

Treasury Strategies' Quarterly Corporate Cash Briefing™ for 1Q 2015

Presented by:

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Treasury
Strategies.



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Agenda



Corporate Cash Levels

Basel III

Game Changers

Roundtable:

- Association of Corporate Treasurers (ACT)
- Citi
- Federated Investors
- Fitch Ratings



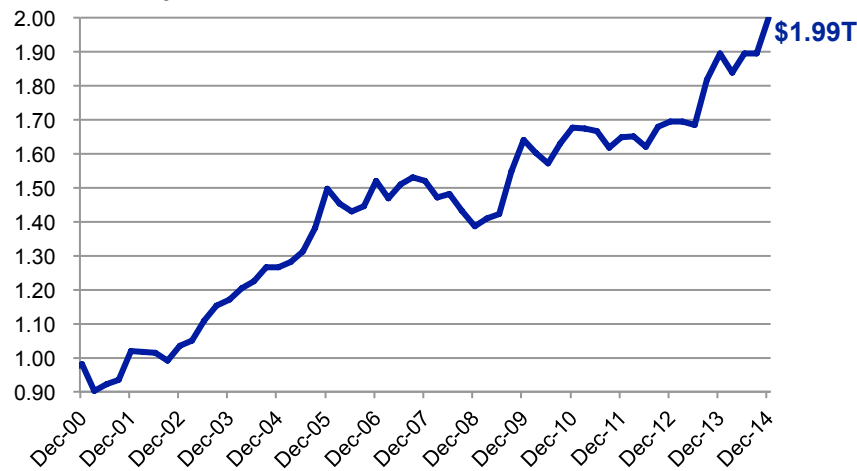
Corporate Cash Levels



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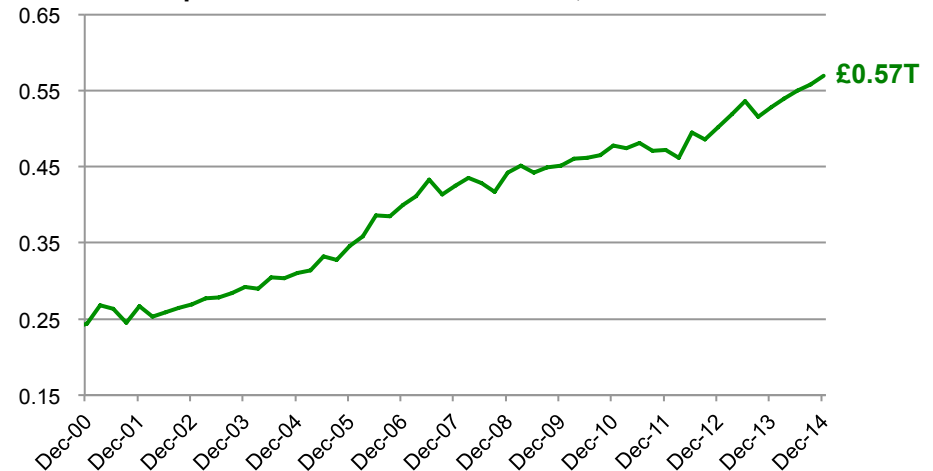
Corporate Cash Levels

US corporate cash as of December 31, 2014



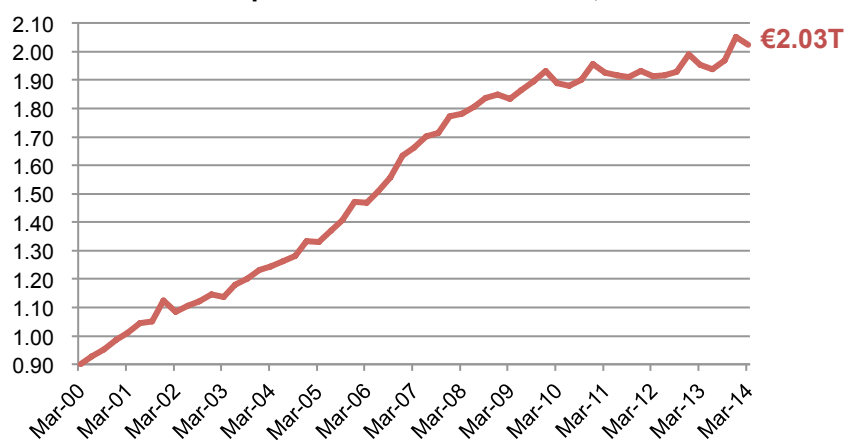
Source: Federal Reserve, Treasury Strategies

