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Brexit and Trade: 2018 and Beyond - how do banks respond to meet the needs of business?

Private Markets Briefing
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Welcome

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About East

- Established in 1987
- Global specialist business banking insights and analytics firm
- Global Coverage:



Asia Pacific



Australasia



Europe



North America

What we do

- B2B customer research in banking and financial services
- Analysis and advisory services for commercial, business, institutional banking and payment markets
- Delivering multi-client and proprietary market analysis services & thought leadership programmes
- Top to bottom business segment coverage
- Markets & Products covered:
 - » Trade & Supply Chain Finance
 - » Working Capital & Cash Management
 - » Asset Management
 - » Business FX
 - » Payments
 - » Wealth Management
 - » Transaction Banking
 - » FinTech
 - » Risk

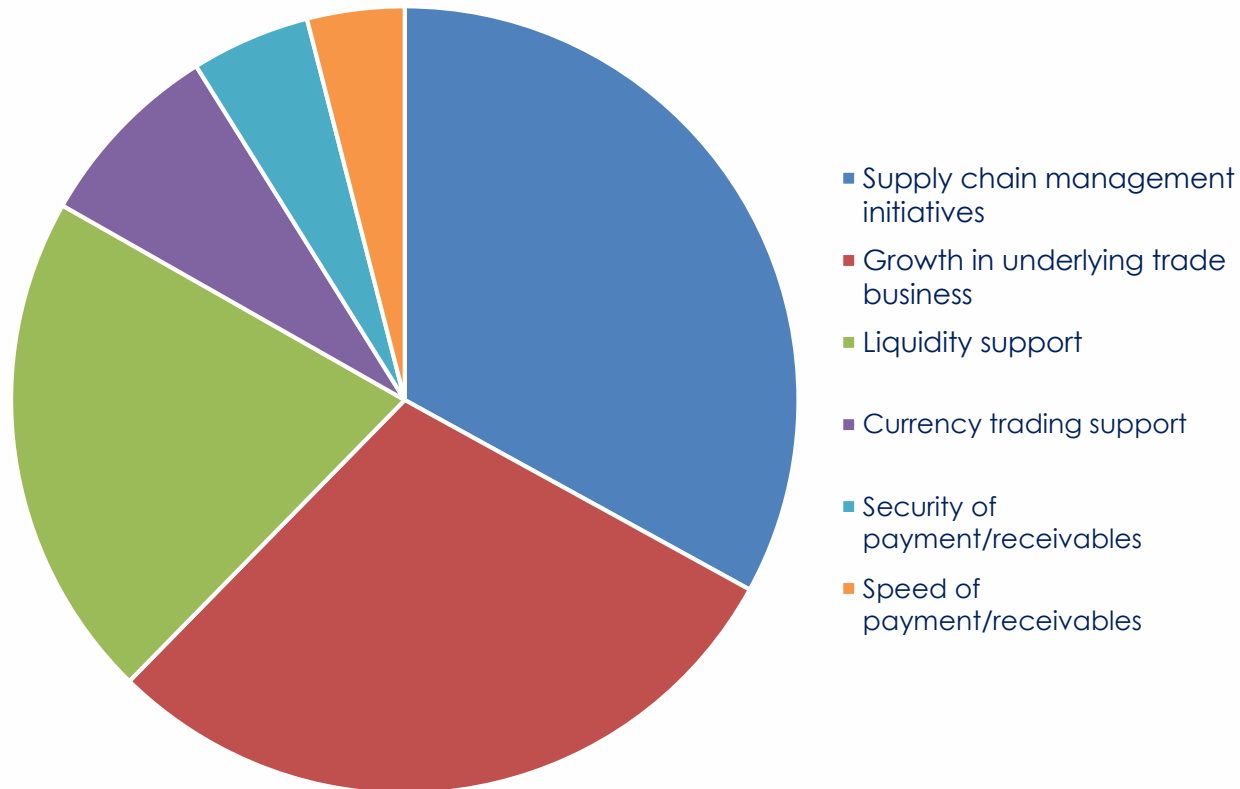
Brexit and Trade – 2018 and Beyond

Enabling international trade – the challenges and opportunities for banks and other providers

- Trade Finance Today
- Supply Chain Funding Tomorrow
- Business FX Payments and Trade
- FinTech – its Role and Impact in Trade and Cross Border Payments

