GREENWICH ASSOCIATES

2014 Greenwich Leaders: European Large Corporate Banking & Transaction Services

Q1 2014

Low interest rates and new capital requirements for banks combined have altered the way large European companies finance their businesses. Companies that have long relied on bank loans for long-term funding are replacing these traditional funding sources with bond issues. Amid these dramatic changes, BNP Paribas has established itself atop the European corporate banking market by securing relationships with 56% of the largest European companies.

BNP Paribas is joined at the top of the market by Deutsche Bank, which claims relationships with 51% of these large companies, HSBC, which has a market penetration of 49%, RBS at 43% and Citi at 39%. These banks are the 2014 Greenwich Share Leaders in European Corporate Banking among top-tier companies as ranked by annual turnover. The 2014 Greenwich Quality Leaders in this critical market are BNP Paribas and Deutsche Bank. The complete list of Greenwich Share and Quality Leaders in European Corporate Banking, Cash Management and Debt Capital Markets are presented at the end of this report.

Companies Replacing Bank Financing with Bond Issues

For the past several years, Greenwich Associates research has shown that large European companies have been supplementing bank term loans and syndicated loans with debt capital markets issues. This shift has been driven by two main developments:

1. New capital reserve requirements have made banks less generous with credit, and

2. Low interest rates and strong demand from investors for corporate and high-yield bonds have opened the bond market to a much larger universe of corporate issuers, providing companies with a relatively low-cost funding option.

Over the past 12 months, these conditions have prompted many large companies to go one step further. "Now, instead of using debt capital markets alongside bank loans, companies are using bond issues to replace the bank credit that has for so long been a staple of their funding bases," says Greenwich Associates consultant Dr. Tobias Miarka.

The share of large European companies active in debt capital markets increased from 45% in 2012 to 52% in 2013. That increase was even more dramatic among companies with annual turnover of less than €2 billion, which jumped to 61% from 42%. As banks rationalize their capital commitments, it is smaller companies with lower credit ratings that have seen their access to credit diminish and loan terms become less favorable. Many of these smaller companies have been able to replace these bank facilities with high-yield bond issues.

Approximately half of large European companies say they expect to rely more heavily on long-term bonds in the next two to three years. "Despite companies' decreased reliance on banks for long-term funding, credit will remain the foundation of relationships between banks and European companies, which rely on their lenders for essential working capital lines and other short-term funding needs," says Greenwich Associates consultant John Colon.

Companies Using Fewer Banks

Companies of all sizes are using fewer corporate banks. From 2011 to 2012 the average number of banks used by large European companies declined to 7.3 from 7.9. Two trends are driving this decline:

1. During the global financial crisis, large European companies formed relationships with new banks as a hedge against counterparty risk associated with struggling banks and as a means of securing lines of credit in an increasingly difficult borrowing environment. As European markets regain a sense of stability, companies are shedding extra relationships.

2. Banks are also shedding relationships. Driven by increased capital costs, banks are focusing their resources on their biggest and most important clients and ending less profitable relationships.

This consolidation of relationships is having a significant impact on the competitive landscape of European banks. In particular, corporate banking relationships are shifting from global banks to large national players—a move that reverses the long-time trend in which the largest global banks had been claiming relationships and market share from local banks in most European markets. This shift is being driven both by companies that view maintaining relationships with “national champions” as an important priority to their businesses, and by banks. “As global banks focus their resources on their most profitable corporate clients, they have the chance to cherry-pick the companies they view as the most attractive from across Europe,” says Greenwich Associates consultant Jan Lindemann. “That process leaves out a large number of solid companies that are finding their way back to their national and regional banks.”

Credit Supply Outpacing Corporate Demand

Despite changes in bank lending practices triggered by the new Basel III capital requirements, there is no doubt that conditions overall are improving dramatically for most European companies as the global financial crisis and the sovereign debt crisis recede from the horizon. Approximately a quarter of large European companies say that over the past 12 months it has become easier to access credit for capital expenditures, acquisition finance and funding for ongoing operations. One-in-five companies reports improved access to structured finance. In fact, since corporate demand for capital remains depressed and is rebounding only slowly, credit supply now exceeds demand in most European geographic markets and among most segments of the corporate market. “It is important to note, however, that about one-in-10 large European companies say their access to funding for cap-ex, acquisitions and ongoing operations has been further curtailed over the past 12 months, reflecting the fact that conditions for companies in certain countries or with weak credit ratings remain difficult,” says Dr. Tobias Miarka.