UK corporate cash as of December 31, 2014



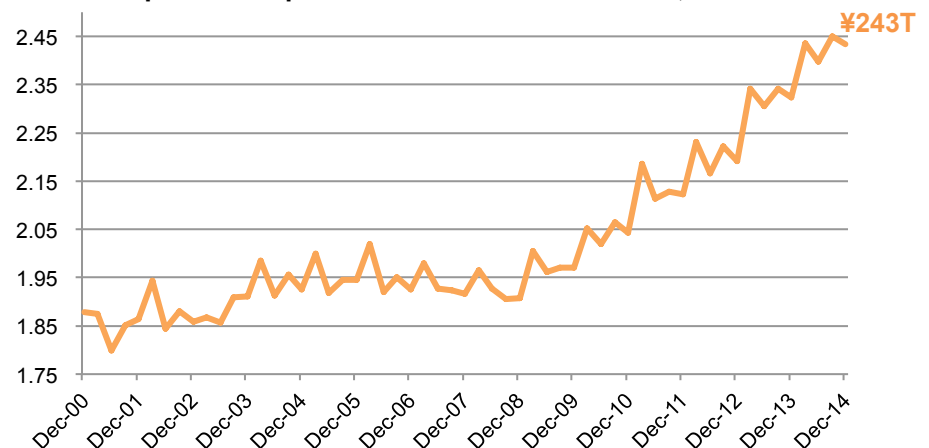
Source: Office of National Statistics, Treasury Strategies

Eurozone corporate cash as of March 31, 2014



Source: European Central Bank, Treasury Strategies

Japanese corporate cash as of December 31, 2014



Source: Bank of Japan, Treasury Strategies

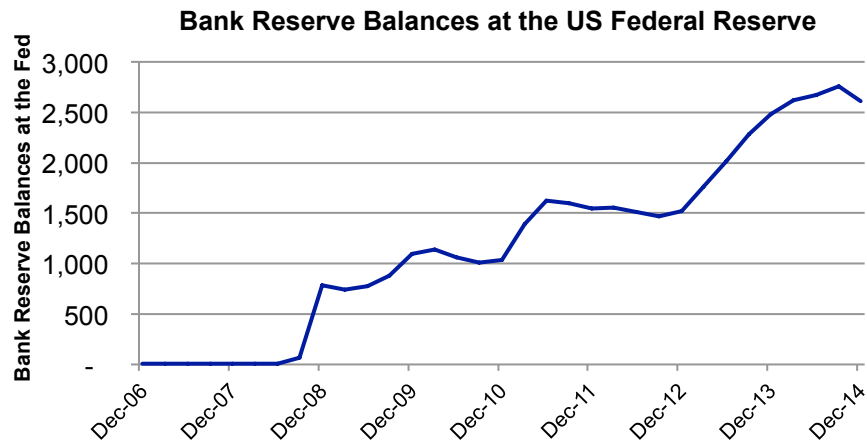
Corporate Cash as % GDP by Region



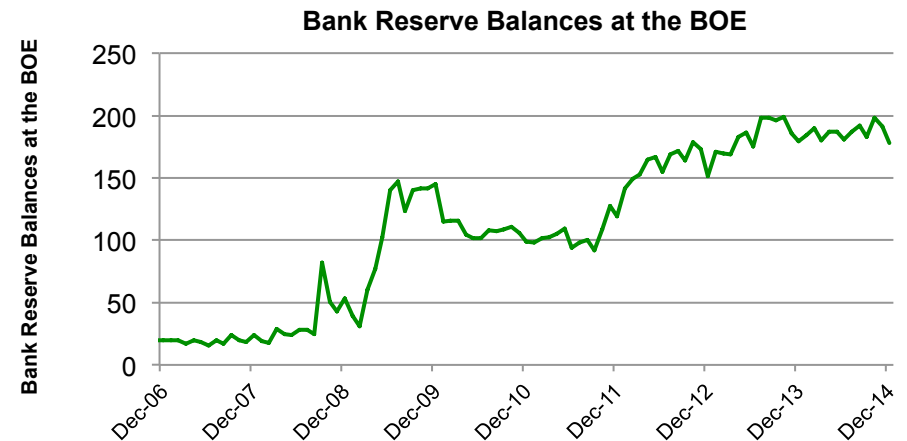
Country/Region	December 2000	December 2014
United States	9%	11%
Eurozone	14%	21%
United Kingdom	25%	32%
Japan	37%	50%

