

As Global Banks Sharpen Focus in Asia, Ambitious Locals Step In

2017 Greenwich Leaders: Asian Large Corporate Banking and Cash Management

Q1 2017

The competitive dynamics of Asia's corporate banking landscape are changing rapidly.

Banks around the world continue to view Asia as an important source of earnings and/or growth. However, because these banks are domiciled in countries with their own economic conditions and regulatory climates, they are approaching the region with a shifting array of objectives and strategies. Competition among this group of global players—and increasingly with Asian franchises stepping into the fray—is changing the makeup of the market. It is also working to the benefit of Asian corporate treasurers, who find themselves solicited by a broad list of banks with offerings that run the gamut in terms of capabilities and price.

The list of Greenwich Associates 2017 Share Leaders in Asian Large Corporate Banking is topped by familiar names. HSBC leads with 54% market penetration, followed by Standard Chartered and Citi, which are tied for second at 43%. ANZ Bank and DBS Bank tie for fourth at 28%. The situation is much the same in Large Corporate Cash Management, where HSBC and Citi are statistically tied for first place with market penetration scores of 31%–32%, followed by Standard Chartered at 22%, Bank of China at 17%, and DBS and Deutsche Bank sharing the No. 5 spot with scores of 14%–15%.



Over **40%**
of large corporates
expect to reallocate
a significant share
of wallet in 2017

They have a presence
in this region while
some other providers
are withdrawing.

They have much better
technology, customer
service and locations
where we need them.

They are willing to
customize solutions for us,
and they understand
our requirements.

But these regional leaders represent only the tip of the iceberg when it comes to companies' options for banking services. Asia is a highly heterogeneous group of markets, many of which support "national champions," whose businesses are growing in step with their domestic markets and are becoming increasingly competitive on a domestic level. Asian companies seem more than ready to take advantage of this wealth of alternatives. Approximately 40% of large Asian companies say they plan to shift a significant share of wallet from an incumbent core bank in 2017.

"Global franchises continue to dominate the pan-Asia stage, but are less dominant than before," says Greenwich Associates Managing Director Paul Tan. "We are seeing all of the market leaders make prudent "participation choices," prioritizing return over sheer market share."

Greenwich Share Leaders — 2017



Asian Large Corporate Banking Market Penetration

Bank	Market Penetration ¹	Statistical Rank
HSBC	54%	1
Standard Chartered Bank	43%	2T
Citi	43%	2T
ANZ Bank	28%	4T
DBS Bank	28%	4T

Asian Large Corporate Cash Management Market Penetration

Bank	Market Penetration ²	Statistical Rank
HSBC	32%	1T
Citi	31%	1T
Standard Chartered Bank	22%	3
Bank of China	17%	4
DBS Bank	15%	5T
Deutsche Bank	14%	5T

Note: Proportion of companies interviewed that consider each bank an important provider of: ¹corporate banking services; ²corporate cash management services. Based on 713 respondents for large corporate banking and 927 for large corporate cash management. Leaders are based on Top 5 leading banks including ties. Source: Greenwich Associates 2016 Asian Large Corporate Banking and Asian Large Corporate Cash Management Studies

From the buy-side perspective, corporates are increasingly willing to “mix and match,” with bank lists including “glocal,” global, regional, and leading local banks. Even as some corporates desire to streamline their bank lists, many are leaning toward finding the right provider for their needs—whether that be access to competitively priced credit, multi-market network connectivity, or deep in-market banking services.

Global Banks Shift Gears

At the top of corporate bank lists in Asia are global banks from Europe and the United States. To varying degrees, these banks are all still adjusting to the aftermath from the global financial crisis and the resulting regulation. Capital constraints have caused the globals to reassess their strategies in every market around the world. In Asia, global banks are facing a tough combination of higher costs of capital, compliance and the relatively higher costs of servicing clients. Compounding the challenges are continued margin compression and increasingly sophisticated regional and local competitors, all fighting for the same higher-margin products.

Due to these factors, global banks have sharpened their selectivity in the Asian corporate banking landscape. They are targeting specific markets, channels or products that play to their strengths and offer the best potential for profitability. At the same time, they are scaling back and in some cases shedding corporate relationships that fall short of internal profitability hurdles. The result has been a multi-year de-concentration in the pan-Asia competitive landscape.

