

## Expanding International Needs Buoy Canadian Corporate Banking Activity in a Weak Economy

*2015 Greenwich Leaders: Canadian Investment Banking, Cash Management and Trade Finance*

Q4 2015

RBC Capital Markets remains established as the clear leader in Canada this year by securing the top spot in investment banking, debt capital markets, large corporate cash management, and trade finance.

Gains in corporate clients and market share over the past 12 months lifted RBC to either sole first place or a tie for first place in each of the corporate finance business lines represented in the 2015 Greenwich Associates Share and Quality Leaders.

“Banks competing for the business of Canada’s largest companies are navigating a changing market in which a weak domestic economy is dampening corporate activity and corporate demand for banking services is increasingly driven by companies’ growing international needs,” says Greenwich Associates consultant Peter Kane.

### Large Corporate Cash Management

The changing international banking needs of the largest Canadian companies, though not nearly as global when compared to the U.S., are having a profound impact in businesses like large corporate cash management. Many of

Canada’s biggest companies have grown their businesses in foreign markets to the point at which they require dedicated cash management services in these regions.

This emphasis on cross-border business plays to the strengths of banks like HSBC, Bank of America Merrill Lynch and Citi, which maintain robust international cash management networks. In contrast, most Canadian banks have yet to see the results from their investments made to develop the strong international platforms required to compete successfully for this business.

Despite this disadvantage, Canadian banks have retained their positions atop the market due to their dominant domestic cash management businesses. Scotiabank and RBC Capital Markets share the lead with statistically tied market penetration scores of 38%–40%. HSBC and BMO Capital Markets follow with tied scores of 31%–34%, and Bank of America Merrill Lynch at 30%. These banks are the 2015 Greenwich Share Leaders in Canadian Large Corporate Cash Management. CIBC has seen a marked improvement in overall quality with corporations with sales of \$2 billion and under; however, the overall 2015 Greenwich Quality Leaders in this segment are BMO and TD Securities.

### Greenwich Share Leaders — 2015



#### Canadian Large Corporate Cash Management

Bank	Market Penetration	Statistical Rank
Scotiabank	40%	1T
RBC Capital Markets	38%	1T
HSBC	34%	3T
BMO Capital Markets	31%	3T
Bank of America Merrill Lynch	30%	5

#### Canadian Large Corporate Trade Finance

Bank	Market Penetration	Statistical Rank
Scotiabank	37%	1T
RBC Capital Markets	34%	1T
TD Securities	27%	3T
HSBC	26%	3T
BMO Capital Markets	22%	5T
CIBC	22%	5T

### Greenwich Quality Leaders — 2015



#### Canadian Large Corporate Cash Management Overall Quality

Bank
BMO Capital Markets
TD Securities

#### Canadian Large Corporate Trade Finance Overall Quality

Bank
BMO Capital Markets
Scotiabank

Note: Based on 152 respondents for cash management and 117 for trade finance. Market penetration refers to the proportion of companies interviewed that consider each bank an important provider of cash management and trade finance services. Share Leaders are based on top 5 leading banks including ties. Quality Leaders cited in alphabetical order including ties.

Sources: Greenwich Associates 2015 Canadian Investment Banking Study and Canadian Large Corporate Trade Finance Study

## Large Corporate Trade Finance

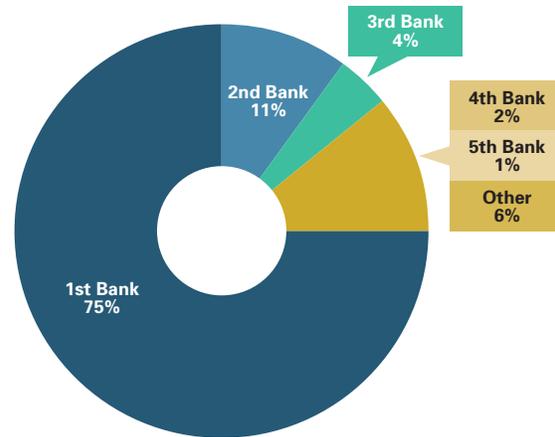
The story is much the same in large corporate trade finance, where Canadian companies' demand for services to the U.S. clearly rank first, followed by Western Europe and to a lesser extent, Asia and LatAm.

