EUROPEAN REPORT

Corporate Quest for Efficiency Rewards Global and Large European Regional Banks

TMI is delighted to republish this report, which was prepared by Coalition Greenwich, a division of CRISIL, a leading global provider of strategic benchmarking, analytics and insights to the financial services industry. It summarises the views on a wide variety of topics emerging from a total of nearly 2,000 interviews conducted in the second half of 2023 with financial officers of corporates and financial institutions with annual sales of more than €500m, as well as decision-makers in the fields of foreign exchange and cash management.

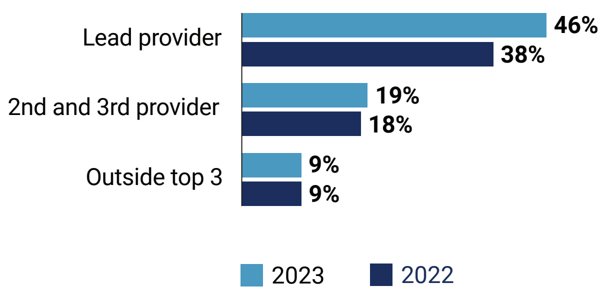
European corporates are consolidating their banking business with key relationships that provide superior service quality, robust digital platforms and a comprehensive international offering. As they do so, global and European regional champions managed to increase their franchise among large corporates, leaving more country-specific competitors behind.

European CFOs and treasurers have a clear agenda in 2024. They are working to simplify their treasury operations, enhance efficiency and create a foundation for growth in an

> *Nine out of 10 large European corporates have established sustainability targets.*

EUROPEAN CORPORATES ARE CONSOLIDATING BUSINESS WITH THEIR LEAD BANKS

Spend Share on Cash Management by Relationship Depth



Note: Based on 486 respondents in 2022 and 576 in 2023.
Source: Coalition Greenwich Voice of Client – 2022 and 2023 European Large Corporate Cash Management Studies

increasingly volatile and competitive marketplace. Upgrading the capabilities and quality of their banking providers is seen as a key part of that effort, which is clearly underway: European large corporates are awarding a growing share of their banking business and associated fees to lead providers capable of delivering the best service, products, and advice.

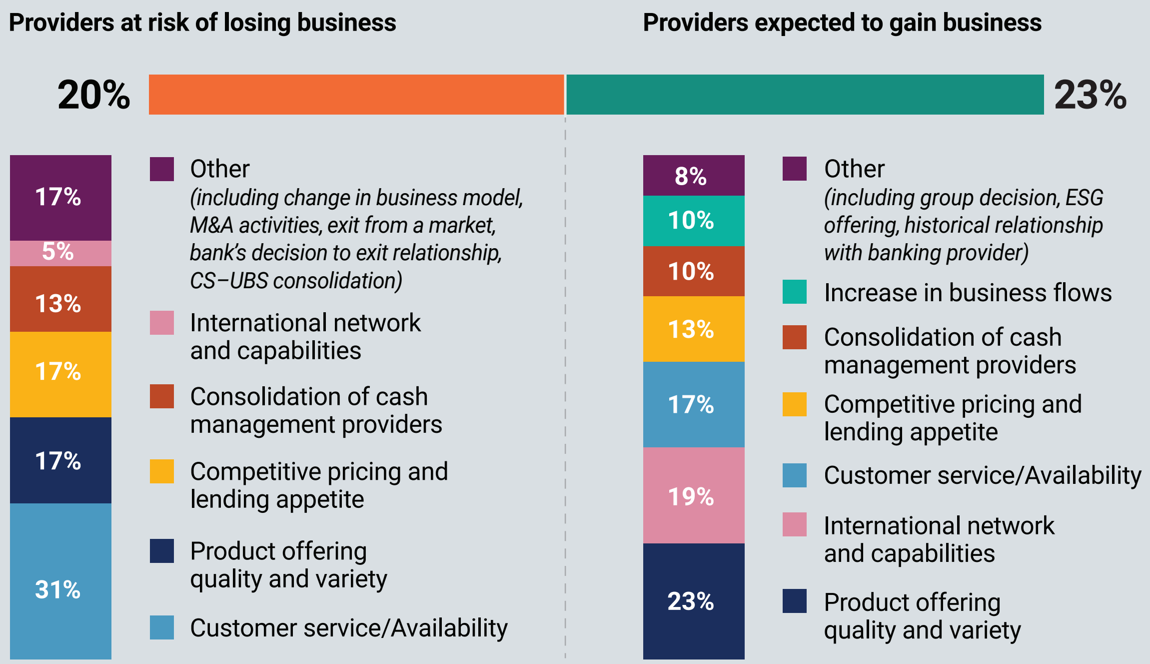
For example, in 2022, the largest European corporates allocated 38% of their cash management business to their lead banking provider. In 2023, that share jumped to 46%. Companies participating in the Coalition Greenwich Voice of Client – 2023 European Large Corporate Banking Study consolidated their share of spend in a similar manner across other banking functions.

