The Box: green/fossil fee league tables Q1 24

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Banks are key in facilitating access to capital markets. When arranging a bond or loan, despite not directly using its balance sheet, the reputation of the bank is essential in representing the borrower to investors, and thus enabling debt to be raised. Historically it has been hard to influence this activity; it is often not covered by bank sustainability policies, which focus on direct lending.

By monitoring syndication fees, specifically from green and fossil activities, investors can direct business to the best performers and so incentivise a change in behaviour among banks.[1]

AFII has been monitoring the green/fossil fee league tables (net fees from green activity minus fossil activity) for two years, and provides updated league tables ahead of IMM derivative roll dates, which are typically high-volume trading days.

In this note we present the March 2024 tables, with the following conclusions:

- **Canadian banks RBC and TD move down to the bottom of the Tier 1 and 2 rankings due to increased fossil fees.**
- **Goldman Sachs continues its decline in the rankings.**
- **SMBC ranks poorly in the ASEAN but better on a global level.**

Table 1. The green/fossil fee league table. A higher rank indicates a higher degree of green activities relative to fossil. Source: AFII, Bloomberg, effective date 11 Mar 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	BNP Paribas	9.1%	0 ~	3 ↑	1 ↑	1,621
2	Societe Generale	5.8%	1 ↑	6 ↑	8 ↑	754
3	Credit Agricole	5.5%	-1 ↓	-1 ↓	-2 ↓	1,385
4	UBS & Credit Suisse	4.3%	1 ↑	-1 ↓	-1 ↓	892
5	HSBC	2.2%	-1 ↓	-4 ↓	1 ↑	1,310
6	Deutsche Bank	1.7%	0 ~	-1 ↓	-2 ↓	1,340
7	Barclays	-0.3%	0 ~	3 ↑	1 ↑	1,398
8	Morgan Stanley	-0.4%	0 ~	-2 ↓	3 ↑	1,154
9	SMBC	-0.7%	**6 ↑**	6 ↑	-4 ↓	877
10	Citi	-1.1%	-1 ↓	1 ↑	3 ↑	2,068
11	JP Morgan	-2.4%	0 ~	2 ↑	1 ↑	2,619
12	Mizuho Financial	-2.7%	1 ↑	2 ↑	2 ↑	916
13	BofA Securities	-3.3%	**-3 ↓**	-1 ↓	-6 ↓	2,319
14	MUFG	-4.0%	0 ~	-5 ↓	1 ↑	928
15	Goldman Sachs	-4.4%	**-3 ↓**	-8 ↓	-6 ↓	1,251
16	Wells Fargo	-7.8%	1 ↑	1 ↑	1 ↑	1,239
17	RBC	-7.8%	-1 ↓	-1 ↓	-1 ↓	937

[1] For full details please see "The Box: a tool for bank influence", AFII, 20 Dec 2023.

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Green/fossil fee league tables

In this league table we look at total fees from green activity compared to fossil deals.

Table description

The green/fossil league table for the IMM date of Mar 24 is shown in Table 2 for banks considered Tier 1 in terms of global DCM activities, and in Table 3 for banks considered intermediate.[2]

Rank: Current Rank
3m change: Change in ranking in 3 months
1y change: Change in ranking in 1 year
2y change: Change in ranking in 2 years
Total Fees: All fees from eligible deals in the period
Net green/fossil: (total green fees – total fossil fees) / total fees

Table 2. The green/fossil fee league table. A higher rank indicates a higher degree of green activities relative to fossil. Source: AFII, Bloomberg, effective date 11 Mar 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
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The latest rankings exhibit some changes from the December report,[1] with the largest downward moves experienced by BofA (-3) and Goldman Sachs (-3). A recent deal involving both banks drove this decline, namely their co-lead arranger roles in loans for the US-based oil and natural gas company Diamondback E&P in support of its pending acquisition of the private oil producer Endeavor Energy Resources.[3]

RBC has taken over as the worst-ranked bank, largely because of increased fossil fees. Notable fossil deals include a loan to the Canadian energy company ARC Resources, where they were book

[2] The intermediate sample of banks is chosen on basis of total fee size with certain subjectivity relating to the relevance of the bank as a counterparty in terms of secondary trading activities in hard currencies. The list is subject to change and updates.
[3] "Diamondback Energy agrees to buy Endeavor in $26bn US oil deal", Financial Times, 12 Feb 2024.

runners, and a joint lead manager role in bonds issued by Energy Transfer LP, the US midstream energy company.

Table 3 shows the rankings for intermediate institutions.[4] The big movers quarter-on-quarter are Rabobank (+6), Santander (-5), and ICBC (-6). A notable deal for ICBC concerns a bond for Jinneng, a Chinese state-owned energy company, in which it played a joint lead manager role.

