THINKING ABOUT CHANGING YOUR BANKING RELATIONSHIPS?

ASK YOURSELF THESE FIVE QUESTIONS

When it's time to add a bank to your roster or change your financial institution, it's important to separate a bank that is consistent in creating and maintaining relationships from one that is a relationship bank in name only. A relationship approach to banking helps ensure that your company receives the fullest appreciation of the aspects of your business and your strategy that make your company unique. Only then can your bank provide a stable and consistent source of financial support and best practices to help fuel your success.

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HERE ARE FIVE SPECIFIC ISSUES TO CONSIDER:

- **How complex are your company's finances?** A relationship approach to banking can leverage a detailed knowledge of your organization and business sector to provide new insights and suggestions for protection and growth. On the other hand, a transactional approach might offer a more convenient route for purchasing a single financial product that satisfies your immediate needs.
- **What kind of financial products does the bank offer?** Foreign currency exchange management won't do you much good if you sell trucks to local construction companies. But a well-managed fleet financing loan program might help you win some large contracts.
- **What are the true costs of doing business with the bank?** The size of any service fee or interest rate that you might pay, while important to consider, doesn't tell the whole story. Find out what kind of value you would receive. For instance, if one bank is offering a lower interest rate, their credit proposal may well include more restrictive covenants that limit your flexibility until the loan is paid off.
- **How strong is the bank?** During a financial downturn, a bank's ability to see you through a crisis is only as strong as its own ability to weather it. Studies of the Lehman Brothers and the South Korea crises noted that any advantage that relationship banking afforded to the client depended upon whether or not the bank itself remained on sound footing.[1,2]
- **Do the Relationship Manager (RM) and the bank understand how you compete?** Don't just discuss the numbers. Spend as much time, if not more, in strategic conversations with any prospective financial institution. Get to know the individuals and their bank's philosophy, and give them a chance to know you and your company's value proposition. You'll figure out soon enough if there's a fit between their approach and yours.

If a true relationship approach to banking is what your company is looking for, start first by asking if your current bank measures up. Relationships ebb and flow, but the healthy ones endure and benefit both parties involved. Your banking relationship can be one of the most beneficial aspects of your business model, but only if you expect it and hold your RM and yourself responsible for growing and nurturing it.

READY TO HELP

For more information, contact your Relationship Manager, visit pnc.com/ideas or use this link to be contacted by PNC: https://www.pnc.com/en/corporate-and-institutional/forms/pnc-ideas-contact.html.

1 Banerjee, Ryan Niladri; Gambacorta, Leonardo; Sette, Enrico. "The real effects of relationship lending." Bank for International Settlements, 2017. https://www.bis.org/publ/work662.htm

2 Ferri, Giovanni; Kang, Tae Soo; Kim, In-June. "The Value of Relationship Banking during Financial Crises: Evidence from the Republic of Korea." World Bank, Washington, D.C., 2001. https://openknowledge.worldbank.org/handle/10986/19710

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