Source: Treasury Strategies' estimate

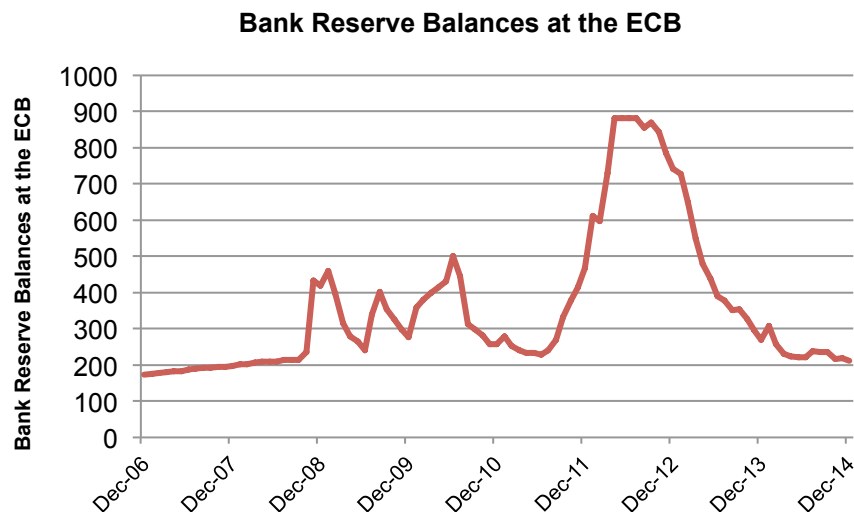
Reserve Balances



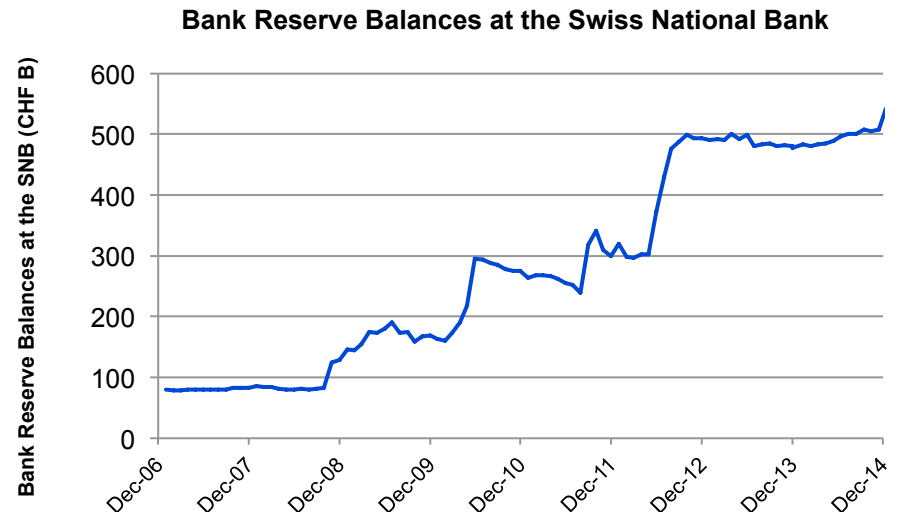
Source: Federal Reserve H3 Report, Treasury Strategies