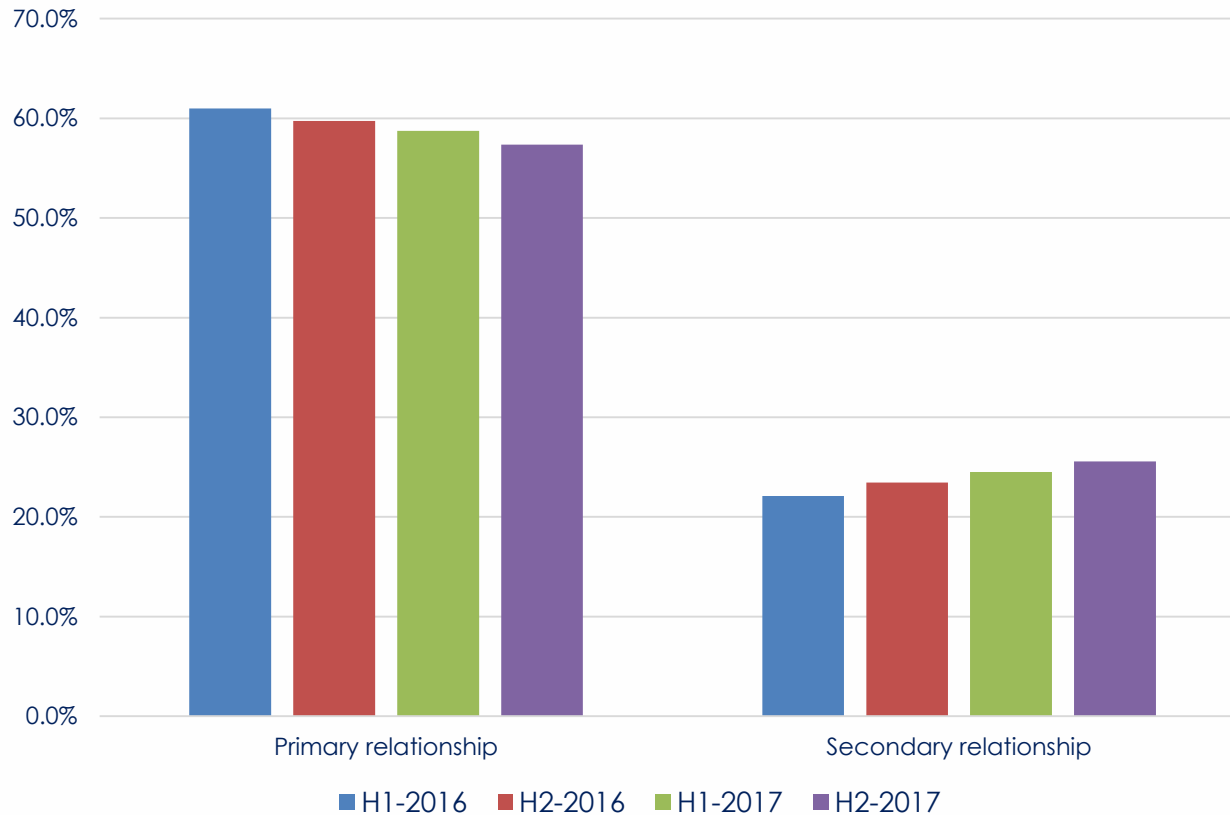
Trade & Supply Chain Finance

Key Drivers of Trade Finance Needs



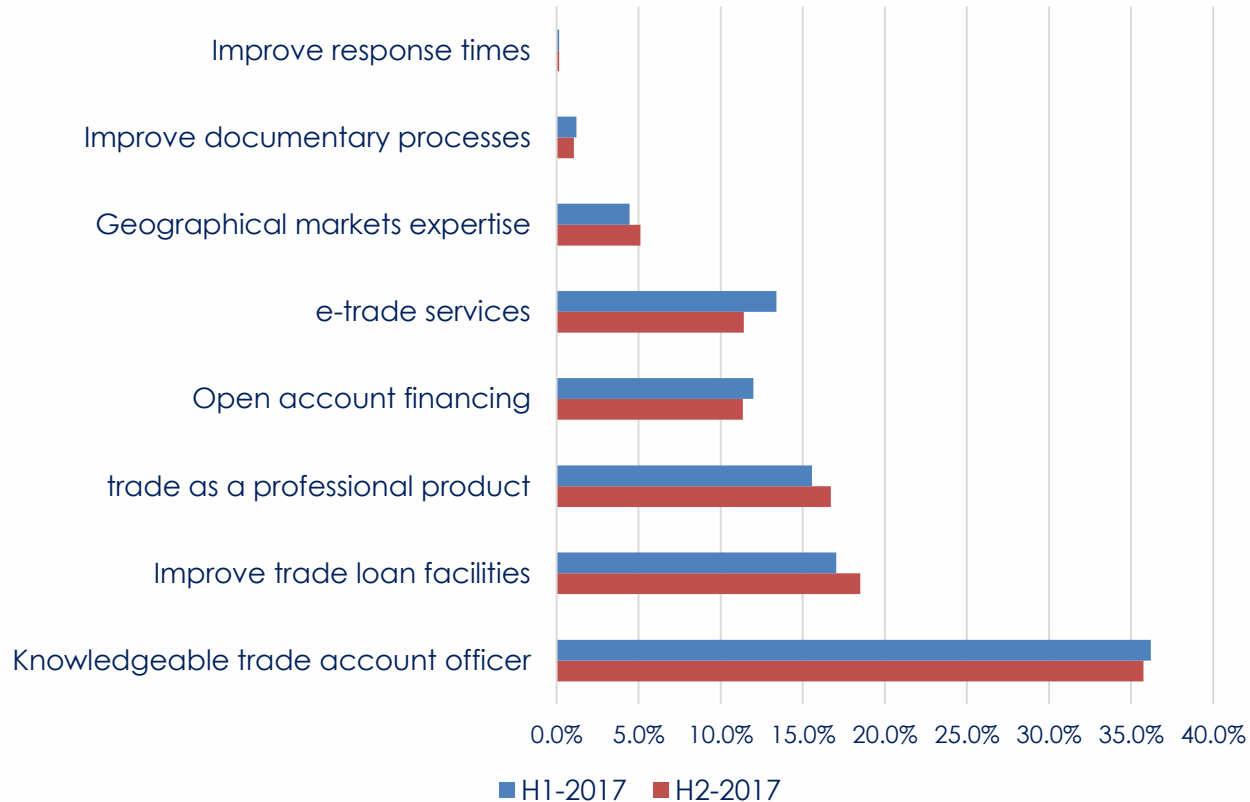
- Open account finance predominant at the top end of the market
- Ongoing shift towards open account financing across all segments
- Liquidity support still a major factor for SMEs

Fragmentation of the Market - Wallet Share



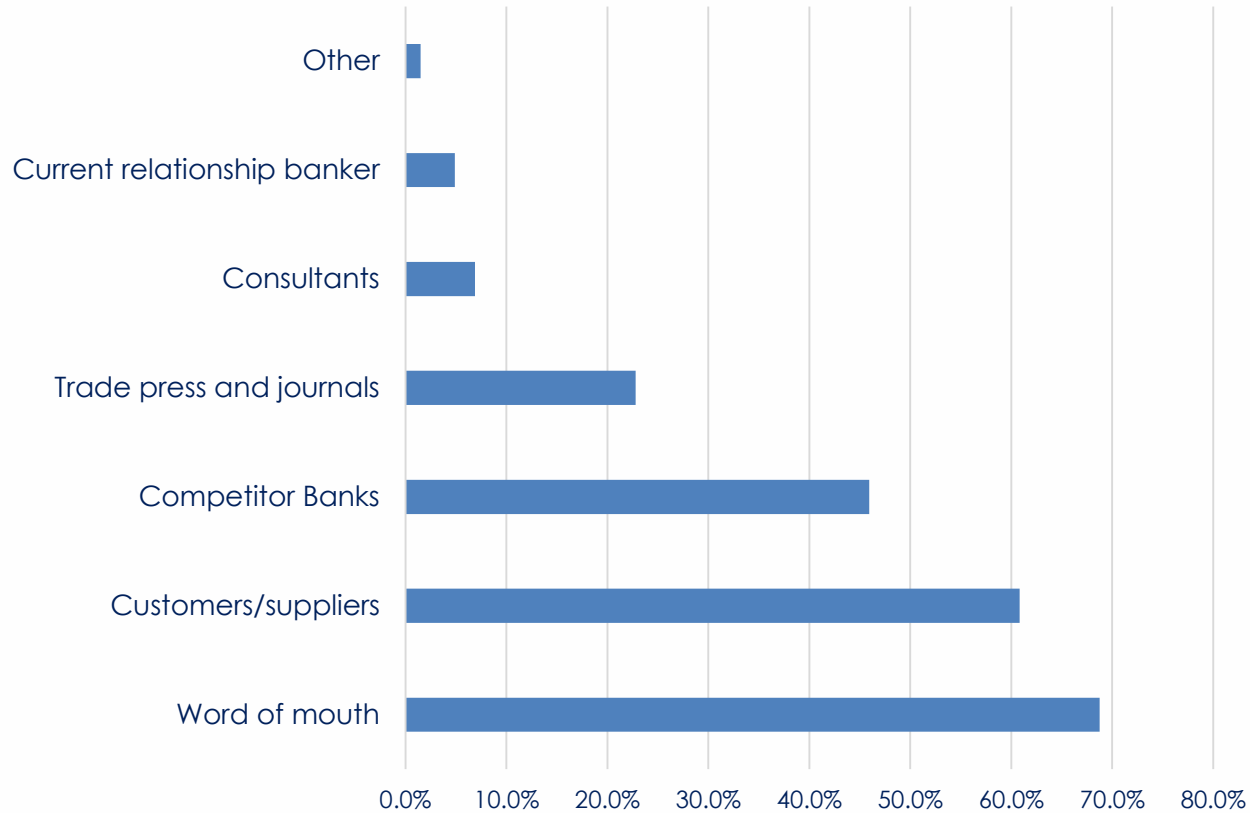
- Primary wallet share decreasing globally and across all segments