This flight to quality seems to accelerate a long-observed trend of gravitating toward volume and thus appears to work in favor of global banks as well as large European regionals. The virtuous cycle that larger players tried to set off years ago now seems to have fully taken hold of the European market: Those having been able to amass larger volumes, in particular in flow businesses such as cash management, have been able to support deeper pockets for digital spend and an ability to maintain stronger cross-border capabilities than their local peers.

2024 GREENWICH SHARE AND QUALITY LEADERS

Banks are winning business in Europe by delivering top quality in product capabilities, a robust international offering and excellent client service. Notably, pricing and willingness to extend credit rank behind these primary factors when it comes to determining which banks large corporates choose in corporate banking, cash management and other functions. The graphic below shows the reasons European companies are increasing or decreasing the amount of business they do with individual banks.

Drivers of Corporate Banking Business



Which banks are leveraging top quality in these essential categories into new relationships and expanded wallets? Click here to see the complete list of 2024 Greenwich Share and Quality Leaders in European Large Corporate Banking and Cash Management.

Note: Based on 156 respondents.
Source: Coalition Greenwich Voice of Client – 2023 European Large Corporate Cash Management Study

The following graphic shows the increasing percentage of large European corporates citing a global bank as their cash management provider, up from 30% in 2022 to 34% in 2023. Considering the stickiness of the cash management business, this increase in only one year is particularly noteworthy. Large European regional champions are equally benefitting from this trend, increasing from 17% to 22% during the same period, while smaller players are being less used.

Europe's local banks could be at risk

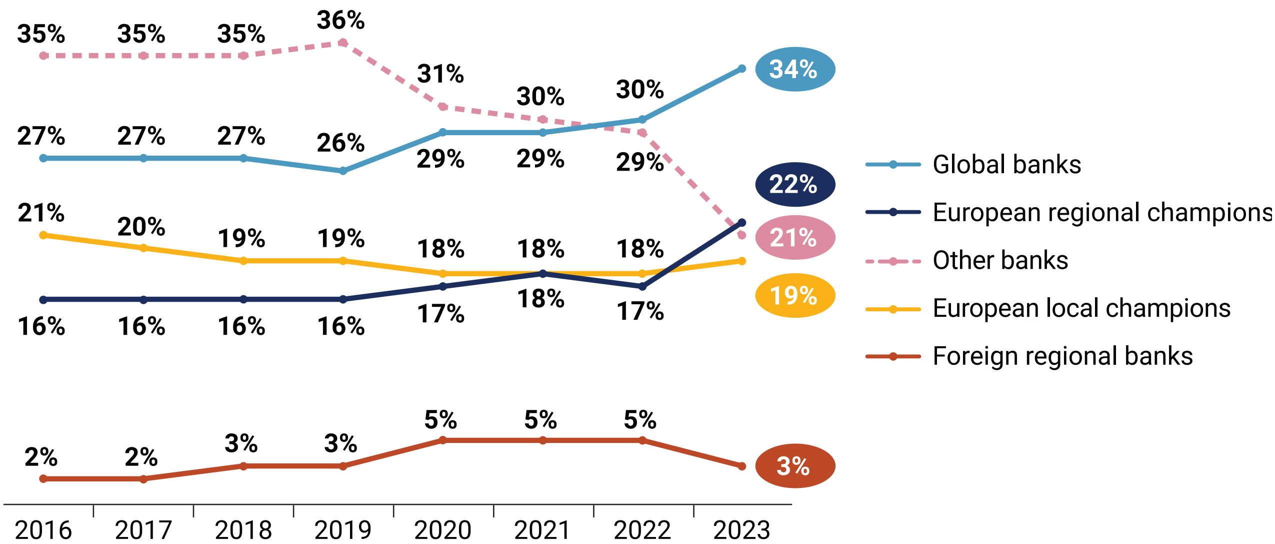
Gains among global banks and large European regionals appear to be coming mainly from smaller local banks. These gains also seem to come at the expense of foreign regional banks, whose value propositions are being weakened by improving international banking offerings and service on the part of global banks.

