



The Potential Impact of “Brexit” on European Companies and Markets

Webinar

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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

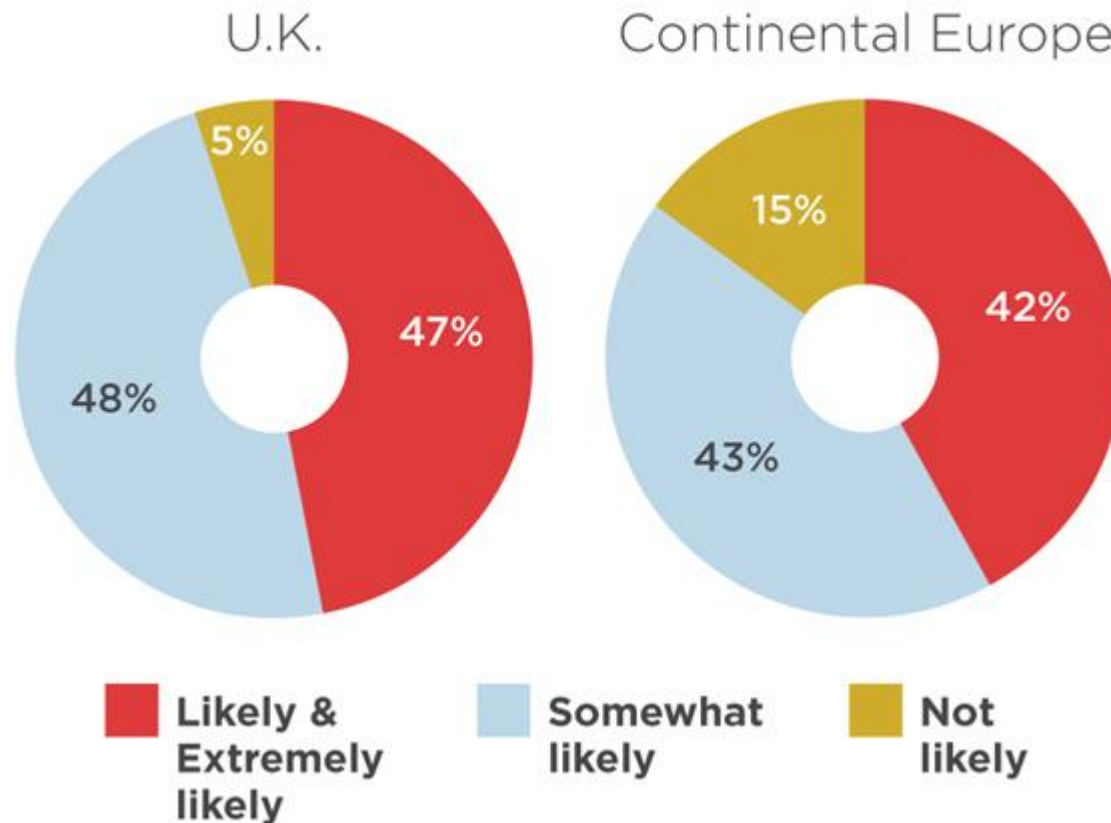
Study Overview

Between April 12-27, 2016 Greenwich Associates conducted 90 interviews with corporate treasury professionals at corporations with sales in excess of €500 million of which 21 were domiciled in the U.K. and 69 on the Continent.

Subjects covered included the anticipated likelihood of the U.K. exiting the European Union, how prepared companies are for an exit, and whether the upcoming referendum is impacting investment strategies of companies and their relationships with their banks.

How Will the U.K. Vote on June 23rd?

