High-Quality Service is Key Differentiator for European Banks

2018 Greenwich Leaders: European Large Corporate Banking and Cash Management

Q1 2018

After weathering the chaos of the financial crisis and the subsequent restructuring of the European banking industry, Europe's largest companies are enjoying a welcome phase of stability in their banking relationships. Credit is abundant (at least for big companies with good credit ratings), service is good and getting better, and banks are getting easier to work with.

Aside from European corporates, the primary beneficiaries of this new stability are the big banks that already count many of Europe's largest companies as clients. At the top of that list sits BNP Paribas, which is used for corporate banking by 65% of Europe's largest companies. HSBC is next at 56%, followed by Deutsche Bank at 43%, UniCredit at 38% and Citi at 37%. These banks are the 2018 Greenwich Share Leaders℠ in European Top-Tier Large Corporate Banking.

Greenwich Share Leaders — 2018

GREENWICH ASSOCIATES Greenwich Share Leader 2018

European Top-Tier Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	65%	1
HSBC	56%	2
Deutsche Bank	43%	3
UniCredit	38%	4T
Citi	37%	4T

Note: Based on 576 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	74%	1
HSBC	55%	2
UniCredit	49%	3T
Deutsche Bank	48%	3T
Commerzbank	44%	5T
ING Bank	42%	5T

Note: Based on 360 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	41%	1
HSBC	38%	2
Deutsche Bank	28%	3
Citi	26%	4T
UniCredit	26%	4T

Note: Based on 605 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	52%	1
HSBC	37%	2T
UniCredit	36%	2T
Deutsche Bank	33%	4
Commerzbank	26%	5T
ING Bank	26%	5T
Citi	25%	5T

Note: Based on 379 respondents from top-tier companies.

Note: Proportion of companies interviewed that consider each bank an important provider of: [1]corporate banking services; [2]corporate cash management 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. Eurozone selected countries are Austria, Belgium, Finland, France, Germany, Luxembourg, Ireland, Italy, Monaco, the Netherlands, Portugal, and Spain.
Source: Greenwich Associates 2017 European Large Corporate Banking Study, 2017 European Large Corporate Cash Management Study

The 2018 Greenwich Share Leaders in Eurozone Top-Tier Large Corporate Banking are BNP Paribas, HSBC, UniCredit, and Deutsche Bank in the top spots, followed by a tie for fifth between Commerzbank and ING Bank. HSBC, Barclays and NatWest Markets are the top three for market penetration in the United Kingdom. The 2018 Greenwich Quality Leaders℠ in European Top-Tier Large Corporate Banking are BNP Paribas, Citi, J.P. Morgan, and UniCredit. Citi and UniCredit earn the title in Large Corporate Cash Management and in the Eurozone for both Banking and Cash Management.

Greenwich Quality Leaders — 2018

European Top-Tier Large Corporate Banking Quality

Bank
BNP Paribas
Citi
J.P. Morgan
UniCredit

Note: Based on 576 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Banking Quality

Bank
Citi
UniCredit

Note: Based on 360 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Quality

Bank
Citi
UniCredit

Note: Based on 605 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Cash Management Quality

Bank
Citi
UniCredit

Note: Based on 379 respondents from top-tier companies.

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. Eurozone selected countries are Austria, Belgium, Finland, France, Germany, Luxembourg, Ireland, Italy, Monaco, the Netherlands, Portugal, and Spain.
Source: Greenwich Associates 2017 European Large Corporate Banking Study, 2017 European Large Corporate Cash Management Study

