Nordea

## Executive summary

# The future of the corporate treasury

From back-office function to strategic lead

A survey of large corporate treasuries and their objectives until 2017

# **A strategic role** for treasury by 2017

## UNDERSTANDING THE CHANGING ROLE OF THE TREASURY

Over the last few years, treasuries have had to react to a number of regulatory changes and a vibrant macro environment, while operating in the shadow of the 2008 global financial crisis. They have also had to respond to changing working practices, as automation and digitisation have enabled easier and faster transaction and communication processes.

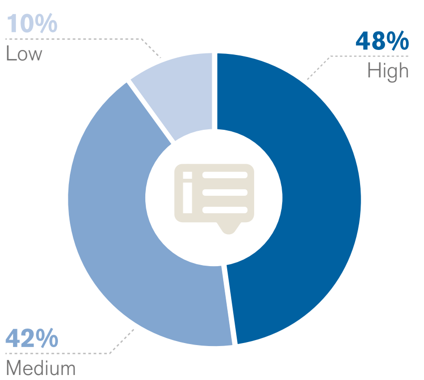
To find out how these changes have affected treasuries, we surveyed 82 large global corporate treasuries and interviewed more than 60 CFOs and treasurers. Our research paints a clear picture of where the treasury stands today and where it expects to be in 2017.

In this executive summary, we share our key findings.

### From transactions to strategic advice

Following the 2008 global financial crash, it has proven both natural and desirable for the treasury to take on strategic responsibility for funding. Treasurers and CFOs alike acknowledge that a key part of the treasury's role is now providing advice to the business, and not simply executing transactions cost effectively. Over 45% of respondents considered this aspect of their role of high importance; and almost 60% thought that it would be a key responsibility for the treasury in two to three years.

Far from declining to "one clerk and a terminal", the treasury is becoming a strategic leader — nearly 50% of respondents said that participating in decision making would be very important by 2017; just 26% thought that it was very important two to three years ago. But that is not to say that the transactional element of the treasury's role is going away — around 60% of respondents said that it remains of high importance and will continue to do so.

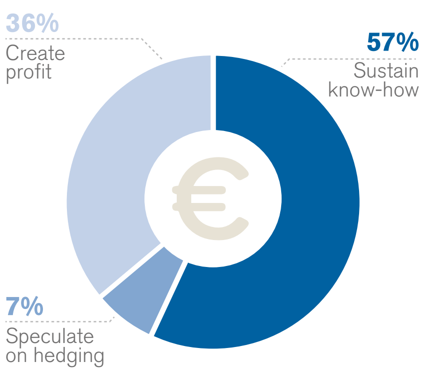



Nearly 50% of treasuries said participating in decision-making will be of high importance by 2017.

### Cash and liquidity are key

We found that the treasury's top priorities are cash and liquidity management, funding and capital markets, and managing exposure to interest rates and FX risks. Before the 2008 financial crash, the treasury's areas of responsibility and objectives were more evenly spread. But the crash put liquidity, access to funding, and risk management front and centre — and they are still the priorities for the treasury seven years later.

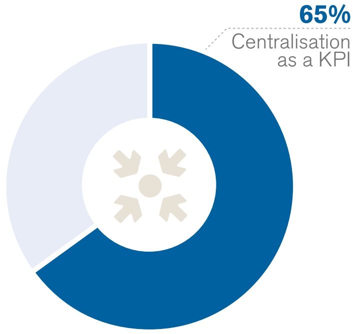
The treasury's top-four objectives are: ensuring access to cash and liquidity, reducing borrowing costs, providing internal bank services and reducing transaction exposure.




The main objective for treasuries with a trading mandate is sustaining know-how of products and the marketplace.

## The future is centralised

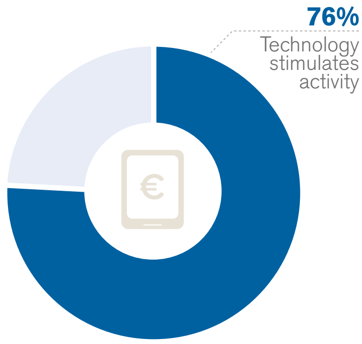
Centralising the group's cash and liquidity is the top priority for treasuries between now and 2017, and nearly two thirds of respondents currently use this as a key performance indicator (KPI). For treasuries tasked with driving efficiencies and ensuring compliance, centralisation promises cost savings and greater visibility of financing. It is particularly appealing to corporations that have expanded their operations into multiple countries, and found that their finance arrangements have become more complex and fragmented.




