Challenges for European Companies Create Opportunities for Corporate Banks

2020 Greenwich Leaders: European Large Corporate Banking and Cash Management

Q1 2020

The combination of macroeconomic volatility, slow economic growth, historically low interest rates, and further increasing know your customer (KYC) requirements has made for a tough market for corporate banks in Europe. However, in recent months these factors have also created valuable opportunities for banks capable of helping large companies navigate today's difficult conditions by adjusting to market dislocations, avoiding the impact of negative rates and managing KYC provisions.

The 2020 Greenwich Share and Quality Leaders in European Large Corporate Banking are capitalizing on these opportunities to forge deeper relationships with the biggest companies in the region and—they hope—to create a source of revenue growth in an otherwise flat market by capturing business from rivals.

Topping the list of this year's winners are BNP Paribas, which leads the market in penetration among large European corporates by a wide margin, followed by HSBC and UniCredit. Citi and Deutsche Bank round out the list of winners in a tie for the final spot. UniCredit takes the title of 2020 Greenwich Quality Leader in European Large Corporate Banking.

Greenwich Share Leaders — 2020

Greenwich
Share Leader
2020

European Top-Tier Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	52%	1
HSBC	46%	2
UniCredit	34%	3
Citi	31%	4
Deutsche Bank	29%	5

Note: Based on 558 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Banking Market Penetration

Bank	Market Penetration[1]	Statistical Rank
BNP Paribas	71%	1
HSBC	53%	2T
UniCredit	52%	2T
Deutsche Bank	44%	4
Commerzbank	41%	5T
ING Bank	40%	5T

Note: Based on 346 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	40%	1
HSBC	36%	2
UniCredit	28%	3
Citi	26%	4T
Deutsche Bank	26%	4T

Note: Based on 584 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Cash Management Market Penetration

Bank	Market Penetration[2]	Statistical Rank
BNP Paribas	50%	1
UniCredit	39%	2
HSBC	35%	3
Deutsche Bank	32%	4
Commerzbank	26%	5T
Citi	25%	5T
ING Bank	25%	5T

Note: Based on 367 respondents from top-tier companies.

Note: Proportion of companies interviewed that consider each bank an important provider of: [1]corporate banking services; [2]corporate cash management 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. Eurozone selected countries are Austria, Belgium, Finland, France, Germany, Luxembourg, Ireland, Italy, Monaco, the Netherlands, Portugal, and Spain.
Source: Greenwich Associates 2019 European Large Corporate Banking Study, 2019 European Large Corporate Cash Management Study

Amid Slowing Trade, Companies Need Support for Cross-Border Businesses

In October of last year, the World Trade Organization cut expectations for 2019 trade growth in half and sharply downgraded projections for 2020. In its statement, the WTO noted that even the lower 2020 projection was subject to significant downside risks in the face of the U.S.-China trade war, Brexit and other factors. The emergence of COVID-19 as a threat to global productivity and trade will likely further negatively impact growth.

Reduced trade growth sounds like bad news for corporate banks, many of which rely on companies' need for services in support of international business as a key source of revenues. However, new data from Greenwich Associates shows that rather than contracting, corporate demand for cross-border banking services held steady or even increased modestly from 2018 to 2019—at least with regard to cross-border needs within Western Europe.

As the accompanying table illustrates, the share of large European companies using a provider for cross-border banking services within Western Europe increased to 80% in 2019 from 77% in 2018, while the share using banking services for business into Asia ticked up to 52% from 50%. Smaller increases were seen in demand for banking services supporting business into Central and Eastern Europe, Japan and Latin America. Demand for cross-border banking services was stable for business in the Middle East and Africa, while declining by a single percentage point for business in North America.

The resilience of corporate demand for cross-border banking services in the face of slowing global trade growth can likely be attributed to two main factors. First, at a time of limited economic growth in Europe, most large companies here face minimal prospects for growth within their home country markets and are pinning their expansion strategies on international markets. As a result, they are making long-term investments in foreign markets that, to this point at least, have not been curtailed by what they hope is a cyclical slowdown in trade.