TD has fallen three places to the bottom of the list, with its most significant fossil deals being its co-lead arranger role in a loan for the US-based oil and natural gas company Diamondback E&P, the same deal mentioned on the previous page.

Table 3 . Green/fossil fee league table for intermediate-sized institutions. Source: AFII, Bloomberg, effective date 11 Mar 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	Swedbank	28.3%	0 ~	1 ↑	0 ~	88
2	Nordea	22.9%	1 ↑	1 ↑	1 ↑	320
3	SEB	19.7%	-1 ↓	-2 ↓	-1 ↓	256
4	BBVA	8.9%	1 ↑	6 ↑	1 ↑	376
5	ABN Amro	8.0%	-1 ↓	-1 ↓	-1 ↓	87
6	Commerzbank	7.7%	1 ↑	2 ↑	5 ↑	332
7	NatWest Markets	7.6%	-1 ↓	-1 ↓	0 ~	377
8	Commonwealth Bank	6.7%	2 ↑	7 ↑	0 ~	229
9	Nomura	5.5%	-1 ↓	3 ↑	0 ~	422
10	Natixis	5.4%	**5 ↑**	3 ↑	5 ↑	573
11	ING Groep	5.0%	**5 ↑**	-4 ↓	12 ↑	566
12	UniCredit	4.4%	0 ~	8 ↑	4 ↑	538
13	Westpac Banking	3.9%	**-4 ↓**	5 ↑	-1 ↓	232
14	Rabobank	3.6%	**6 ↑**	-5 ↓	6 ↑	157
15	NAB	3.3%	**-4 ↓**	1 ↑	2 ↑	241
16	ANZ Banking Group	3.3%	-2 ↓	6 ↑	-3 ↓	351
17	DNB ASA	3.1%	1 ↑	-12 ↓	-7 ↓	236
18	Intesa Sanpaolo	2.4%	**4 ↑**	3 ↑	0 ~	415
19	ICBC	2.3%	**-6 ↓**	-8 ↓	-5 ↓	670
20	Standard Chartered Bank	1.0%	1 ↑	-3 ↓	-1 ↓	507
21	Lloyds Bank	0.6%	-2 ↓	-2 ↓	1 ↑	202
22	Banco Santander	-0.5%	**-5 ↓**	-8 ↓	-16 ↓	727
23	Jefferies	-4.2%	0 ~	0 ~	-2 ↓	217
24	US Bancorp	-5.5%	1 ↑	0 ~	0 ~	402
25	Scotiabank	-7.6%	2 ↑	2 ↑	2 ↑	605
26	BMO Capital Markets	-7.7%	0 ~	-1 ↓	-1 ↓	656
27	TD Securities	-7.7%	**-3 ↓**	-1 ↓	-1 ↓	736

[4] The DNB calculation has been adjusted for what appears to be a data error in terms of total fees, indicated by (*), where USD 634mn linked to a government deal has been removed.

Regional fossil rankings

1. ASEAN

We began monitoring the ASEAN[5] green/fossil fee league table in Nov 23,[6] which comprises deals from in-scope countries for banks with a minimum of $10mm total fees in the region.

Table 4. ASEAN green/fossil fee league table . Source: AFII, Bloomberg, effective 11 Mar 2024.

Rank	Bank	Net green/fossil	3m change	Total fees USDmn
1	Oversea-Chinese Banking	15.9%	0 ~	229
2	United Overseas Bank	12.8%	1 ↑	338
3	DBS Group	11.6%	-1 ↓	321
4	Government Savings Bank	1.5%	0 ~	52
5	BNP Paribas	1.1%	1 ↑	61
6	CIMB Group Holdings Bhd	0.3%	-1 ↓	356
7	Bank Negara Indonesia	0.0%	**8 ↑**	81
8	HSBC	-1.6%	-1 ↓	182
9	Mizuho Financial	-3.0%	1 ↑	65
10	Siam Commercial Bank PCL	-3.4%	-2 ↓	88
11	Maybank	-3.8%	0 ~	335
12	Standard Chartered Bank	-4.0%	0 ~	175
13	AmInvestment Bank Bhd	-5.7%	**-4 ↓**	110
14	RHB	-6.7%	-1 ↓	168
15	Kasikornbank PCL	-7.5%	-1 ↓	113
16	Bank of China	-7.6%	**3 ↑**	62
17	Bangkok Bank PCL	-7.9%	0 ~	126
18	Deutsche Bank	-8.6%	-2 ↓	56
19	Krung Thai Bank	-10.3%	-1 ↓	101
20	MUFG	-12.6%	1 ↑	168
21	Bank Rakyat Indonesia PT	-15.4%	-1 ↓	54
22	Bank Mandiri	-21.0%	1 ↑	145
23	SMBC	-22.6%	-1 ↓	147

Table 4 shows the most noteworthy rankings observed among the major institutions with deals in the ASEAN region. Due to deal volumes being lower, we show the rankings for three years of data.