Source: Bank of England, Treasury Strategies

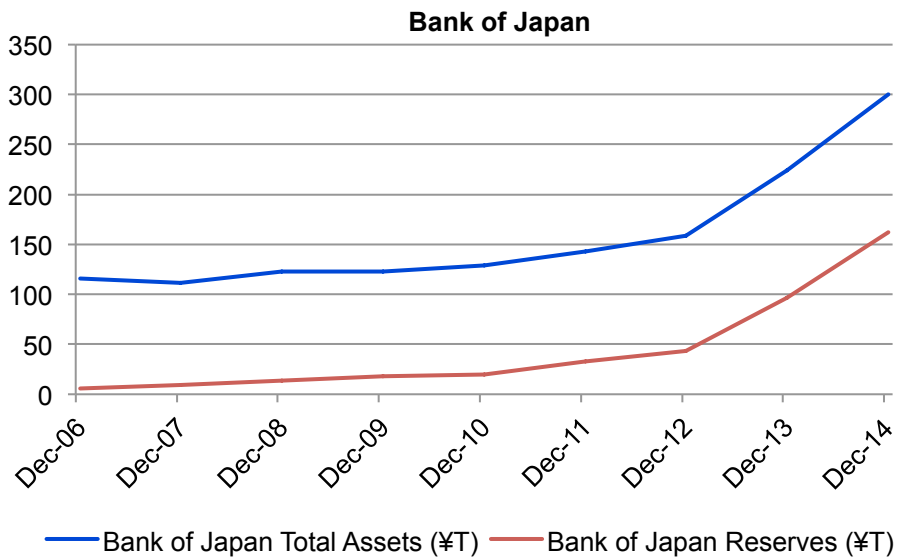