Nevertheless, foreign competitors have made little headway in displacing the big Canadian banks in a business that is still driven primarily by North American trade. "Canadian banks' control of lead and secondary trade-finance relationships with large Canadian companies gives them a meaningful competitive advantage in this business," says Greenwich Associates consultant Andrew Grant.

Companies with more than \$2 billion in annual revenues allocate two-thirds of their trade finance business to their lead provider and 14% to their secondary provider. Companies with smaller annual revenues direct an even larger 85% of their business to their top provider and 10% to their second bank.

Reflecting their solid hold on those relationships, Canadian banks dominate the list of 2015 Greenwich Share Leaders in Canadian Large Corporate Trade Finance. Scotiabank and RBC Capital Markets are deadlocked at the top of the market with penetration scores of 34%–37%, followed by TD Securities and HSBC—the sole foreign bank on the list—at 26%–27%. BMO Capital Markets and CIBC, which are tied at 22%, round out the Greenwich Leaders. BNP Paribas must be recognized among the foreign banks for overall quality among a modest number of large corpora-

## Trade Finance Share of Wallet by Rank of Provider



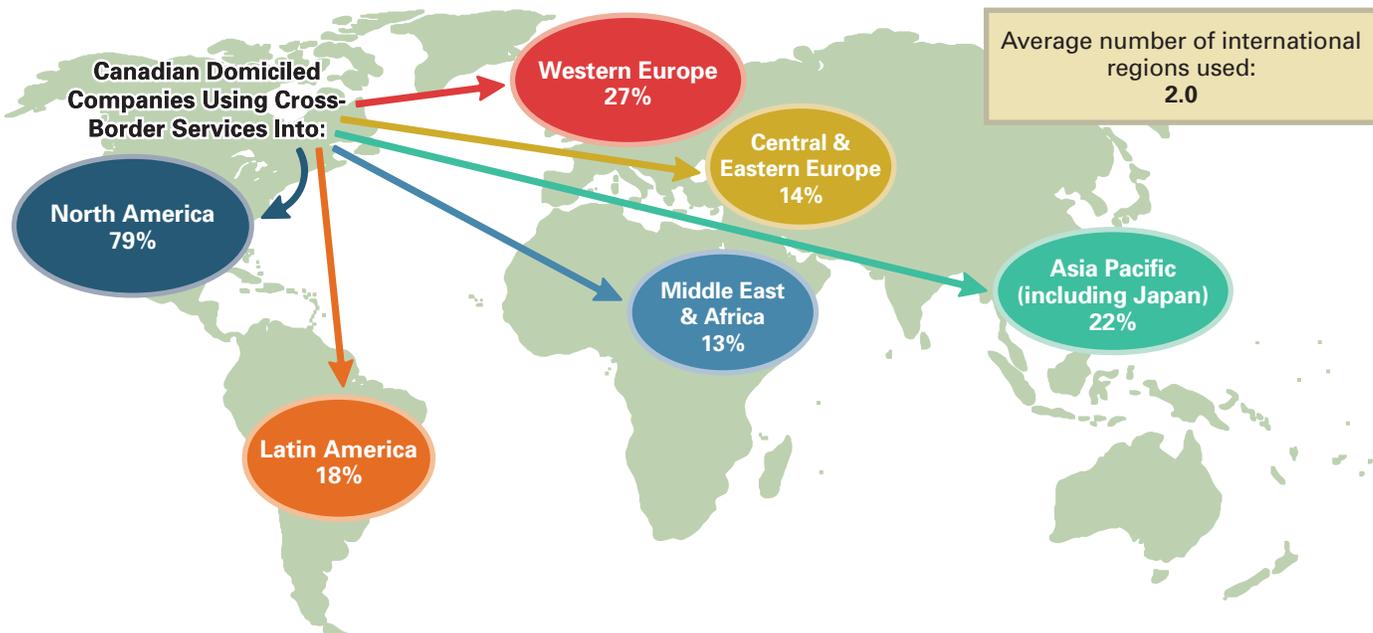
Note: Based on 117 respondents.  
Source: Greenwich Associates 2015 Canadian Large Corporate Trade Finance Study

tions; however, the overall 2015 Greenwich Quality Leaders in Canadian Large Corporate Trade Finance are BMO Capital Markets and Scotiabank.