The top ranked are Oversea-Chinese Banking and United Overseas bank. Notably at the bottom, both SMBC and Bank Mandiri have increased their fossil fees as well as decreased their green fees since the last ranking.

2. Japan

Table 5 shows the equivalent green/fossil fee league table for Japanese deals and major banks (with a minimum of $10mm in total fees). It is notable that almost no banks have negative net fees. Japan's oil consumption is mostly driven by imported crude oil and the country has no notable domestic production,[7] which makes this an ineffective differentiator.

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[5] A region which comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

[6] For the inaugural analysis please see "Asia bank league table of green and fossil bond syndication fees", AFII, 29 Nov 2023.

[7] "Japan Oil Security Policy", IEA, 18 Aug 2022.

However, it is interesting to note that MUFG, which ranks poorly in the ASEAN green/fossil fee league table, has a relatively high share of green bonds in the Japan region.

ANZ's bottom ranked position reflects their mandated arranger role in a USD 1.475bn loan to JERA, Japan's largest power generation company.[8]

Table 5. Japan green/fossil fee league table . Source: AFII, Bloomberg, effective 11 Mar 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	MUFG	18.9%	0 ~	13 ↑	12 ↑	28.9
2	BofA Securities	13.2%	0 ~	1 ↑	1 ↑	25.4
3	Mizuho Financial	10.3%	0 ~	4 ↑	8 ↑	153.8
4	Daiwa Securities	9.7%	**6 ↑**	5 ↑	11 ↑	99.4
5	SMBC	9.5%	**4 ↑**	6 ↑	2 ↑	126.7
6	Nomura	8.9%	-1 ↓	0 ~	2 ↑	110.6
7	Morgan Stanley	8.8%	1 ↑	5 ↑	-1 ↓	102.4
8	JP Morgan	8.1%	**3 ↑**	-4 ↓	-7 ↓	20.7
9	BNP Paribas	7.2%	**-3 ↓**	-8 ↓	-4 ↓	9.8
10	Citi	7.2%	**-3 ↓**	-2 ↓	-6 ↓	18.4
11	Goldman Sachs	6.5%	**-7 ↓**	-9 ↓	-2 ↓	22.9
12	Credit Agricole CIB	0.0%	0 ~	-2 ↓	-10 ↓	18.4
12	Barclays	0.0%	1 ↑	-7 ↓	-2 ↓	14.5
12	SBI Holdings Inc/Japan	0.0%	2 ↑	1 ↑	0 ~	9.8
15	ANZ Group Holdings Ltd	-2.1%	0 ~	-1 ↓	-2 ↓	13.0

Next in Table 6 we present global fees accrued by Japanese banks.

Table 6. Green/fossil fee league table for Japanese banks. Source: AFII, Bloomberg, effective 11 Mar 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	Nomura	5.5%	0 ~	0 ~	0 ~	422
2	SMBC	-0.7%	2 ↑	2 ↑	0 ~	877
3	Mizuho Financial	-2.7%	-1 ↓	0 ~	0 ~	916
4	MUFG	-4.0%	-1 ↓	-2 ↓	0 ~	928

Here, Nomura ranks highest due to their low share of fossil fees. MUFG comes in at the bottom of the list because of an increase in its fossil fees since last year. A notable recent deal is their co-lead arranger role in a loan to Phillips 66, the American multinational energy company.

[8] For our analysis of JERA's debt please see "[JERA: An enhanced SLB proposal for ambitious transition]()", AFII, 29 Feb 2024.

3. Canada

Table 7 shows the green/fossil fee league table for Canadian banks. These institutions have traditionally been very active in fossil lending, as the net fee numbers demonstrate. The best performer is CIBC, which generates 2.2% more of its total fees from fossil lending than it does from green transactions.

Table 7. Green/fossil fee league table for Canadian banks. Source: AFII, Bloomberg, effective 11 Mar 24.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	CIBC	-2.2%	2 ↑	0 ~	4 ↑	362.4
2	Scotiabank	-7.6%	**3 ↑**	3 ↑	2 ↑	605.1
3	BMO Capital Markets	-7.7%	1 ↑	-1 ↓	-2 ↓	656.1
4	TD Securities	-7.7%	**-3 ↓**	-1 ↓	-2 ↓	736.5
5	RBC Capital Markets	-7.8%	**-3 ↓**	-1 ↓	-2 ↓	936.9

Investor engagement can be regionally specific, and analysis such as this demonstrates that even within a poorly performing universe there can be differentiated results, which suggests a relative improvement can drive impact.