European companies have long prized their relationships with local providers. Local banks, especially the local "champions" that dominate individual domestic markets, provide a quality and depth of service derived from local knowledge, familiar relationship managers and, often, decades of partnership. However, as digital capabilities and international offering become more important to European treasury departments of large corporates, the service advantage traditionally enjoyed by these local competitors is eroding.

Until now, local banks have been able to maintain their positions in a changing marketplace due, in part, to their

GLOBAL BANKS ARE WINNING RELATIONSHIPS IN CASH MANAGEMENT

Composition of the European Top-Tier Market by Type of Bank



Note: Based on 636 respondents with sales sizes over €2bn in 2016, 605 in 2017, 575 in 2018, 584 in 2019, 539 in 2020, 441 in 2021, 371 in 2022, and 382 in 2023. European local champions include ABN AMRO, Barclays, Bayerische Landesbank, BBVA, CaixaBank, Commerzbank, Danske Bank, Intesa Sanpaolo, LBBW, Natixis, NatWest, Nordea. European regional champions include CACIB, ING Bank, Rabobank, Santander, Societe Generale, UniCredit. Global banks include Bank of America, BNP Paribas, Citi, Deutsche Bank, HSBC,

J.P. Morgan. Foreign regional banks include ANZ Bank, Bank of China, Citizens Bank, DBS Bank, ICBC, MUFG Bank, RBC Capital Markets, Standard Chartered Bank, Sumitomo Mitsui Bank, Wells Fargo. Other Banks include the tail of the market, formed of 410 banks, mainly smaller local players, some non-banking financial institutions, or smaller foreign local players.

Source: Coalition Greenwich Voice of Client – 2016–2023 European Large Corporate Cash Management Studies status as long-time and reliable credit providers. Over the past several years, two developments have changed that dynamic.

First, global banks have become more willing to extend the balance sheet in Europe and lend to corporates they see as potentially high-revenue clients. Second, companies across Europe are becoming increasingly willing to elevate providers who aren't major lenders to the status of lead bank — as long as the bank delivers on quality. As shown in the graphic below, half of lead banks in Europe do not rank as the main credit provider.

We believe these developments will, over time, increase pressure on local banks and accelerate the consolidation of the European banking industry, as smaller domestic providers seek to achieve the scale needed to compete in an international digital environment. In other words, securing fee business predominantly by virtue of providing balance sheet is working even less than in the past — significantly increasing the gap between overall winners and losers, with meaningful future changes of the European banking landscape becoming virtually unavoidable.

Building efficiency through digital upgrades

Corporate treasurers across Europe are looking to upgrade their digital banking capabilities. As they invest in their own platforms and assess the offerings of corporate banks, companies are focusing on features and functions that will enhance efficiencies within their treasury operations.

As the following graphic shows, companies' number one priority is to enhance connectivity between their own platforms and those of their banks. Over the past five years, banks and fintechs have rolled out sophisticated API-based solutions designed to seamlessly connect systems. However, only 2% of large European corporates are using API as one of their priority connectivity channels. Almost 30% of the largest companies we interviewed rely on SWIFT messages, and about one in five use their bank's proprietary platform and/or manual file-based connectivity.

