014 European Debt Capital Markets Study

Greenwich Share and Quality Leaders — 2015

European Large Corporate Banking by Country

Greenwich Associates — Greenwich Share Leader 2015

European Large Corporate Banking Market Penetration	Market Penetration	Statistical Rank
Austria (37)		
UniCredit	97%	1
Raiffeisen Bank International	81%	2
Erste Bank	51%	3
Belgium/Luxembourg (88)		
BNP Paribas Fortis	92%	1
ING Bank	78%	2
KBC Bank	65%	3
Denmark (43)		
Nordea	88%	1T
Danske Bank	86%	1T
Nykredit	40%	3T
SEB	40%	3T
Finland (81)		
Nordea	99%	1
Danske Bank	88%	2T
Pohjola	88%	2T
France (75)		
BNP Paribas	97%	1
Société Générale	85%	2
HSBC	80%	3T
CA-CIB	79%	3T
Germany (232)		
Commerzbank	82%	1
Deutsche Bank	78%	2
UniCredit	64%	3
Italy (134)		
Intesa San Paolo	91%	1
UniCredit	87%	2
BNP Paribas	84%	3
The Netherlands (108)		
ING Bank	79%	1
ABN AMRO	67%	2T
Rabobank	67%	2T
The Nordics[1] (395)		
Nordea	86%	1
SEB	66%	2T
Danske Bank	65%	2T
Norway (131)		
DNB	92%	1
Nordea	80%	2
SEB	60%	3
Spain (73)		
Santander	84%	1T
BBVA	82%	1T
CaixaBank	67%	3
Sweden (141)		
SEB	85%	1T
Nordea	84%	1T
Handelsbanken	65%	3
Switzerland (87)		
Credit Suisse	82%	1
UBS	78%	2
Deutsche Bank	54%	3T
Zurcher Kantonalbank (ZKB)	54%	3T
United Kingdom (203)		
RBS	83%	1
Barclays	76%	2
HSBC	71%	3

Greenwich Associates — Greenwich Quality Leader 2015

European Large Corporate Banking Quality
Austria (37)
UniCredit
Belgium/Luxembourg (88)
BNP Paribas Fortis
Denmark (43)
Danske Bank
Nordea
Finland (81)
Nordea
France (75)
BNP Paribas
Société Générale
Germany (232)
Deutsche Bank
Italy (134)
Intesa San Paolo
UniCredit
The Netherlands (108)
ABN AMRO
ING Bank
The Nordics[1] (395)
Nordea
Norway (131)
DNB
Spain (73)
BBVA
Santander
Sweden (141)
SEB
Switzerland (87)
Credit Suisse
United Kingdom (203)
Barclays
HSBC
Lloyds
RBS

Note: Numbers in parentheses reflect number of respondents. Market Penetration is the proportion of companies interviewed that consider each bank an important provider of corporate banking services. Country leaders are based on Top 3 leading banks including ties. Quality leaders are cited in alphabetical order including ties. [1]Meaningful presence in three of the four Nordic countries was required for consideration. Source: Greenwich Associates 2014 European Large Corporate Banking Study

Greenwich Share and Quality Leaders — 2015

European Large Corporate Cash Management by Country

European Large Corporate Cash Management Market Penetration	Market Penetration	Statistical Rank
Austria (41)		
UniCredit	88%	1
Raiffeisen Bank International	63%	2
Deutsche Bank	29%	3T
Erste Bank	24%	3T
Belgium/Luxembourg (88)		
BNP Paribas Fortis	77%	1
ING Bank	59%	2
KBC Bank	44%	3
Denmark (46)		
Nordea	83%	1
Danske Bank	74%	2
SEB	26%	3T
HSBC	22%	3T
Finland (81)		
Nordea	95%	1
Danske Bank	77%	2
Pohjola	63%	3
France (84)		
BNP Paribas	89%	1
Société Générale	75%	2
HSBC	54%	3T
CA-CIB	50%	3T
Germany (238)		
Commerzbank	66%	1
Deutsche Bank	62%	2
UniCredit	48%	3
Italy (137)		
Intesa San Paolo	78%	1
UniCredit	71%	2
BNP Paribas	63%	3
The Netherlands (129)		
ING Bank	57%	1
RBS	49%	2
ABN AMRO	44%	3
The Nordics[1] (445)		
Nordea	60%	1
Danske Bank	40%	2
SEB	35%	3
Norway (166)		
DNB	73%	1
Nordea	39%	2
Danske Bank	26%	3
Sweden (153)		
Nordea	60%	1T
SEB	59%	1T
Handelsbanken	42%	3
United Kingdom (233)		
RBS	57%	1T
HSBC	55%	1T
Barclays	46%	3