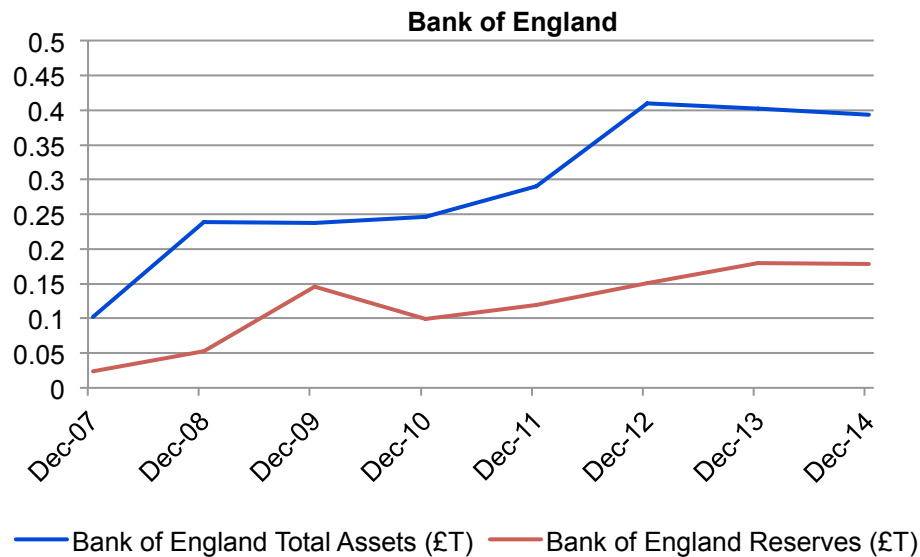
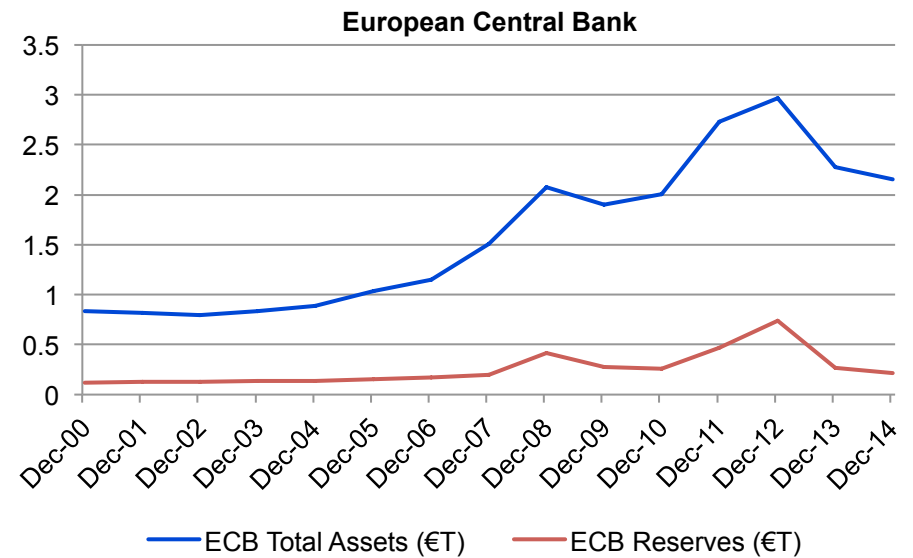
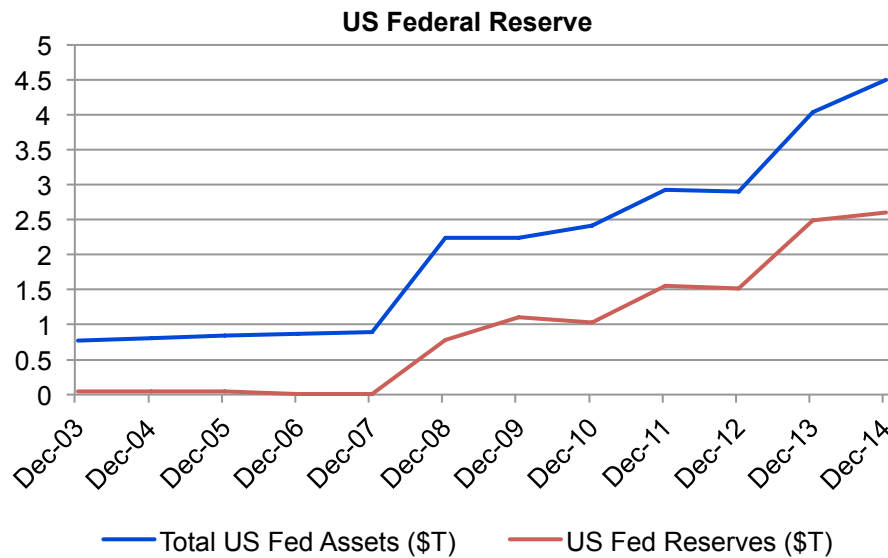