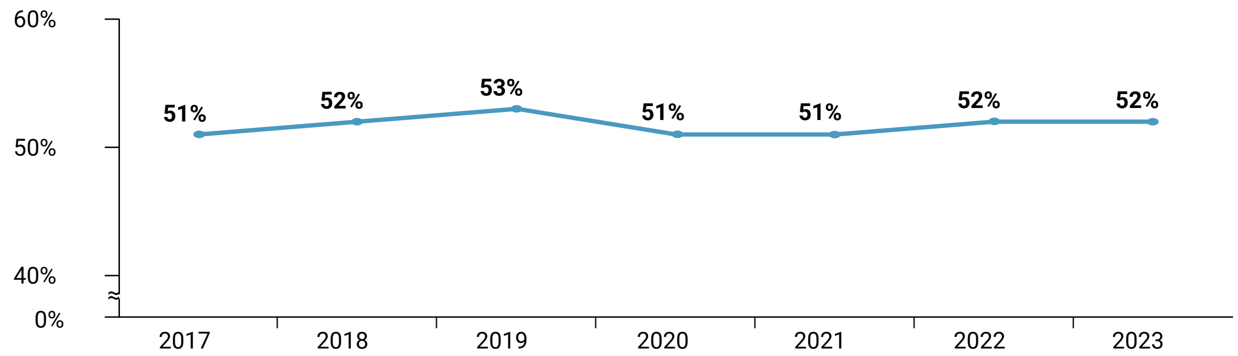
In addition to connectivity, companies are looking to acquire or upgrade real-time payment capabilities and to integrate multi-banking solutions, such as multi-bank liquidity solutions, transaction initiation, or reporting.

Companies' focus on these sophisticated systems is prompting CFOs and treasurers to meet with global providers and the largest European regionals to explore their digital

> *"European corporates are consolidating their banking business with key relationships that provide superior service."*

BANKS DON'T HAVE TO LEND TO CLAIM LEAD BANK POSITION

Percentage of Lead Providers that Are also Top Credit Provider



Note: Based on 447 respondents that participated in the study from 2017 to present.
Source: Coalition Greenwich Voice of Client – 2017–2023 European Large Corporate Cash Management Studies

offerings. Global banks' expansive digital platforms deliver a range of features and functionalities that far surpass anything offered by the usual local competitors. In addition, innovative digital systems, including artificial intelligence (AI)-powered solutions, are improving RM performance, advisory capabilities and the overall level of service provided by global banks and, to only a slightly lesser extent, Europe's regional banks.

Easing banking 'pain points'

European corporates are on the hunt for digital solutions that can help alleviate chronic headaches caused by KYC rules and other requirements related to the bank onboarding process.

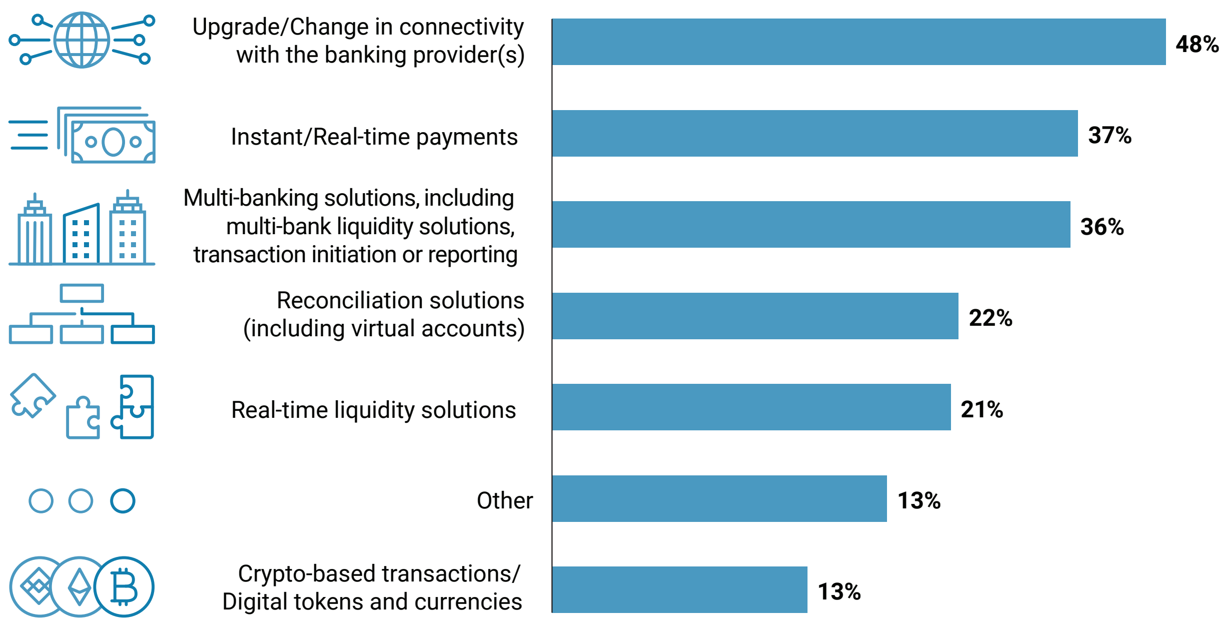
Maturing sustainability programmes could use some expert help

Nine out of 10 large European corporates have established sustainability targets. While that level of adoption places Europe at the forefront of the global sustainability movement, European companies are still working to integrate these goals and standards into their strategies and business practices overall, and in treasury departments in particular.