European Large Corporate Cash Management Quality
Austria (41)
UniCredit
Belgium/Luxembourg (88)
BNP Paribas Fortis
Denmark (46)
Danske Bank
Finland (81)
Danske Bank
Nordea
France (84)
BNP Paribas
Société Générale
Germany (238)
Deutsche Bank
UniCredit
Italy (137)
UniCredit
The Netherlands (129)
ABN AMRO
RBS
The Nordics[1] (445)
Danske Bank
SEB
Norway (166)
DNB
Sweden (153)
SEB
United Kingdom (233)
*

Note: *Quality evaluations did not yield statistically differentiated banks for this region. Numbers in parentheses reflect number of respondents. Market Penetration is the proportion of companies interviewed that consider each bank an important provider of corporate cash management services. Country leaders are based on Top 3 banks including ties. Quality leaders are cited in alphabetical order including ties. [1]Meaningful presence in three of the four Nordic countries was required for consideration.
Source: Greenwich Associates 2014 European Large Corporate Cash Management Study

These banks are the 2015 Greenwich Share Leaders in European Top-Tier Large Corporate Banking. The 2015 Greenwich Quality Leaders for Europe are BNP Paribas, Commerzbank, Deutsche Bank, and UniCredit.

Within the Eurozone, two-thirds of large companies use BNP Paribas for corporate banking, followed by Deutsche Bank at 54%, HSBC at 50%, UniCredit at 47% and Commerzbank at 42%. These are the 2014 Greenwich Share Leaders in Eurozone Large Corporate Banking. The Greenwich Quality Leaders within the Eurozone are BNP Paribas and Deutsche Bank.

In cash management, BNP Paribas leads with a market penetration score of 36% across Europe and 45% within the Eurozone. On a pan-European basis, HSBC ranks second in cash management, followed by a tie between Citi and Deutsche Bank and, RBS rounds out the Top 5. In the Eurozone, Deutsche Bank places second in market penetration, followed by UniCredit, then HSBC, while Commerzbank and Citi tie for fifth place. These banks are the 2015 Greenwich Share Leaders in European Top-Tier and Eurozone Large Corporate Cash Management respectively. The 2015 Greenwich Quality Leaders in Cash Management are Deutsche Bank and UniCredit within the Eurozone and BNP Paribas, Deutsche Bank and UniCredit across all of Europe.

The list of Greenwich Share Leaders in European Debt Capital Markets is led by HSBC with a market penetration score of 29%, followed by BNP Paribas, Deutsche Bank, J.P. Morgan and Barclays, all which are tied with market penetration scores of 24–25%. The 2015 Greenwich Quality Leaders in European Debt Capital Markets are Deutsche Bank and J.P. Morgan.

The accompanying tables present the complete list of 2015 Greenwich Share and Quality Leaders in European Large Corporate Banking, Cash Management and Debt Capital Markets, including Greenwich Leaders in individual country markets and specific client segments.

Consultants John Colon, Robert Statius-Muller and Dr. Tobias Miarka specialize in corporate and investment banking in Europe.

Methodology

Greenwich Associates conducted 3,055 interviews with financial officers (e.g., CFOs, finance directors and treasurers) at corporations and financial institutions with sales in excess of €500 million, including 1,238 with sales of at least €2 billion. Interviews were conducted throughout Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Interviews took place from August through November 2014. Subjects covered included bank credit capabilities, domestic and cross-border advisory capabilities and equity underwriting capabilities. Cash management and debt capital markets capabilities were examined in separate interviews with corporate treasurers.

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.

GREENWICH ASSOCIATES

6 High Ridge Park Stamford CT 06905 USA

Tel: +1 203.625.5038/+1 800.704.1027 Fax: +1 203.625.5126 email: ContactUs@greenwich.com www.greenwich.com