



Post-Brexit Hangover

Bank Remedies Short of Clear and Effective Advice for Corporates

Webinar

September 1, 2016

Today's Speakers



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About Greenwich Associates

Greenwich Associates is the leading provider of global market intelligence and advisory services to the financial services industry

- We provide unique market information, insights and advice to help clients:
- Improve their business performance
- Drive product strategy & development
- Increase sales effectiveness
- Gain a significant competitive advantage
- Enhance operational performance
- Optimize development initiatives
- Transform their business to improve every aspect of customer experience

Firm Facts:

- Founded in 1972
- Privately held
- Headquartered in Stamford, CT, with regional offices in Pleasanton, CA, Toronto, London, Singapore, and Tokyo

By the numbers:

260+ Sell-Side Clients
in the financial services industry

350 Employees
throughout the United States,
Canada, Europe, Asia, and Japan

60,000 Annual Interviews
with buyers of financial services

150 Executive Interviewers
gather data in 70 countries in 14
languages

310,000 Universe of Experts
unique buy side contacts

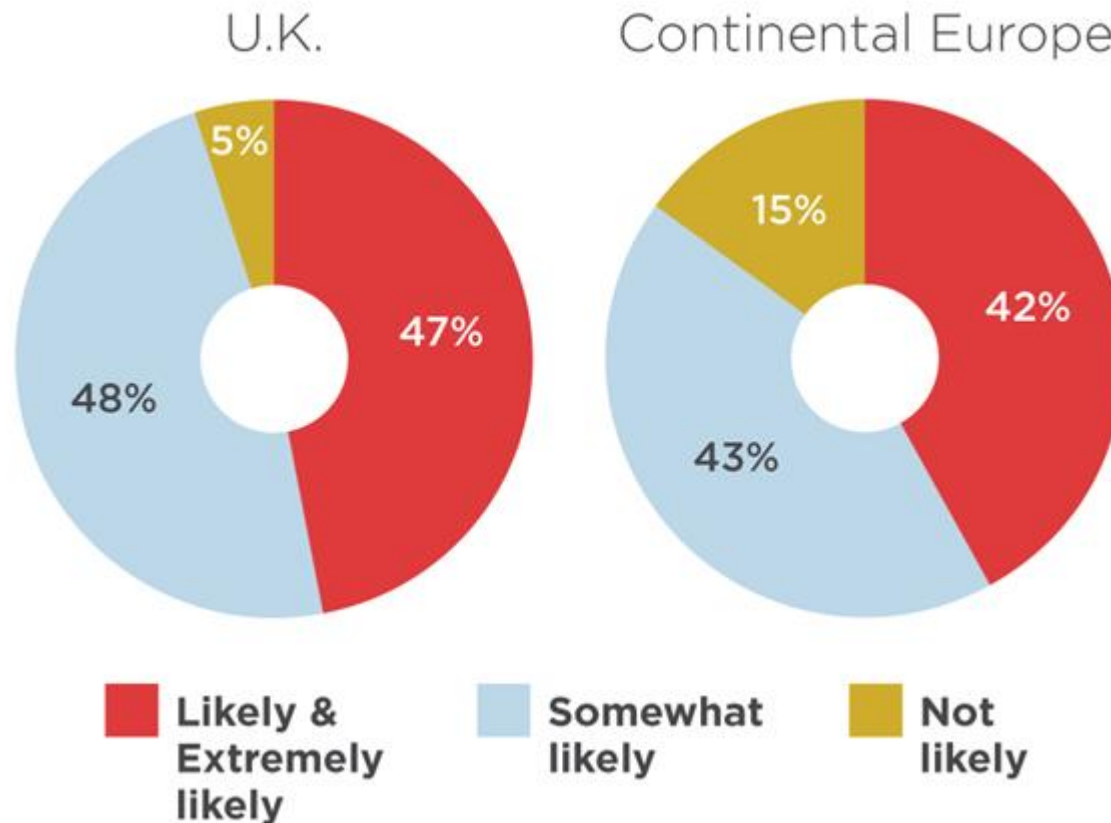
Study Overview

Between July 12-27, 2016 Greenwich Associates conducted 128 interviews with corporate treasury professionals at corporations with sales in excess of €500 million of which 35 were domiciled in the U.K. and 93 on the Continent.

