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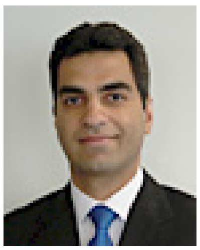
Post-Crisis Banking: A New Landscape



By Shahrokh Moinian
Head of Cash Management Corporates, EMEA

While the recent financial crisis certainly forced corporate treasurers to change their behaviour across a range of areas, it also led many to reassess their banking relationships and the criteria on which these relationships are based.

During the crisis, the issue of credit quality became two-way with the traditional practice of banks reviewing the credit quality of existing and potential clients being joined by corporates taking a much closer look at the balance sheets of their banks, even post-nationalization. In this respect, corporates are now more likely to seek assurances from bank management regarding the sustainability of their business models — unsurprising given the turbulence in the banking sector seen during the crisis.

Of course, looking at more recent events, the situation in Greece is also having an impact on the other economies of the EU. In this respect, we now find ourselves at a turning point: It is crucial that this crisis is handled correctly and the position in Greece — and other Southern European countries — is quickly normalized.

Changing Relationships

However, this banking landscape has undoubtedly changed. Many of those that were hardest hit by the crisis now find themselves with a significant government stakeholding, restricting their capacity to form long-term strategies, as well as potentially impairing their ability to make strategic investments outside of their home markets. And such a situation will create understandable uncertainty among a bank's corporate clients, especially with those who look to the bank to support their multinational requirements.

Of course, cash and transaction management have generally been areas where bank-client relationships have enjoyed longevity, with reputation, stability, geographic reach and product set being the key differentiators between providers. However, while these factors remain fundamental in distinguishing between banks, corporates are now showing a greater inclination to switching banks in order to be serviced by providers that can fulfil all their treasury and commercial banking needs. And although it takes time for corporates to review, select and implement new banking arrangements, this new approach to choosing banking partners certainly looks to be the shape of things to come.

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With respect to Deutsche Bank's performance over the past two years, the picture is a positive one. We emerged from the crisis with a strong capital base and without having to resort to government support or intervention at any point, allowing us to continue investing in line with the needs and aspirations of our corporate clients. Indeed, Deutsche Bank's strengthened position has manifested itself in a number of ways.

First, our client base has expanded to include new industries and sectors such as speciality finance. Second, in terms of presence, Deutsche Bank has continued to expand in line with clients' business expectations. Most notable in this regard is our recent acquisition of 20% of ABN AMRO's commercial banking activities in the Netherlands, which has made us a key domestic player in the country with a presence in 16 cities. Underlying all these successes has been the ability to continue investing in products, systems and expertise — reaffirming the bank's commitment to this sector and allowing us to benefit from the flight to quality and security in the transaction banking space.