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Corporate Treasurer Buying Behavior: Post-Financial Crisis

June 2010

Agenda

- Background
- Report Highlights
- Essential Guidance
- Questions and Answers

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Background: Objectives

- As we emerge from the Financial Crisis, both Corporate Treasurers and their Financial Services providers want to ensure that they are managing their relationships effectively.

Financial Services Providers	Corporate Treasurers
Ensure that they will be able to **retain strategically important relationships** and be in position to **win new clients.**	Balance new concerns about **counterparty risk** with the drive **for provider consolidation to increase efficiency**.

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Background: What is the New Normal?

- To best develop a strategy to manage corporate-provider relationships, both financial services providers and corporate treasurers must begin to understand **how corporates have changed their buying behaviors** in the post-crisis environment.

"Assumptions are the termites of relationships"
- Henry Winkler

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Background: Corporate Buying Behavior

- Treasury Strategies' and Financial Insights' latest research report on Corporate Treasury Buying Behavior unearths the emerging trends in how corporates are purchasing services from their financial services providers.

- This presentation will review highlights of the report and preview some of our analysis about the implications of our findings.

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Background: Provider Survey

- Primary source of findings for Corporate Treasury Buying Behavior Report
- Online survey taken in 4Q 2009
  - 181 corporates
  - 29 financial institutions
- Corporates answered questions on their financial service provider structures, any changes made and key buying criteria
- Financial Institutions answered questions on the nature and health of their credit, liquidity, trade and treasury management businesses

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Report Highlights

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Executive Summary: Relationship Turmoil

- **35% of the corporate respondents to our Provider Survey increased or reduced the number of treasury management providers they used in 2009**, with many still considering change in 2010.

- Many of these changes were directly linked to the chaos and uncertainty in the financial services market.

- Banks **have seen increases in the number of their treasury management clients**, but not necessarily a correspondent increase in fees or transaction volumes.

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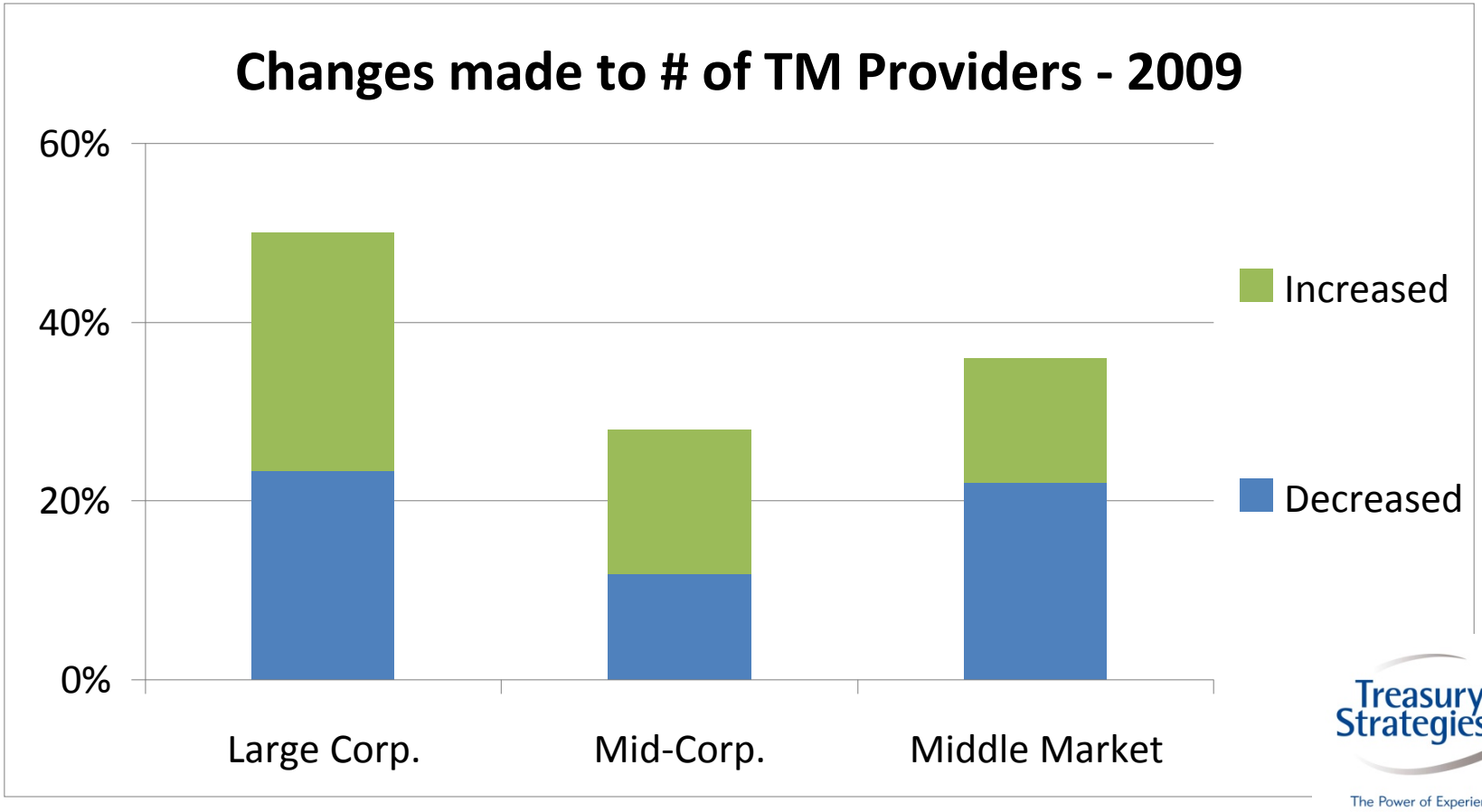
High Relationship Turnover in 2009