Subjects covered included how the vote is impacting companies' businesses, operations and bank relationships and how effective their banks have been communicating changes following the U.K. referendum.

Pre-Brexit: How Will the U.K. Vote on June 23rd?

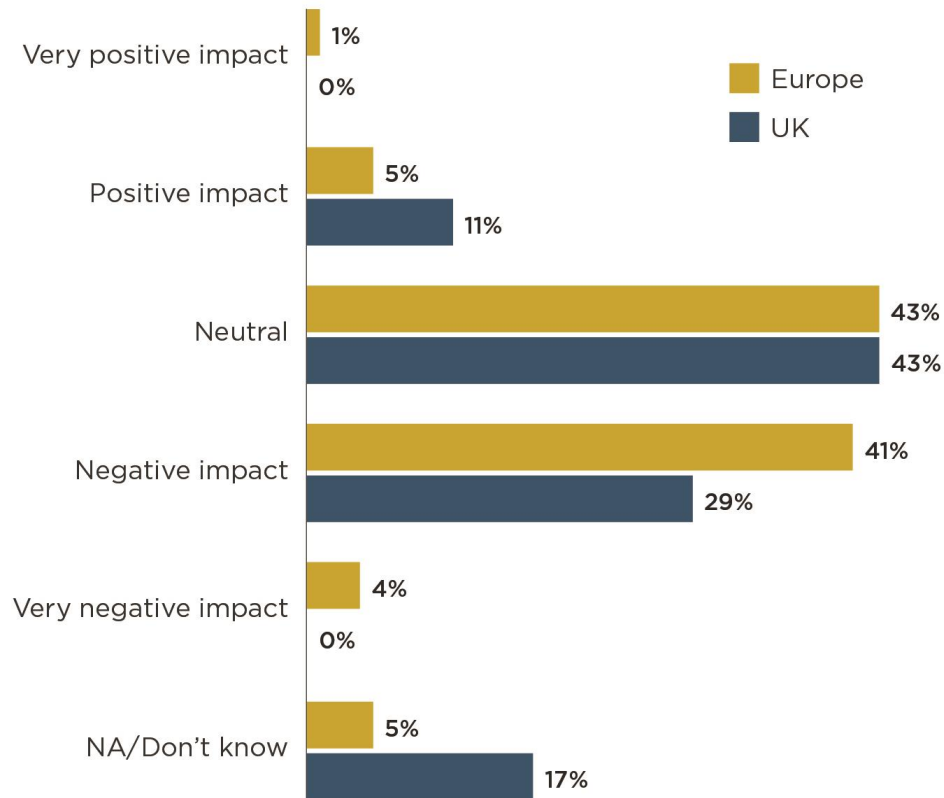
Almost half of U.K. corporates were confident that the U.K. would vote to remain, while European corporates were slightly more skeptical



Source: Greenwich Associates 2016 – Apr-May interviews

Post Brexit: A Negative Expected Long-Term Outlook

45% of Continental Europe corporates and almost 30% of their U.K. peers believe the long-term impact of Brexit to be negative or very negative

