

Commoditization Leads to Shift in Asian Corporate Banking Landscape

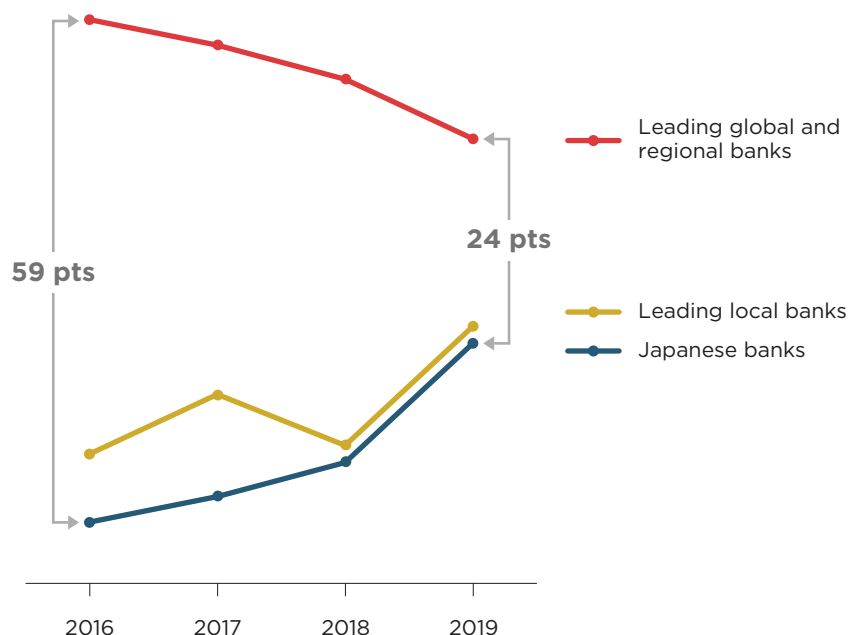
2020 Greenwich Leaders: Asian Large Corporate Banking and Cash Management

Q1 2020

Macroeconomic volatility in Asia could actually be working to the advantage of the world's biggest corporate banks. In times of market dislocation and stress—say, during a period in which trade wars are forcing companies to move supply chains and a global pandemic is shuttering production—corporate executives are eager to rely on the expertise, capabilities and deep balance sheets of banks with networks that span not only the region, but the world.

However, global banks like those that top the list of the Greenwich 2020 Share and Quality Leaders in Asian Large Corporate Banking and Cash Management should not let today's stress-induced demand for their services make them overconfident. Over a longer-term horizon, the gap between global banks and other competitors is narrowing in the eyes of Asian corporate executives. Every year, Greenwich Associates tracks Asian companies' perceptions of their banks in the Greenwich Quality Index. The GQI is derived from ratings that corporate executives participating in our annual study assign to their current banks. It's a broad measure, encompassing factors ranging from ease of doing business and willingness to lend to provision of ideas and advice and demonstrating knowledge of clients' international and transaction banking needs.

GREENWICH QUALITY INDEX (ex. CREDIT/PRICING) 2016 to 2019



Drivers of Greenwich Quality Index

Institutional Factors

- Effective senior management support
- Ease of doing business
- Willingness to extend credit*
- Competitiveness in pricing*
- Ability to streamline KYC process

Relationship Management Factors

- Provision of proactive advice & innovative ideas
- Knowledge of international needs
- Knowledge of transaction banking needs
- Frequency of visits
- Timely follow-up on requests
- Effective coordination of product specialists

Note: *Excluded from GQI chart. Based on 713 responses in 2016, 701 in 2017, 765 in 2018, and 831 in 2019. Leading global and regional banks refer to HSBC, Standard Chartered Bank, Citibank, BNP Paribas, Deutsche Bank, Bank of America, and J.P. Morgan, ANZ Bank and DBS Bank. Leading local banks include top banks across various local markets, including Bank of China, ICBC, HDFC, ICICI Bank, State Bank of India, United Overseas Bank, OCBC Bank, Mega International Commercial Bank, Shinhan Bank, Hang Seng Bank, Bank Mandiri, Bank Central Asia, KEB Hana Bank, Kookmin Bank, Woori Bank, and CTCB Bank. Japanese Banks refer to MUFG, Mizuho and SMBC.