Source: European Central Bank, Treasury Strategies



Source: Swiss National Bank, Treasury Strategies

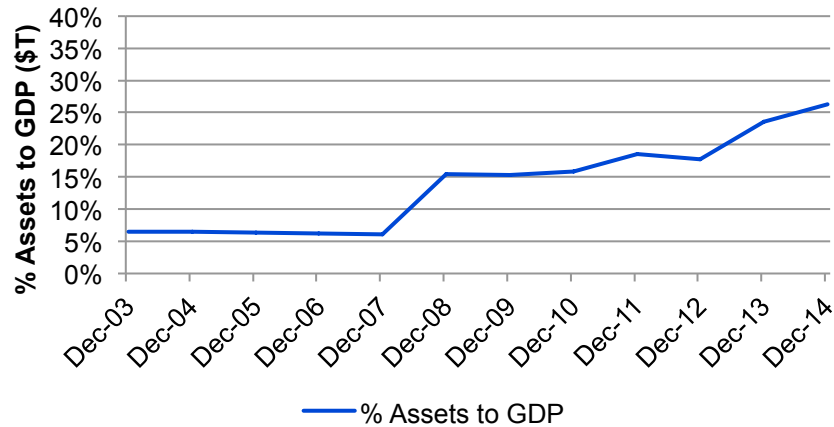
Central Bank Reserves to Total Assets



Central Bank Assets as % GDP by Region

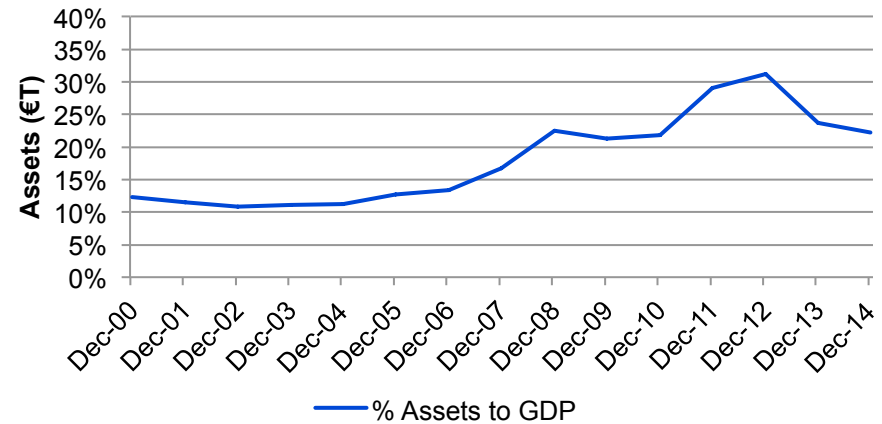


US Federal Reserve
Total Assets as % of GDP
December 2003-December 2014



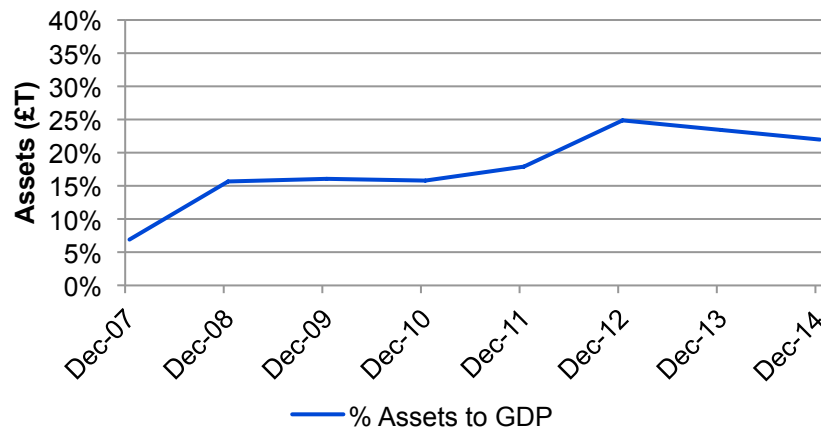
Source: U.S. Bureau of Economic Analysis, St. Louis Federal Reserve

ECB - Total Assets as % of GDP
December 2000-December 2014



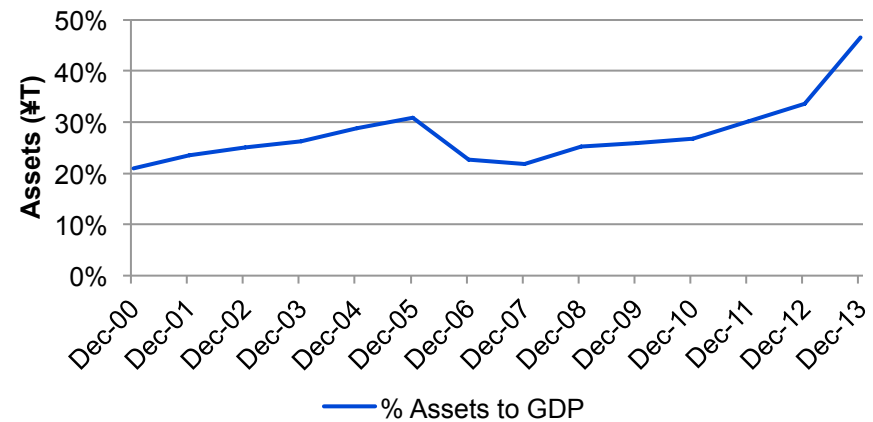
Source: European Central Bank, St. Louis Federal Reserve

BOE - Total Assets as % of GDP
December 2007-December 2014



Source: UK Office of National Statistics, Bank of England

BOJ - Total Assets as % of GDP
December 2000-December 2013



Source: Bank of Japan, St. Louis Federal Reserve

Basel III



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Basel III's Liquidity Coverage Ratio



Two quarters ago, we discussed the LCR plank of Basel III and the impact to corporates. The following are key points from that discussion.