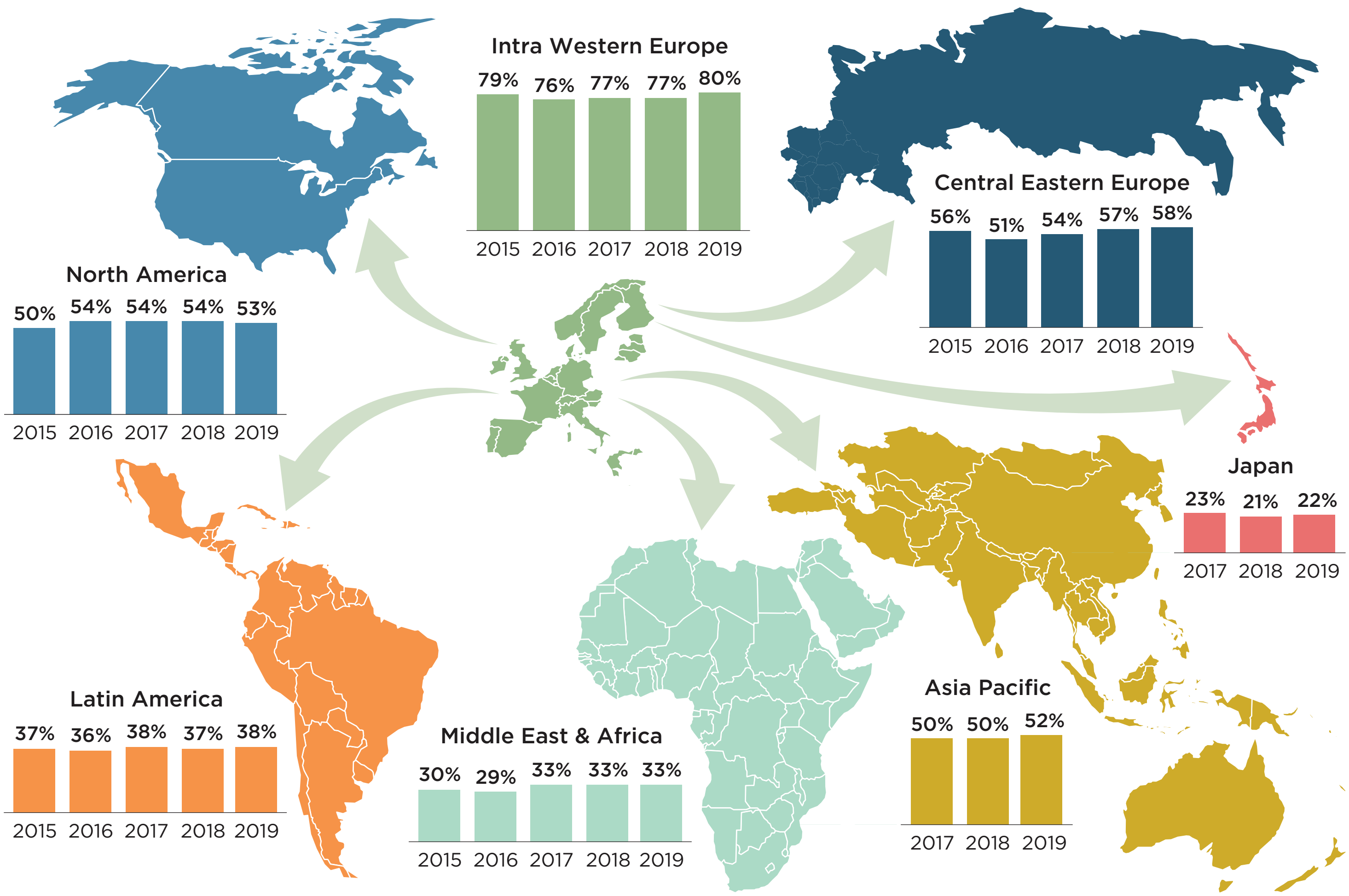
Second, the same macroeconomic volatility that is cutting into global trade is triggering demand for cross-border banking services. For example, many large European as well as non-European companies shifted operations, at least partially, out of the U.K. in the face of Brexit. In many cases, those moves generated a subsequent shift into other countries in Western and even Eastern Europe. Likewise, companies around the world have been realigning supply chains in Asia in the face of the U.S.-China trade war and the prospect of additional dislocations. All of those moves require cross-border banking support.

