

TRADING | TREASURY | TECHNOLOGY

2007

European Corporate Treasury Research Programme



The Power of Experiences[®]



2007 European Corporate Treasury Research Programme

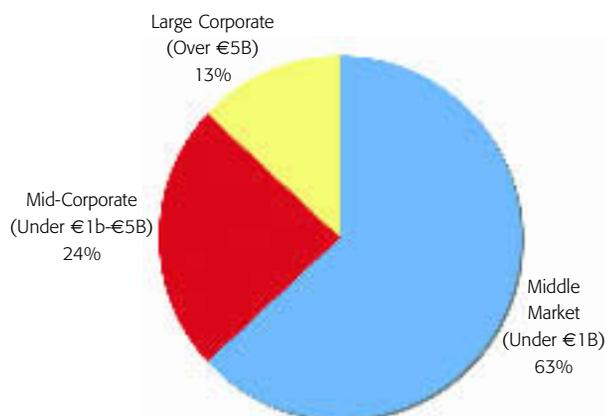
Introduction & Research Methodology

FX&MM and Treasury Strategies, Inc. are pleased to present the results of the 2007 European Corporate Treasury Research Programme. This year's research programme covers the treasury management practices of 511 European corporations with annual turnover ranging from €200 million to over €5 billion. The questionnaire responses were collected through telephone interviews conducted in October 2006. Treasury Strategies collected 511 responses in total, from companies in a variety of industries across western Europe. They compiled the questionnaire responses, thoroughly reviewed the data for any errors or outliers, and performed the analysis.

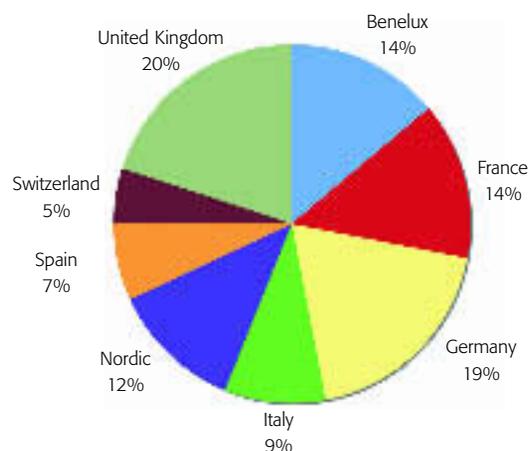
Respondent Overview

- 511 companies are represented from a diverse range of revenue segments and industry sectors.
- Respondents are located across Western Europe (Benelux, France, Germany, Italy, Nordic countries, Spain, Switzerland, and the United Kingdom).
- 93% of the companies are headquartered in Europe.

Respondents by Annual Turnover



Respondents by Country/Region



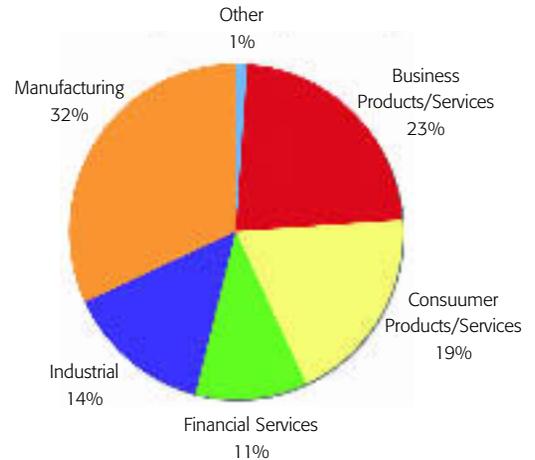
Research Findings

Introduction

The results of this year's survey show treasury departments in Europe are evolving toward long-established objectives of providing liquidity, global control, and straight-through efficiency across the enterprise. However, are treasurers and their financial services providers moving quickly enough to ready themselves for the coming transformation of global treasury? Some key findings suggest this is an open question:

- Nearly 60% of European companies do not consider bank SEPA initiatives a high priority.
- Less than 30% of companies place a high priority on key banking industry initiatives such as direct SWIFT connectivity, globalization of messaging standards, and continuous linked settlement.
- Less than 50% of firms have established performance metrics for treasury.
- Over 20% of corporate treasury departments do not have responsibility for currency risk management.
- Less than 40% of European companies perform cross-border pooling or cash concentration.
- Over 70% of European liquidity resides in overnight investment instruments such as bank deposits.