Source: Greenwich Associates 2019 Asian Large Corporate Banking Study

While large global banks typically score better than their rivals on quality perceptions, the gap across both institutional and relationship manager qualities has been closing since at least 2016, and in places, scores are now approaching convergence. In particular, Japanese banks, which have been aggressively using their balance sheets to court the business of large corporates in Asia for the better part of the last decade, are increasingly seen as competitive in terms of quality—and not just price. This improvement can be attributed in part to acquisition-based expansion that has given some Japanese banks a large local presence in Southeast Asian markets like Indonesia, Thailand and Philippines, as well as other Asian markets.

More generally, Japanese banks, regional Asian competitors and leading local banks are upgrading both their platforms and their people. In terms of the latter, talent has been filtering to the smaller banks, as regional and local players hire professionals from foreign firms. These hires helped to significantly narrow the gap in the corporate ratings of relationship manager quality across the two groups from 2018 to 2019.

“Asian companies see increasing commoditization of products and services across all types of providers, which is eroding the traditional quality halo enjoyed by the global banks and will eventually make this market much more competitive,” says Greenwich Associates Head of Asia Pacific & Middle East [Gaurav Arora](#).

These shifts are starting to show up in corporate banking market share as well as in quality ratings. Specifically, regional and even leading local banks are starting to pick up more relationships in domestic cash management and banking. These banks are good enough in terms of product, people and digital capabilities to earn the confidence of Asian corporates.

“To some extent, this is business that has been ceded by global banks that narrowed their strategic focus in Asia,” says Greenwich Associates consultant Winston Jin. “But the fact that companies are now more than willing to trust this business to local players shows just how far corporate perceptions of non-global banks have shifted.”

DIGITAL BANKING COMES OF AGE

Companies are paying a lot more attention to digital capabilities (platform-related or broader) when it comes time to select a new bank or decide whether to stick with their current providers. Behind the scenes, technology in the middle- and back-office is having a growing influence on bank satisfaction scores by either making banking easier for companies or failing to do so. While global banks with massive IT budgets are without a doubt the leaders in deploying technology, companies might be surprised at how highly regional Asian banks and even leading local providers score in client ratings of their digital products and capabilities. Be on the lookout for our special analysis on *Digital Corporate Banking in Asia* to be published in April 2020.

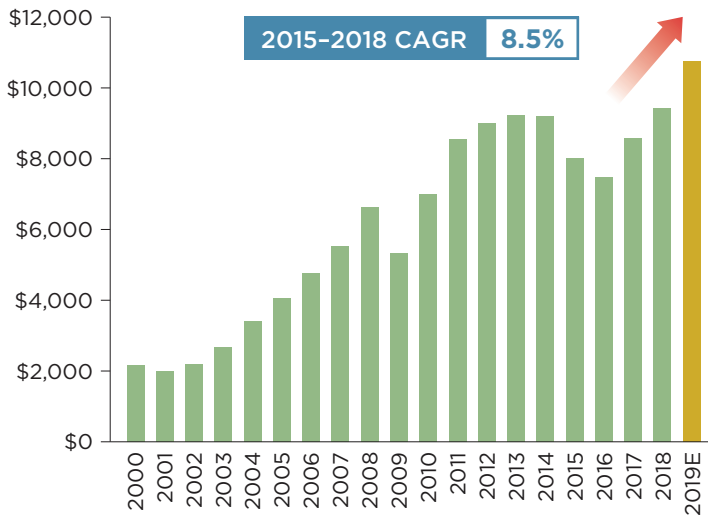
The Global Advantage

Although competition in Asian corporate banking appears to be heating up, global banks still have some important advantages over regional and local players. First, as noted earlier in this report, macroeconomic volatility has made the expertise, network and funding capabilities of global banks all the more valuable to Asian corporates. Large Asian companies have always relied on global banks for their expertise and reach into western markets. But as the

