

## 2013 Greenwich Leaders: European Large Corporate Trade Finance

Q4 2013

The market for European trade finance is dominated by three banks with global reach. HSBC, Deutsche Bank and BNP Paribas are each used as a provider by roughly a quarter of large European companies that employ trade finance products and services. Behind these evenly matched leaders in terms of market penetration is another group of three competitors of a much different nature. Whereas the top trio has built its position on broad networks spanning most, if not all, of the European countries, the next three banks owe their rankings largely to their strength in their home markets or regions. UniCredit, Commerzbank and Nordea are all providers to 17–18% of large corporate trade finance users in Europe, with most of that business originating from companies in Italy, Germany and the Nordics, respectively. Together, these six banks are the 2013 Greenwich Share Leaders in European Large Corporate Trade Finance.

European companies can obtain high-quality trade finance services from both pan-European/global banks and the leaders in their local markets. The 2013 Greenwich Quality Leaders have pan-European and regional reach. Deutsche Bank is rated as the quality leader in its domestic German market, and provides reliable service across the rest of the Continent. BNP receives high ratings for quality across Europe, with the strongest scores coming from companies

in France and the Benelux. “Although our Quality Leader Awards reward banks for the breadth of their coverage across the region, the European leaders might not be the highest rated bank for quality in a given market,” says Greenwich Associates consultant Jan Lindemann. “For many European companies, the top-quality provider in trade finance is one of the leading national banks in their home country.”

### National Leaders

HSBC is used as a provider by 54% of large U.K. corporate trade finance users, placing the bank squarely at the top of this market. Next comes RBS, with a market penetration of 34%, followed by Lloyds at 30%. These providers also receive the market’s top scores for quality. As a result, these three banks share the titles of 2013 Share and Quality Leaders for Large Corporate Trade Finance in the U.K.

In Germany, Commerzbank and Deutsche Bank are tied at the top of the trade finance market with penetration scores of 81%. Next is UniCredit at 55%. These three banks are the 2013 Greenwich Share Leaders for Large Corporate Trade Finance in Germany. Deutsche Bank is the 2013 Greenwich Quality Leader for Trade Finance in Germany.

### Greenwich Share Leaders — 2013



#### European Large Corporate Trade Finance

Bank	Total Relationships	Statistical Rank
HSBC	27%	1T
Deutsche Bank	26%	1T
BNP Paribas	25%	1T
UniCredit	18%	4T
Commerzbank	17%	4T
Nordea	17%	4T

#### European Large Corporate Trade Finance — Nordics

Bank	Total Relationships	Statistical Rank
Nordea	73%	1
Danske	42%	2
SEB	30%	3

#### European Large Corporate Trade Finance — Germany

Bank	Total Relationships	Statistical Rank
Commerzbank	81%	1T
Deutsche Bank	81%	1T
UniCredit	55%	3

#### European Large Corporate Trade Finance — United Kingdom

Bank	Total Relationships	Statistical Rank
HSBC	54%	1
RBS	34%	2
Lloyds	30%	3

Note: Based on responses from 306 institutions in Europe, 47 in Germany, 69 in the Nordics, and 50 in the United Kingdom in 2013. For Total Europe, top 5 including ties. For Germany, Nordics and the United Kingdom, top 3 banks are cited including ties.  
Source: Greenwich Associates 2013 European Large Corporate Trade Finance Study



**European Large Corporate Trade Finance Overall Quality**

Bank
BNP Paribas
Deutsche Bank

**European Large Corporate Trade Finance Overall Quality — Nordics**

Bank
Danske
Nordea

**European Large Corporate Trade Finance Overall Quality — Germany**

Bank
Deutsche Bank

**European Large Corporate Trade Finance Overall Quality — United Kingdom**

Bank
HSBC
Lloyds
RBS

Note: Based on responses from 306 institutions in Europe, 47 in Germany, 69 in the Nordics, and 50 in the United Kingdom in 2013. Leaders are displayed in alphabetical order. Source: Greenwich Associates 2013 European Large Corporate Trade Finance Study

Approximately 73% of large corporate trade finance users in the Nordics use Nordea as a provider, making the bank far and away the leader in this market. Danske is second at a distant but still impressive 42%, followed by SEB at 30%. These banks are the 2013 Greenwich Share Leaders for Trade Finance in the Nordics. Danske and Nordea share the leadership for the 2013 Greenwich Quality Leader Award in the Nordics.

**Competitive Dynamics**

Competition among trade finance providers has intensified since the announcement of new bank capital rules under Basel III, which make trade finance margins look increasingly attractive relative to those in businesses hit with higher capital charges. However, there still remains a strong link between corporate lending and transaction banking, and companies still award disproportionate amounts of cash management business to key credit providers. That is especially the case in the more routine, less sophisticated parts of the business that still generate the bulk of volumes. “For that reason, we expect domestic and regional banks that have maintained long-standing lending relationships with companies in their domestic markets to maintain their franchises in trade finance — or at least in domestic trade finance,” says Greenwich Associates consultant Dr. Tobias Miarka.