Corporate Treasurers Focus on Regulations and Compliance Issues

Regulatory and compliance issues surged toward the top of the list of corporate treasurers’ risk management priorities. In 2012, 62% of corporate treasurers named regulatory and compliance issues as a top risk management priority, ranking that topic only eighth in those terms behind such issues as efficiency in working capital management, reputational risks, financing risks, and business interruption risk. In 2013 the share of treasurers citing regulatory and compliance issues as a top priority jumped to 73%, making it companies’ second-most pressing concern behind only cost management.

Banks Face Inflection Point in Cash Management

Cash management is increasingly becoming a winner-take-all business. The costs associated with building and maintaining the technology platforms required to compete in cash management are skyrocketing. At the same time, companies are allocating huge shares of their business to their largest cash management providers, leaving little volume and revenues to be divided among the other providers on the list. As a result, all but the largest global and regional banks are fast approaching an inflection point at which they will have to decide if they can viably compete against industry leaders for lead cash management relationships, and if it makes economic sense to do so.

Greenwich Share and Quality Leaders

The following tables present the complete list of 2014 Greenwich Share and Quality Leaders in European Corporate Banking, Cash Management and the Debt Capital Markets.

Consultants John Colon, Jan Lindemann and Dr. Tobias Miarka specialize in corporate and investment banking in Europe.

Methodology

Greenwich Associates conducted 2,975 interviews with financial officers (e.g., CFOs, finance directors and treasurers) at corporations and financial institutions with sales in excess of €500 million, including 1,207 with sales of at least €2 billion. Interviews were conducted throughout Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Interviews took place from August through November 2013. Subjects covered included bank credit capabilities, domestic and cross-border advisory capabilities and equity underwriting capabilities. Cash management and debt capital markets capabilities were examined in separate interviews with corporate treasurers.

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

GREENWICH ASSOCIATES
Greenwich Share Leader 2014

European Top-Tier Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	56%	1
Deutsche Bank	51%	2
HSBC	49%	3
The Royal Bank of Scotland	43%	4
Citi	39%	5

Note: Based on 608 respondents from top-tier companies.

Eurozone Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	64%	1
Deutsche Bank	55%	2
HSBC	47%	3
UniCredit	44%	4
Commerzbank	41%	5

Note: Based on 388 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	36%	1
HSBC	32%	2T
Deutsche Bank	31%	2T
Citi	28%	4T
The Royal Bank of Scotland	27%	4T

Note: Based on 664 respondents from top-tier companies.

Eurozone Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	46%	1
Deutsche Bank	37%	2
HSBC	30%	3T
UniCredit	30%	3T
Commerzbank	28%	3T

Note: Based on 420 respondents from top-tier companies.

European Debt Capital Markets Market Penetration

Bank	Market Penetration[3]	Statistical Rank
Deutsche Bank	29%	1T
HSBC	29%	1T
BNP Paribas	29%	1T
Barclays	24%	4
J.P. Morgan	22%	5

Note: Based on 384 respondents.

Note: Proportion of companies interviewed that consider each bank an important provider of: [1]corporate banking services; [2]corporate cash management services; [3]investment banking 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. Source: 2013 European Large Corporate Banking Study, 2013 European Large Corporate Cash Management Study and 2013 European Debt Capital Markets Study

Greenwich Quality Leaders — 2014

GREENWICH ASSOCIATES
Greenwich Quality Leader 2014

European Top-Tier Large Corporate Banking Quality

Bank
BNP Paribas
Deutsche Bank

Note: Based on 608 respondents from top-tier companies.

Eurozone Large Corporate Banking Quality

Bank
BNP Paribas
Deutsche Bank

Note: Based on 338 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Quality

Bank
BNP Paribas
Deutsche Bank

Note: Based on 664 respondents from top-tier companies.

Eurozone Large Corporate Cash Management Quality

Bank
Deutsche Bank

Note: Based on 420 respondents from top-tier companies.

European Debt Capital Markets Quality

Bank
Deutsche Bank

Note: Based on 384 respondents.