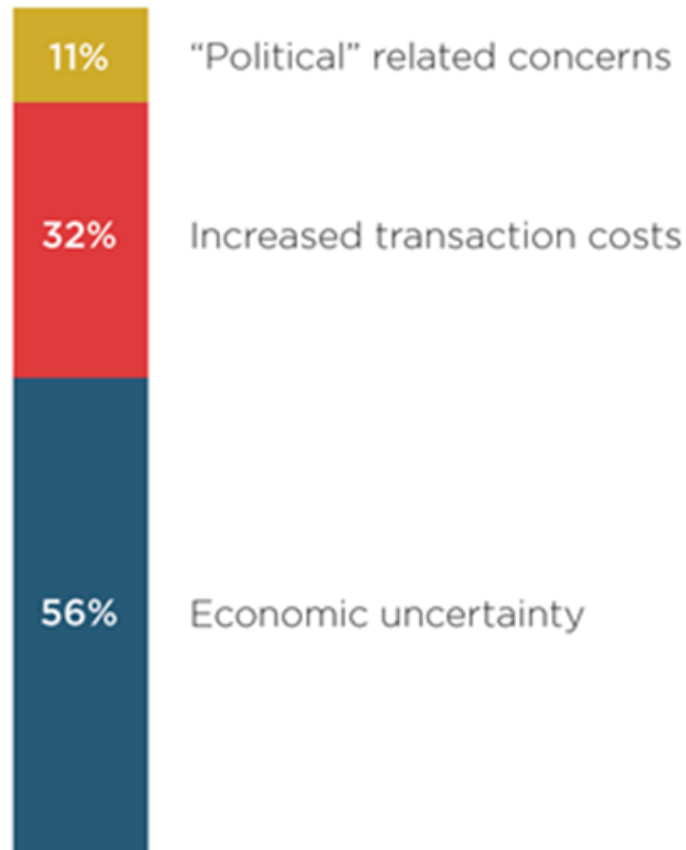
Likelihood that the U.K. will vote to remain in the EU: More than half of respondents see a Brexit as somewhat likely



Source: Greenwich Associates 2016

Financial and Banking Concerns of a U.K. Exit

More than half of respondents cited economic uncertainty as their biggest concern if Brexit passes



Source: Greenwich Associates 2016

Economic Uncertainty

56% of respondents



FX Volatility

“The level of the exchange rate between EUR and GBP is the first and probably only impact on our activity” (Luxembourg)

“FX volatility is the most important concern” (Belgium)

“Foreign exchange movements on uncertainty of rules for exit” (England)



Depreciation of the GBP

“Assumption is an exit will result in a weaker GBP, which will impact value of our U.K. investments and lower consolidated earnings” (The Netherlands)

“Uncertainty will weigh on the value GBP and an out vote likely lead to a further GBP sell off” (England)

“Depreciation of British currency against Euro and USD” (Spain)



Financial Instability

“Key concern financial/banking would be the risk of overall economic weakness impacting markets in U.K./EU and thus weakening the financial system and banks” (Ireland)

“A crisis of the Euro and a contagion on other countries” (Belgium)

“Breakup of EU financial crisis, returns and periphery to suffer” (Germany)

Increased Transaction Costs

32% of respondents



Liquidity and Cost of Funding

“Increase pressure on bank balance sheets and potential migration of decision making away from U.K.” (England)

“Lack of investment into U.K. causing higher costs of funding” (England)

“Free flow of funds, access to liquidity” (England)



Regulation

“Separate sets of regulatory rules developing between the UK and the EU, hence increased complexity navigating the regulatory landscape” (Ireland)

“More regulatory affairs might come up” (Germany)

“Possible regulatory “*passporting*” issues for banks/FIGs that could over a number of years weaken London as a financial center” (England)



Trade barriers

“Imposing legal barriers and introduction of withholding tax” (The Netherlands)

“No specific concerns other than commercial and customs related” (Belgium)

Political-Related Concerns

11% of respondents



Importance of London as international financial hub

“Potential for loss of London as major financial center” (The Netherlands)

“U.K. exit will undoubtedly adversely affect the position of the City as the European financial hub” (England)

“That London is no longer financial center” (Denmark)