- **Over a quarter of corporates** in each revenue segment made changes to the number of providers in 2009.



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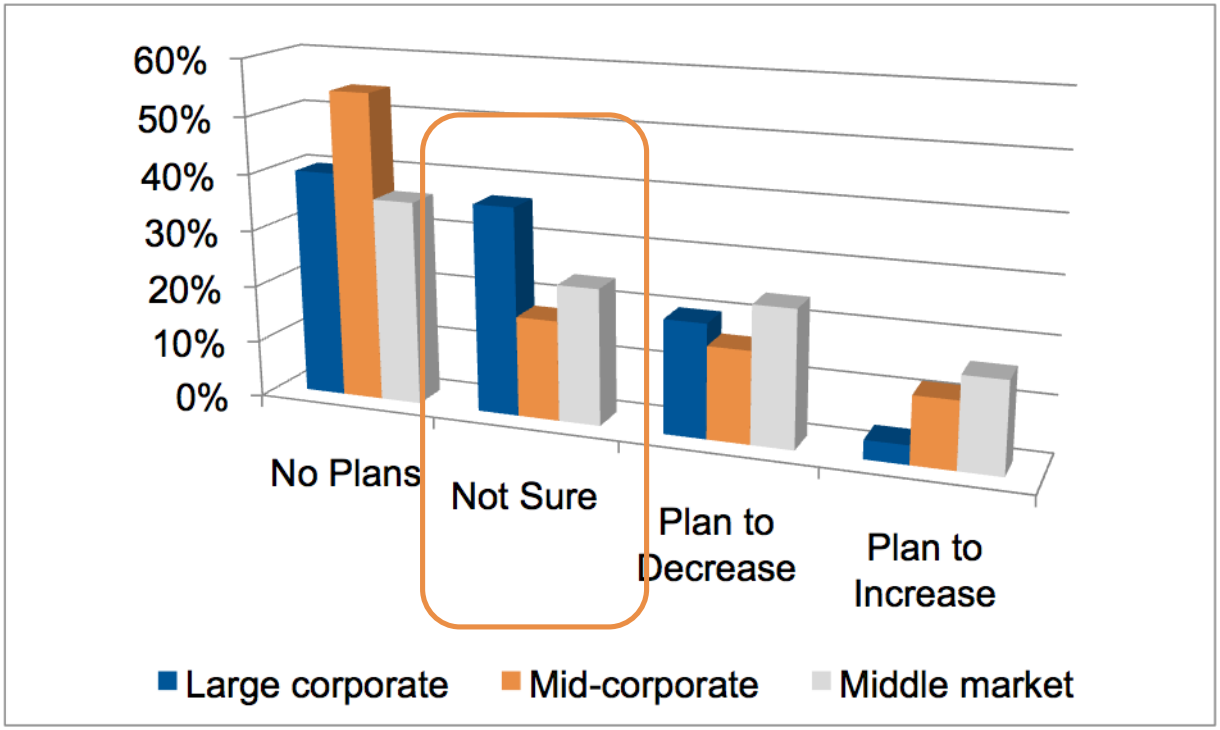
Uncertainty Lingers in 2010

