Treasury Trends

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Managing Bank Relationships in Corporate Treasury

A corporate treasury function is only as effective as the quality of its banking relationships. Banks are not simply service providers; they should be recognised as strategic partners that support an organisation's liquidity, funding, payments, risk management and growth objectives.

While every banking relationship must be based on sound commercial terms, the most successful treasury functions recognise that long-term value is created through partnership rather than simply transactional interactions.

The challenge for many organisations is to balance loyalty with competition, ensuring banks receive an appropriate share of business while maintaining flexibility, competitive pricing and prudent risk management.

Treat Banks as Strategic Partners

A 'good' bank will invest significant time and resource in understanding the business of each of its customers, their industries and strategic objectives. In return, customers should expect to benefit from better service, greater responsiveness, access to market intelligence, innovative solutions and support during periods of market stress.

A strong partnership does not imply accepting unfavourable pricing or relaxing commercial discipline. Rather, it means engaging openly, sharing strategic direction where appropriate, providing insight early in major initiatives. Banks are far more likely to prioritise clients who maintain meaningful, balanced relationships than those who continually seek the lowest price for every transaction.

Single banked

For some, a single bank relationship meets all tests of fit for purpose. However, there is still merit in having processes in place to ensure the level of service and relationship remains current and, from a strategic perspective, ensuring that questions are raised 'early' around when an additional bank or other provider may need to be introduced.

There are clearly advantages around having a single bank: simpler banking infrastructure and administration, greater operational efficiency, improved visibility over cash management, stronger negotiating position for integrated banking solutions and so on.

Key Points

- View banks as strategic partners
- Ensure the bank relationship(s) is/are right-sized for your business
- *"Share the love"* - on a commercial basis
- Formalise the review process

Avoid "*All Eggs in One Basket*"

Of course, concentration also introduces risks. Operational disruptions, strategic changes within the bank, deterioration in service quality or reductions in available credit can significantly affect any organisation.

Ensuring business continuity is one of treasury's fundamental responsibilities, so banking relationships should be viewed through the lens of operational resilience as well as commercial value.

Even where one bank is the preferred partner, maintaining active secondary banking relationships provides valuable contingency. These relationships should not exist only on paper but be supported through regular transaction volumes, periodic financing opportunities or selected cash management activities. Building a new banking relationship during a crisis or to address an unexpected enquiry or event is far more difficult than strengthening one that has been developed over time.

While concentrating business with a single bank may deliver pricing efficiencies, appropriately distributing business across multiple banking partners helps maintain stronger engagement from each institution.

"*Share the Love*" Philosophy

To support a multi-bank relationship, it is a common concept amongst treasurers to "*share the love*" or provide appropriate "*share of wallet.*" Banks allocate resources—including relationship managers, product specialists, credit capacity and senior executive attention—to clients that provide sufficient revenue opportunities.

The objective is not equal allocation but fair allocation. Banks understand they must compete for business; however, they also expect that meaningful support and investment in the relationship will be recognised over time. This may include allocating foreign exchange, debt mandates, transaction banking, deposits and cash management across the relationship banks.

Managing Counterparty Credit Risk

Banks are counterparties with varying levels of financial strength, so treasury policies should actively monitor counterparty credit risk alongside other financial risks. While there are many ways to assess bank creditworthiness, most frameworks incorporate external credit ratings and clearly defined escalation procedures if a bank's credit quality deteriorates.

The objective is not to eliminate risk, but to ensure exposures remain within an organisation's risk appetite.

Maintaining Commercial Discipline

Strong banking partnerships should never come at the expense of sound commercial governance. Treasury has a responsibility to ensure competitive pricing and appropriate contractual terms.

Periodic benchmarking, competitive tenders or Requests for Proposal (RFPs) remain valuable for testing the market. However, in our opinion, tender processes should only be undertaken where there is a genuine opportunity to award business. Banks are unlikely to commit their strongest resources to a process viewed as a procurement exercise rather than a real commercial opportunity. Equally, pragmatic procurement teams should avoid inviting participants with little realistic prospect of success.