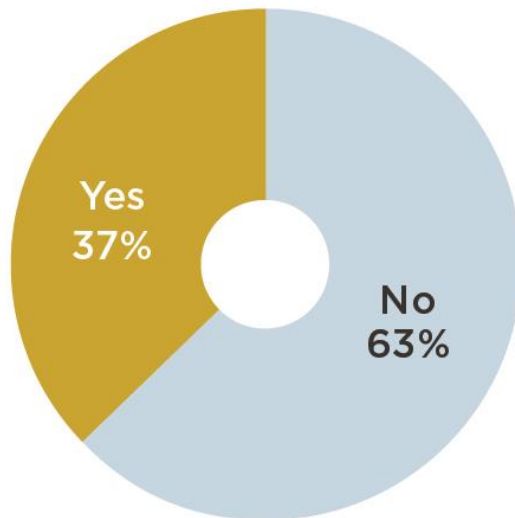


Source: Greenwich Associates, 2016

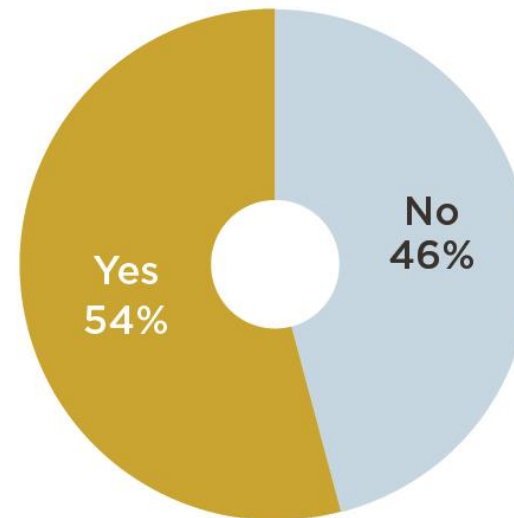
What Will Happen to U.K.'s Passporting Rights?

The majority of Continental corporates anticipate that the financial services industry in the U.K. will lose its EU passporting rights

United Kingdom



Continental Europe

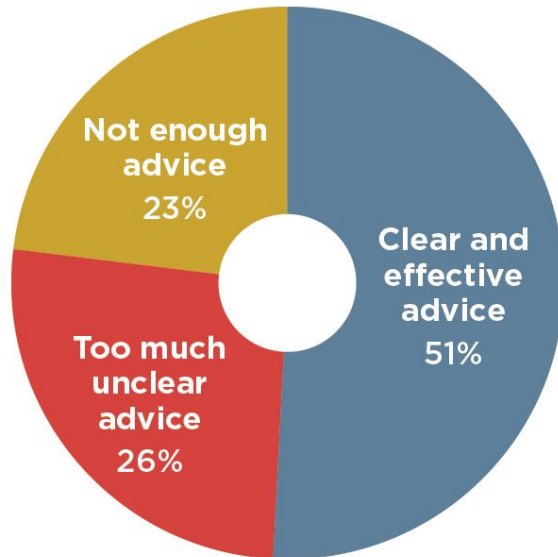


Source: Greenwich Associates, 2016

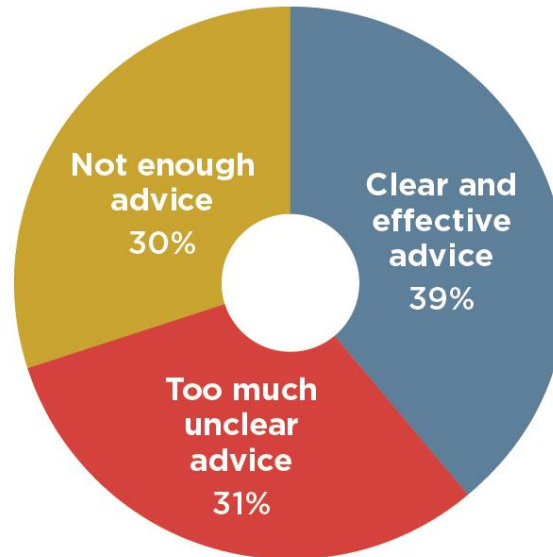
Banks' Communications Following the Referendum

Banks have fallen short in providing clear and effective advice, particularly in Continental Europe

