

European Trade Finance: Global Banks Dominate While Corporates Tap Specialists for Expertise

2014 Greenwich Leaders: European Large Corporate Trade Finance

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The international trade finance activity of large European corporates continues to increase, with the top three banks being used as a provider by nearly 30% of large European corporates that employ trade finance services. In order to satisfy increasing international needs, however, corporates report using more banks compared to previous years, in particular for international trade finance. On average, European corporates are active in more regions than their peers in Asia or North America, indicating that Europe-centric banks need broad network capabilities to meet their clients' needs.

The competitive landscape of trade finance providers in Europe is diverse and fragmented—and becoming increasingly so on both counts. Large European companies have adopted broad strategies for international growth spanning Asia, Central and Eastern Europe, the Middle East and Africa, and North and South America. As they execute

these strategies, they are forming fresh relationships with banks that can deliver high-quality trade finance in these new markets. In fact, this demand for local service and expertise is driving some companies to bypass their traditional trade finance providers in favor of direct relationships with banks domiciled in targeted foreign markets.

In this increasingly competitive environment, BNP Paribas leads with a market penetration of 32% of large European companies, followed by Deutsche Bank at 29% and HSBC at 27%. Just behind these three leaders is a group of four banks, made up of Commerzbank, Nordea, RBS, and UniCredit, which are all tied with market penetration levels of 18–19%. These banks are the 2014 Greenwich Share Leaders in European Large Corporate Trade Finance. The 2014 Greenwich Quality Leaders are Deutsche Bank and UniCredit.

Greenwich Share Leaders — 2014



European Large Corporate Trade Finance

Bank	Total Relationships	Statistical Rank
BNP Paribas	32%	1
Deutsche Bank	29%	2
HSBC	27%	3
Commerzbank	19%	4T
Nordea	18%	4T
RBS	18%	4T
UniCredit	18%	4T

European Large Corporate Trade Finance — Germany

Bank	Total Relationships	Statistical Rank
Deutsche Bank	92%	1
Commerzbank	76%	2
UniCredit	46%	3

European Large Corporate Trade Finance — Italy

Bank	Total Relationships	Statistical Rank
UniCredit	86%	1
Intesa Sanpaolo	78%	2
BNP Paribas	64%	3

European Large Corporate Trade Finance — Nordics

Bank	Total Relationships	Statistical Rank
Nordea	72%	1
Danske	47%	2
SEB	40%	3

European Large Corporate Trade Finance — United Kingdom

Bank	Total Relationships	Statistical Rank
HSBC	48%	1
Barclays	35%	2T
Lloyds	31%	2T
RBS	31%	2T

Note: Based on responses from 297 institutions in Europe, 37 in Germany, 59 in Italy, 68 in the Nordics, and 48 in the United Kingdom in 2014. For Total Europe, top 5 banks are cited including ties. For Germany, Italy, Nordics, and the United Kingdom, top 3 banks are cited including ties.

Source: Greenwich Associates 2014 European Large Corporate Trade Finance Study



European Large Corporate Trade Finance Overall Quality

Bank

Deutsche Bank
UniCredit

European Large Corporate Trade Finance Overall Quality — Germany

Bank

Commerzbank
Deutsche Bank
UniCredit

European Large Corporate Trade Finance Overall Quality — Italy

Bank

BNP Paribas
UniCredit

European Large Corporate Trade Finance Overall Quality — Nordics

Bank

Danske
Nordea

European Large Corporate Trade Finance Overall Quality — United Kingdom*

*Quality evaluations did not yield statistically differentiated providers for this region.

Note: Based on responses from 297 institutions in Europe, 37 in Germany, 59 in Italy, 68 in the Nordics, and 48 in the United Kingdom in 2014. Leaders are displayed in alphabetical order. Source: Greenwich Associates 2014 European Large Corporate Trade Finance Study

Among Europe's top five providers of trade finance, BNP Paribas and Deutsche Bank showed the biggest increase in footprint last year. However, as companies seek out the international trade finance service they require, Europe's largest incumbent trade finance providers are not necessarily the main beneficiaries. "Companies' needs in specific countries and regions have expanded to the point at which many of them have begun to hire specialist banks with particular expertise and coverage within target international markets," says Greenwich Associates consultant Dr. Tobias Miarka. "This trend of bringing on board specialists to meet specific needs has resulted in an increase in the number of banks used for international trade finance by European companies overall. Among the biggest beneficiaries have been ANZ (for services into Asia Pacific) and Banco Itau (for services into Latin America)."

Pricing Pressure

Competitive pricing is an increasingly important driver for selecting a trade finance provider and remains the first criterion for the majority of corporates across Western Europe, even though there is some country variation. More and more, banks see the benefit of trade finance as an anchor for other product relationships such as FX and international cash management. Therefore, banks are willing at times to commit to particularly competitive pricing for trade finance.

But lower pricing may have its costs: Overall quality scores of the top five banks with the strongest footprint are declin-

ing in relative terms, showing that top incumbents continue to be challenged. One approach to ensuring better quality of service is to focus on current clients. Banks are slowing down their solicitation activity with non-clients while increasing solicitations for additional trade products and services with existing clients. This suggests that banks continue to be focused on their target markets (which are on average not increasing) to deepen existing relationships and increase per-client wallet rather than going after overall market share.

National Leaders

With a market penetration of 72%, Nordea dominates in the Nordic countries. Danske is next with a market penetration of 47% followed by SEB at 40%. These banks are the 2014 Greenwich Share Leaders for Large Corporate Trade Finance in the Nordics. The 2014 Greenwich Quality Leaders are Danske and Nordea.

Deutsche Bank is the clear leader in Germany. More than 90% of large German companies use Deutsche Bank for trade finance. Also in a strong position is Commerzbank, which is used by about three-quarters of large German companies. UniCredit is third with a market penetration of 46%. These banks are the 2014 Greenwich Share Leaders in Germany. The 2014 Greenwich Quality Leaders are Commerzbank, Deutsche Bank and UniCredit.

HSBC leads the U.K. trade finance market with a penetration level of 48% of large companies. Three banks—

Barclays, Lloyds and RBS—are tied with market penetration levels between 31% and 35%. These banks are the 2014 Greenwich Share Leaders in the U.K.

In Italy, UniCredit earns the top spot with 86% market penetration, followed by Intesa Sanpaolo in second place with 78%. BNP Paribas weighs in at No. 3 with a market penetration of 64%. These banks are the 2014 Greenwich Share Leaders in Italy. The 2014 Greenwich Quality Leaders are BNP Paribas and UniCredit.

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

Methodology

Greenwich Associates conducted interviews with 327 financial officers (e.g., CFOs, finance directors and treasurers) at large corporations and financial institutions throughout Belgium, France, Germany, Italy, the Netherlands, Nordic countries, Portugal, Spain, Switzerland, and the United Kingdom. Interviews took place from March through June 2014.

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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