## Investment Banking

The Canadian mergers & acquisitions business is primarily driven by domestic transactions and domestic banks, with international advisors generally stepping in for more episodic but sizable cross-border deals.

## Share of Canadian Domiciled Companies Using Cross-Border Services into:



Note: Based on 117 responses from Canadian corporates with over \$500 million in sales.  
Source: Greenwich Associates 2015 Canadian Large Corporate Trade Finance Study

## Greenwich Share Leaders — 2015



### Canadian Investment Banking Market Penetration

Bank	Important Relationships	Statistical Rank
BMO Capital Markets	56%	1T
CIBC	56%	1T
RBC Capital Markets	52%	1T
Scotiabank	52%	1T
TD Securities	39%	5

### Canadian Debt Capital Markets

Bank	Important Relationships	Statistical Rank
BMO Capital Markets	67%	1T
RBC Capital Markets	63%	1T
CIBC	60%	3T
TD Securities	57%	3T
Scotiabank	54%	5

Note: Based on 54 respondents for investment banking including mergers & acquisitions, 58 for equity capital markets, and 72 for debt capital markets. Important or lead investment banking relationships represent the proportion of companies citing top 5 or lead status for domestic or international investment banking needs, and separately from M&A advisory relationships. Share Leaders are based on top 5 leading banks including ties. Quality Leaders cited in alphabetical order including ties.

Source: Greenwich Associates 2015 Canadian Investment Banking Study

The results of Greenwich Associates 2015 research show that Canadian companies selecting an M&A advisor first weigh the capabilities of the individual M&A specialists covering the account and the quality of ideas provided by the banks. The next most important factor is the bank's credibility in the eyes of the CEO.

Based largely on their strong performance in these areas, BMO Capital Markets, CIBC, RBC Capital Markets, and Scotiabank are all considered important M&A advisors by a statistically tied 52%–56% of large Canadian companies. With an investment banking relationship score of 39%, TD Securities rounds out the list of 2015 Greenwich Share Leaders in Canadian Investment Banking. The 2015 Greenwich Quality Leaders in Canadian Mergers & Acquisitions are BMO Capital Markets, RBC Capital Markets and Scotiabank.

Proven institutional distribution capabilities are the biggest driver of Canadian companies' equity capital markets business, followed by equity analyst quality. Although companies rate several Canadian banks strongly for analyst quality, no competitor can match the strong presence across distribution and research demonstrated by the 2015 Quality Leader in Canadian Equity Capital Markets, RBC Capital Markets.

### Debt Capital Markets

Success in the Canadian debt capital markets business requires a strong presence among both large companies and government issuers, and robust distribution capabilities that for certain dealers extend south of the border and overseas. The firms at the top of the list of 2015 Greenwich

## Greenwich Quality Leaders — 2015



### Canadian Mergers & Acquisitions Overall Quality

Bank
BMO Capital Markets
RBC Capital Markets
Scotiabank

### Canadian Equity Capital Markets Overall Quality

Bank
RBC Capital Markets

### Canadian Debt Capital Markets Overall Quality

Bank
RBC Capital Markets

Share Leaders in Canadian Debt Capital Markets show strength in all these areas. BMO Capital Markets and RBC Capital Markets lead with DCM relationship scores of 63%–67%, followed by CIBC and TD Securities at 57%–60%, and Scotiabank at 54%. RBC Capital Markets is the 2015 Greenwich Quality Leader in this segment.

*Consultants Jay Bennett, Andrew Grant and Peter Kane advise on investment banking, capital markets, cash management and trade finance in Canada.*

### Methodology

*Between May and July 2015, Greenwich Associates conducted interviews with chief financial officers, corporate development officers and treasurers at large Canadian corporations. Interviews were conducted with 184 executives in debt capital markets, M&A and equity capital markets, 152 executives in cash management, and 117 executives in trade finance. Topics included market trends, fees, selection criteria, compensation, and service provider assessments.*

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