Amid this rationalization, Asian corporates indicate that they increasingly value “commitment to market and the long-term relationship with us,” even as they demand competitive pricing. Global (and regional) franchises that are well-regarded for these attributes will see favorable response to the balance sheet they choose to deploy in Asia.

“American banks like Citi, J.P. Morgan and Bank of America Merrill Lynch are reviving animal spirits in Asia because, for a variety of reasons, they bit the bullet earlier in terms of making the tough adjustments required by new capital rules and other regulations,” says Greenwich Associates consultant Gaurav Arora.

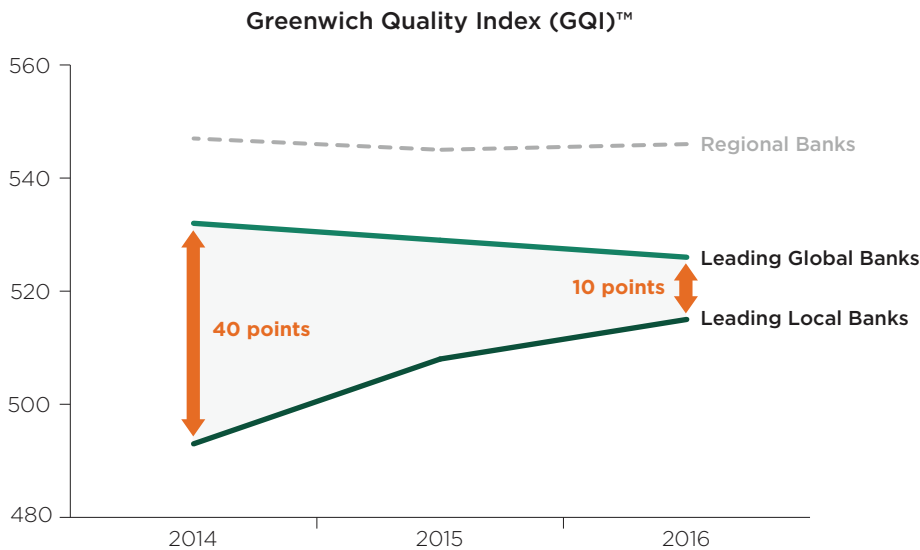
Local Banks Raise Their Game

The shift of many global banks to a more targeted strategy means at least some Asian companies are experiencing a reduction in coverage. This shift is creating new opportunities for a group of ambitious and fast-improving local providers that are emerging as a credible option for Asian corporate treasurers in search of replacement, supplemental or simply lower-cost banking service. As recently as 2010, Asian banks held less than half of all available Asian corporate-banking relationships¹. Increasing steadily since then, that share now stands at 58%. Leading this charge are banks with regional ambitions, like ANZ and DBS, and the biggest banks from the regions' largest country markets, including Bank of China, State Bank of India and HDFC.

“These gains reflect the perfect alignment of growing sophistication and opportunity,” says Gaurav Arora. “The best Asian banks have made rapid improvements in terms of the quality of their offerings, the talent of their teams and the overall sophistication of their enterprises.”

The following graphic shows just how dramatically the quality gap between leading global banks and leading local banks has narrowed. Over the 12-month period covered in the most recent Greenwich Associates Asian corporate finance study, some local Asian banks saw improvements of 30–40 points on the Greenwich Quality Index—a composite measure of client perceptions of bank product and service quality. A 20-point change in any given year is considered significant.

LEADING LOCAL BANKS FURTHER NARROW THE QUALITY GAP WITH GLOBAL BANKS



Note: Leading Global Banks include HSBC, Standard Chartered, Citi, Bank of America Merrill Lynch, Deutsche Bank, BNP Paribas, and J.P. Morgan. Leading Local Banks include Bank of China, ICBC, Hang Seng, SBI, HDFC, ICICI, Mandiri, BCA, Woori, Kookmin, Shinhan, OCBC, Mega, and CTCB. Regionals include ANZ and DBS.
Source: Greenwich Associates 2016 Asian Large Corporate Banking Study

Reflecting these improvements, the list of 2017 Greenwich Quality Leaders in Asian Large Corporate Banking includes one Asia-based franchise —DBS Bank—in addition to Bank of America Merrill Lynch and Citi. On the whole, however, local Asian banks have not yet matched the quality and sophistication of the globals. But large banks like Bank of China and HDFC have enhanced their platforms to the point of being competitive with globals within their domestic markets, and DBS has become competitive in key regional markets.