For the most part, the biggest beneficiaries of this demand have been the biggest global banks, such as Citi, HSBC, BNP Paribas, J.P. Morgan, Bank of America, and Deutsche Bank, which are often the only providers with on-the-ground expertise and networks across all the countries in which a large company operates. However, when it comes to securing the support they need in a specific country or region, European companies are becoming more discerning. More than ever before, they are turning to banks viewed as specialists. For example, in cash management, almost half of large European companies employing a bank for cross-border services into Asia use HSBC. Within Western Europe, BNP Paribas is the clear cross-border cash management provider of choice, as is UniCredit for Eastern Europe.

"It's becoming increasingly difficult and expensive to maintain an international banking platform across all regions," says Greenwich Associates Managing Director Dr. Tobias Miarka. "We anticipate that even some of the largest global banks will narrow their strategic focus in the near future to specialize in regions and countries they see as being most attractive for their franchises."

RESILIENT DEMAND FOR INTERNATIONAL BANKING SERVICES

Share of Companies Domiciled in Western Europe Using Cross-Border Services into Foreign Regions



Note: Based on 1,475 responses in 2015, 1,441 in 2016, 1,390 in 2017, 1,310 in 2018, and 1,235 in 2019.
Source: Greenwich Associates 2019 European Large Corporate Banking Study

CROSS-BORDER CAPABILITIES BOOST U.S. BANKS IN EUROPE

U.S. banks appear to have staked out a lead over European competitors, save HSBC, in international banking capabilities—at least in the eyes of European corporates.

U.S. banks and HSBC dominate the list of 2020 Greenwich Excellence Award winners in all categories related to cross-border banking. These awards are derived from quality ratings assigned to banks by current large corporate clients in Europe.

For example, Citi and Bank of America took home the award for “Knowledge of International Banking Needs.” In cash management, Citi wins in the category of “International Product Capability” and shares the title of 2020 Excellence Award Winner with HSBC in “Breadth of International Network.”

“If you’re trying to explain the success U.S. banks have had in European corporate banking over the past several years, a good place to start is their perceived advantages in cross-border banking and in digital innovation,” says Greenwich Associates consultant Melanie Casalis.

2020 Greenwich Excellence Awards European Large Corporate Finance

Among More Than 100 Banks Evaluated, 4 Have Distinctive Quality

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European Large Corporate Banking

Ease of Doing Business
*

Knowledge of Transaction Banking Needs
Citi
Bank of America

Knowledge of International Banking Needs
Citi
Bank of America

Quality of Advice
Citi
Bank of America
J.P. Morgan

Making KYC Process Easier
*

Coordination of Product Specialists
Bank of America

European Large Corporate Cash Management

Ease of Doing Business
J.P. Morgan

International Product Capability
Citi

Quality of Advice
J.P. Morgan

Customer Service
*

Accuracy of Operations
*

Innovation
Citi
J.P. Morgan

Breadth of International Network
Citi
HSBC

Provision of Integrated Services Across Cash, Trade and FX
*

Satisfaction with Documentation
*

Account Opening
*

Transparency of Deposit Rates
*

Transparency of Pricing
Bank of America

DIGITAL

Digital Platform Design
*

Digital Product Capabilities
*

Digital Platform Security Capabilites
*

End-to-End Digital Process
*

Note: *Performance evaluations did not yield statistically differentiated providers. Based on interviews with 558 corporates with annual revenues of €2 billion or more for Large Corporate Banking and 584 interviews with corporates with annual revenues of €2 billion or more for Large Corporate Cash Management.