- **This could be the single most impactful regulation for corporate treasurers in the post-crisis era.**
 - To ensure sufficient funding to withstand a crisis, Basel III requires banks to reclassify corporate deposits into “operational deposits” and “non-operational deposits.”
 - Not all banks and not all bank customers will be impacted in the same way.
- **LCR significantly alters the economics of a banking relationship both from your perspective and your bank's perspective.**
- **The attractiveness of your deposits will depend on:**
 - The volatility of your cash flow
 - Your ability to accurately forecast your cash flow
 - The mix and amount of services you buy from your bank
 - The nature of the business activity which underpins your transactions (e.g., commercial transactions vs. financial transactions)
 - Legal arrangements surrounding your accounts
- **It is likely that at some point, you will need to redesign your operational banking structure or reallocate your deposits.**





Basel III Strategies



There are four critical questions banks are asking themselves as they develop their Basel III products and client relationship strategies:

- Do we have the right clients given the post-Basel III economics of our business?
- What is the optimal mix of spread vs. fee revenue?
- How do we protect or improve the value of clients we have (and want to keep)?
- How can we attract the clients we don't have?

As corporates, it is important to understand your banks' answers to these questions to determine the impact to your banking relationships and the degree to which you will need to redesign your operational banking structure or reallocate your deposits.



Game Changers

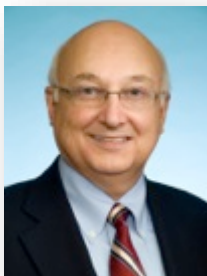


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Potential Game Changers



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About Treasury Strategies, Inc.



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What We Do

Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

Treasury Technology

We provide guidance through every step of the technology process. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

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Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your business.

Locations

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About the ACT



Who we are

The Association of Corporate Treasurers (ACT) sets the benchmark for international treasury excellence. As the Chartered body for treasury, we lead the profession through our internationally recognised suite of treasury qualifications, define standards and support continuing professional development. We are the voice of corporate treasury representing the interests of our members.

What we do

ACT supports the growth and professional development of treasurers and finance professionals. We are an active global network of treasury, risk and finance professionals with members and students in 98 countries.

- We promote treasury as a discipline, as a profession and as a career.
- We provide informed and unbiased technical advice.
- We teach, examine and qualify treasury professionals and offer ongoing CPD.
- We stimulate debate and facilitate the exchange of ideas and information through our events, conferences, webinars and forums.
- We represent the real economy and influence relevant regulation and market practice.



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About Citi:

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Additional information may be found at: www.citigroup.com or <http://blog.citigroup.com/>



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About Federated Investors, Inc.



FIRM PROFILE

\$379.8 BILLION IN AUM

History of Quality and Innovation

- Founded and headquartered in Pittsburgh, PA, 1955
- Offices in New York, Rochester, Boston, Dublin, Frankfurt, London and Melbourne
- 1,400+ employees worldwide, including 223 investment professionals and 84 Chartered Financial Analysts
- Pioneer of money market and fixed income funds

Publicly Traded

- NYSE listed: FII
- Employees share in approximately 20% of firm's ownership

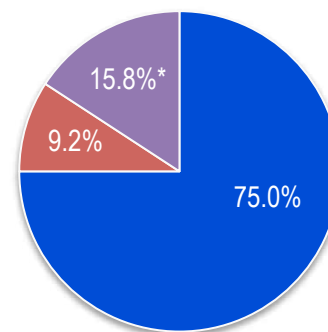
Investment Management Singular Focus

- Committed to delivering long-term outperformance
- Strategies utilize risk management process and maintain style consistency

Well-Resourced Investment Teams

- Experienced specialized teams committed to delivering long-term outperformance
- Deep historical commitment to proprietary research
- Majority of investment professionals' compensation directly tied to performance

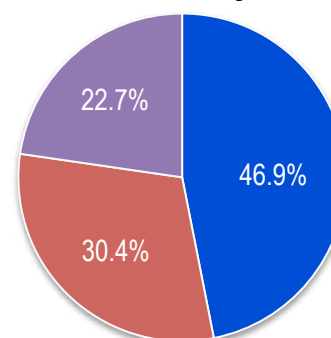
Firm-Wide



■ Liquidity Management ■ Equity ■ Fixed Income

**Liquidation portfolios comprise of 12.2% of firm-wide fixed income total.*

4Q Revenue by Source



■ Liquidity Management ■ Equity ■ Fixed Income

Asset breakdown as of 12/31/12



About Fitch Ratings



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