Vallstein Benchmark™ brings Market Discipline to Banking Sector

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“Financial sector too big compared to real economy”

“New solvency Rules alone will not solve imbalances”

“Clients can apply their own Vallstein Benchmark™ to enforce discipline in financial sector”

Hoofddorp, 3. January 2012 – Vallstein, the leading provider of Bank Relationship Management (BRM) solutions, today launched the Vallstein Benchmark™ to enhance Market Discipline in Financial Sector. The Vallstein Benchmark™ compares the sales size (annual gross revenues in relevant areas only) of the World´s Top 1000 banks to world GDP. The data used in the benchmark has been aggregated and analyzed on an ongoing basis since 2002. For the first time Vallstein is making the results of the benchmark available to the public.

"For the past decade we have worked with this Vallstein Benchmark™ to enable our corporate clients to successfully impose a constructive discipline on a client-by-client basis to their individual banking relationships, creating a true win-win for client and bank alike”, said Hugo van Wijk, Founder and CEO of Vallstein. “We are now pleased to announce the Vallstein Benchmark™ for the banking sector as a whole. This key indicator will provide transparent guidance whether the banking sector should be considered out of balance with the real economy”

The development mirrored in the Vallstein Benchmark™ since 2002 is at the same time clear as it is alarming. It confirms with hard data the observations made by of Lord Turner, (Chairman FSA), in September 2009, “that some financial activities which proliferated over the past 10 years were socially useless and some parts of the system were swollen beyond their optimal size”.

In the past a high ratio of the financial sector to a nation´s GDP was regarded as positive as it was taken as a sign that the financial industry of this country was an important source of employment and economic growth. According to Hugo van Wijk, this isolated in-country view obviously fails to assess the broader picture which for the period under review is disturbing.

He outlined: “At the aggregate level for the banking sector, there is every indication that a Vallstein Benchmark™ below 4% is healthy, and above that a dangerous imbalances exist. The imbalances result from too much of one product, too much unnecessary products and/or excessive pricing, all of which are perhaps good for a bank in the short run but ultimately bad for the real economy.”

From 2002 to 2010, the Vallstein Benchmark™ rose from 3.9% to close to 9% in 2009 and a slight reduction to 8.4% in 2010 - a more than doubling of the share of the World´s Top 1000 Banks in World GDP.

“The new solvency rules still first look at bank balance sheets and fail to really measure the total picture, taking the size of the entire banking business into account as well. Moreover, one has to acknowledge that just an increase in minimum capital requirements in itself does not address some of the

key issues. A high solvency requirement in itself does not necessarily lead to sound banking, but sound banking will produce solid solvency ratios. One should pay attention to cause and effect. As we have said before it is not so much how much capital is required but above all what you use it for. With the Vallstein Benchmark™ we also aim to make a contribution to steering the thinking into a more client-focused direction", continued
Hugo van Wijk.

Banks traditionally have operated sometimes as product-push businesses with usually unclear product/client matrix-organizations. In this approach, it is not uncommon that the client is first of all seen as a source of potential profit. Following a real client-centric approach, it becomes clear that all organizations in essence only have three requirements from their banks: Funding, Operational, Risk Management (FORM). At Vallstein these individual requirements are quantified and translated into a Vallstein Benchmark™ per client, reflecting its specific business profile, its current banking landscape as well as optimization opportunities by reviewing its specific Vallstein Benchmark™ in the context of the relevant peer group and appropriate best practice levels.

The Vallstein Benchmark™ has been previewed first in Het Financieele Dagblad, the leading Dutch financial newspaper in December 2011, and will be published at regular intervals by Vallstein in future. Although the Vallstein Benchmark™ in itself is easy to understand, explaining changes requires careful interpretation of the underlying developments. In that respect the changes from 2002 to 2010 can be linked to a reduction in interest margins until 2008 (reduction Vallstein Benchmark™), an increase in lending until 2008 (increase in Vallstein Benchmark™) and a significant lengthening of the financial chain and additional product-push (increase in Vallstein Benchmark™). Since 2008, interest margins increased and lending declined with associated netting impact.

Information for editors:
All quotes in the header, sub-header and body, (except where attributed to Lord Turner) of this release are attributable to Hugo van Wijk, Founder and CEO of Vallstein.

Information about Vallstein

Vallstein is the leading provider of Bank Relationship Management (BRM) solutions. The company was founded in the year 2000 following a vision to create a breakthrough in the way corporations manage a core component of their business, the banking business. Core to Vallstein's solutions is the WalletSizing® concept, which provides a fundamental innovation in BRM. Delivered as software on demand (SaaS), Vallstein´s solutions empower large and medium sized companies to gain full insight, control and compliance to their banking business, resulting in an information lead and significantly improved conditions.

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