2010 Plans to Change # of TM Providers



Levels of uncertainty are higher than normal

- acquired bank clients
- concerns abut counterparty risks
- need to secure new credit sources first

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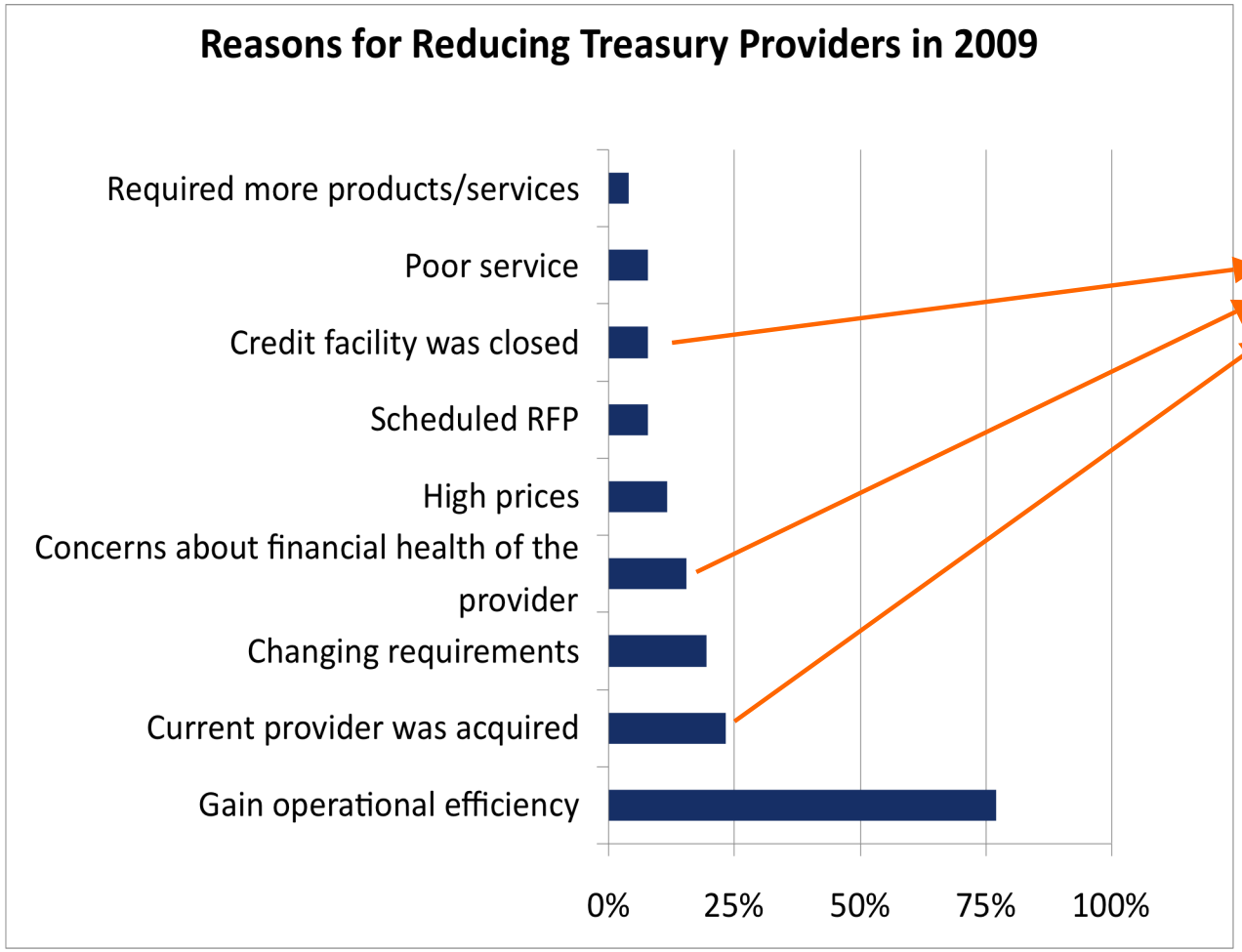
Reasons to Reduce Providers



- 46% who reduced providers, did so as a result of the financial crisis
- 77% made reductions as part of a continuing effort to streamline relationships

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Corporate Poll Question

- How have concerns about counterparty risk impacted your financial provider relationships?
  - I have added providers, or am planning to add providers, to increase diversification
  - I have eliminated specific providers, or am planning to eliminate specific providers, due to concerns about counterparty risk
  - I am not concerned about counterparty risk
  - I have not made any changes and have no plans to do so