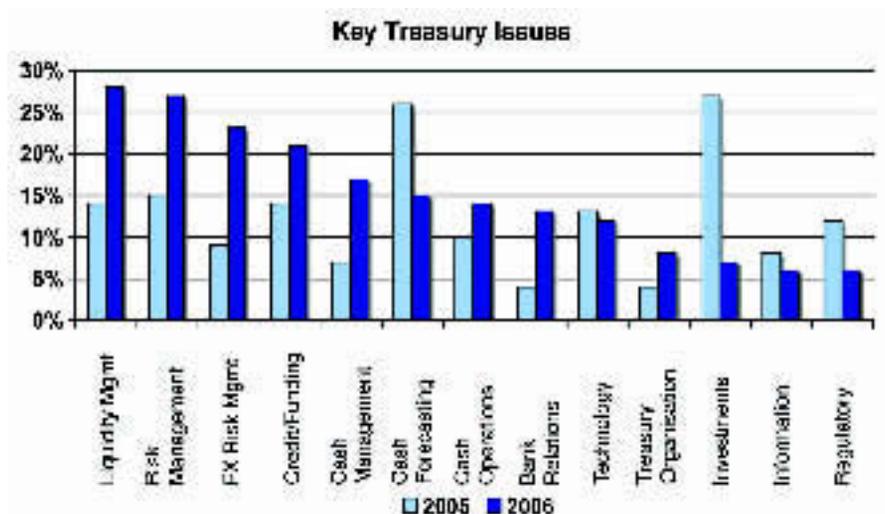
Respondents by Industry



Nevertheless, these statistics mask the great diversity that remains the central characteristic of treasury management in Europe. A middle market manufacturing firm in Italy may face an entirely different set of challenges and opportunities than a global consumer goods company based in Switzerland. Beneath the averages, we found an elite group of firms – large and small – that are partnering with the world's leading financial institutions to drive the pace of innovation.

Treasury Issues

- Liquidity management is once again the leading issue for European treasury departments, cited by nearly 30% of respondents. The CFO continues to drive treasury to gain more control and access to cash globally for more growth, investment, or to pay down debt.
- Risk management issues – particularly foreign exchange risk – were cited by over 25% of respondents. Key concerns included volatility of the Euro against the US dollar, the de-pegging of the Chinese RMB, and commodity price fluctuations.
- Investment as a key dropped significantly from 2005, with far fewer companies citing concerns about low investment yields and other investment issues.



Treasury Organization

- Key functions of global cash management and foreign exchange/risk management are outside treasury's scope in 20-50% of companies.
- A significant number of corporate treasury departments hold a broad portfolio of responsibilities, covering areas such as commodity risk management, mergers and acquisitions, and pension management.

Banking Relations
Domestic Cash Management
Treasury Systems
Cash Forecasting
Borrowing/Financing
Investing Operating Cash

**Over 80% of Companies
Include These Functions in
Treasury**

Foreign Exchange/Risk Management
Interest Rate Risk Management
Global Cash Management
Bank Reconciliation
Corporate Finance
Capital Markets/Trading

**50% - 80% of Companies
Include These Functions in
Treasury**

Balance Sheet Planning/Management
Insurance/Operating Risk Management
Mergers & Acquisitions
Tax
Investor Relations
Commodity Risk Management

**20% - 50% of Companies
Include These Functions in
Treasury**

Pension/Benefits
Real Estate

**Fewer Than 20% of Companies
Include These Functions in
Treasury**



Financial Services Providers

- The banking industry across Europe as a whole remains relatively dispersed, with no bank utilized by more than 16% of the respondents.
- However, quite a different picture emerges within individual countries where a small group of national institutions still hold dominant positions in their home territories.
- Nevertheless, we observed this year the emergence of a small group of pan-European institutions such as Deutsche Bank, BNP Paribas, HSBC, and Unicredit, who achieved top five positions across several countries outside their core markets. These banks have recognized the value of the global/pan-European value proposition and the necessity to expand outside of saturated home markets.
- The linkage between credit and transaction services remains strong. The top three providers this year – Deutsche Bank, BNP Paribas, and HSBC – are the top three transaction services providers as well. However, certain banks, such as UBS, have succeeded in achieving a high level of penetration for transaction services while providing credit to fewer companies than their competitors.
- The market for trade services appears to be fragmented, with the leading provider, Deutsche Bank, servicing less than 6% of companies.