Winning Business – What the Customer Wants in Trade



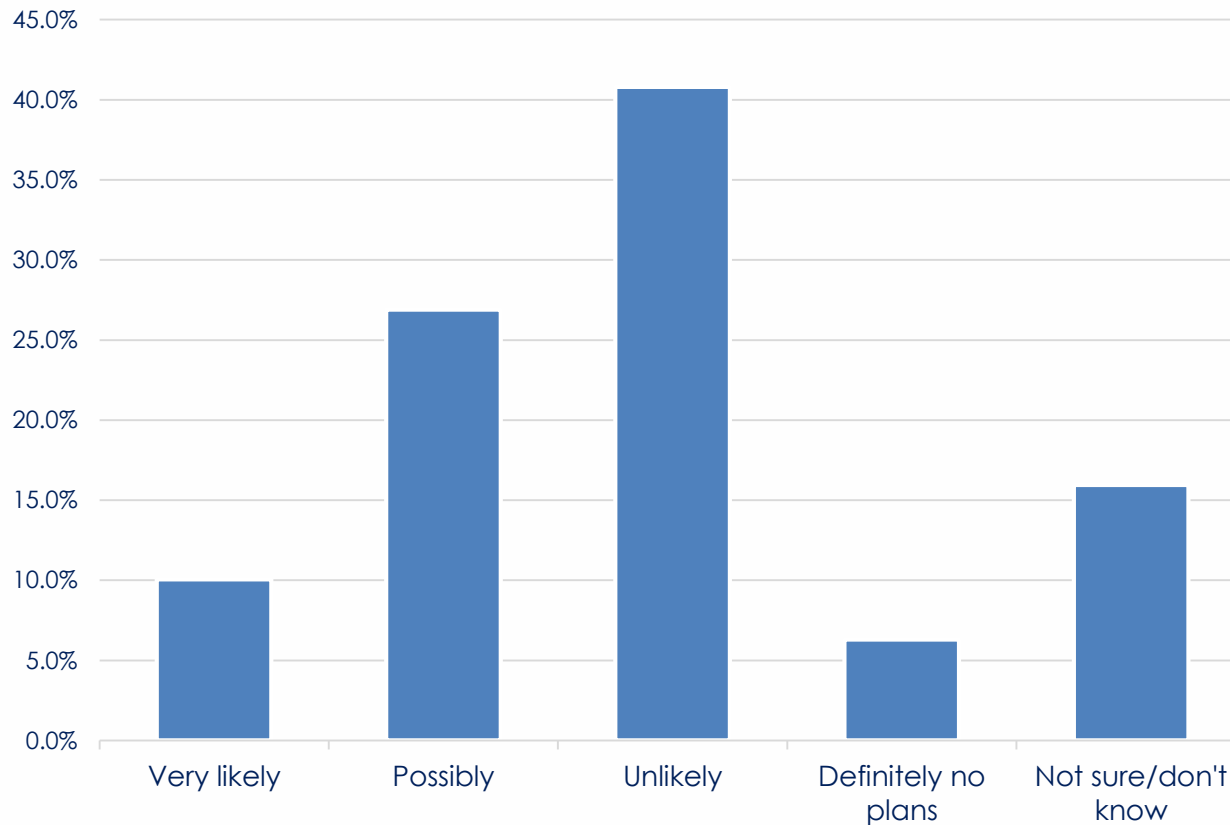
- Knowledge and advice is the Number 1 need and want for business

The Paradox of Advice



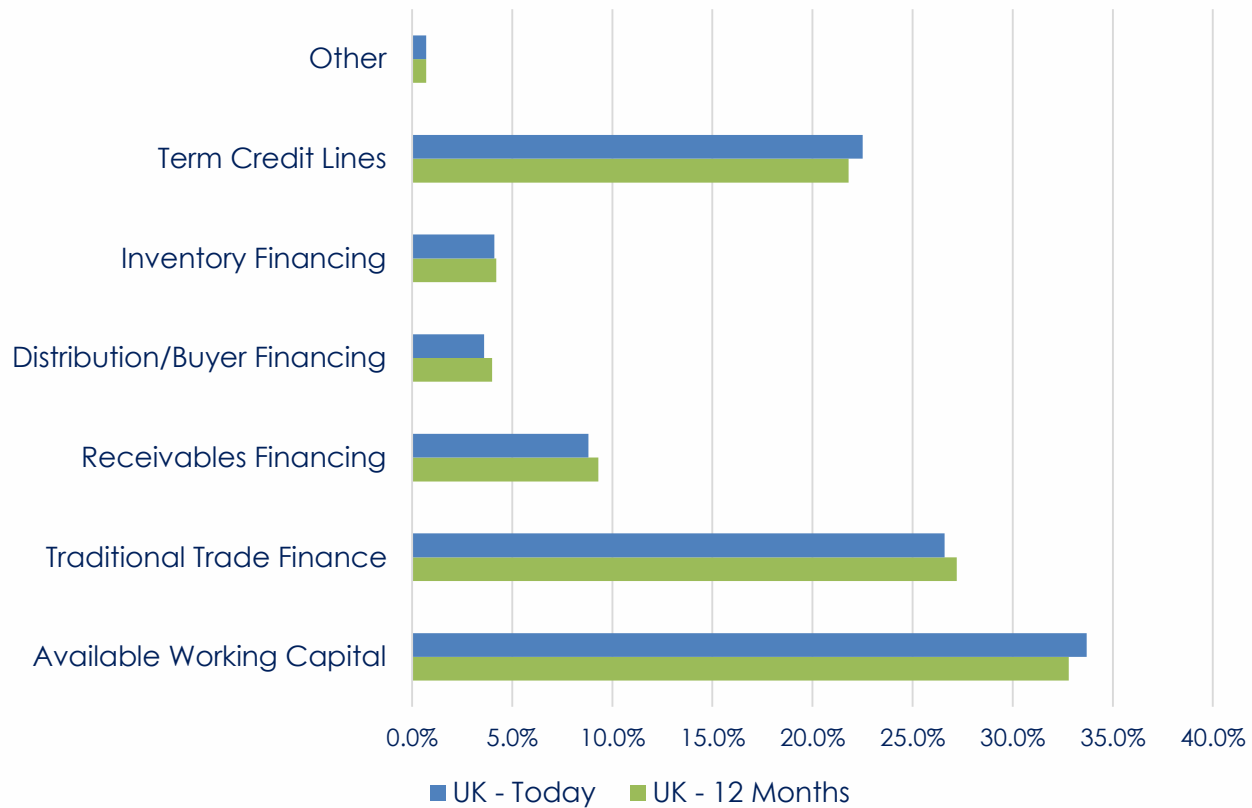
- Lack of investment by banks in expertise
- Undermines the FX cross sell opportunity
- Opens the door for new providers