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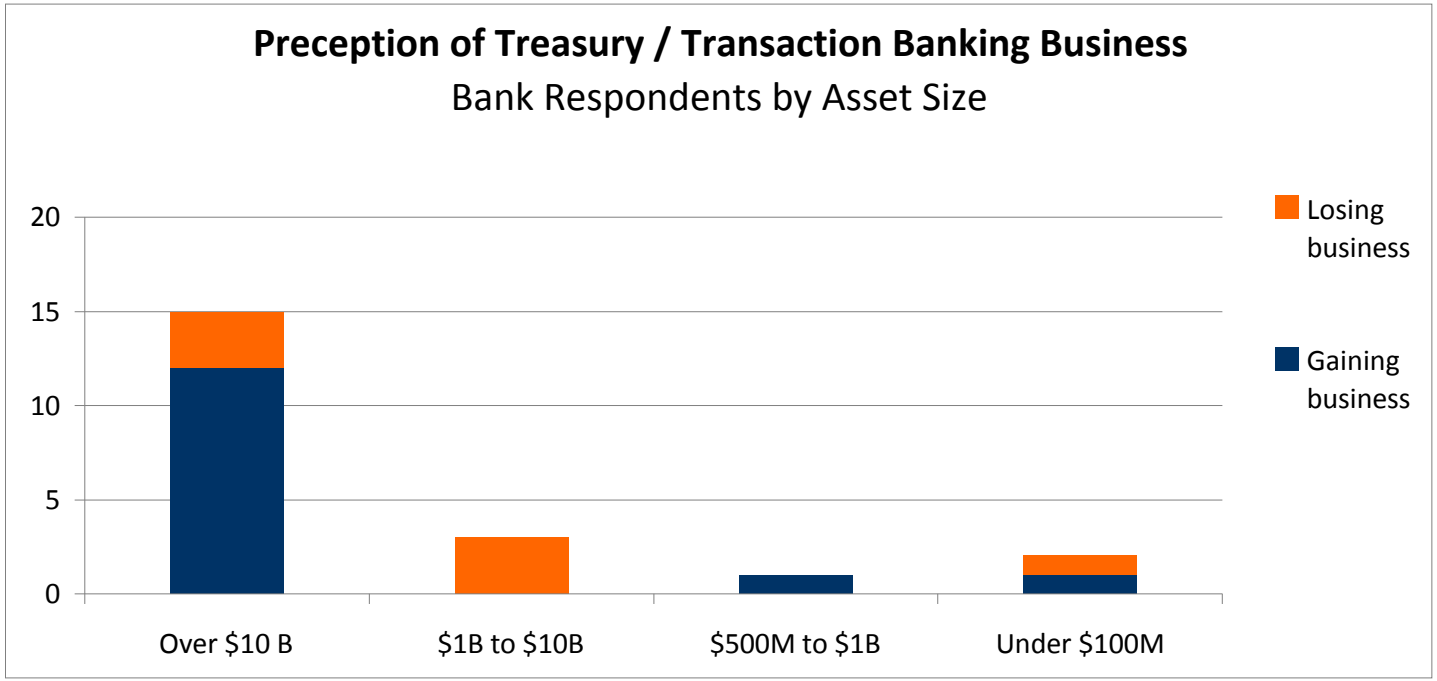
Banks are Bringing in More Clients

- A majority of the respondents to our provider survey reported that they are gaining business (more clients) compared to a year ago.



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More Clients ≠ More Revenue

- Though banks are gaining clients, corporates are also increasing the number of providers they use - leading to a **significant risk to banks of losing share of wallet.**
  - Large corporates are the least loyal and most likely to shift volumes between banks.
  - Smaller firms are much more reliant upon bank credit and more likely to completely close relationships to move to another bank.