Minimizing the Impact of Negative Rates

When the European Central Bank first introduced negative interest rates, large European companies were largely insulated from the impact because many banks decided to eat the costs associated with holding cash deposits in the name of preserving client relationships. Generally, banks and companies alike expected negative rates would be a passing phase. Six year later, negative interest rates are the new normal. Banks are responding in different ways. In general, banks in the Nordic countries and the Netherlands have started passing negative rates on to clients. In other markets like Italy, many banks remain hesitant to impose these costs on clients whose relationships and businesses might be at risk.

As more companies are forced to incur costs associated with cash deposits, the ability to help clients avoid this new expense is emerging as a key skill for corporate banks. Companies are turning to banks with the expertise and technical skills in cash management to minimize or even eliminate any costs from negative rates. “This new environment is highlighting the capabilities of banks that have developed sophisticated, digital cash-management platforms capable of achieving the transparency and timeliness needed to zero out cash positions on an ongoing basis,” says Dr. Tobias Miarka.

Digital Banking: Beyond the Blockchain Bluster, Real Innovation Takes Hold

Press coverage of innovation in the banking industry has long been dominated by headlines about “breakthrough” technologies—especially blockchain. Finally, after years of hype, that obsession seems to be fading. But that in no way means that innovation has slowed. On the contrary, it’s no exaggeration to say that technology is in the process of transforming corporate banking. In some cases, companies might not even see the new technology that is changing the way their banks work. That’s especially true with middle- and back-office digital tools and systems designed to streamline documentation and compliance processes. In other cases, companies work directly with innovations like digital cash management platforms and, increasingly, digitized credit processes.

In today’s low-interest-rate environment, companies have no shortage of options for credit. With so many banks and other providers competing for corporate business, credit provision has become “table stakes”—an offering that will get you in the game but provides no real advantage over others at the table. However, banks are finding that they can differentiate themselves from other credit providers by making their credit processes faster and more efficient. U.S. banks have led the way in the digitization of credit processes, although some European banks like BNP Paribas have also made significant strides.

The corporate banking industry’s progress on this issue last year can be attributed to some extent to concerns about fintech providers doing as they’ve done in retail: stepping in and stealing business with state-of-the-art digital processes that deliver fast and seamless credit decisions. “The good news for banks is that fintech credit providers haven’t had much of an impact in large corporate banking, at least not standalone without a partnership with corporate banks, so it appears the banks have gotten ahead of that threat,” says Greenwich Associates consultant Yoann Pasquer. “And the banks that moved first are finding that an efficient digital credit process represents a real competitive advantage over other banks.”

ESG IN CORPORATE BANKING

Environmental, social and governance (ESG) issues are having an impact on virtually all areas of business and finance—and corporate banking is no exception. When it comes to corporate banking, companies in Norway and Italy are leading the way in integrating ESG factors into their decisions about how to allocate business to competing providers. Although only about a quarter of large European corporates overall say they consider ESG when making these decisions (up from 16% in 2018), that share hits 57% in Norway. At the other end of the spectrum, only 1 in 10 large German companies say ESG has any influence on this process. Though currently at a different pace, expectations are that ESG considerations will rapidly gain in importance across all of Western Europe. Presently, banks' ESG capabilities have the biggest impact in industries like utilities, real estate/ construction, and transportation and cargo.

Greenwich Leaders

The following tables present the complete list of 2020 Greenwich Share and Quality Leaders in European Large Corporate Banking and Large Corporate Cash Management.

Greenwich Quality Leaders — 2020

European Top-Tier Large Corporate Banking Quality

Bank
UniCredit

Note: Based on 558 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Banking Quality

Bank
BNP Paribas
Citi
UniCredit

Note: Based on 346 respondents from top-tier companies.