Satisfied Companies Staying Put

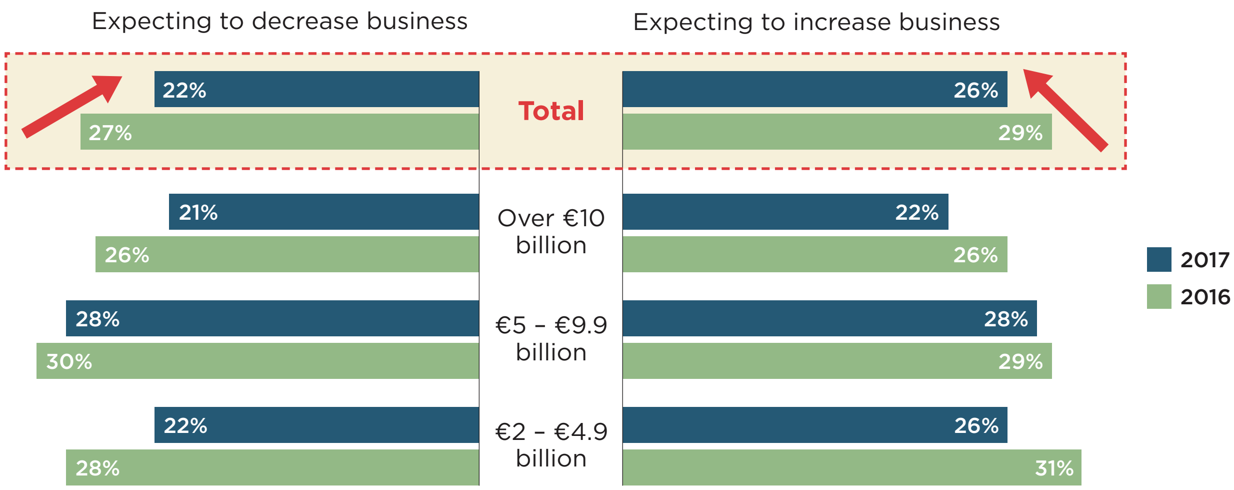
Now that the banking industry has stabilized and most major European banks are back on their feet, it's become harder than ever for these and other banks to differentiate themselves from rivals and win new business. At a time in which bank products are becoming increasingly commoditized, more banks are looking to compete for business on the basis of high-quality service paired with providing unparalleled advice.

Companies participating in the Greenwich Associates annual European Large Corporate Banking Study had been complaining for years that their banks were getting harder to work with. This trend was fueled in part by internal turmoil in some banks and by the fallout from some banks' strategic decisions to narrow or shift the focus of their coverage. It was also driven by new regulations that increased the compliance burden on banks and clients, making many bank functions slower and more cumbersome.

Over the past 12 months, however, banks fighting to win and maintain clients have worked hard to address these problems. Although compliance remains a sticky issue, companies are finding that their banks have made great strides in the areas of "ease of use," relationship manager coverage and overall quality. Amid increasing levels of satisfaction—and ample credit—companies have become much less eager to switch providers and much more likely to stick with their current banks.

As recently as three years ago, upward of 40% of the largest European companies participating in Greenwich Associates annual research were shifting business among their banks. In 2017, 22% said they expected to decrease the amount of business they do with one or more banks in the next 6 to 12 months, and 26% said they expected to allocate more business to existing or new providers. Those shares were down from 27% and 29% in 2016, respectively. (The one outlier in this area is the United Kingdom, where strategic shifts on the part of major banks and the ongoing Brexit process are forcing companies to rethink and reshuffle their rosters of domestic and international banks.)

LIKELIHOOD TO CHANGE ALLOCATION OF BANKING BUSINESS



Note: Based on responses from 597 top-tier European companies in 2016 and 576 in 2017.
Source: Greenwich Associates 2017 European Large Corporate Banking Study

Cash Management: Demand for Seamless Service Puts Focus on Digital

In addition to overall service, banks looking for a way to stand out from the crowd are focusing on cash management—which Greenwich Associates research shows is as important as credit to a corporate banking relationship. “Banks know they won’t make a lot of money on this business directly, but cash management is the glue that holds a corporate banking relationship in place,” says Greenwich Associates consultant Melanie Casalis.

