GREENWICH ASSOCIATES

2013 Greenwich Leaders: U.S. Large Corporate Finance and Transaction Services

Q4 2013

With new capital rules forcing major banks to be judicious in deploying balance sheets for clients, large U.S. companies are looking to secure sources of reliable credit by turning to alternative lenders and often making credit provision a prerequisite when awarding capital markets, investment banking and other important mandates.

Despite fallout from the global financial crisis and pressure to comply with new Basel III capital rules, the top echelon of U.S. large corporate banks market have remained intact over the past several years. At the top of the market is J.P. Morgan, used for corporate banking by an impressive 86% of large U.S. companies. Close behind is Bank of America Merrill Lynch, used by 82% of large companies, followed by Wells Fargo at 72%, Citi at 60% and Barclays at 40%. These banks are the 2013 Greenwich Share Leaders in U.S. Large Corporate Banking. J.P. Morgan is also the 2013 Greenwich Quality Leader in U.S. Large Corporate Banking—a designation awarded to banks whose corporate clients give them quality ratings that top those of competitors by a statistically significant margin.

Although the picture has been largely unchanged at the top of the market, the competitive landscape is being altered by changes in bank strategies and business practices resulting from the new capital rules. In many business lines, banks are targeting capital and other resources at a shrinking number of clients they deem as having the best profit potential. "Banks are focusing on accounts in which they are the lead provider, or at least a very important relationship, and scaling back commitments or even shedding relationships with companies where they serve as tertiary providers," says Greenwich Associates consultant Andrew Grant. "The message to companies is that whether your goal is to secure the best cash management service or to leverage the maximum amount of credit provision from your cash management mandates, it is important to be perceived as an important client to the bank in question."

For companies that don't count themselves among their banks' most important clients, alternative sources of credit might be required. "Over the past five years a number of credit providers outside the major U.S. banks have expanded their footprints among large U.S. corporates, who are increasingly open to forming new banking relationships as a means of securing credit lines," says Greenwich Associates consultant John Colon. "This includes Canadian banks, Asian banks, one or two European banks, several leading investment banks and some of the larger, regional, U.S. banks."

Debt Capital Markets

Companies are also trying to motivate banks to be more generous with balance sheets by setting more stringent

Greenwich Share and Quality Leaders — 2013

Greenwich Associates Greenwich Share Leader 2013

Greenwich Associates Greenwich Quality Leader 2013

U.S. Large Corporate Banking Market Penetration

Bank	Total Relationships	Statistical Rank
J.P. Morgan	86%	1
Bank of America Merrill Lynch	82%	2
Wells Fargo	72%	3
Citi	60%	4
Barclays	40%	5T
HSBC	40%	5T

U.S. Large Corporate Banking Quality

Bank
J.P. Morgan

U.S. Debt Capital Markets Market Penetration

Bank	Total Relationships	Statistical Rank
J.P. Morgan	74%	1
Bank of America Merrill Lynch	64%	2
Citi	44%	3
Wells Fargo	32%	4T
Barclays	31%	4T

U.S. Debt Capital Markets Quality

Bank
J.P. Morgan

Note: Based on responses from 489 U.S. firms with $2 billion or more in sales for large corporate banking and 339 respondents from firms with $2 billion or more in sales for debt capital markets. Share leaders are based on total relationships including ties. Quality leaders are cited in alphabetical order including ties.
Source: Greenwich Associates 2013 U.S. Large Corporate Banking Study

Greenwich Share and Quality Leaders — 2013

Greenwich Associates 2013 Greenwich Share Leader

Greenwich Associates 2013 Greenwich Quality Leader

U.S. Large Corporate Cash Management Market Penetration

Bank	Total Relationships	Statistical Rank
Bank of America Merrill Lynch	67%	1
J.P. Morgan	63%	2
Wells Fargo	50%	3
Citi	43%	4
HSBC	29%	5

U.S. Large Corporate Cash Management Quality

Bank
Bank of America Merrill Lynch
J.P. Morgan

Note: Based on responses from 597 U.S. firms with $2 billion or more in sales. Share leaders are based on top 5 banks including ties. Quality leaders are cited in alphabetical order including ties. Source: 2013 U.S. Large Corporate Cash Management Study

requirements that investment banking and capital markets mandates be awarded largely to lenders. Among the large companies participating in Greenwich Associates 2013 research, "significant participation in the company's credit facilities" is now the number- one criterion used when selecting a debt capital markets provider. "There is definitely some tension here as companies are trying to extract the maximum amount of credit and banks are trying to allocate balance sheet based not just on returns they generate on a product-by-product basis, but rather on the profitability of the account as a whole," says Greenwich Associates consultant Don Raftery.

In such an environment, it's hardly a surprise that the top five banks in this market in terms of market penetration are all large universal banks with strong franchises as corporate lenders. J.P. Morgan, which is used as a debt capital market provider by nearly-three quarters of large U.S. companies, has the largest franchise, followed by Bank of America Merrill Lynch at 64%, Citi at 44% and Wells Fargo and Barclays, tied with market penetration scores of approximately 31–32%. These firms are the 2013 Greenwich Share Leaders in U.S. Debt Capital Markets. The 2013 Greenwich Quality Leader in U.S. Debt Capital Markets is J.P. Morgan.

Cash Management

Until recently, cash management was rarely seen as an exciting high growth strategic priority for the major banks. That changed with the arrival of Basel III and the subsequent margin contraction in other banking, trading and investment banking business lines. Today, banks are increasingly and aggressively competing for cash management business, which is seen as providing steady revenues and decent returns on investment — especially in the international business.

The undisputed leaders in this market are Bank of America Merrill Lynch and J.P. Morgan which are used as cash management providers by 67% and 63% of large U.S. companies, respectively. About half of companies use Wells Fargo, followed by Citi at 43%, and HSBC at approximately 29%. These firms are the 2013 Greenwich Share Leaders in U.S. Large Corporate Cash Management.

The 2013 Greenwich Quality Leaders in U.S. Large Corporate Cash Management are Bank of America Merrill Lynch and J.P. Morgan. These firms, along with Wells Fargo and some of the major U.S. regional banks are making substantial investments in technology, talent and training programs designed to help clients more efficiently manage cash flows. Due to these investments, a gap is emerging between these leading firms and the rest of the market in terms of the quality of service they are delivering to companies. "As a result, in a business where mandates are significantly influenced by credit provision, the biggest credit providers in the U.S. also enjoy a competitive advantage in terms of quality," says Don Raftery.

Consultants Don Raftery, John Colon, and Andrew Grant advise on banking and cash management services in North America.

Methodology

Between April and June 2013, Greenwich Associates interviewed chief financial officers, treasurers, and assistant treasurers at 489 U.S.-based companies with $2 billion or more in annual revenue. During the same time period, Greenwich Associates conducted interviews with investment banking professionals in debt capital markets, at 339 U.S.-based firms with $2 billion or more in annual revenue and with cash management specialists and other financial professionals, at 597 U.S.-based firms with a sales size of $2 billion or more. Participants were asked about market trends and their relationships with their banks.

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