European Top-Tier Large Corporate Cash Management Quality

Bank
J.P. Morgan

Note: Based on 584 respondents from top-tier companies.

Eurozone Top-Tier Large Corporate Cash Management Quality

Bank
Citi
J.P. Morgan

Note: Based on 367 respondents from top-tier companies.

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. Eurozone selected countries are Austria, Belgium, Finland, France, Germany, Luxembourg, Ireland, Italy, Monaco, the Netherlands, Portugal, and Spain.
Source: Greenwich Associates 2019 European Large Corporate Banking Study, 2019 European Large Corporate Cash Management Study

DEUTSCHE BANK STANDS FIRM IN CASH MANAGEMENT

Despite its recent struggles, Deutsche Bank is more than holding its own in European cash management. Greenwich Associates research shows that the bank's franchise in cash management has stabilized and is now on par with that of other banks competing in the region when it comes to business momentum (as measured by share of clients planning to increase business with the bank versus decrease). "Our data suggests that Deutsche Bank's strong relationships with large European companies on the cash management side could serve as the foundation it needs for future growth," says Dr. Tobias Miarka.

Greenwich Share and Quality Leaders — 2020

European Large Corporate Banking by Country

Greenwich Share Leader 2020

European Large Corporate Banking Market Penetration	Market Penetration	Statistical Rank
Austria (45)		
UniCredit	93%	1
Raiffeisen Bank International	87%	2
Erste Bank	67%	3
Belgium/Luxembourg (101)		
BNP Paribas Fortis	95%	1
ING Bank	81%	2
KBC Bank	69%	3
Denmark (34)		
Danske Bank	82%	1
Nordea	74%	2
Nykredit	47%	3
Finland (70)		
Nordea	99%	1
OP Pohjola	90%	2
Danske Bank	80%	3
France[1] (68)		
BNP Paribas	93%	1
Société Générale	84%	2
Crédit Agricole (CACIB)	71%	3T
HSBC	69%	3T
Germany (163)		
Commerzbank	87%	1
Deutsche Bank	73%	2T
UniCredit	72%	2T
Ireland (23)		
HSBC	78%	1T
Barclays	74%	1T
Allied Irish Bank	61%	3
Italy (130)		
Intesa Sanpaolo	95%	1
UniCredit	91%	2
BNP Paribas	85%	3
The Netherlands (106)		
ING Bank	79%	1
Rabobank	71%	2T
ABN AMRO	70%	2T
The Nordics[2] (325)		
Nordea	84%	1
Danske Bank	68%	2T
SEB	67%	2T
Norway (95)		
DNB	95%	1
Nordea	79%	2
Danske Bank	64%	3T
SEB	63%	3T
Spain (61)		
Santander	90%	1T
BBVA	87%	1T
CaixaBank	77%	3
Sweden (126)		
Nordea	83%	1T
SEB	81%	1T
Handelsbanken	63%	3T
Danske Bank	60%	3T
Switzerland (55)		
UBS	80%	1T
Credit Suisse	78%	1T
Deutsche Bank	51%	3
United Kingdom (152)		
HSBC	77%	1T
Barclays	76%	1T
NatWest Markets	68%	3

Greenwich Quality Leader 2020

European Large Corporate Banking Quality
Austria (45)
Erste Bank
Belgium/Luxembourg (101)
BNP Paribas Fortis
KBC Bank
Denmark (34)
Danske Bank
Finland (70)
Danske Bank
OP Pohjola
SEB
France[1] (68)
BNP Paribas
Crédit Agricole (CACIB)
Société Générale
Germany (163)
Bayerische Landesbank
Landesbank Baden-Württemburg
Ireland (23)
*
Italy (130)
Intesa Sanpaolo
UniCredit
The Netherlands (106)
ABN AMRO
The Nordics[2] (325)
Danske Bank
Nordea
Norway (95)
Nordea
Spain (61)
Santander
Sweden (126)
Nordea
Switzerland (55)
Credit Suisse
United Kingdom (152)
HSBC
NatWest Markets