Top Credit Providers

Rank provider	Companies using %
Deutsche Bank	16
BNP Paribas	15
HSBC	12

Top Transaction Providers

Rank provider	Companies using %
Deutsche Bank	21
BNP Paribas	16
HSBC	16

Top Trade Service Providers

Rank provider	Companies using %
Deutsche Bank	6
BNP Paribas	5
Fortis Bank	5



Karin Hatzmann
 Managing Director
 Deutsche Bank Trade Services

"We are delighted to see the results of the European Corporate Treasury Research Programme confirming the high attention we pay to delivering customer-focused trade finance services to a wide customer base across all segments in the European market. In our view, it is the combination of a comprehensive product range with a seamless delivery that extends beyond deal or project work into the ongoing day-to-day operations and the swift dealing with problem resolution where we differentiate ourselves from our competitors. Deutsche Bank puts a great emphasis on the way in which products and services are delivered within our transaction banking franchise. To maintain and drive top standards in this field, we continuously apply the internationally accredited Six Sigma quality measures to our Trade Service operations and consistently seek to further improve our client proposition. In this respect, we consider ourselves a leading institution in the European Banking sector. However, there is no room for complacency in a market, which is characterized by a high degree of commoditization and standardization. This is why we also pay a great deal of attention to the appropriate technical upgrades of our systems and the integration with customer systems. Our leading electronic banking system, db-direct internet integrates our cash management and trade finance online delivery and plays an important part in our overall service delivery to clients."

Top Trade Services Providers by Company Turnover

- The market for trade services appears to be fragmented, based on respondent feedback. In the large corporate segment, Citibank has a large share, while HSBC leads the mid corporate segment and Deutsche leads the middle market.
- Deutsche Bank is the only bank that appears on the top 5 list in all three segments, indicating that there appears to be opportunity for cross-selling by other providers of trade services.

Middle Market	Companies Using %
Deutsche Bank	6.9
Fortis Bank	6.4
Dresdner Bank	5.9
BNP Paribas	5.9
Nordea Bank	5.4

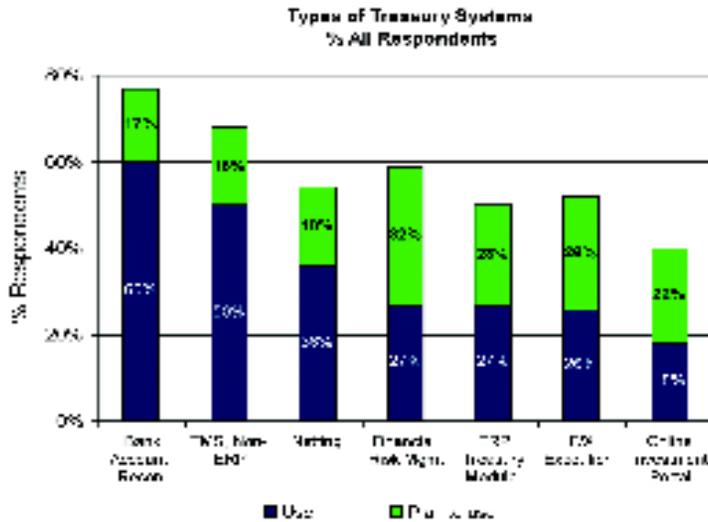
Mid-Corporate	Companies Using %
HSBC	9.7
SEB Bank	4.2
Royal Bank of Scotland	4.2
Deutsche Bank	4.2
Calyon Bank	4.2

Large Corporate	Companies Using %
Citibank	14.6
Nordea Bank	9.8
Deutsche Bank	7.3
ABN AMRO	7.3
SEB Bank	4.9



Treasury Technology

- Corporate plans for implementation of new or enhanced treasury technology remain extremely strong.
- There is a strong appetite for solutions that improve controls and reduce risk – such as systems for bank account reconciliation and financial risk management.
- Interest in recent innovations such as web portals for investing and FX trading show the most dramatic growth outlook.
- The continuing struggle for market share between ERP and third-party treasury management systems continues. A higher proportion of companies are planning to pursue an ERP strategy this year.