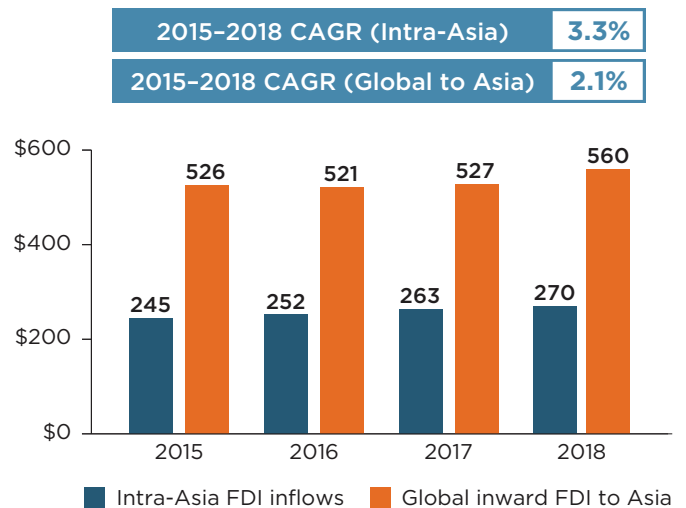
U.S.-China trade war and other developments cause disruptions like the acceleration of supply chains out of China, more companies are looking for advice and assistance within and across the broader Asian region itself, as observed from the fast-growing intra-Asia trade and investment flows (see charts below). In that capacity, the “global locals” of Citi, HSBC and Standard Chartered often are best positioned to deliver, due to their sizable presence in most major Asian country markets. But even the other global banks are benefiting from their ability to provide advice and support across a variety of Asian countries—including funding support.

GROWING IMPORTANCE OF INTRA-ASIA TRADE AND INVESTMENT FLOWS

Intra-Asia Trade Volume
(USD Billions)



Foreign Direct Investment: Global and Intra-Asia Flows
(USD Billions)



Source: Greenwich Associates, UNCTAD, ADB

Over the past 12 months, securing reliable financing has replaced cost optimization as the top priority for corporates in Asia. Here’s what three Asian corporate treasury professionals had to say on the topic:

“Given the downturn in our economy and the ongoing trade war, there are some supply chain disruptions due to the tariffs. Ensuring ample liquidity is important for us—we need to be prepared for the volatility in the market.”

“Our priorities for the coming year are to raise sufficient funding for upcoming projects and to effectively hedge against currency volatility due to the current climate.”

“With the fast-changing market conditions, we need to enhance balance sheet management, secure various refinancing options and explore different ways to finance our business needs.”

“In the face of macro changes and shifting supply chains, it just makes sense for large Asian companies to turn to banks that span multiple Asian countries and with deep expertise in transaction banking and other key areas,” says Gaurav Arora.

Ease of Doing Business

Apart from issues related to market volatility, global banks are also differentiating themselves from rivals by demonstrating the technological wherewithal to streamline know-your-customer (KYC)/anti-money-laundering (AML)/onboarding requirements and minimize the documentation burden on their clients. Headaches caused by stricter compliance-related rules have strained relationships between banks and corporate clients and elevated “ease of doing business” to a top criterion for companies. In fact, when it comes to cash management, Asian companies name ease of doing business as their top consideration when choosing a provider, aside from pricing.

That’s a significant accomplishment, especially given that while local banks must accommodate documentation and compliance rules within one or maybe two countries, global banks must navigate clients through the regulatory mazes of countries across Asia. To do so, they are relying on technology—although for the most part it’s technology that clients don’t see. While investments in middle- and back-office platforms might be invisible to clients on the front end, companies will notice significant efficiency increases, as banks with enhanced digital platforms/capabilities eliminate the need to submit duplicate documents, present clients with pre-populated forms and otherwise eliminate documentation pain points. “In this capacity, global banks, with complex structures and answering to multiple regulators, are significantly ahead of the competition, considering the scale of investments in this space,” says Winston Jin.

J.P. Morgan, which has made massive investments in digitalizing/digitizing middle- and back-office processes that help clients streamline KYC/AML/onboarding procedures and, as a result, now gets one of the region’s highest ratings for ease of doing business.

2020 Greenwich Excellence Awards Asian Large Corporate Finance

Among More Than 150 Banks Evaluated, 6 Have Distinctive Quality



Asian Large Corporate Banking

Ease of Doing Business

J.P. Morgan

Knowledge of Transaction Banking Needs

HSBC

Knowledge of International Banking Needs

Citi
HSBC

Quality of Advice

HSBC

Making KYC Process Easier

ANZ Bank

Coordination of Product Specialists

HSBC

Asian Large Corporate Cash Management

Ease of Doing Business

Bank of America

International Product Capability

Citi
HSBC
J.P. Morgan

Quality of Advice

*

Customer Service

Bank of America
J.P. Morgan

Accuracy of Operations

Bank of America
J.P. Morgan

Innovation

Citi
DBS Bank

Breadth of International Network

Citi
HSBC

Provision of Integrated Services Across Cash, Trade and FX

Citi

Satisfaction with Documentation

*

Account Opening

*

Transparency of Deposit Rates

*

DIGITAL

Digital Platform Design

Citi
DBS Bank

Digital Product Capabilities

Citi
J.P. Morgan

Digital Platform Security Capabilities

*

Note: *Performance evaluations did not yield statistically differentiated providers. Based on interviews with 831 corporates with annual revenues of \$500 million or more for Large Corporate Banking and 1,051 interviews with corporates with annual revenues of \$500 million or more for Large Corporate Cash Management.

