EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

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Press Release

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The impact of the financial crisis on bank relationships and financing conditions

The *European Association of Corporate Treasurers* (EACT) is a grouping of 20 national associations representing treasury and finance professionals from 19 countries of Europe.

Between November 2012 and February 2013 the EACT conducted its fourth survey to provide a pan-European view of the impact of the financial crisis on the bank relationships of companies and on financing conditions for corporates. The survey received 516 answers from 18 countries. The distribution of the responses – which came from all major countries in the Europe – is shown below[1].

The key messages coming from the survey are:

- ***Whilst financing conditions remain difficult there are signs of improvement – or at least of less sustained deterioration***
- ***One company out of five is still experiencing a reduction in credit availability. However this compares with the situation in mid-2009 when roughly 50% of companies reported reductions***
- ***Whereas in mid-2009 29% of companies reported that banks were cancelling credit lines this has now reduced to 11%***
- ***Banks are still putting pressure on pricing, but less so than at the beginning of the crisis: 43% of companies report upward pressure on pricing of uncommitted short term funding compared with 80% mid-2009***
- ***The response of banks to requests for increased lines of credit has remained broadly constant over the four surveys, with roughly two-thirds offering such support to companies***
- ***The majority of companies reported that additional efforts are being made to centralise cash within their groups***

[1] Responses by country: Austria: 5; Belgium : 1; Czech Republic : 16; Finland: 20; France : 86; Germany : 23; Hungary: 16; Ireland : 32; Italy : 46; Luxembourg: 1; Netherlands : 54; Poland : 34; Slovakia: 13; Slovenia: 34; Spain : 45; Sweden : 12; Switzerland: 33; United Kingdom : 45

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- ***The survey identified disappointing efforts by banks to communicate with their customers on the impact of new regulations, with only 22% of companies reporting banks' briefing them on EMIR (derivatives regulation)***

Commenting on the survey results, EACT Chairman Richard Raeburn said:

"Our survey underlines that funding conditions remain challenging for companies across Europe. Whilst there is evidence of improvement it is disappointing to see confirmation that whilst businesses seek to grow economic activity and build employment financing that growth remains difficult".

Detailed analysis of the survey results is attached.

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Analysis of Survey Results

1. Company turnover of respondents:

Less than 100 million Euros: 16%
Between 100 and 500 million Euros: 23%
Between 500 million and 1 billion Euros: 14%
Between 1 and 2 billion Euros: 17%
More than 2 billion Euros: 30%

Participation in the survey was well spread across the very largest companies and small and medium sized enterprises (SMEs).

For questions under the headings "Existing credit lines", "Changes in conditions" and "New lines", the respondents were asked to provide an answer based on their experience since the third survey in autumn 2011.

2. Existing credit lines

Has your company had any credit lines reduced by the lenders?
Yes: 18%
No: 82%

If yes, were the lines committed, uncommitted or a mixture?
Committed: 24%
Uncommitted: 26%
Mixture: 50%

In the similar survey run in autumn 2011, 22% of the companies had experienced a reduction in existing credit lines. These percentages were 27% in summer 2010 and 47% in mid-2009.

Has your company had any credit lines cancelled?
Yes: 11%
No: 89%

If yes, were the lines committed, uncommitted or a mixture?
Committed: 23%
Uncommitted: 37%
Mixture: 40%

In respect of the cancellation of credit lines, the percentage fell from 29% (mid-2009) to 19% (summer 2010) to 13% (autumn 2011) and to 11% (winter 2012-2013).

3. Changes in conditions

Has any of your banks increased the margin applied to your uncommitted short term credits?
Yes: 43%
No: 57%

If yes, the increase of the margin is:
Less than 0.50%: 44%
From 0.50% to 1%: 39%
From 1% to 3%: 15%
More than 3%: 2%

Banks are still putting pressure on pricing, but less than at the beginning of the crisis, where 80% of companies had seen increased spreads applied to short term credits.

Has any of your banks changed the margin and / or other charges applied to your committed lines of credit?
Yes: 33%
No: 67%

If yes, the increase of the margin (or equivalent in other charges) is:
Less than 0.50%: 44%
From 0.50% to 1%: 36%
From 1% to 3%: 19%
More than 3%: 1%

On committed lines, the spreads charged to companies have increased for 1 company out of 3. The level of these increases has exceeded 0.50% for 56% of the respondents to this question.

For these questions, what are the reasons given by the banks:
Bad company financial statements: 9%
Credit standing of the lending bank: 16%
Parent company bank rating problems: 3%
Impact of new regulations (Basel III, CRD 4 …): 36%
Other: 36%

The changes in conditions are caused by the financial situation of the borrower in only 10%.

4. New lines

Have you asked your banks to increase uncommitted short term lines of credit?
Yes: 31%
No: 69%

If yes, your banks:
Accepted: 69%
Refused: 31%

Have you asked your banks to increase committed lines of credit?
Yes: 33%
No: 67%

If yes, your banks:
Accepted: 80%
Refused: 20%

As in the three first surveys, when there is a request for an increase of credit lines (committed or not), banks accepted in more than 2 cases out of 3.

5. Attitude of the banks

Has any of your banks seeking additional securities (pledges, guarantees, raising the level of covenants ...) in return for lending or other credit commitments?
Yes: 31%
No: 69%

Are banks actively seeking to tie ancillary operational business to lending commitments?
Yes, more than pre crisis: 60%
No more than pre crisis: 40%

Has any of your banks stopped financing in some currencies?
Yes: 18%
No: 82%

Are you financing your company more on the financial/capital markets (commercial paper, bonds …) and less with your banks?
Yes: 28%
No: 72%

What is the percentage of your financial loans covered by your banks?
Less than 33%: 37%
Between 34 and 66%: 19%
More than 67%: 44%

The respondents are still relying on their banks (only 28% of the respondents are financing more on the financial markets), although banks are actively seeking to tie ancillary operational business to lending commitments.

Comments from respondents

There was one recurring theme in comments: when relevant, the financing through the parent company has increased.

6. New regulations

Have your banks informed your company on the likely impact on pricing of implementing Basel III and CRD IV?
Yes: 48%
No: 52%

Are your banks concentrating on trying to attract your surplus cash directly in their balance sheets, as opposed to encouraging other types of investments such as UCITS?
Yes: 47%
No: 53%

Have your banks informed your company on the likely impact of implementing EMIR?
Yes: 22%
No: 78%

Banks seem to be reluctant to inform their customers on the impacts of new regulations: only 1 client out of 2 regarding Basel III and 1 out of 5 regarding EMIR.

7. New sources of financing

Has your company launched financing programs like Schuldschein, US commercial paper …?
Yes: 11%
No: 89%

Has your company increased the recourse to factoring?
Yes: 20%

No: 80%

Has your parent company accelerated the cash centralization inside your group of companies?
Yes: 62%
No: 38%

Since the beginning of the financial crisis, have you asked a credit rating agency to rate your company?
Yes: 23%
No: 77%

Cash centralization is the preferred way to find new sources of financing. New financing programs had been launched only by 1 company out of 10.

If you can choose to margin on your mark to marketed transactions, do you prefer margining to lower the credit risk premium?
Yes: 49%
No: 51%

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