¹Share of relationships cited to Greenwich Associates. On average, corporates cite their Top 9-10 banking relationships to Greenwich Associates each year.



Asian Large Corporate Banking Quality

Bank

Bank of America Merrill Lynch
Citi
DBS Bank

Asian Large Corporate Cash Management Quality

Bank

Bank of America Merrill Lynch
Citi

Note: Based on 713 respondents for large corporate banking and 927 for large corporate cash management. Leaders are cited in alphabetical order including ties. Source: Greenwich Associates 2016 Asian Large Corporate Banking and Large Corporate Cash Management Studies

TECHNOLOGY PROVIDES A LIFT TO LOCAL ASIAN BANKS, WHILE CITI RETAINS MARKET LEADERSHIP

Citi represents the market leader in digital, as recognized by the majority of their clients in Asia. The bank continues to provide a seamless omni-channel experience across markets, while adopting new and innovative solutions within the realm of treasury management.

Even as other global franchises are investing in technological upgrades, the playing field is increasingly tilting in favor of leading Asian banks that invest in digital offerings. Two factors have enabled these providers to use the latest technology to improve their platforms and enhance their capabilities:

- 1) Asian banks are not saddled with the extensive legacy systems that weigh down global banks. As a result, they can be more flexible and nimble in adopting new technologies that lower costs and improve the customer experience. Although global banks are investing billions of dollars in their own technology platforms, much of that money goes to maintenance and incremental upgrades of existing legacy systems.
- 2) Most Asian banks operate in one or at most a handful of country markets—limiting the costs and complexity of rolling out technology platforms across multiple compliance and regulatory regimes.

A Heterogeneous Market Poses Strategic Challenges

Both global and Asian banks aspiring to a regional profile are discovering how difficult it can be to achieve economies of scale in a market as heterogeneous as Asian corporate banking. The 15 jurisdictions that make up the Asian region differ widely in terms of regulatory regime, market structure, economic conditions, cultural tendencies, local competitors, and a wide variety of other factors. Companies from those markets need and value different things from their banks.

For example, companies in China and India say they are seeking banks that, above all else, understand the basics about their markets, their businesses and their needs. Clients in Hong Kong and Singapore, however, are looking for banks that go beyond the fundamentals and provide high-value ideas and advice about how to advance their businesses. These clients also place greater emphasis on turnaround times and efficiency.

Even as the regional franchises strive to achieve scale economics across a diverse set of markets, local banks in individual domestic markets are rapidly improving the quality of their service offerings. In some countries, the biggest national banks are narrowing the gap with rival global banks on that score. “The flux in Asian corporate banking today is largely a function of banks in the region adjusting new and different strategies for taking on this complex market,” says Paul Tan. “Global banks’ growing selectivity about which roles and areas to focus on is actually an alternative route to achieving scale economics—within these better-defined spaces as opposed to sheer scale from the broadest of blanket coverage.”

ADVICE TO CORPORATE TREASURERS: UNDERSTAND BANK PROFITABILITY REQUIREMENTS

One of the key factors separating the strategies of corporate banks in Asia is variation in hurdle rates among providers from different countries and circumstances. In general, Asian banks face lower capital and funding charges. Global banks tend to have higher hurdle rates, while often baking in more conservative risk premiums.

Counterbalancing these favorable price points will be considerations around regional and global reach, product suite, consistency in quality of service, ability to advise on complex needs, and many other perceived capabilities.

Together these elements define the individual strategies of banks competing in Asia. Treasurers should understand all these factors in determining which combination of banks can best meet their needs. Indeed, companies will continue to be torn between a desire to streamline (hence, consolidate banking relationships) and the growing benefits of “mixing and matching” the best providers in each product and geographic context.

In tandem, banks will need to be proactive in conveying the roles they are willing and able to play, while staying close to how the market perceives their capabilities and competitiveness in those desired roles.