The Rise of Churn in the Market

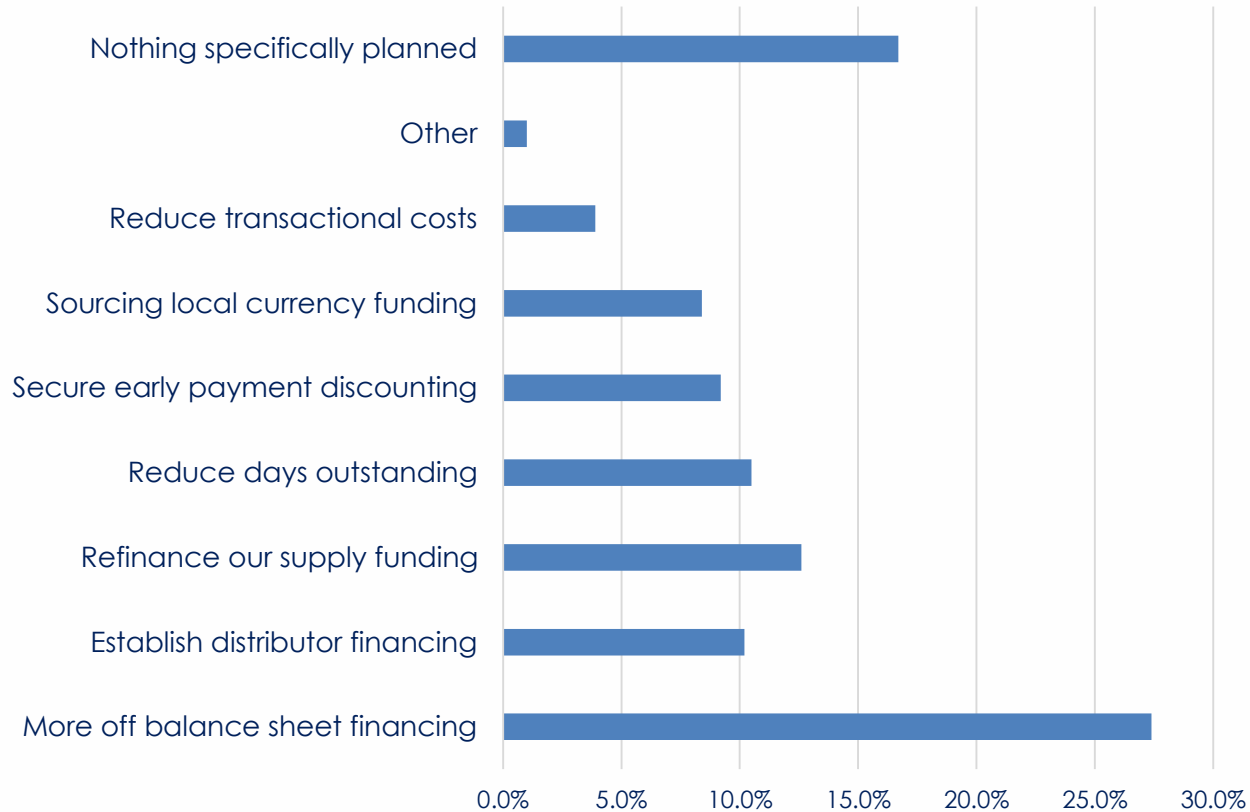


- Over a third of business are actively considering a change of provider

Supply Chain Funding for the Future

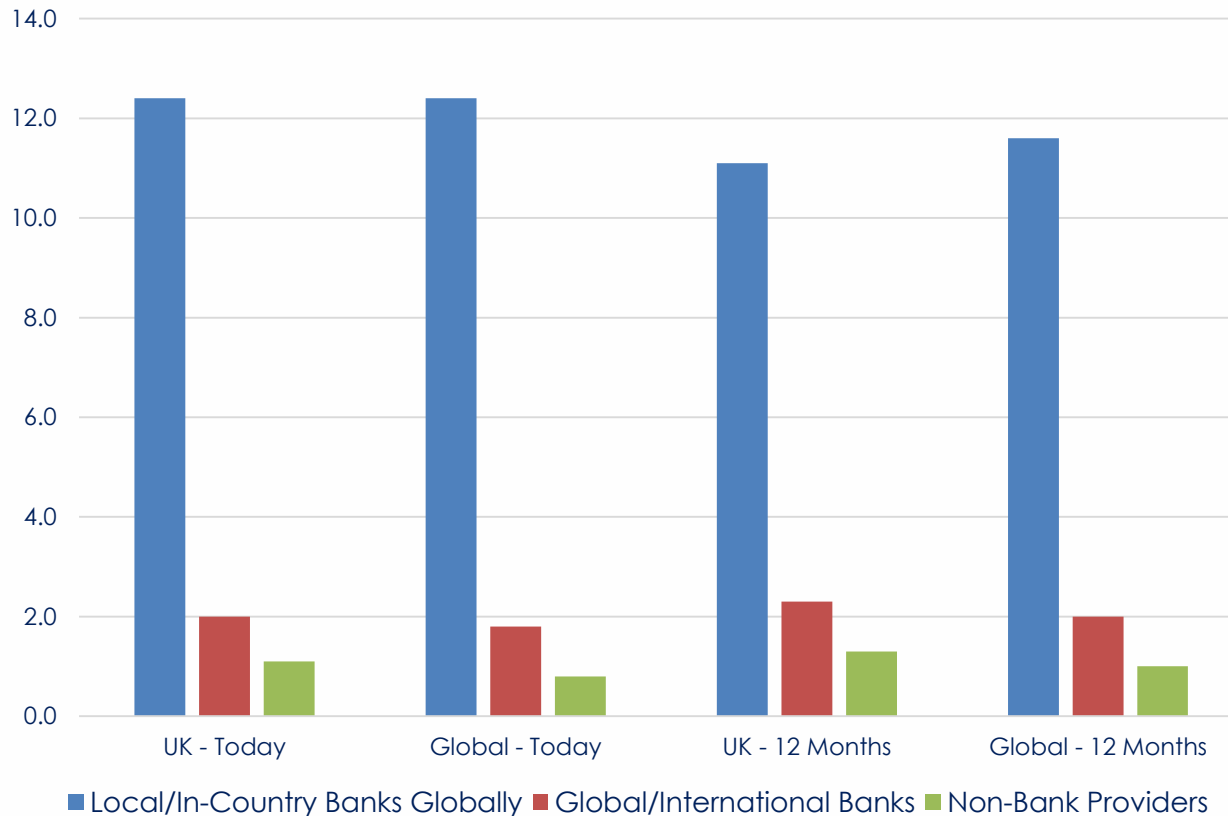


Supply Chain Funding Initiatives



- UK average payment terms are 60 days – range of 42-80
- 52.2% of businesses are tightening / shortening payment terms
- 37.0% are getting tougher on their payment terms

Supply Chain Providers

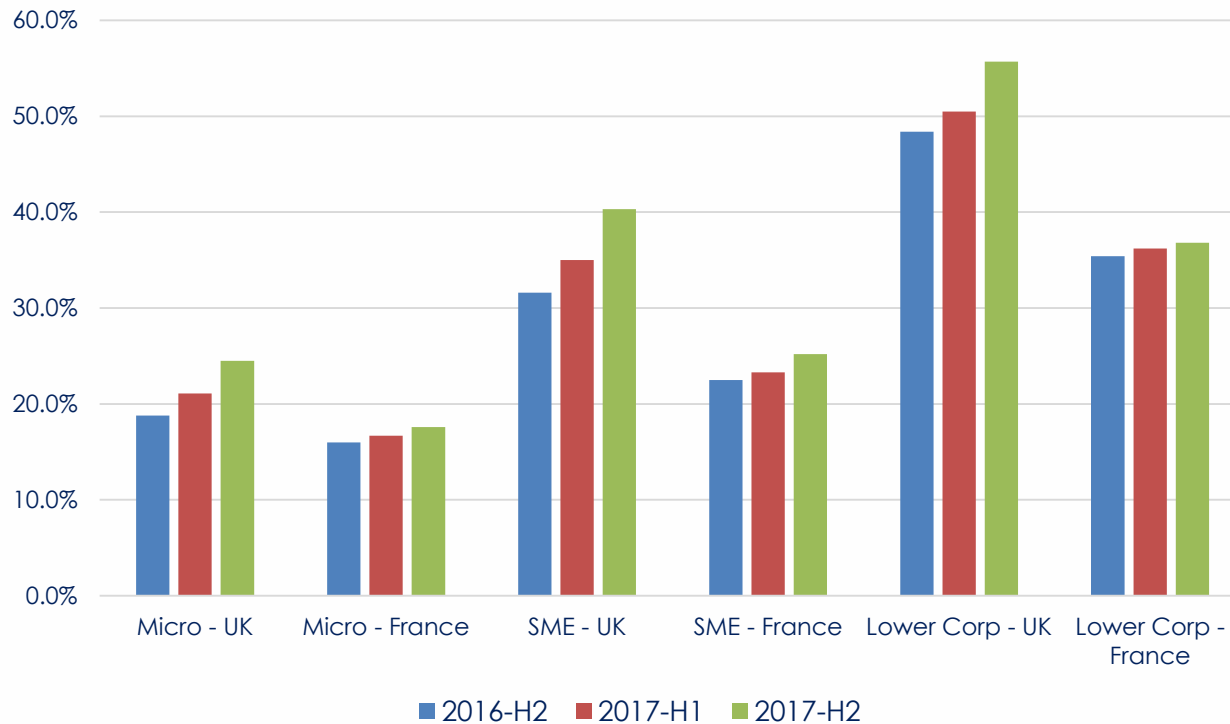


- Reduction in number of providers used
- Increased use of international banks and non-banks
- 7.1% of UK businesses use non-banks but set to increase 18.2% by 2018

