Agenda

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

<table>
<thead>
<tr>
<th>Financial Services Providers</th>
<th>Corporate Treasurers</th>
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<td>Ensure that they will be able to retain strategically important relationships and be in position to win new clients.</td>
<td>Balance new concerns about counterparty risk with the drive for provider consolidation to increase efficiency.</td>
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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
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.
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
Report Highlights
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.
High Relationship Turnover in 2009

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

![Chart showing changes made to the number of TM Providers in 2009 for Large Corp., Mid-Corp., and Middle Market segments.](chart.png)
Uncertainty Lingers in 2010

Levels of uncertainty are higher than normal

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

2010 Plans to Change # of TM Providers

- Large corporate
- Mid-corporate
- Middle market
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
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
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.
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.
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
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?
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
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
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
Questions and Follow Up

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Contact Us

Scott Musial
Senior Consultant
Treasury Strategies
312-628-6967
scott_musial@TreasuryStrategies.com

Jeanne Capachin
Research Vice President, Global Banking
IDC Financial Insights
508-988-6719
jcapachin@financial-insights.com