

2014 Greenwich Leaders: Asian Large Corporate Finance & Transaction Services

Q1 2014

Despite Gains by Locals, HSBC Seizes Market's Top Spot

Although Asian banks have been capturing large corporate clients from European rivals, the latest research from Greenwich Associates shows that HSBC has established itself as the leading bank in the region in terms of both number of relationships with large companies and service quality ratings.

The global financial crisis forced many European banks that had traditionally been leaders in Asian corporate banking to pull back from the region. Companies cut loose in that process were scooped up by eager providers from Asia.

Over the past 12–18 months, European banks have made a partial return. With balance sheet pressures subsiding and attractive returns difficult to find in their own local regions, European providers have increased risk appetite allocations and began competing again for Asian corporate business. But corporate relationships were not the only thing Asian banks claimed from the retreating Europeans. Local providers also benefited from the increased supply of experienced professionals trained by the foreign banks. That talent influx helped fuel a steady improvement in the capabilities and service quality of the Asian banks — a shift that has led some leading domestic and regional players to become credible alternatives to the global banks, at least in parts of the banking business.

As a result of this improvement, many Asian companies have decided they are content with their Asian banks, which are retaining a significant number of these relatively new relationships. Another factor working against the Europeans is the fact that the Basel III capital rules have made them less competitive in terms of loan pricing. While the Asian companies participating in Greenwich Associates 2013 research reported that European banks had become more willing to provide credit, loan pricing from these providers remains much more expensive than that offered by banks from Japan and the rest of Asia.

Compounding these trends is the fact that Asian companies are consolidating their banking relationships. From 2012 to 2013 the average number of banks used by large Asian companies overall declined to 8.4 from 9.4 and the average number of “core” bank relationships dipped to 4.3 from 5.1. One of the main drivers of this trend is

a reversal of the reaction following the global financial crisis towards diversifying funding sources and banking relationships. With those fears dissipating, companies are revisiting secondary relationships. This process dovetails with Asian companies’ increasing focus on pan-Asian operations and intra-Asian trade.

HSBC has weathered these trends by consistently capturing a disproportionate share of core and “strategic” relationships with large Asian companies, which makes these client relationships more durable and provides prized opportunities for product cross-selling. Thanks in part to this performance, HSBC has established relationships with 64% of large Asian companies, making it by far the region’s leader in those terms. Standard Chartered Bank is second with a market penetration of 54%, followed by Citi at 50%, ANZ Bank at 41% and Deutsche Bank at 29%. These banks are the 2014 Greenwich Share Leaders in Asian Large Corporate Banking. The 2014 Greenwich Quality Leader is HSBC.

Gains among local banks are evident in performance rankings at the country level. Bank of China ranks first in China with an impressive market penetration score of 81%. In Hong Kong, HSBC clearly leads with a market penetration score of 86% and ties with Citi as number one in market penetration in India. Standard Chartered Bank leads with a 60% market penetration in Singapore, while Korea Exchange Bank and Shinhan Bank took the lead in South Korea. In Taiwan, Mega International Commercial Bank leads the market at 71%. These banks are among the 2014 Greenwich Share Leaders in Asian Large Corporate Banking.

“Despite the improvements in capabilities and quality on the part of Asia’s banks, global providers still dominate the large corporate space on a pan-Asian level,” says Greenwich Associates consultant Paul Tan, “with the trend towards banking relationship consolidation and a growing focus on pan-Asian operations further strengthening the most “global” banks, and the rising regional players”

Cash Management

Cash management is a mature and sticky business in many markets. Due to the deep integration of cash management systems into companies’ businesses and the steep costs and disruptions associated with switching, companies

in the West rarely change providers. In Asia however, Greenwich Associates research indicates 2–3 times the rate of change of lead cash management providers.

One driver of this turnover has been the consistent improvement in the cash management platforms and capabilities of the local Asian banks, which have been winning corporate relationships and domestic cash management market share from global providers. Despite this progress, global banks dominate the list of Greenwich Leaders at the pan-Asian level, with HSBC leading the way with a penetration score of 43%, followed by Citi at 38% and Standard Chartered Bank at 27%. The only home-grown bank on the list, Bank of China, ties with Deutsche Bank for the fourth spot at 16%. These firms are the 2014 Greenwich Share Leaders in Asian Large Corporate Cash Management. The 2014 Greenwich Quality Leaders are Bank of America Merrill Lynch, Deutsche Bank and J.P. Morgan. As in corporate banking, local banks' recent progress in winning domestic cash management relationships is evident within individual country markets, although global providers continue to claim the majority of Greenwich Quality Leader designations.

Greenwich Share and Quality Leaders

In 2013, Greenwich Associates conducted 549 interviews in large corporate banking, 821 in large corporate cash management and 107 in debt capital markets at compa-

nies throughout Asia. Participants were asked to name the banks they used and to rate these providers in a series of product and service quality categories. Banks that received ratings topping those of competitors by a statistically significant margin were named Greenwich Quality Leaders.

Consultants Paul Tan and Fion Tan specialize in Asian corporate banking and finance.

Methodology

From August to November of 2013, Greenwich Associates conducted 549 interviews in large corporate banking, 107 in debt capital markets, and 616 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 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 Share Leaders — 2014



Asian Large Corporate Banking Market Penetration

Bank	Market Penetration ¹	Statistical Rank
HSBC	64%	1
Standard Chartered Bank	54%	2
Citi	50%	3
ANZ Bank	41%	4
Deutsche Bank	29%	5

Note: Based on 549 respondents.