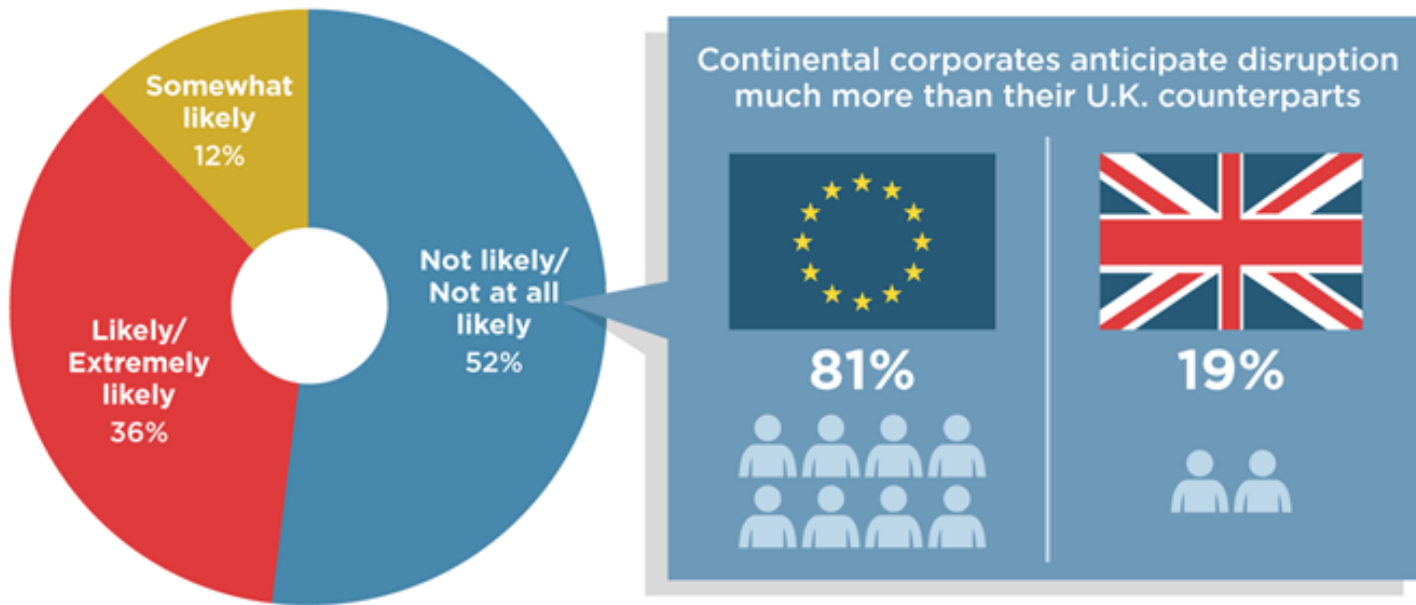
Further political changes

“Possible second Scotland exit vote” (England)

“Uncertain future next step for EU/participants” (Sweden)

Likelihood Brexit Would Be Orderly and Undisruptive

Disruptions are likely



Source: Greenwich Associates 2016

Perceived Impact of Brexit on U.K./EU Trade

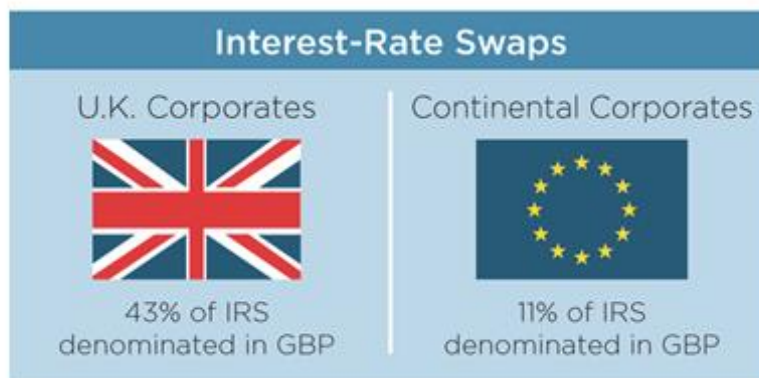
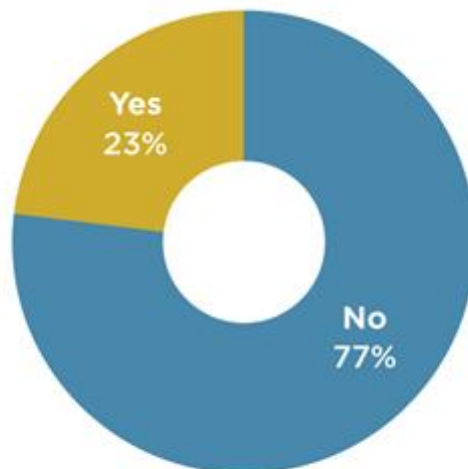
Fearing negative effects on U.K./EU trade, some Continental corporates plan to move operations from Britain back inside the EU



- U.K. corporates are more optimistic than their continental European peers, with only a few concerned that Brexit would trigger a decline in U.K./EU trade.
- On the Continent, a quarter of corporates believe a U.K. exit would have a negative effect on U.K./EU trade.
- Some Continental corporate executives are already planning to move operations located in Britain back inside the EU, should the U.K. vote to leave.

Hedges to Protect Against Currency/IR Volatility

Less than 1 in 4 corporate treasurers has put in place any hedges to protect against currency and/or interest-rate volatility



Source: Greenwich Associates 2016

Bank-Specific Concerns

Reduced bank services and higher financing costs.

Foreign banks/financial institutions could well decide to retract from the U.K. market, possibly eroding competition and breadth of products offered.

That the banks we deal with remain strong and competitive and not weakened by an exit.

Credit rating of bank counterparties.

The way of harmonization of banking systems would be harder.

There will be a move to local providers, which will enhance their power but weaken the other west European partners.

Uncertainty in initial 1-2 years driving up margins from financial services providers.



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