Business FX Payments

Weakened GBP & Currency Volatility – FX Forwards

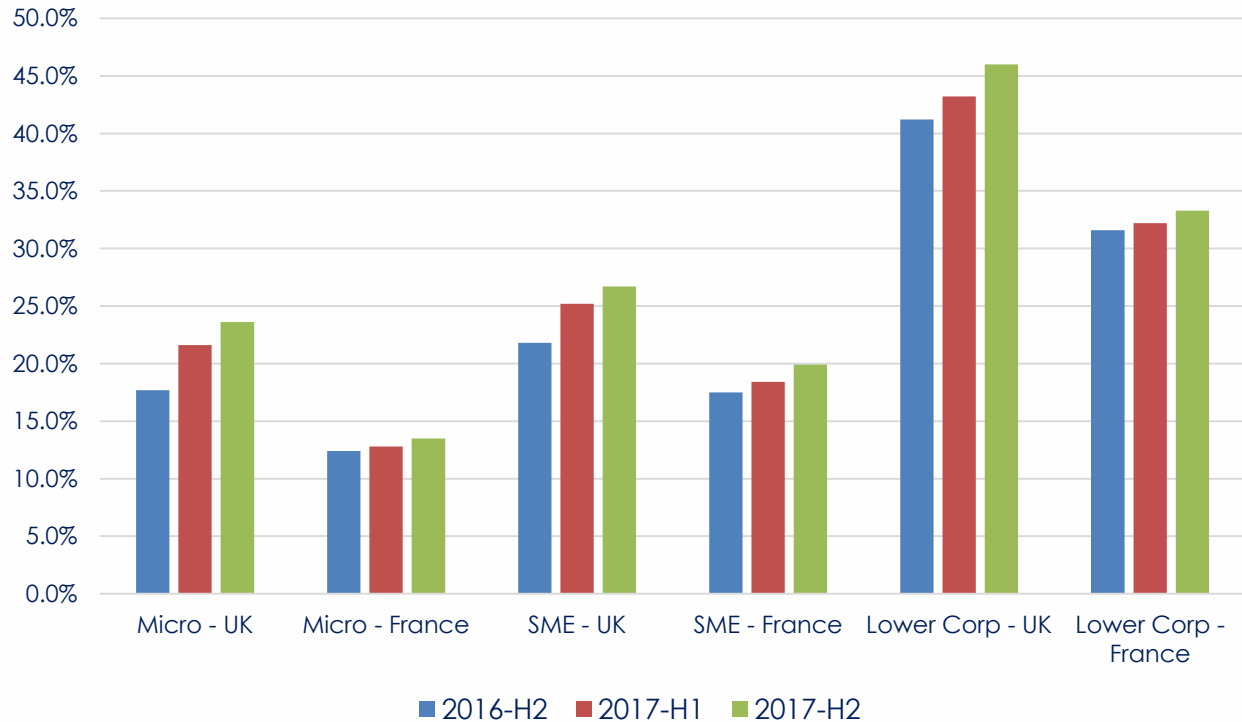
Regular & Occasional Use Among Micros & SMEs, Regular Use Among Lower Corporates



- Led by sophistication of lower corporates
- Clear growth with both Micros and SMEs
- UK business significantly ahead of French business

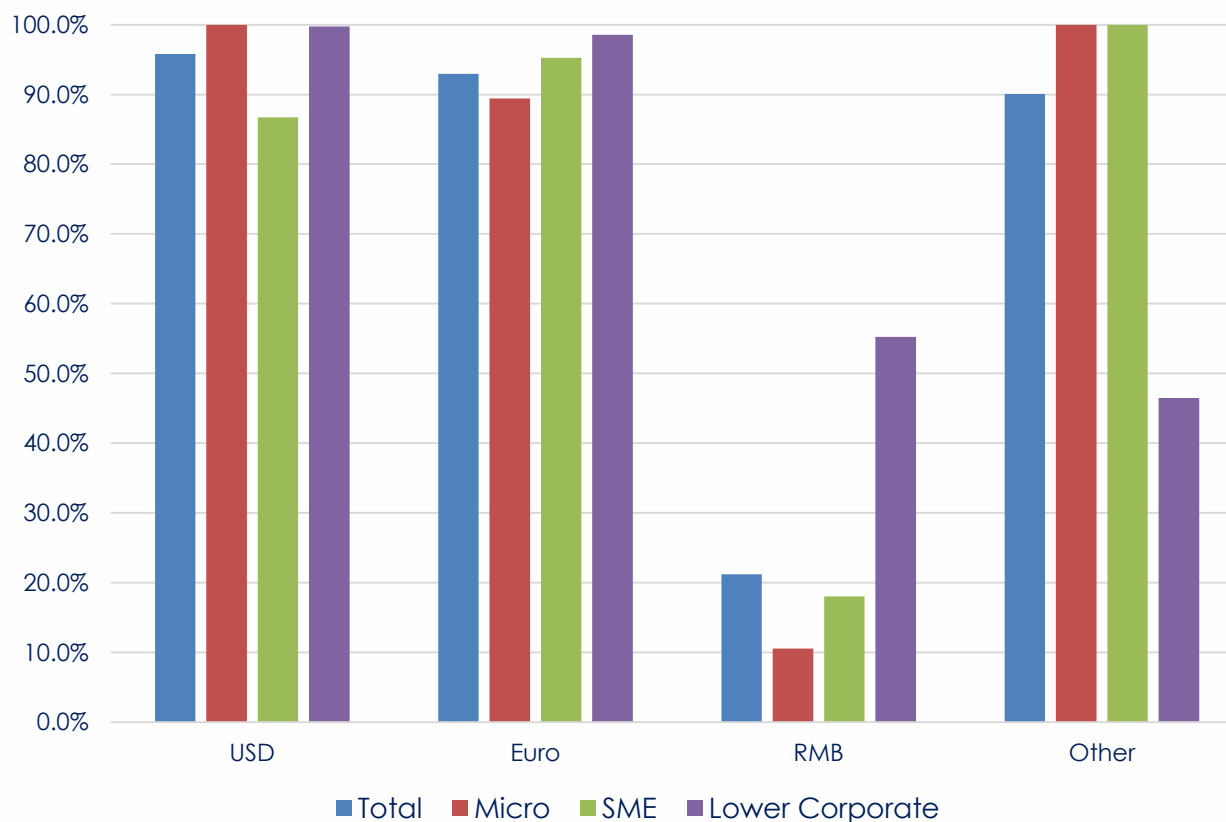
Weakened GBP & Currency Volatility – FX Options

Regular & Occasional Use Among Micros & SMEs, Regular Use Among Lower Corporates



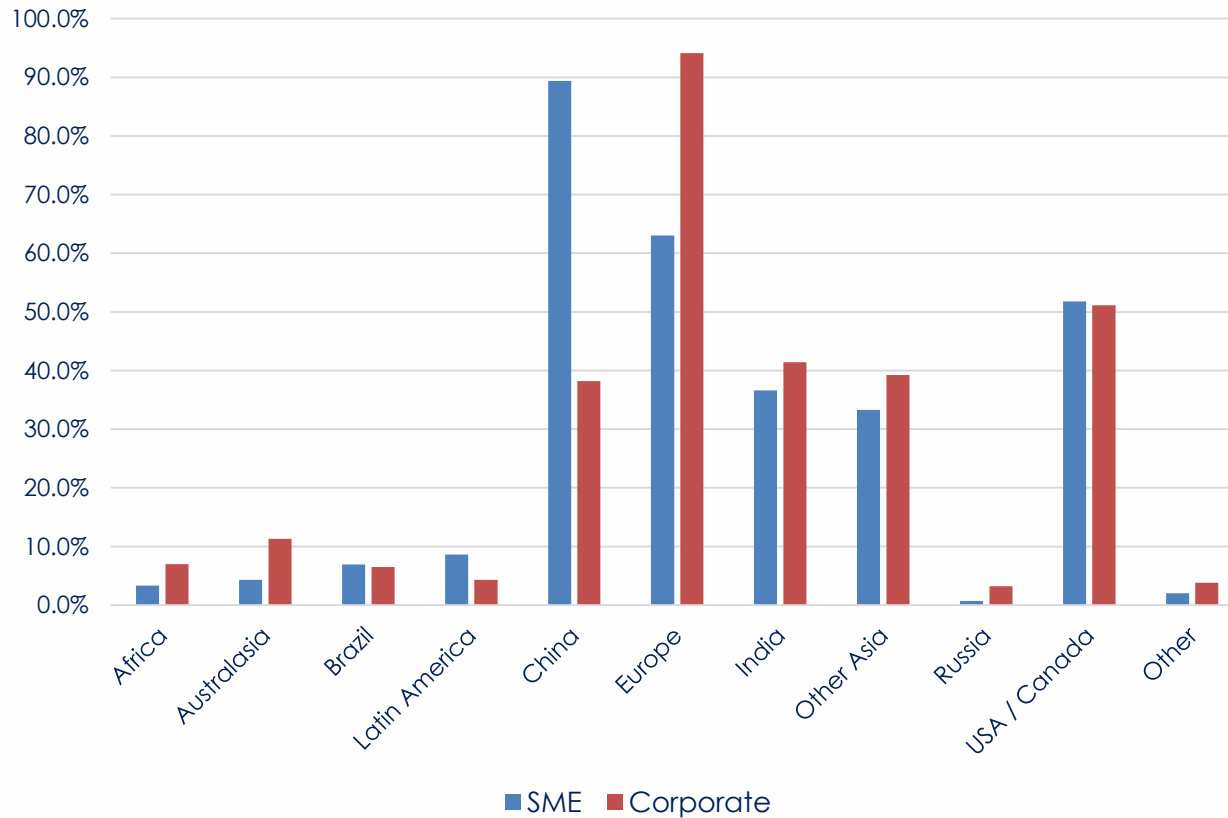
- Similar growth pattern and trend to FX Forwards
- But lower level of penetration