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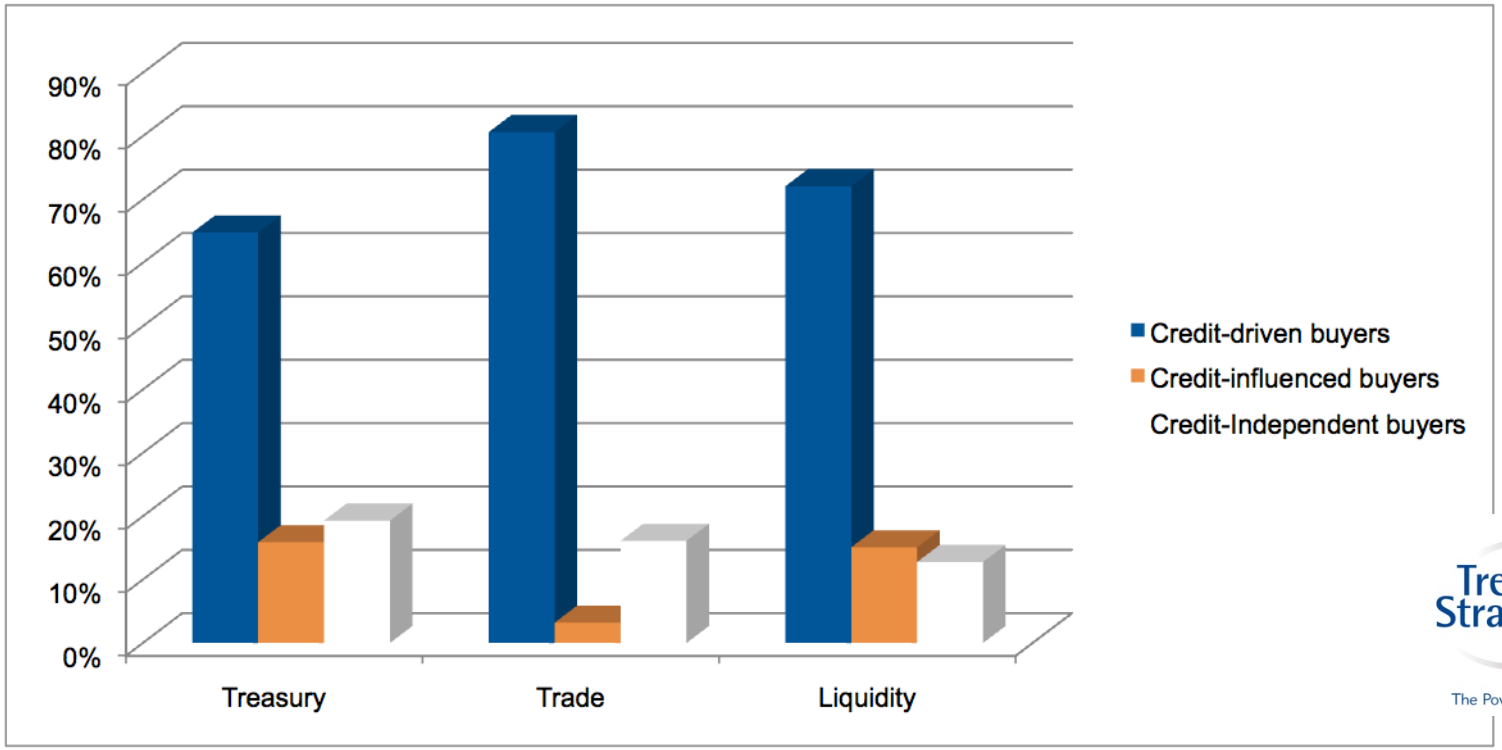
Credit Driving Buying Decisions . . . for Now

- The linkage between providing credit and winning wallet for non-credit banking services is the strongest we've ever seen - **but will it last?**

Credit Linkages for Non-Credit Commercial Banking Services



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Providers Poll - Share of Wallet

- Do you know how your bank's treasury / transaction share of wallet has performed over the past year?
  - Yes, this is something that we track with internal metrics
  - Yes, I know this anecdotally
  - No
  - What's share of wallet?

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Essential Guidance - Corporates

- Last year in our Key Trends Survey, we found that counterparty risk was the top concern for corporate treasurers. Now, pro-active counterparty risk management is an emerging best practice.

- A counterparty risk management strategy involves the following:
  - Monitor
  - Mitigate
  - Move

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Essential Guidance - Financial Services Providers

- In light of the relationship churn that will continue through 2010, banks need to:
  - Improve customer attrition reporting and analysis
  - Invest in products that are the right fit for clients now
  - Ensure the bank is receiving adequate ancillary business for its credit wallet

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Reports

- Published Report
  - **Business Strategy: Corporate Treasurers and Buying Behavior — Treasury and Transaction Services**
    Mar 2010 - Doc # FIN222237
- Upcoming Reports
  - **Business Strategy: Corporate Treasurers and Buying Behavior — Credit Services**
    June 2010 - Doc # FIN223863
  - **Financial Provider League Tables**
    July 2010 - Doc # TBD
- Ongoing Research
  - Liquidity management trends and providers

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Questions and Follow Up

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