Appendix 1 – Bank ranking methodology

In order to rank banks' performance in supporting access to capital markets, we must first collect data on deals. With a comprehensive universe of securities, we can then conduct rankings, to understand the relative behaviour of banks.

Syndication fees

Syndication fees are USD payments which the bank receives for arranging and organising the issuance. Typically, a number of banks would be involved in a deal, however the fees paid are not flat, with 'lead' arrangers receiving more.

We consider the fee to indicate how much work the bank provided to arrange the bond or loan and how important it was for the issuer to have that bank involved. Banks do not work for free, and issuers do not pay fees that they do not have to.

There is good competition in the market for bond and loan syndication, and so we expect fee levels to reflect bank appetite for certain business, i.e. for a controversial issuer who may have fewer banks offering to represent it, we would expect fees to be higher.

We also look at syndication fees on a relative basis, i.e. what portion of total bank syndication revenues are represented by selected desirable or undesirable activities. This is essential to adjust for the total size of different banks, and so make league table comparisons.

Data collection

Data is collected at the deal level, and then aggregated to provide rankings.

We restrict the population only to vanilla deals, to get a good overview of the market. The following are excluded: variable interest redemptions, bonds without warrants or that are credit linked, convertibles, retained deals, and schuldscheins. Self-led deals must have a transaction amount above USD 50mm. Deal call, put and maturity length must be more than 540 days. Only deals with an effective date within the specified time window are included.

Eligible securities, both bonds and loans, are identified in Bloomberg, alongside the fees paid to participating banks. Where fee information is not available, they are estimated using Bloomberg's Bond Fee Model that leverages as-reported values where available to predict non-reported fees based on issuer and security-level information.[9]

Current fees are collected over a one-year rolling window. We collect data for the past three years, to calculate two years' of rolling fees, in order to understand changes in behaviour. This means that for tables which are effective 11 Mar 2024 (as the tables in this document are), the initial ranking uses an observation period of 11 Mar 2023 - 11 Mar 2024, and earlier periods are used accordingly.

This granular dataset can also be used to identify individual transactions that may be mis-aligned with a bank's sustainability policy, and therefore present an engagement priority.

[9] For more information see the Wallet Share Fact Sheet in the LEAG help section in Bloomberg.

Ranking

The dataset above gives us, for each institution and period, fees generated from the undesirable behaviour we are seeking to discourage, fees generated from desirable behaviour we are seeking to encourage, and total fees which are used to consider relative performance.

The metric used for ranking is a percentage, as per the below calculation:

$$Net\ aligned\ fee\ share\ for\ bank_i = \frac{\sum_{r=1}^{m} Aligned\ fees_r - \sum_{r=1}^{n} Non\text{-}aligned\ fees_r}{\sum_{r=1}^{p} Total\ fees_r}$$

where *m, n, p* are the total number of relevant deals for bank *i* in the specified rolling window.

When both positive and negative behaviour is included, the net fees for consideration can be positive or negative, and a further analysis can consider this an important delineator of overall performance.

Clearly, the net fee number will be dependent on market conditions, e.g. there may be greater need for issuances in certain sectors versus others,[10] which makes it useful to look at net fee shares on a relative basis within certain groups of banks, rather than an outright number. We create this relative comparison simply by ranking peer groups of banks. The ranking is monitored over time, with changes in ranking being identified and analysed. This gives a real-time estimate of how the bank is behaving in the market in terms of their focus in facilitating deals that are undesirable.

Appendix 2 - 'The Box" implementation

We propose the following implementation procedure for 'The Box':

1) Generate a league table of banks' syndication activities, using preference for climate-aligned activities.

2) Communicate to the bottom-ranked banks that they are 'at risk' from fee-generating activity exclusion, either bilaterally or publicly. A bilateral discussion is likely to be better at driving direct alignment with the individual counterparty, as there is less stigma attached to it, whereas a public announcement is likely to cause friction among all counterparties. The pre-exclusion discussion is also important to verify the underlying data for the process, noting that fee data can have certain imprecisions.

3) Execute and communicate a de-selection for the poorest performing bank(s) in terms of business flows. For example:

    a. Asset owners/managers: De-list the institutions from the eligible counterparty list for new trades for a certain set of products such as cash bonds, credit derivatives, IR swaps and futures, FX transactions. On primary market transactions, communicate such preferences to the syndicate.

    b. Bond issuers: De-list the institution from syndicating bond deals or executing other financing transactions over the boxed period.

[10] For example, renewable energy structurally has larger funding need in a build-out compared to oil and gas companies that may be almost self-financing through cash flows in already established activities.

4) After a pre-set period, say 3-6 months, repeat the process starting at step 1. An advantage of this process is that the feedback, positive or negative, can be relatively quick and contained within single compensation cycles, thus driving short-term behaviour more efficiently than an annual cycle.

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