Large global banks continue to gain advantages over smaller rivals with more limited reach. Some trade finance business has begun to consolidate in the hands of large providers for several reasons:

- **Balance Sheet Strength:** In countries hit hard by the European sovereign debt crisis, pan-European and global banks have found opportunities to win business from local banks that find it difficult to compete due to much weaker balance sheets.

- **Global Reach:** Growth for many European companies is coming not from intra-Western European trade but rather from new business in Asia and other developing markets such as Latin America, the Middle East and Africa. For example, in Germany export volumes to other Western European countries have decreased from 65% to 57% between 2007 and 2012 while overall numbers remain strong and stable. Domestic banks lack the international networks required to service this shift towards increasing needs in global trade.

**The IT Advantage Leading to More Integrated Offerings:**

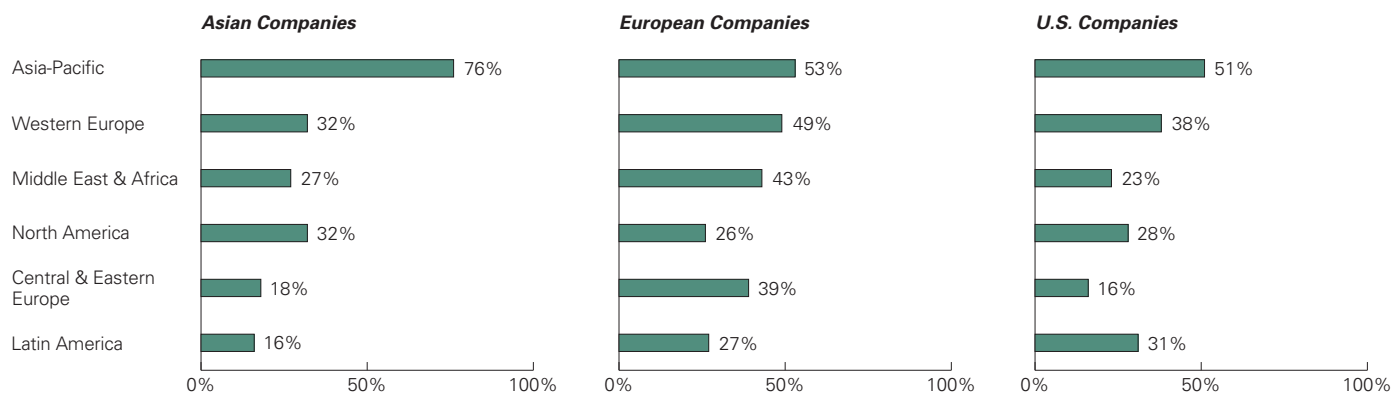
Transaction banking has become an electronic business requiring sophisticated and expensive IT platforms. “Global banks can afford big IT investments to build integrated platforms that can handle large volumes, giving these banks an invaluable advantage as margins compress due to capital requirements. The link between Trade, Cash Management and FX platforms is a key ingredient to the competitive edge we increasingly see materializing at large global banks,” says Tobias Miarka. “It allows these banks for example to improve their offering by providing more sophisticated working capital management solutions.”

**Changing Nature of Trade Finance?**

Over the past two years, the results of Greenwich Associates research have pointed to an interesting shift: Some European companies are changing the way they use trade finance. Historically, companies in Europe and most developed markets have used trade finance products and services mainly as tools for mitigating counterparty risk. However, companies in parts of Europe have begun to use trade finance more often as a source of credit. This practice strongly resembles corporate behavior in Asia, where companies routinely employ trade finance as a core source of credit. “Some companies in Greece, Italy, Spain and other European companies have found their access to traditional

## Share of Companies Using Trade Finance, for Geographic Markets

% of Companies



Note: Based on 280 respondents in 2011 and 354 respondents in 2013 for the Asia Large Corporate Trade Finance study, 292 respondents in 2012 and 279 respondents in 2013 for the European Large Corporate Trade Finance Study and 108 respondents in both 2011 and 2013 for the U.S. Large Corporate Trade Finance study.

Source: Greenwich Associates 2013 Trade Finance studies

bank credit severely constrained,” says Greenwich Associates consultant Robert Stadius-Muller. “When access to other sources of credit is limited, trade finance can serve as an important alternative.”

*Consultants Jan Lindemann, Dr. Tobias Miarka and Robert Stadius-Muller specialize in corporate and investment banking in Europe.*

### Methodology

*Greenwich Associates conducted interviews with 306 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, Sweden, Switzerland, and the United Kingdom. Interviews took place from April through June 2013.*

*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.*

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