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. [1]Includes Monaco. [2]Meaningful presence in three of the four Nordic countries was required for consideration.
Source: Greenwich Associates 2019 European Large Corporate Banking Study

Greenwich Share and Quality Leaders — 2020

European Large Cash Management by Country

Greenwich Share Leader 2020

Greenwich Quality Leader 2020

European Large Corporate Cash Management Market Penetration	Market Penetration	Statistical Rank
Austria (48)		
UniCredit	81%	1
Raiffeisen Bank International	75%	2
Erste Bank	33%	3
Belgium/Luxembourg (104)		
BNP Paribas Fortis	84%	1
ING Bank	60%	2
KBC Bank	55%	3
Denmark (29)		
Nordea	79%	1
Danske Bank	72%	2
HSBC	17%	3
Finland (48)		
Nordea	92%	1
OP Pohjola	73%	2T
Danske Bank	71%	2T
France[1] (68)		
BNP Paribas	87%	1
Société Générale	76%	2
HSBC	50%	3T
Crédit Agricole (CACIB)	47%	3T
Germany (169)		
Commerzbank	67%	1
Deutsche Bank	63%	2
UniCredit	58%	3
Ireland (23)		
HSBC	48%	1
Citi	39%	2T
Allied Irish Bank	35%	2T
Italy (137)		
Intesa Sanpaolo	90%	1
UniCredit	82%	2
BNP Paribas	69%	3
The Netherlands (134)		
ING Bank	57%	1
ABN AMRO	51%	2
Rabobank	44%	3
The Nordics[2] (304)		
Nordea	59%	1
Danske Bank	41%	2
SEB	38%	3
Norway (113)		
DNB	75%	1
Nordea	37%	2T
Danske Bank	34%	2T
Spain (60)		
BBVA	77%	1T
Santander	77%	1T
CaixaBank	58%	3
Sweden (114)		
Nordea	61%	1T
SEB	60%	1T
Handelsbanken	40%	3T
Switzerland (57)		
UBS	58%	1
Credit Suisse	49%	2
Deutsche Bank	39%	3
United Kingdom (162)		
HSBC	60%	1
Barclays	46%	2
NatWest Markets	40%	3

European Large Corporate Cash Management Quality
Austria (48)
Raiffeisen Bank International
Belgium/Luxembourg (104)
KBC Bank
Denmark (29)
Danske Bank
Finland (48)
Danske Bank
France[1] (68)
BNP Paribas
Germany (169)
Deutsche Bank
UniCredit
Ireland (23)
*
Italy (137)
Intesa Sanpaolo
UniCredit
The Netherlands (134)
ING Bank
The Nordics[2] (304)
Danske Bank
Norway (113)
Danske Bank
Spain (60)
BBVA
Sweden (114)
Nordea
Switzerland (57)
UBS
United Kingdom (162)
HSBC

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 including ties. Quality leaders are cited in alphabetical order including ties. [1]Includes Monaco. [2]Meaningful presence in three of the four Nordic countries was required for consideration.
Source: Greenwich Associates 2019 European Large Corporate Cash Management Study

Managing Director Dr. Tobias Miarka and consultants Melanie Casalis and Yoann Pasquer specialize in corporate and investment banking in Europe.

METHODOLOGY

Greenwich Associates conducted 1,235 interviews with financial officers (e.g., CFOs, finance directors and group treasurers) at corporations and financial institutions with sales in excess of €500 million, including 558 with sales of at least €2 billion. An additional 1,272 interviews were conducted with corporate decision-makers for cash management, mainly treasurers. Interviews were conducted throughout Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Interviews took place from September to December 2019. Subjects covered included bank credit capabilities, domestic and cross-border advisory capabilities and quality of institution and relationship management. Cash management capabilities were examined in separate interviews with corporate treasurers.