Currency Engagement – the Quick and the Lazy



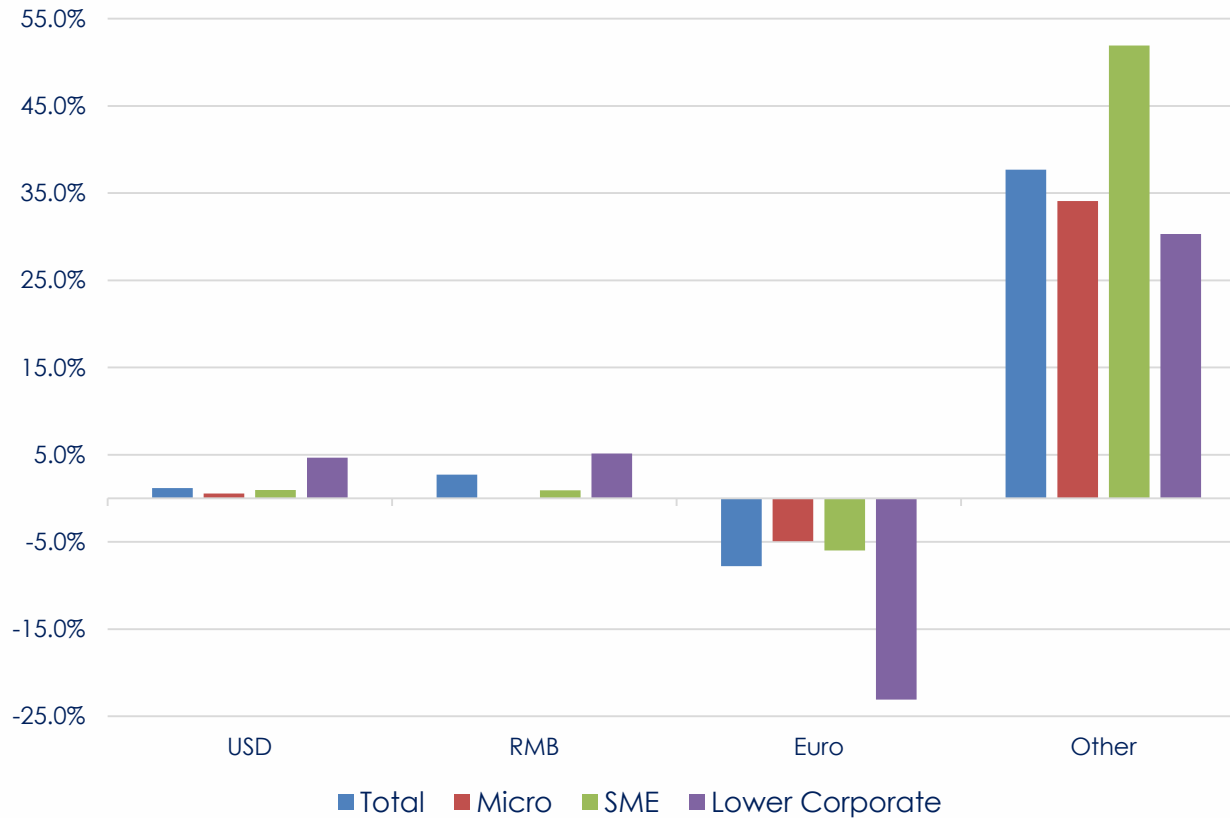
- 100% Micro and SME are using currencies other than USD and EUR
- Less than 50% of Lower Corporates are engaged beyond the USD, EUR & RMB

UK Importers' Markets – Lessons for Brexit



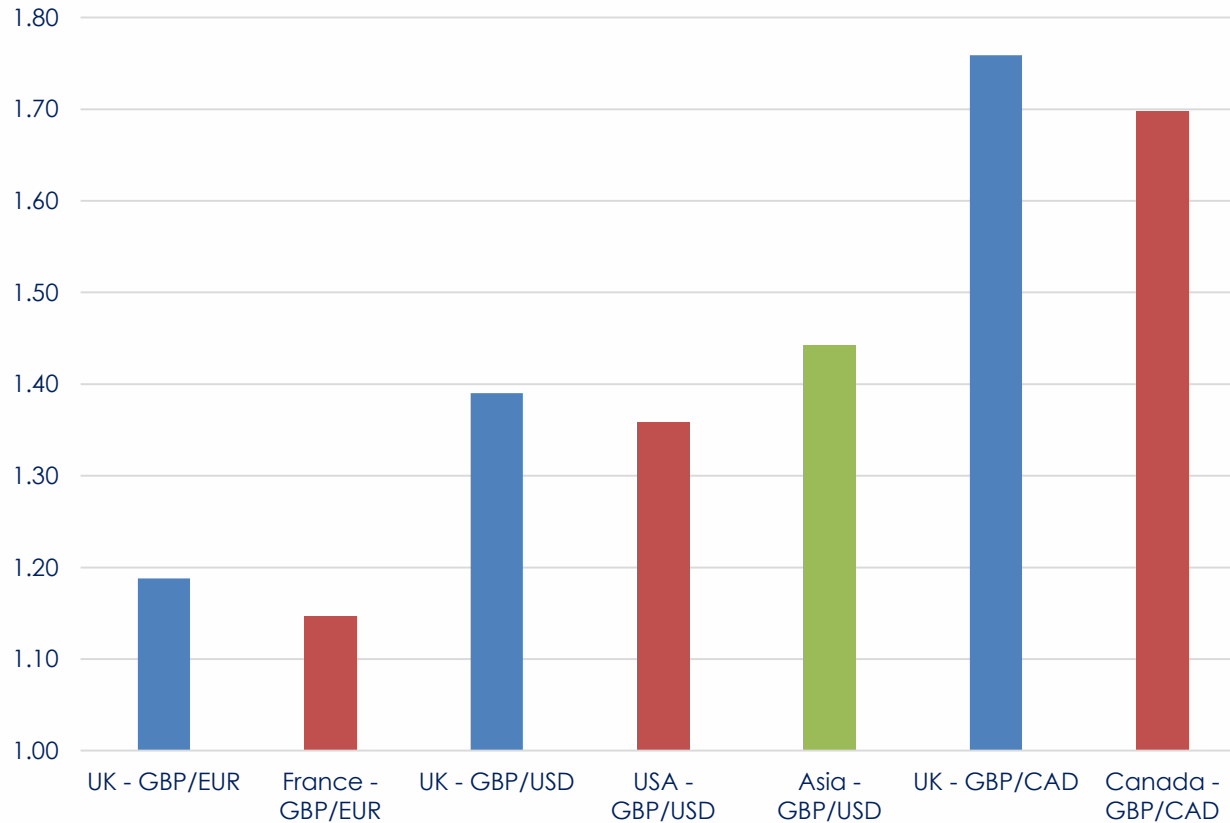
- High SME propensity to trade with China
- Corporates remain more entrenched in Europe
- Both segments trading highly with USA, Canada, India and across Asia