Greenwich Leaders by Country

The following tables present the complete listing by country of Greenwich Associates 2017 Share and Quality Leaders in Asian Large Corporate Banking and Cash Management.

Greenwich Share and Quality Leaders — 2017

Large Corporate Banking by Country



Asian Large Corporate Banking Market Penetration	Market Penetration	Statistical Rank
China (132)		
Bank of China	72%	1
ICBC	61%	2
HSBC	49%	3T
China Construction Bank	46%	3T
Hong Kong (79)		
HSBC	76%	1
Bank of China	63%	2
Standard Chartered Bank	52%	3
India (136)		
State Bank of India	66%	1
HDFC	62%	2
ICICI Bank	51%	3T
Standard Chartered Bank	49%	3T
Indonesia (45)		
Bank Mandiri	76%	1
Bank Central Asia	56%	2
BTMU	49%	3T
HSBC	47%	3T
Malaysia (42)		
Malayan Banking Berhad (Maybank)	88%	1
HSBC	67%	2T
Standard Chartered Bank	67%	2T
CIMB	64%	2T
Singapore (101)		
DBS Bank	57%	1T
HSBC	55%	1T
Citi	50%	3
South Korea (58)		
KEB Hana Bank	93%	1T
Shinhan Bank	81%	2T
Woori Bank	78%	2T
Taiwan (57)		
Mega International Commercial Bank	77%	1
Citi	61%	2
Chinatrust Bank	53%	3T
HSBC	53%	3T

Asian Large Corporate Banking Quality

China (132)	
Bank of America Merrill Lynch	
Hong Kong (79)	
Citi	
DBS Bank	
HSBC	
India (136)	
Citi	
HDFC	
HSBC	
Indonesia*	
Malaysia (42)	
CIMB	
Standard Chartered Bank	
Singapore (101)	
ANZ Bank	
DBS Bank	
South Korea (58)	
KEB Hana Bank	
Taiwan (57)	
Chinatrust Bank	
Citi	

Note: *Quality evaluations did not yield statistically differentiated banks for this region. 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: Greenwich Associates 2016 Asian Large Corporate Banking Study

Greenwich Share and Quality Leaders — 2017

Large Corporate Cash Management by Country



Asian Large Corporate Cash Management Penetration	Market Penetration	Statistical Rank
China (189)		
Bank of China	50%	1
ICBC	45%	2
HSBC	31%	3
Hong Kong (97)		
HSBC	65%	1
Bank of China	41%	2
Standard Chartered Bank	31%	3T
Citi	27%	3T
India (162)		
HDFC	49%	1
State Bank of India	41%	2
ICICI Bank	32%	3T
Citi	29%	3T
Indonesia (57)		
Bank Mandiri	61%	1
Bank Central Asia	44%	2
Deutsche Bank	35%	3T
Bank Negara Indonesia	32%	3T
Citi	30%	3T
Malaysia (53)		
Malayan Banking Berhad (Maybank)	59%	1
HSBC	43%	2T
Standard Chartered Bank	43%	2T
Singapore (121)		
Citi	38%	1T
DBS Bank	36%	1T
HSBC	30%	3
South Korea (81)		
KEB Hana Bank	73%	1
Woori Bank	56%	2T
Shinhan Bank	53%	2T
Taiwan (73)		
Mega International Commercial Bank	49%	1
Citi	44%	2
Chinatrust Bank	30%	3

Asian Large Corporate Cash Management Quality

China (189)	
Bank of America Merrill Lynch	
Hong Kong (97)	
Citi	
HSBC	
India (162)	
Citi	
HDFC	
Standard Chartered Bank	
Indonesia (57)	
Bank Central Asia	
Bank Mandiri	
Malaysia*	
Singapore (121)	
Citi	
DBS Bank	
South Korea (81)	
KEB Hana Bank	
Shinhan Bank	
Taiwan (73)	
Chinatrust Bank	
Citi	

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Source: Greenwich Associates 2016 Asian Large Corporate Banking Study

Consultants Paul Tan and Gaurav Arora specialize in Asian corporate banking and treasury services.

METHODOLOGY

From August to November of 2016, Greenwich Associates conducted 713 interviews in large corporate banking and 927 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.

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