Greenwich Leaders

Despite any shifts in the competitive landscape, the list of 2020 Greenwich Share LeadersSM in Asian Large Corporate Banking is still topped by the “global locals” that have traditionally dominated this market. HSBC, which scores first in terms of market penetration, appears to be pivoting to an even greater strategic focus on Asia that is already paying off. We expect that momentum to spread as the bank looks to diversify its franchise in the region by reducing its business concentration in Hong Kong and generating more revenues elsewhere in Asia. Citi, which is tied for second with Standard Chartered, remains perhaps the region’s top bank when it comes to digital innovation, design and product capabilities in the critical world of cash management—a fact that helped it cement its leading position in that business in 2020. ANZ Bank continued its progress as a key “Asia network” bank for Western multinationals and Asian corporates, retaining the crown of Greenwich Quality LeaderSM. And while BNP Paribas is well-recognized for the strength of its trade and structured finance franchise, the bank has also stepped into the Top-5 space as a credible large corporate banking and cash management provider in Asia.

One bank to watch in the year to come is DBS, which ranks fourth in market penetration but has generated significant momentum of its own, largely due to its big investments in technology. DBS is building a strong suite of digital capabilities and is being recognized more and more often by Asian corporates and multinationals for innovation and creativity in the digital space.

The following tables provide the complete list of 2020 Greenwich Share and Quality Leaders in Asian Large Corporate Banking and Cash Management.

Greenwich Share and Quality Leaders — 2020



Asian Large Corporate Banking Market Penetration

Bank	Market Penetration ¹	Statistical Rank
HSBC	59%	1
Citi	49%	2T
Standard Chartered Bank	48%	2T
DBS Bank	39%	4
ANZ Bank	30%	5T
BNP Paribas	29%	5T

Asian Large Corporate Banking Quality

Bank
ANZ Bank

Asian Large Corporate Cash Management Market Penetration

Bank	Market Penetration ²	Statistical Rank
HSBC	37%	1
Citi	35%	2
Standard Chartered Bank	29%	3
DBS Bank	20%	4
BNP Paribas	16%	5

Asian Large Corporate Cash Management Quality

Bank
J.P. Morgan

Note: Proportion of companies interviewed that consider each bank an important provider of: ¹corporate banking services; ²corporate cash management services. Based on 831 respondents for large corporate banking and 1,051 for large corporate cash management. Share Leaders are based on Top 5 leading banks including ties. Quality Leaders are cited in alphabetical order including ties.

Source: Greenwich Associates 2019 Asian Large Corporate Banking and Asian Large Corporate Cash Management Studies

Greenwich Share and Quality Leaders – 2020

Large Corporate Banking by Asian Markets



Asan Large Corporate Banking Market Penetration	Market Penetration	Statistical Rank
China (158)		
Bank of China	75%	1
ICBC	63%	2
HSBC	59%	3T
China Construction Bank	57%	3T
Hong Kong (99)		
HSBC	84%	1
Bank of China	64%	2
Standard Chartered Bank	54%	3
India (184)		
State Bank of India	73%	1
HDFC	69%	2
ICICI Bank	61%	3
Indonesia (62)		
Bank Mandiri	84%	1
Bank Central Asia	71%	2
DBS Bank	52%	3T
HSBC	52%	3T
Malaysia (28)		
Malayan Banking Berhad (Maybank)	86%	1
CIMB	75%	2T
HSBC	68%	2T
Singapore (126)		
DBS Bank	71%	1
HSBC	59%	2T
Citi	58%	2T
South Korea (55)		
KEB Hana Bank	87%	1T
Shinhan Bank	84%	1T
Woori Bank	75%	3
Taiwan (66)		
Mega International Commerical Bank	65%	1
CTBC Bank	61%	2T
Citi	58%	2T
HSBC	58%	2T

Asian Large Corporate Banking Quality

China (158)	
ANZ Bank	
Hong Kong (99)	
ANZ Bank	
India (184)	
HSBC	
Standard Chartered Bank	
Indonesia (62)	
Bank Central Asia	
United Overseas Bank	
Malaysia*	
Singapore (126)	
ANZ Bank	
DBS Bank	
J.P. Morgan	
South Korea (55)	
BNP Paribas	
HSBC	
Korea Development Bank	
Taiwan (66)	
Citi	
DBS Bank	
Standard Chartered Bank	

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 banking services. Market-level leaders are based on Top 3 leading banks including ties. Quality Leaders are cited in alphabetical order including ties.