United Kingdom



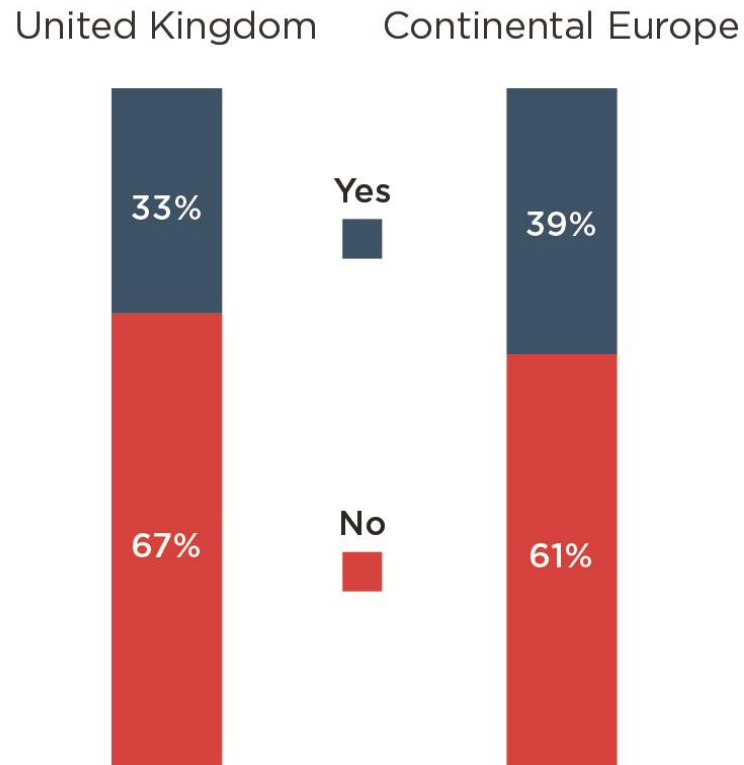
Continental Europe



Source: Greenwich Associates, 2016

Taking Action Following Any Given Advice

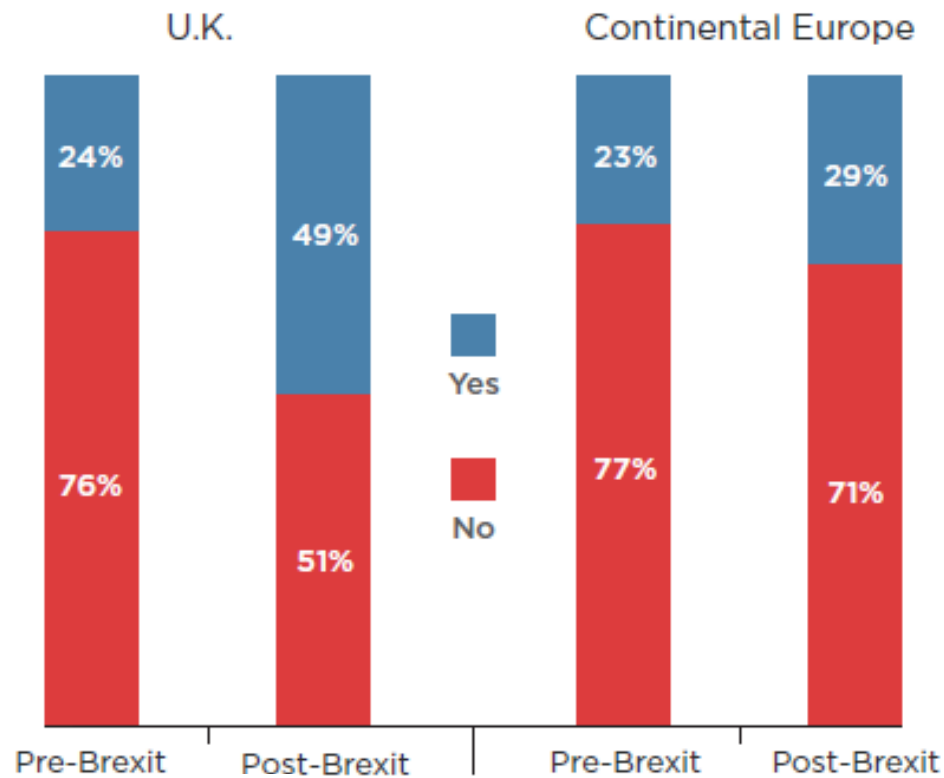
Of those corporates that have received advice, over a third have subsequently taken action, or are planning to do so