Roughly 20% of European corporates say their sustainability programmes are still in what they describe as an initial implementation phase. Roughly a quarter of companies say their continued progress toward meeting ESG goals is hampered by a lack of resources or expertise. Even some of the largest corporates, which are quite advanced in their

> *In 2023, the largest European corporates allocated 46% of their cash management business to their lead banking provider,up from 38% in 2022.*

CORPORATE INNOVATION AND DIGITAL INVESTMENT PRIORITIES



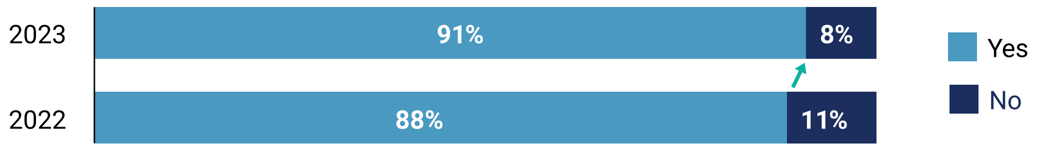
Note: Based on 90 respondents with sales sizes over €2bn.

Source: Coalition Greenwich Voice of Client – 2023 European Large Corporate Cash Management Study sustainability journey, show a somewhat limited usage of various products/services offered by banks. For example, a solid majority of European companies report using green loans or bonds. However, only about 15% are using green project finance solutions, and just 13% are using sustainable supply chain or trade finance solutions.

As companies work to integrate sustainability practices deeper into their strategies and workflows, they should consider calling on the services of external experts who are eager to help. Currently, only about 30% of large European corporates are using sustainability advice and solutions from an external provider. That share represents something of a disappointment to banks, who have invested heavily to build out the product capabilities and advisory offering for their corporate clients. To help CFOs and treasurers in their sustainability journey, banks need to find ways to further

EXISTENCE OF SUSTAINABILITY TARGETS OR GOALS

2 Year Matched Sample—Over €2bn



Existence of Sustainability Targets or Goals by Mega Sector

Consumer and Healthcare	Energy	Industrials	Technology, Media and Telecommunications
89%	92%	92%	88%

Existence of Sustainability Targets or Goals by Sales Size

Over €10bn	€5–10bn	€2–5bn	Below €2bn
91%	89%	88%	88%

Note: Totals may not equal 100 due to rounding. Based on 568 respondents with sales sizes over €2bn. Based on all of Europe for split by country and mega sector and sales size.

Source: Coalition Greenwich Voice of Client – 2023 European Large Corporate Banking Study increase their proactivity and educate clients on the various financial instruments at their disposal, including advisory around reporting mechanisms and changing regulatory requirements.

A more complicated global picture for corporates' sustainability transition

For a more detailed analysis of ESG programmes among large corporates in Europe, North America and Asia, please see our recent special report.

Authors

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There is a great deal of valuable material contained in this report. Its wide range of topics and geographical coverage, with interviews conducted in 16 European countries, it has great relevance for corporate treasurers and treasury professionals in Europe and beyond.

METHODOLOGY

Coalition Greenwich conducted 849 interviews with financial officers (e.g., CFOs, finance directors and group treasurers) at corporations and financial institutions with sales in excess of €500m, including 345 with sales of at least €2bn. An additional 931 interviews were conducted with corporate decision-makers for cash management, including 382 with sales of at least €2bn. In addition, 175 interviews were conducted with decision-makers for foreign exchange, 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 July to December 2023. Subjects covered included bank credit capabilities, domestic and cross-border advisory capabilities, and quality of institution and relationship management. Cash management and foreign exchange capabilities were examined in separate interviews with corporate treasurers.

About Coalition Greenwich

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialise in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

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CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

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