Source: Greenwich Associates 2019 Asian Large Corporate Banking Study

Greenwich Share and Quality Leaders – 2020

Large Corporate Cash Management by Asian Markets



Asian Large Corporate Cash Management Market Penetration	Market Penetration	Statistical Rank
China (227)		
Bank of China	61%	1
ICBC	43%	2
China Construction Bank	35%	3T
HSBC	35%	3T
Agricultural Bank of China	33%	3T
Hong Kong (118)		
HSBC	71%	1
Bank of China	49%	2
Standard Chartered Bank	35%	3
India (211)		
HDFC	53%	1T
State Bank of India	50%	1T
ICICI Bank	39%	3T
Citi	38%	3T
Indonesia (76)		
Bank Mandiri	74%	1
Bank Central Asia	54%	2
Bank BRI	39%	3T
Bank Negara Indonesia	36%	3T
United Overseas Bank	36%	3T
Malaysia (41)		
Malayan Banking Berhad (Maybank)	59%	1
CIMB	51%	2
Citi	41%	3T
Standard Chartered Bank	41%	3T
HSBC	39%	3T
Singapore (149)		
DBS Bank	47%	1
Citi	42%	2T
HSBC	40%	2T
South Korea (72)		
KEB Hana Bank	79%	1
Woori Bank	67%	2
Shinhan Bank	60%	3
Taiwan (75)		
Citi	51%	1T
Mega International Commercial Bank	48%	1T
HSBC	37%	3T
CTBC Bank	33%	3T
Thailand (45)		
Siam Commercial Bank	73%	1
Kasikornbank	67%	2
Bangkok Bank	58%	3

Asian Large Corporate Cash Management Quality

China (227)	
BNP Paribas	
Citi	
DBS Bank	
HSBC	
J.P. Morgan	
Hong Kong (118)	
HSBC	
India (211)	
HDFC	
HSBC	
Indonesia (76)	
Bank Central Asia	
Malaysia*	
Singapore (149)	
BNP Paribas	
DBS Bank	
J.P. Morgan	
South Korea (72)	
KEB Hana Bank	
Shinhan Bank	
Taiwan (75)	
Citi	
CTBC Bank	
HSBC	
Thailand (45)	
Citi	
Kasikornbank	
Siam Commercial Bank	

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. Market-level leaders are based on Top 3 leading banks including ties. Quality leaders are cited in alphabetical order including ties.

Source: Greenwich Associates 2019 Asian Large Corporate Cash Management Study

Head of Asia & Middle East [Gaurav Arora](#), Head of International [Dr. Tobias Miarka](#) and consultant [Winston Jin](#) specialize in Asian corporate banking and treasury services. Managing Director [Don Raftery](#) is the global head of corporate banking and treasury services.

METHODOLOGY

From September to November of 2019, Greenwich Associates conducted 831 interviews in large corporate banking and 1,051 interviews in large corporate cash management at companies in China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam. Subjects covered included product demand, quality of coverage, and capabilities in specific product areas.

The Greenwich Exchange

In this fast-changing environment, it's more important than ever for corporate treasurers to understand the strategies and expectations of their banks, and other banks competing in the region. (Treasurers and other corporate finance executives can obtain valuable insights in this critical area by participating in a Greenwich Associates research study and becoming part of the Greenwich Exchange.)

The data reported in this document reflect solely the views reported to Greenwich Associates by the research participants. 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. Unless otherwise indicated, any opinions or market observations made are strictly our own.

© 2020 Greenwich Associates, LLC. All rights reserved. No portion of these materials may be copied, reproduced, distributed or transmitted, electronically or otherwise, to external parties or publicly without the permission of Greenwich Associates, LLC. Greenwich Associates®, Competitive Challenges®, Greenwich Quality Index®, Greenwich ACCESS™, Greenwich AIM™ and Greenwich Reports® are registered marks of Greenwich Associates, LLC. Greenwich Associates may also have rights in certain other marks used in these materials.

GREENWICH
DATA | ANALYTICS | INSIGHTS