Source: Greenwich Associates, 2016

Revisiting the FX/IR Hedging Strategy

Almost half of U.K. corporates and nearly 1 in 3 companies on the Continent have revisited their FX/IR hedging strategies



Source: Greenwich Associates, 2016

Top Banks Cited for Brexit Guidance

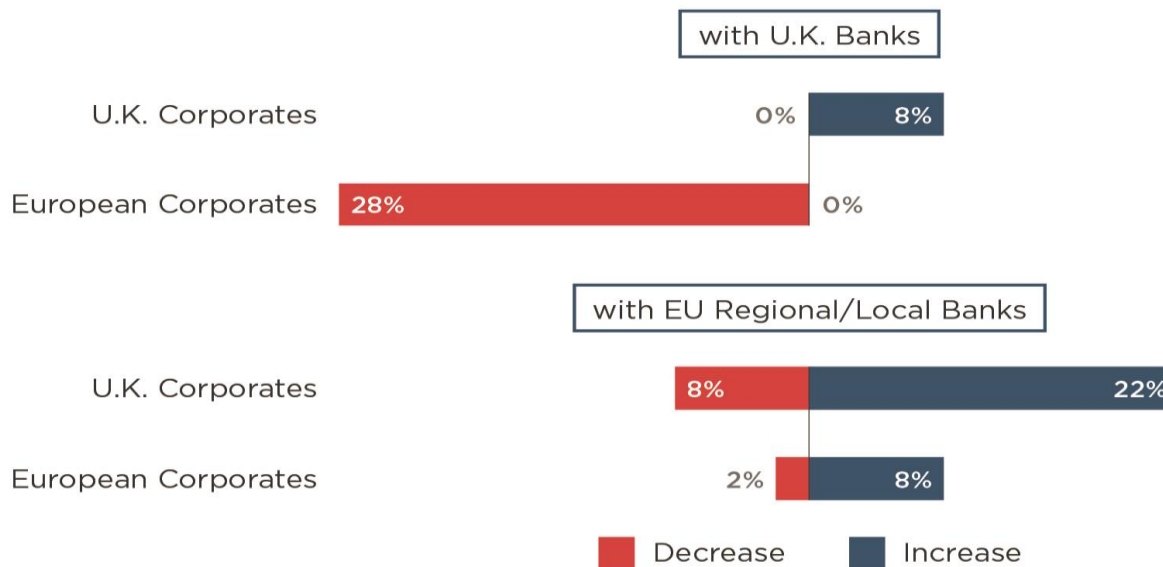
Banks providing the best ideas and solutions relating to Brexit remains largely unchanged from the pre-Brexit vote

| BEFORE the Brexit vote | AFTER the Brexit vote |
|---------------------------|--|
| 1. HSBC | 1. HSBC |
| 2. BNP Paribas | 2. BNP Paribas |
| 3. Citi Deutsche Bank | 3. Citi |
| 4. Barclays | 4. Barclays |
| 5. Lloyds Nordea | 5. Deutsche Bank J.P. Morgan Nordea RBS |

Source: Greenwich Associates, 2016

Brexit Puts Corporate “Money In Motion”

A significant percentage of Continental European corporates plan to reduce business with U.K. banks, while EU Regional/Local Banks will realize a larger share of U.K. business