Asian Debt Capital Markets Market Penetration

Bank	Market Penetration ³	Statistical Rank
HSBC	50%	1
Standard Chartered Bank	36%	2T
Citi	31%	2T
Deutsche Bank	22%	4T
Barclays	19%	4T

Note: Based on 107 respondents.

Asian Large Corporate Cash Management Market Penetration

Bank	Market Penetration ²	Statistical Rank
HSBC	43%	1
Citi	38%	2
Standard Chartered Bank	27%	3
Deutsche Bank	16%	4T
Bank of China	16%	4T

Note: Based on 821 respondents.

Note: Proportion of companies interviewed that consider each bank an important provider of: ¹corporate banking services; ²corporate cash management services; ³investment banking services. Leaders are based on top 5 leading banks including ties.

Sources: 2013 Asian Large Corporate Banking, Asian Large Corporate Cash Management and Asian Debt Capital Markets Studies

Greenwich Quality Leaders — 2014



Asian Large Corporate Banking Quality

Bank

HSBC

Note: Based on 549 respondents.

Asian Debt Capital Markets Quality

Bank

HSBC

Note: Based on 107 respondents.

Asian Large Corporate Cash Management Quality

Bank

Bank of America Merrill Lynch

Deutsche Bank

J.P. Morgan

Note: Based on 821 respondents.

Note: Leaders cited in alphabetical order including ties.

Sources: 2013 Asian Large Corporate Banking, Asian Large Corporate Cash Management and Asian Debt Capital Markets Studies

Greenwich Share and Quality Leaders — 2014

Large Corporate Banking by Country



Asian Large Corporate Banking Market Penetration	Market Penetration	Statistical Rank
China (77)		
Bank of China	81%	1
ICBC	75%	2
HSBC	71%	3
Hong Kong (80)		
HSBC	86%	1
Bank of China	61%	2T
Standard Chartered Bank	61%	2T
India (71)		
Citi	76%	1T
HSBC	75%	1T
Standard Chartered Bank	72%	3T
State Bank of India	69%	3T
Singapore (68)		
Standard Chartered Bank	60%	1
DBS Bank	57%	2T
HSBC	57%	2T
South Korea (53)		
Korea Exchange Bank	83%	1T
Shinhan Bank	83%	1T
Woori Bank	77%	3
Taiwan (55)		
Mega International Commercial Bank	71%	1
ANZ Bank	56%	2T
Citi	55%	2T

Asian Large Corporate Banking Quality

China (77)

Citi

HSBC

Hong Kong (80)

HSBC

India (71)

Citi

HSBC

Singapore (68)

DBS Bank

South Korea (53)

HSBC

Korea Exchange Bank

Taiwan (55)

ANZ Bank

Citi

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. Quality leaders are cited in alphabetical order including ties.

Source: 2013 Asian Large Corporate Banking Study

Greenwich Share and Quality Leaders — 2014

Large Corporate Cash Management by Country



Asian Large Corporate Cash Management Market Penetration	Market Penetration	Statistical Rank
China (128)		
Bank of China	63%	1
ICBC	56%	2
HSBC	46%	3
Hong Kong (97)		
HSBC	75%	1
Bank of China	39%	2T
Standard Chartered Bank	39%	2T
India (106)		
HDFC	59%	1
Citi	51%	2
ICICI Bank	43%	3T
HSBC	41%	3T
State Bank of India	41%	3T
Singapore (95)		
Citi	52%	1
HSBC	38%	2T
DBS Bank	34%	2T
South Korea (82)		
Korea Exchange Bank	72%	1
Woori Bank	61%	2
Shinhan Bank	55%	3
Taiwan (77)		
Mega International Commercial Bank	42%	1T
Citi	39%	1T
Hua Nan Commercial Bank	29%	3T
First Commercial Bank	25%	3T
HSBC	25%	3T

Asian Large Corporate Cash Management Quality

China (128)
Citi

Hong Kong (97)
Citi
HSBC

India (106)
Deutsche Bank

Singapore (95)
Deutsche Bank

South Korea (82)
HSBC
Korea Exchange Bank

Taiwan (77)
Citi

Note: Numbers in parentheses reflects number of respondents. Market Penetration is the proportion of companies interviewed that consider each bank an important provider of corporate cash management services. Based on responses from financial officers for Asian large corporate cash management. Country leaders are based on top 3 leading banks including ties. Quality leaders are cited in alphabetical order including ties. Source: 2013 Asian Large Corporate Cash Management Study

© 2014 Greenwich Associates, LLC. All rights reserved. Javelin Strategy & Research is a subsidiary of Greenwich Associates. 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™, and Greenwich Reports® are registered marks of Greenwich Associates, LLC. Greenwich Associates may also have rights in certain other marks used in these materials.

The Greenwich Quality LeaderSM and Greenwich Share LeaderSM designations are determined entirely by the results of the interviews described above and do not represent opinions or endorsements by Greenwich Associates or its staff. Such designations are a product of numerical scores in Greenwich Associates' proprietary studies that are generated from the study interviews and are based on a statistical significance confidence level of at least 80%. No advertising, promotional or other commercial use can be made of any name, mark or logo of Greenwich Associates without the express prior written consent of 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