Open communication is equally important. Early discussions about pricing or service concerns, which might be classified as 'niggles', often allow issues to be resolved before they affect the relationship. This reinforces the value of a formal review programme.

For larger or more complex organisations, separate reviews of transaction banking performance and the broader strategic relationship may be appropriate, ensuring both day-to-day service delivery and the long-term partnership receive appropriate attention.

Formal Relationship Management

Bank relationship management should extend well beyond an annual lunch or informal catch-up. Formal relationship review meetings, held at least annually, provide an opportunity for treasury and the bank to objectively assess the partnership, with participation from senior treasury staff, relationship managers and relevant product specialists.

Regular measurement and feedback, whether through a formal Service Level Agreement (SLA) or a less structured scorecard, benefits all parties. Assessment should cover service responsiveness, strategic alignment, innovation and technology, share of wallet, and the overall quality of the relationship, ideally incorporating feedback from multiple levels within the organisation.

These reviews promote transparency and accountability, clarify expectations, and identify issues before they escalate. They also provide an objective basis for allocating business, supporting procurement decisions and future banking mandates based on performance rather than historical relationships.

Conclusion

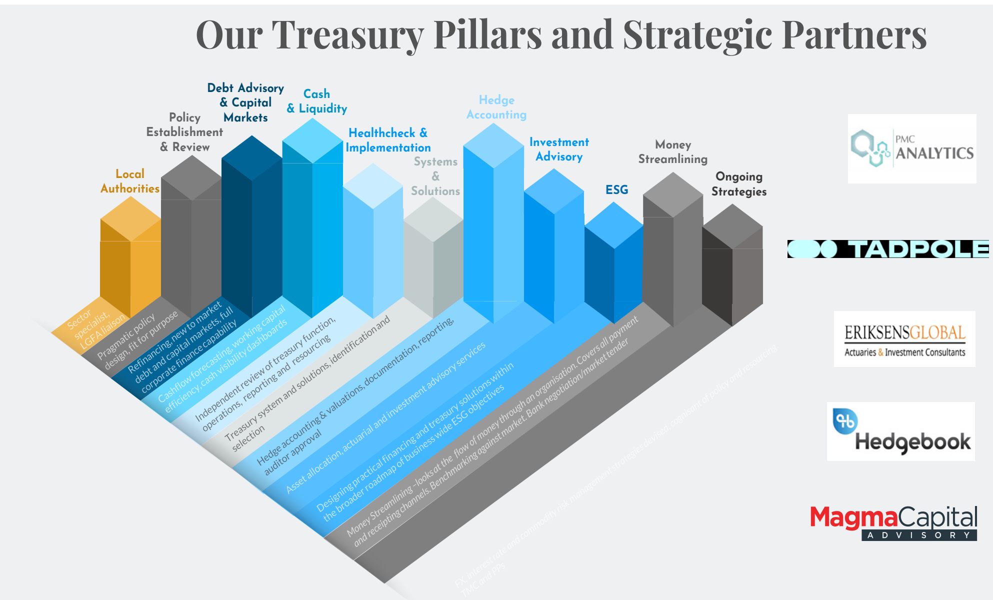
Effective bank relationship management balances partnership with commercial discipline. Strong treasury functions build a diverse network of trusted banking partners, manage counterparty risk, review relationships regularly and allocate business based on performance—not history or price alone.

Banking relationships are reciprocal. Organisations that communicate openly and provide an appropriate share of business are more likely to receive commitment, innovation and support when it matters most.

The objective is not simply to find the cheapest bank, but to build banking partnerships that deliver long-term value and resilience across the economic cycle.

If you would like to benchmark your banking relationships or identify opportunities to strengthen performance and value, please speak with your advisor or contact us below.

WHAT WE DO



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