The Impact of Brexit? - Forecast Currency Changes



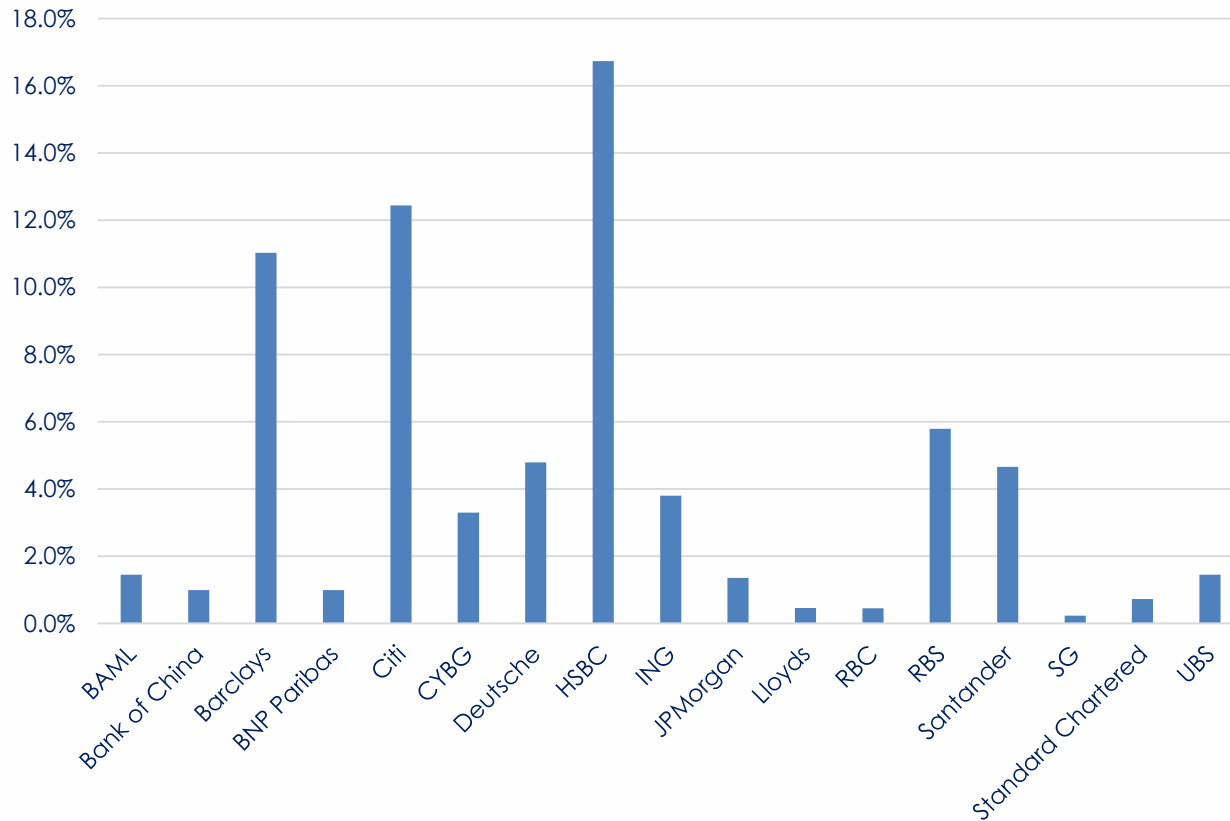
- Clear signs that UK business is preparing to trade beyond Europe
- Corporates waking up to the need to diversify their trade
- SMEs leading the charge

Global Outlook on GBP Sterling

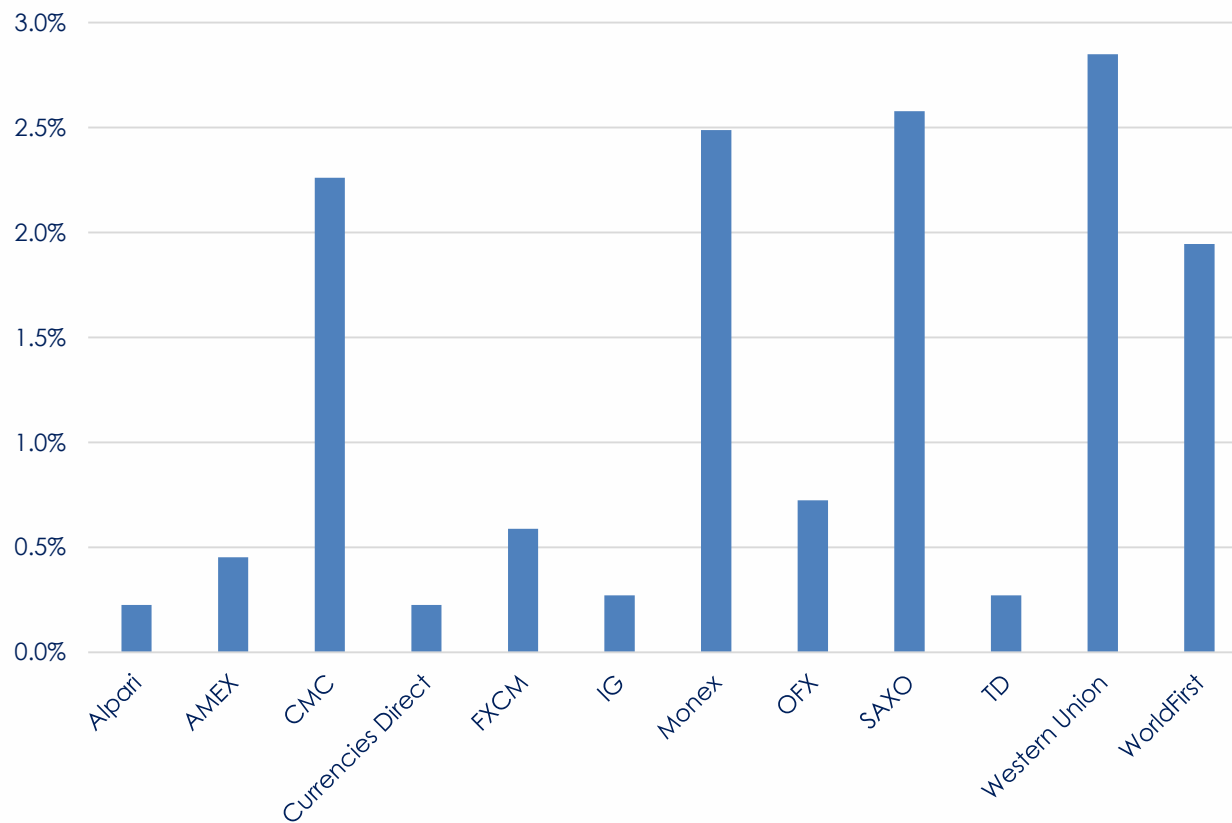


- Micro businesses are more bullish on GBP forecasts for June 2018
- Corporates kept in check by governance requirements and are more hedged