Top TMS (ERP)	% of Companies using
SAP	91%
Internally Developed	5%
Other	2%

Top TMS (Non ERP)	% of Companies using
XRT	47%
SunGard	19%
Wall Street Systems (Trema)	13%

Top Treasury Management System Providers

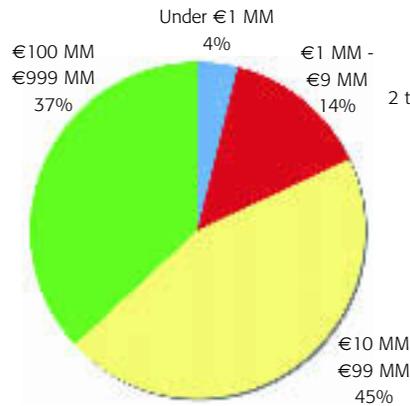
- XRT had a commanding lead in the market for third-party provided workstations. SunGard and Wall Street Systems (formerly Trema) follow, but they have less than half the user base of XRT. In January, SunGard announced that it had acquired XRT's high-end treasury product lines.
- Treasury management systems are used by about half of all companies. Among those who do not use this technology, 18% plan to implement in the near future.
- Use of ERP treasury modules is lower than that of third-party systems, with only 27% having implemented such solutions. However, 23% have plans to implement.
- SAP controls the ERP treasury module market in Europe with 91% market share. Those not using SAP are running internally developed solutions.



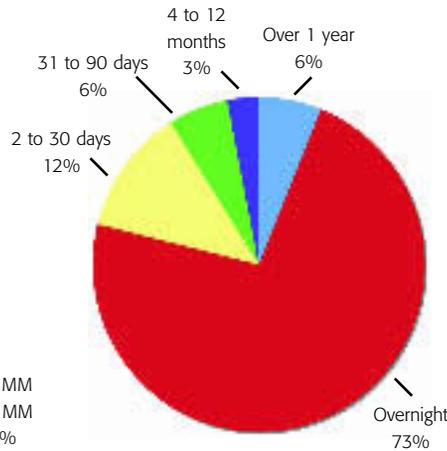
Liquidity Management Practices

- Nearly half of all companies have liquidity portfolios between €10 million and €99 million.
- Maturities are extremely short, reflecting the popularity of passive investment vehicles such as deposit accounts.
- Despite the continuing development of the European funds market over the past several years, penetration remains relatively low – only 10% utilize money market funds.
- Companies employ a diverse array of techniques for concentrating cash within Europe. Driven by regulatory and tax issues, many respondents are using combinations of domestic vs. cross-border and physical vs. notional solutions. Banks with pan-European aims will need to offer an array of solutions in order to comprehensively cover the marketplace.

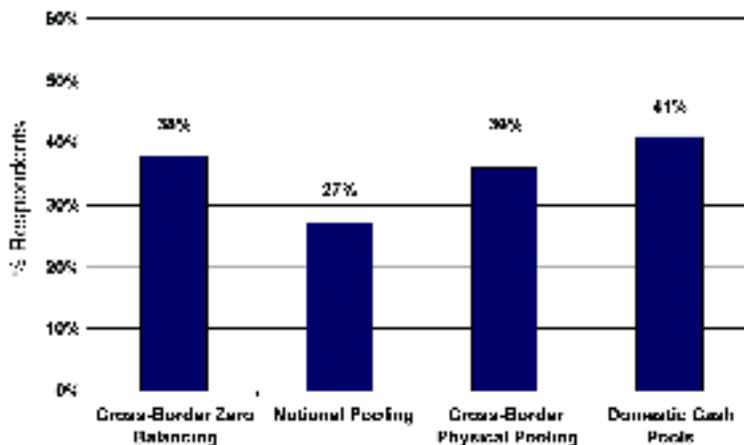
Distribution of Companies by Portfolio Size % Respondents



