



Future Challenges and Opportunities for Cross-Border Banking

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Challenges



Challenge: Competition from Non Banking Institutions

- ★ Other financial institutions, i.e. Brokerage Firms, are increasing their presence in the Mexico and targeting different market segments

- ★ Sophistication of International customers has changed
 - Demand diversification and alternative investments
 - Shopping banking and and non-banking financial institutions
 - Achieving highest rate of return becomes as important as relationship
 - Looking at global currencies



Challenge: Regulatory Issues and Requirements

- ★ Increased cost to banks' international operations
- ★ Changes have diverted bankers focus from sales and service to regulatory issues



Challenge: Border Security

- ★ Security issues have changed the relationship between US/Mexico border towns
- ★ New requirements for individuals crossing the border changes purchase and travel behaviors
- ★ Decreases in tourism and flow of people crossing borders impacts economies of border towns



Competition from Mexican Banks

- ★ Stability in Mexican economy and banking industry increases consumer confidence in Mexican banking system
- ★ Banks have changed their target market to cater to more middle market businesses
- ★ Product diversification for consumers provides more alternatives for individuals



Opportunities



Opportunity: Strong Markets

- ★ Regional and community banks can take advantage of larger institutions leaving the international market
- ★ International customers remain loyal to a relationship, often between multiple generations
- ★ Texas and Mexican culture and people are closely aligned
- ★ Strong opportunities in Texas economy make it a great place to do business



Opportunity: International Customers Needs are Changing

★ Traditional International client

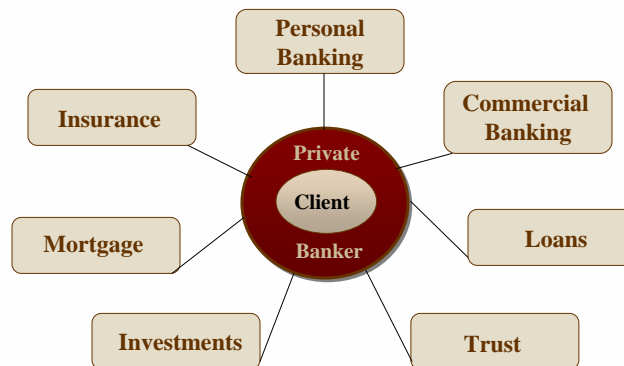
- Primary residence and business in Mexico
- Use U.S. financial institutions for life savings

★ Transitional Client

- Maintain residences in both Mexico and U.S.
- May be looking to open a business in U.S. to complement Mexican business
- Banking needs are more challenging often extending beyond products to include advice



Coordinating The Relationship



- ★ One convenient point of contact with access to a network of specialists
- ★ Tailored solutions that help meet long-term financial goals



Opportunity: Banking Middle Market Mexican Businesses

- ★ Looking for a partnership to help them grow the business and personal wealth
- ★ Relationship opportunities include business credit and deposit needs, personal wealth management services, and insurance
- ★ As a financial advisor, you must service the entire relationship



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