As in corporate banking overall, “ease of use” has become a critical criterion for companies in cash management. Two-thirds of large European corporates consider the simplicity of working with a bank a key factor in choosing a provider for cash/short-term investments—ranking that issue on par in importance with bank credit quality.

For corporates, ease of doing business means that providers should be able to customize offerings and be proactive and responsive. It also means removing some of the hassles associated with know your customer (KYC), new compliance and documentation demands—especially at a time in which corporate treasury departments are shrinking and remaining staff have limited time. At the very least, companies want banks to be honest and realistic about the timeframe and demands of the compliance process up front, and they want a system in place that alerts them to open action items and otherwise informs them of where they stand in the process.

That's where digital technology comes into play. Banks are investing heavily in digital platforms. Although currently only a handful of banks such as Citi, J.P. Morgan and HSBC offer robust digital systems that go well beyond facilitating the mere transaction, in the not-too-distant future digital platforms that make cash management more seamless, efficient and truly integrated with other product offers will become minimum requirements for all banks. Going forward, companies will demand platforms that integrate all bank products and services and integrate with the internal treasury management system (TMS) and other internal systems.

EUROPE'S LARGE CORPORATES EXPAND INTERNATIONAL FOOTPRINTS—FORCING BANKS TO KEEP PACE

Europe's largest companies are globalizing their businesses—and their banks will have to follow suit. European companies' need for corporate banking coverage outside their home markets is increasing at a slow but steady pace. Meanwhile, demand for international cash management services is surging, showing a year-on-year increase in every geographic region covered in the 2017 Greenwich Associates study.

Although Western Europe remains the epicenter of these companies' international businesses, about half of large European corporates now report cash management needs in Asia, North America and/or Central and Eastern Europe. Companies in Italy and Spain report the biggest surge in demand for cash management services outside their home markets, as they have been catching up with the international needs (outbound) of their peers in other Western European markets.

Challenges Ahead for Second-Tier Banks

The increasing costs associated with building out digital banking and cash management systems will represent a major challenge for smaller banks attempting to compete for relationships with Europe's large companies. So too will companies' growing need for banking and cash management coverage in international markets that represent points of strength for the largest global banks.

"In the past it was possible for smaller and regional banks to cover gaps in capabilities by throwing manpower at their biggest corporate relationships," says Greenwich Associates Managing Director Dr. Tobias Miarka. "When it comes to issues like the need to deploy sophisticated technology platforms and build out cash management capabilities in overseas markets, that approach just won't work anymore. We expect many second-tier banks to shift their focus from Europe's largest companies to second-tier companies with needs that are more aligned with their own capabilities."

Greenwich Share and Quality Leaders — 2018

European Large Corporate Banking by Country

Greenwich Share Leader 2018

European Large Corporate Banking Market Penetration	Market Penetration	Statistical Rank
Austria (53)		
UniCredit	91%	1
Raiffeisen Bank International	81%	2
Erste Bank	64%	3
Belgium/Luxembourg (100)		
BNP Paribas Fortis	93%	1
ING Bank	75%	2
KBC Bank	60%	3
Denmark (40)		
Danske Bank	83%	1T
Nordea	80%	1T
HSBC	38%	3T
Nykredit	38%	3T
SEB	33%	3T
Finland (71)		
Nordea	96%	1
Pohjola	92%	2
Danske Bank	83%	3
France (69)		
BNP Paribas	96%	1
Société Générale	88%	2
CA-CIB	78%	3T
HSBC	78%	3T
Germany (199)		
Commerzbank	85%	1
Deutsche Bank	73%	2T
UniCredit	71%	2T
Ireland (29)		
HSBC	79%	1T
Barclays	76%	1T
BNP Paribas	72%	3
Italy (127)		
Intesa San Paolo	94%	1
UniCredit	92%	2
BNP Paribas	84%	3
The Netherlands (125)		
ING Bank	76%	1
ABN AMRO	71%	2T
Rabobank	70%	2T
The Nordics[1] (356)		
Nordea	85%	1
SEB	66%	2T
Danske Bank	65%	2T
Norway (97)		
DNB	94%	1
Nordea	80%	2
SEB	60%	3T
Danske Bank	59%	3T
Spain (74)		
BBVA	86%	1T
Santander	84%	1T
CaixaBank	78%	3
Sweden (148)		
Nordea	83%	1T
SEB	83%	1T
Handelsbanken	65%	3
Switzerland (63)		
Credit Suisse	83%	1T
UBS	81%	1T
Deutsche Bank	60%	3
United Kingdom (182)		
HSBC	81%	1
Barclays	77%	2
NatWest Markets	74%	3