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. Source: 2013 European Large Corporate Banking Study, 2013 European Large Corporate Cash Management Study and 2013 European Debt Capital Markets Study

Greenwich Share and Quality Leaders — 2014

European Large Corporate Banking by Country

Greenwich Associates 2014 Greenwich Share Leader

Greenwich Associates 2014 Greenwich Quality Leader

European Large Corporate Banking Market Penetration	Market Penetration	Statistical Rank
Belgium/Luxembourg (75)		
BNP Paribas Fortis	95%	1
ING Bank	88%	2
KBC Bank	69%	3
Denmark (49)		
Nordea	86%	1
Danske	76%	2
SEB	41%	3
Finland (78)		
Nordea	99%	1
Danske	90%	2T
Pohjola	90%	2T
France (90)		
BNP Paribas	97%	1
Société Générale	89%	2
CA-CIB	83%	3
Germany (237)		
Commerzbank	84%	1
Deutsche Bank	81%	2
UniCredit	66%	3
Italy (126)		
Intesa San Paolo	92%	1T
UniCredit	91%	1T
BNP Paribas	82%	3
The Netherlands (100)		
ING Bank	82%	1
ABN AMRO	70%	2
Rabobank	67%	3
The Nordics[1] (393)		
Nordea	88%	1
SEB	67%	2T
Danske	66%	2T
Norway (125)		
DNB	93%	1
Nordea	86%	2
SEB	65%	3
Spain (76)		
BBVA	86%	1T
Santander	84%	1T
CaixaBank	66%	3
Sweden (141)		
Nordea	86%	1
SEB	84%	2
Handelsbanken	69%	3
Switzerland (40)		
Credit Suisse	88%	1
UBS	83%	2
Deutsche Bank	78%	3
United Kingdom (187)		
The Royal Bank of Scotland	85%	1
Barclays	77%	2
HSBC	73%	3

European Large Corporate Banking Quality
Belgium/Luxembourg (75)
BNP Paribas Fortis
Denmark (49)
Danske
Nordea
SEB
Finland (78)
Nordea
France (90)
BNP Paribas
Société Générale
Germany (219)
Deutsche Bank
Italy (126)
BNP Paribas
Intesa San Paolo
UniCredit
The Netherlands (100)
ABN AMRO
ING Bank
Rabobank
The Nordics[1] (393)
Nordea
SEB
Norway (125)
DNB
Spain (76)
BBVA
Santander
Sweden (141)
SEB
Switzerland (40)
Credit Suisse
Deutsche Bank
UBS
United Kingdom (187)
Barclays
Lloyds
The Royal Bank of Scotland

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 with sales of at least €500 million 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: 2013 European Large Corporate Banking Study

Greenwich Share and Quality Leaders — 2014

European Large Corporate Cash Management by Country

Greenwich Share Leader 2014 | Greenwich Quality Leader 2014

European Large Corporate Cash Management Market Penetration	Market Penetration	Statistical Rank
Belgium/Luxembourg (75)		
BNP Paribas Fortis	77%	1
ING Bank	62%	2
KBC Bank	40%	3
Denmark (48)		
Nordea	73%	1
Danske	67%	2
HSBC	29%	3T
SEB	25%	3T
Finland (77)		
Nordea	99%	1
Danske	77%	2
Pohjola	66%	3
France (102)		
BNP Paribas	84%	1
Société Générale	72%	2
CA-CIB	50%	3
Germany (224)		
Commerzbank	71%	1
Deutsche Bank	65%	2
UniCredit	47%	3
Italy (129)		
Intesa San Paolo	82%	1
UniCredit	76%	2
BNP Paribas	64%	3
The Netherlands (122)		
ING Bank	62%	1
RBS	57%	2
ABN AMRO	43%	3
The Nordics[1] (430)		
Nordea	62%	1
Danske	40%	2
SEB	32%	3
Norway (152)		
DNB	70%	1
Nordea	43%	2
Danske	26%	3
Sweden (153)		
Nordea	60%	1
SEB	56%	2
Handelsbanken	44%	3
United Kingdom (224)		
The Royal Bank of Scotland	60%	1
HSBC	51%	2T
Barclays	50%	2T

European Large Corporate Cash Management Quality
Belgium/Luxembourg (82)
BNP Paribas Fortis
Denmark (48)
Danske
Nordea
Finland (77)
Nordea
France (102)
BNP Paribas
Germany (224)
Deutsche Bank
Italy (129)
BNP Paribas
Intesa San Paolo
UniCredit
The Netherlands (122)
ABN AMRO
BNP Paribas
Citi
The Nordics[1] (430)
Nordea
SEB
Norway (152)
DNB
Sweden (153)
SEB
United Kingdom (224)
Bank of America Merrill Lynch
Barclays
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 with sales of at least €500 million 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: 2013 European Large Corporate Cash Management Study

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