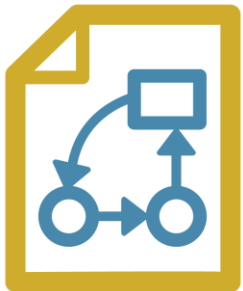
Source: Greenwich Associates, 2016

Primary Post-Brexit Steps Taken by Corporates



Manage FX Exposures

- “Manage FX volatility, ensure liquidity positions are appropriate to the risks, ensured communication internally based on latest information is clear and effective” (England)
- “Intense exposure analysis followed by hedging strategies” (Germany)



Change Hedging Strategy

- “Pre-referendum we looked in detail to additional non functional currency exposures on contracts that weren't hedged and entered into 2.5 year forward contracts to hedge these. All our debt and IR exposures were hedged already” (Netherlands)
- “Reviewed FX hedging strategy pre- and post-Brexit” (England)



Uncertainty

- “Postponing decision to move activities to London as it was planned before Brexit” (Belgium)
- “Scenarios dependent on what will happen these months” (Denmark)
- “Ensured plenty of liquidity available in the event of a slow down in the European economy” (England)

Most Significant Post-Brexit Banking Related Need



Guidance on Managing FX Volatility and Exposures

- “Management of FX exposure” (France)
- “Research on likely EUR/GBP exchange rate development” (Germany)
- “Clearer picture of sterling’s FX value in the medium term” (England)
- “Better Guidance on FX evolution” (Belgium)

Long-Term Outlook Advice in the Face of Uncertainty



- “To know what is happening next. The obvious problem with Brexit is that no one knows what is going to happen next...It could be positive, it could be negative... Until Article 50 is applied, I doubt we will know anything”(England)
- “Clear guidance on the potential outcomes and a list of key impacts for each that Treasury should be addressing now” (Ireland)
- “Confidence in the financial stability of the banking sector, willingness and ability to lend, and the continued provision of existing products and services” (England)

Clarity on Impact of Regulatory Change



- “The banks remain committed to our group, but that is not really a consequence of Brexit... ..banks are being weighed down by regulation and it makes it very difficult for them to do business” (England)
- “Bank passport considerations and regulatory impact” (England)

Anticipated Concerns Not Addressed by Banks



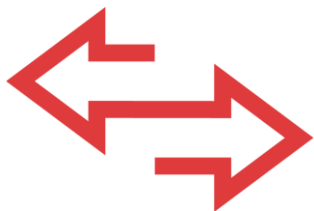
Collaborative Management as Brexit Unfolds

- “It remains far too early to tell exactly what the full Brexit impact will be, and implications will become apparent over a prolonged period of time...(England)”
- “I’m expecting to work with our banks throughout this process to adapt to any changing circumstances, rather than looking for the banks to have addressed all concerns today.” (England)
- “Due to lack of guidance from the Politicians, the financial markets...don't know what to expect and how to advise. I don't blame the banks, I blame the politics.” (Netherlands)



Long-term Banking Implications

- “How will this impact the daily operations of our bank on a longer-term basis?” (Belgium)
- “The impact Brexit will have on the banking sector.” (England)



Trade Implications

- “Implications on trade due to Brexit.” (Germany)
- “Trading terms for the future.” (England)
- “Understanding legal and contractual implications” (Finland)

Post-Brexit Considerations for Treasurers

Items U.K. and EU Treasurers can discuss with senior management, the board and banking providers

- **Keep calm and be prepared:** recalibrate your hedging program to minimize impact from further volatility in the FX markets while the post-Brexit decisions and negotiations unfold.
- **Stay ahead in reviewing debt covenants** and their potential negative impacts when negotiating credit agreements with lenders.
- **Review your banking relationships:** if passporting rules change or cash pooling charges come into affect, you may want to review current bank relationships and consider appropriate actions.
- **Be agile:** review your treasury policies to see if changes are needed to access certain financial markets and products. There may also be a need to compliment traditional budgeting methods with more flexible forecasting to adapt to internal and external changes.



Q | A

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