Greenwich Quality Leader 2018

European Large Corporate Banking Quality
Austria (53)
Erste Bank
UniCredit
Belgium/Luxembourg (100)
BNP Paribas Fortis
KBC Bank
Denmark (40)
Danske Bank
Nordea
Finland (71)
Pohjola
France (69)
Société Générale
Germany (199)
Bayerische Landesbank
Commerzbank
Deutsche Bank
LBBW
Ireland (29)
Quality evaluations did not yield statistically differentiated banks for this region.
Italy (127)
BNP Paribas
Intesa San Paolo
Unicredit
The Netherlands (125)
ABN AMRO
ING Bank
The Nordics[1] (356)
Danske Bank
Nordea
Norway (114)
DNB
Spain (74)
BBVA
Santander
Sweden (148)
Nordea
SEB
Switzerland (63)
Zurcher Kantonalbank (ZKB)
United Kingdom (182)
Bank of America Merrill Lynch

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. [1]Meaningful presence in three of the four Nordic countries was required for consideration.
Source: Greenwich Associates 2017 European Large Corporate Banking Study

Greenwich Share and Quality Leaders — 2018

European Large Corporate Cash Management by Country

European Large Corporate Cash Management Market Penetration	Market Penetration	Statistical Rank
Austria (55)		
UniCredit	80%	1
Raiffeisen Bank International	60%	2
Erste Bank	31%	3
Belgium/Luxembourg (103)		
BNP Paribas Fortis	83%	1
ING Bank	58%	2
KBC Bank	47%	3
France (75)		
BNP Paribas	89%	1
Société Générale	76%	2
HSBC	55%	3
Germany (208)		
Commerzbank	68%	1
Deutsche Bank	63%	2
UniCredit	52%	3
Italy (131)		
Intesa San Paolo	89%	1
UniCredit	84%	2
BNP Paribas	68%	3
The Netherlands (144)		
ING Bank	59%	1
ABN AMRO	53%	2
Rabobank	35%	3T
BNP Paribas	32%	3T
The Nordics[1] (114)		
Nordea	75%	1
SEB	48%	2
Danske Bank	36%	3
Norway (116)		
DNB	73%	1
Nordea	41%	2
Danske Bank	28%	3
United Kingdom (196)		
HSBC	59%	1
NatWest Markets	46%	2
Barclays	38%	3

European Large Corporate Cash Management Quality
Austria (55)
Raiffeisen Bank International
Belgium/Luxembourg (103)
BNP Paribas Fortis
KBC Bank
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Bank of America Merrill Lynch
J.P. Morgan

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 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 2017 European Large Corporate Cash Management Study

Consultants Dr. Tobias Miarka, Markus Ohlig and Melanie Casalis specialize in corporate and investment banking in Europe.

METHODOLOGY

Greenwich Associates conducted 2,453 interviews with financial officers (e.g., CFOs, finance directors and treasurers) at corporations and financial institutions with sales in excess of €500 million, including 576 with sales of at least €2 billion. Interviews were conducted throughout Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Interviews took place from August to November 2017. Subjects covered included bank credit capabilities, domestic and cross-border advisory capabilities and quality of institution and relationship management. Cash management and trade finance capabilities were examined in separate interviews with corporate treasurers.

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