The Mind Share Driver in Business FX - Bank



The Mind Share Driver in Business FX – Non-Bank



Financial Technology and the Corporate

- *brand new global insights*

Non-Bank FinTech Usage

Top uses of non-bank fintech solutions



Treasury Functions
27.7%



**Cross Border
Payments & FX**
20.5%

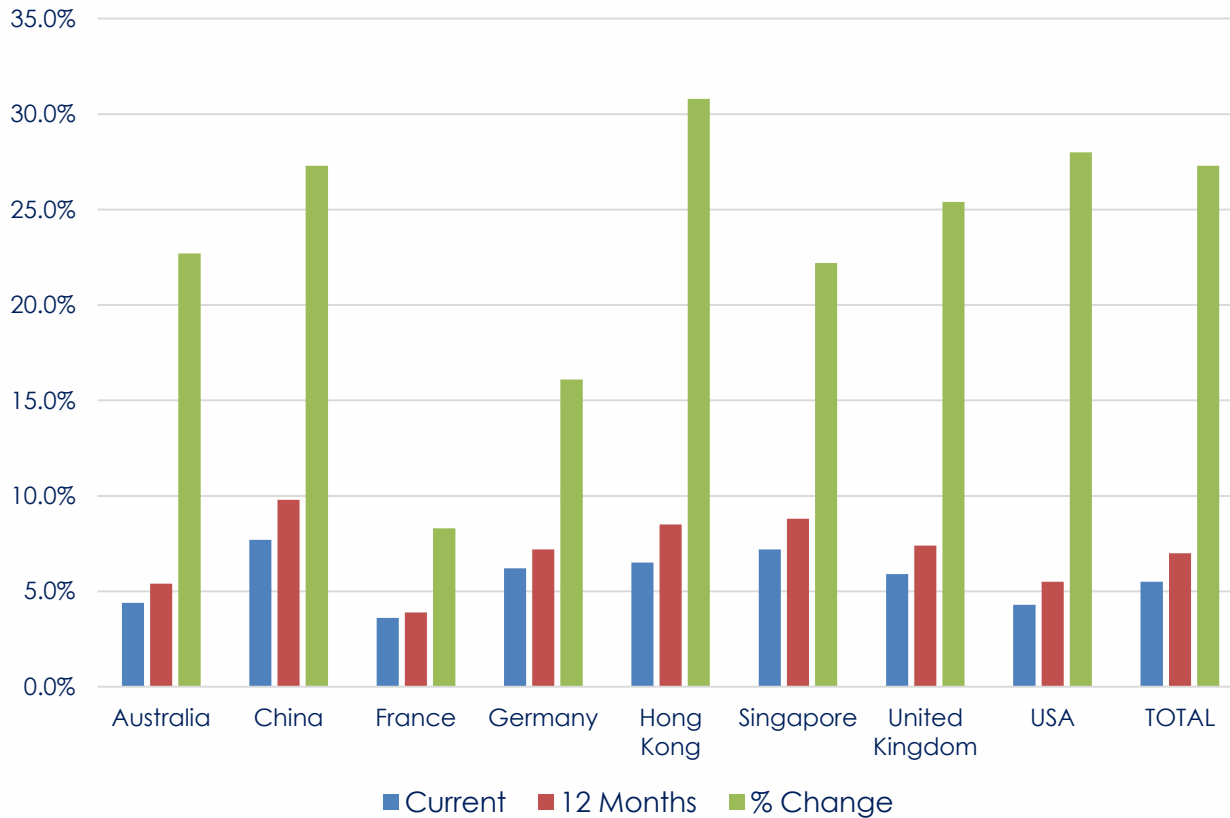


Risk & Compliance
20.5%

UK Corporates generally report higher usage than global averages:

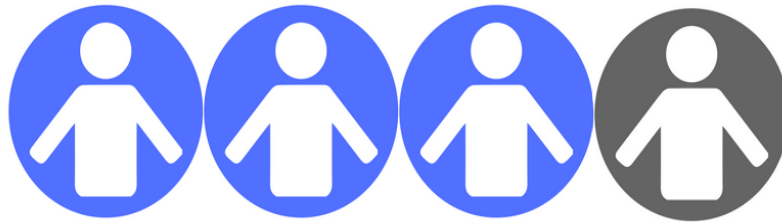
- Treasury functions - 30.1%
- Cross border payments & FX - 23.7%
- Risk & compliance - 17.2%

Corporates' View to the Future - Investment



- UK Corporates are forecasting a 25.4% increase in fintech investment in the next 12 months

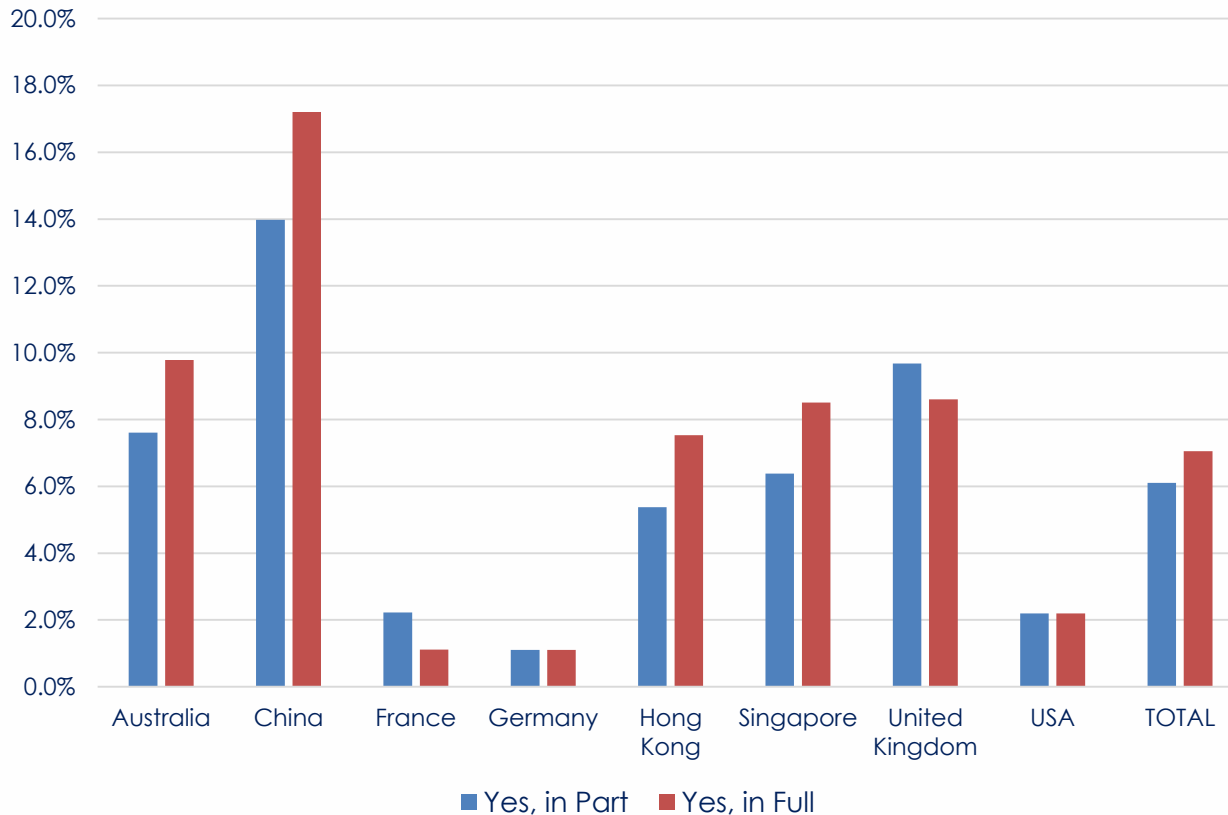
Corporates' View to the Future – the Market



**3 out of 4 CFOs believe fintechs will take
market share away from incumbent
providers in the next 5 years**

- 89.2% of UK Corporates see fintech companies taking market share from incumbent suppliers
- 28.0% of UK Corporates perceive no major barriers to entry for fintech providers

The Impact of FinTech – the Coming Churn?



- 18.3% of UK Corporates have switched banks in part or full in direct response to new fintech solutions with a further 18.3% currently considering it

The Voice of the Customer – 2018 and Trade

- Solutions and Sophistication
- Knowledge and Advice
- Fragmentation and Churn
- New Markets and New Currencies
- Door Open for FinTech

Q&A



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