65% of treasuries are using cash and liquidity centralisation as a KPI.

## Technology is driving efficiencies

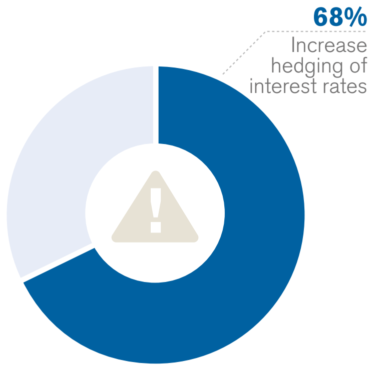
Technological advancements have been a key enabler of greater centralisation. But they have driven efficiencies in other areas too and are also benefitting those companies not pursuing a centralisation strategy. Developments in mobile, cash pooling, and web platforms have made it easier for treasuries to handle large volumes of activity. By reducing transactional pressures, technological developments are allowing treasuries to focus more time on providing advice to CFOs and informing strategic decisions.




Over three quarters of respondents said that the use of electronic platforms is driving increased transaction intensity.

## Companies are hedging more risk

Managing risk and exposure around interest rates and FX figure high on the treasury's list of priorities, both now and over the next two to three years. In line with this, large corporates are working with their banks to hedge more risk — particularly to protect themselves against fluctuations in FX and interest rates. And treasuries are also expecting to carry out more hedging against commodities, income on liquidity and — on the basis of geopolitical instability — the credit risk of their own customers.




Nearly 70% of treasuries expect to be hedging more interest rate risks in two to three years.

## Banking relationships are changing

As their treasuries evolve, large corporates are reassessing their relationships with their core banks. While the largest corporates have the most core banks, many are now looking to rationalise their banking arrangements wherever possible. Some now have a small number of primary banks, which they turn to for most transactions and support on new business ventures — although they also typically continue to have relationships with other banks if these offer greater presence in a particular market.

Companies with a turnover of less than EUR 1billion have three core banks on average; those with a turnover of over EUR 5billion have 11.

These core banks need to understand the pressures that the treasury is under and help it meet its objectives — to manage transactions cost effectively and to lead strategy around funding.

### NEXT STEPS

To find out more about the issues facing the treasury, download the full Nordea Treasury 2017 report from Nordea Insights, **insights.nordea.com/go/treasury-2017**

# **About** Nordea

Nordea's vision is to be a great European bank, acknowledged for its people, and creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea is one of few European banks with an AA-rating and is also among the ten largest full-service banks in Europe, based on market capitalisation. We have the largest customer base of any financial services group in the Nordic region, with approximately 10 million household customers and around 500,000 corporate clients. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

## CONTRIBUTORS

### JOHAN TROCMÉ

Head of Corporate Research Sweden

Corporate and Institutional Banking

Building on 12 years' experience as an equity analyst at firms including UBS, Goldman Sachs and Deutsche Bank, Johan joined Nordea's equities business in 2006 as Deputy Global Head of Equity Research. He has run the Corporate Research team since 2012. He orchestrated the transition of Corporate Research from an internal support resource, to a customer-facing unit tasked with developing strategic relationships with the largest corporate and institutional customers.

### ROBIN SYLWANDER

Corporate Research Sweden

Corporate and Institutional Banking

Robin joined Nordea's Corporate Research team in 2013. In this role, he has helped to originate and present new research themes to the largest corporate and institutional customers. This research has included the Nordea Nordic Hedging Survey, a funding mix study of Nordic large corporates, and a Financial Targets study. Before joining Nordea, he worked for Avanza and then RBS.

SWEDEN
Nordea Bank
Smålandsgatan 17
SE-105 71
Stockholm

T: +46 8 614 7000

DENMARK
Nordea Bank Danmark
Christiansbro, Strandgade 3
PO Box 850
DK-0900 Copenhagen C

T: +45 33 33 33 33

FINLAND
Nordea Bank Finland
Aleksanterinkatu 36 B
Helsinki
FI-00020 Nordea

T: +358 9 1651

NORWAY
Nordea Bank Norge
Middelthunsgt. 17
NO-0368
Oslo

T: +47 22 48 50 00

**nordea.com**