Investment Maturity Mix All Respondents



Liquidity Management Structure All Respondents



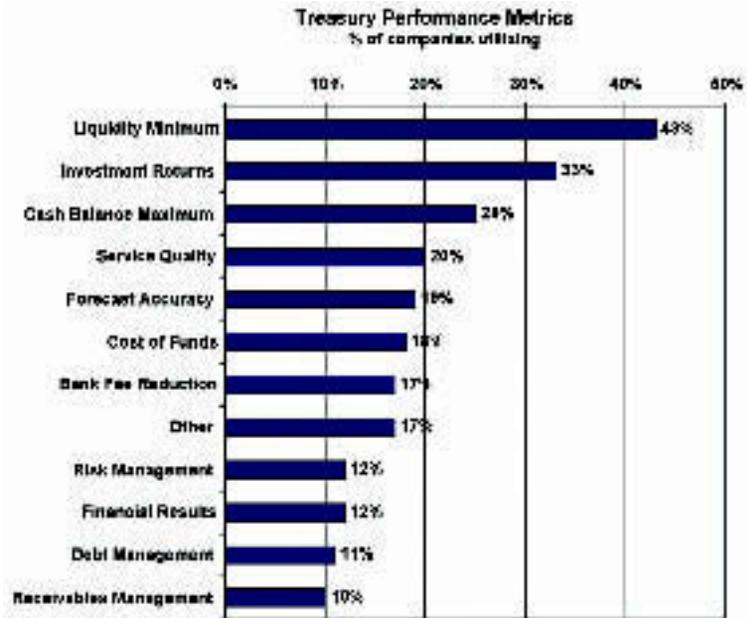
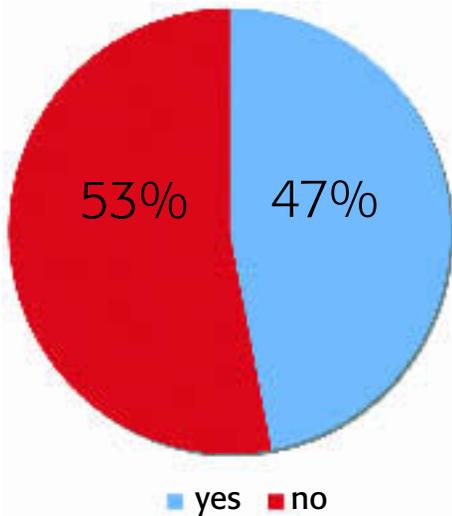
Daniel Cotti
Head of Global Products, Transaction Banking
ABN AMRO

“Our focus is on being the best trade bank for our clients by providing efficient services where they need and when they need. ABN AMRO has built up a specialist knowledge of trade services over 180 years. This allows us to ask our clients the relevant questions, understand their specific needs and provide them with flexible trade services solutions that are right for them. ABN AMRO also has one of the largest global banking networks. This means that we can help you do business wherever your opportunities may take you. We combine a deep understanding of international trading processes with a detailed knowledge of local business conditions, market regulations and industry practices. The survey results reflect our market leadership - we are trusted by our clients to provide the most efficient services for their trade and supply chain needs.”

Performance Measurement

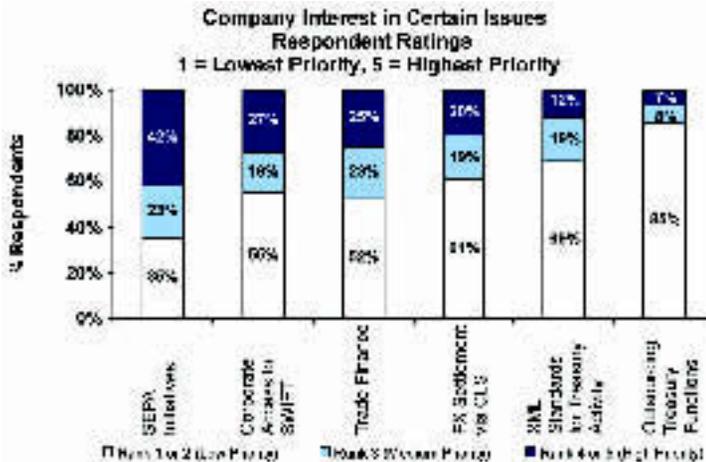
- Almost half of companies have established metrics for measuring Treasury's performance.
- Companies that measure performance are most likely to focus on the areas of access to liquidity and investment returns.

Is Treasury's Performance Evaluated Based on Metrics?



Interest in Broad Banking Initiatives

- Many companies expressed low or medium levels of interest when asked about key initiatives in the banking industry including SEPA, corporate access to SWIFT, XML standards for messaging, and continuous linked settlement of foreign exchange. Financial Service providers have a clear opportunity to articulate strategies to help corporations understand and successfully apply these emerging initiatives.



we can show
the marketplace
business of
understand

every old friend
starts as
a new one.

Treasury Strategies
can help. We
just in the business

Treasury Strategies understands the power of relationship.

We're not only in the business of treasury consulting, we're in the business of knowing you.

For 25 years, we have helped you understand the marketplace, strengthen your organization, and carry you through the challenges you face.

Our relationship harnesses the Power of Experience

Treasury
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The Power of Experience™