

# Treasury Strategies' Quarterly Corporate Cash Briefing™

4 April 2013

## Presented by:

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## Sponsors:



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# Agenda



## Corporate Cash Levels

## Treasury Strategies' 2013 Outlook Survey: Findings and Highlights

### Roundtable:

- Association of Corporate Treasurers (ACT)
- Federated Investors
- PNC Bank

## What Treasury Strategies' Clients are Saying

## Treasury Strategies' Advice to Clients

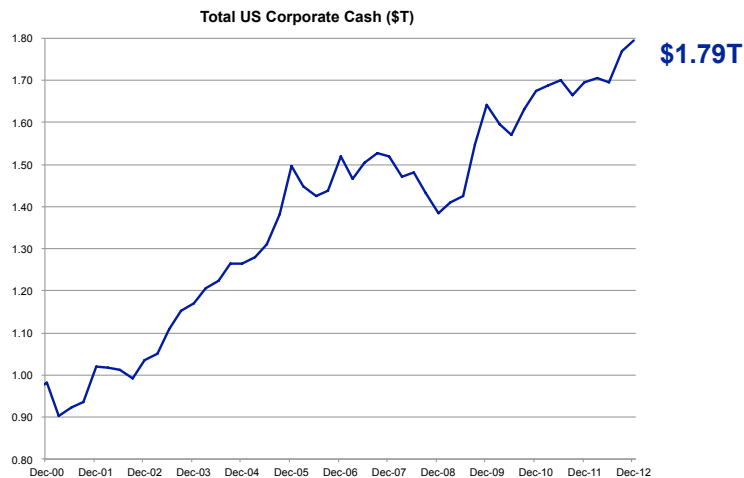




# Corporate Cash Levels

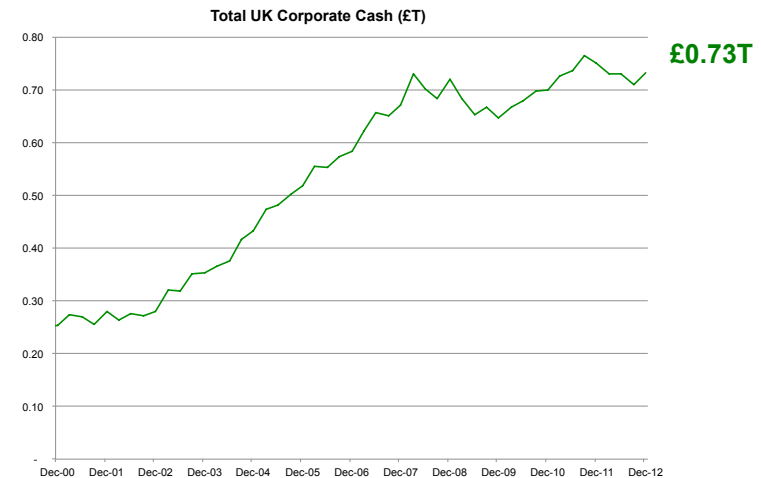


## US corporate cash as of December 31, 2012



Source: Federal Reserve, Treasury Strategies

## UK corporate cash as of December 31, 2012



Source: Office of National Statistics, Treasury Strategies

## Eurozone cash as of September 30, 2012

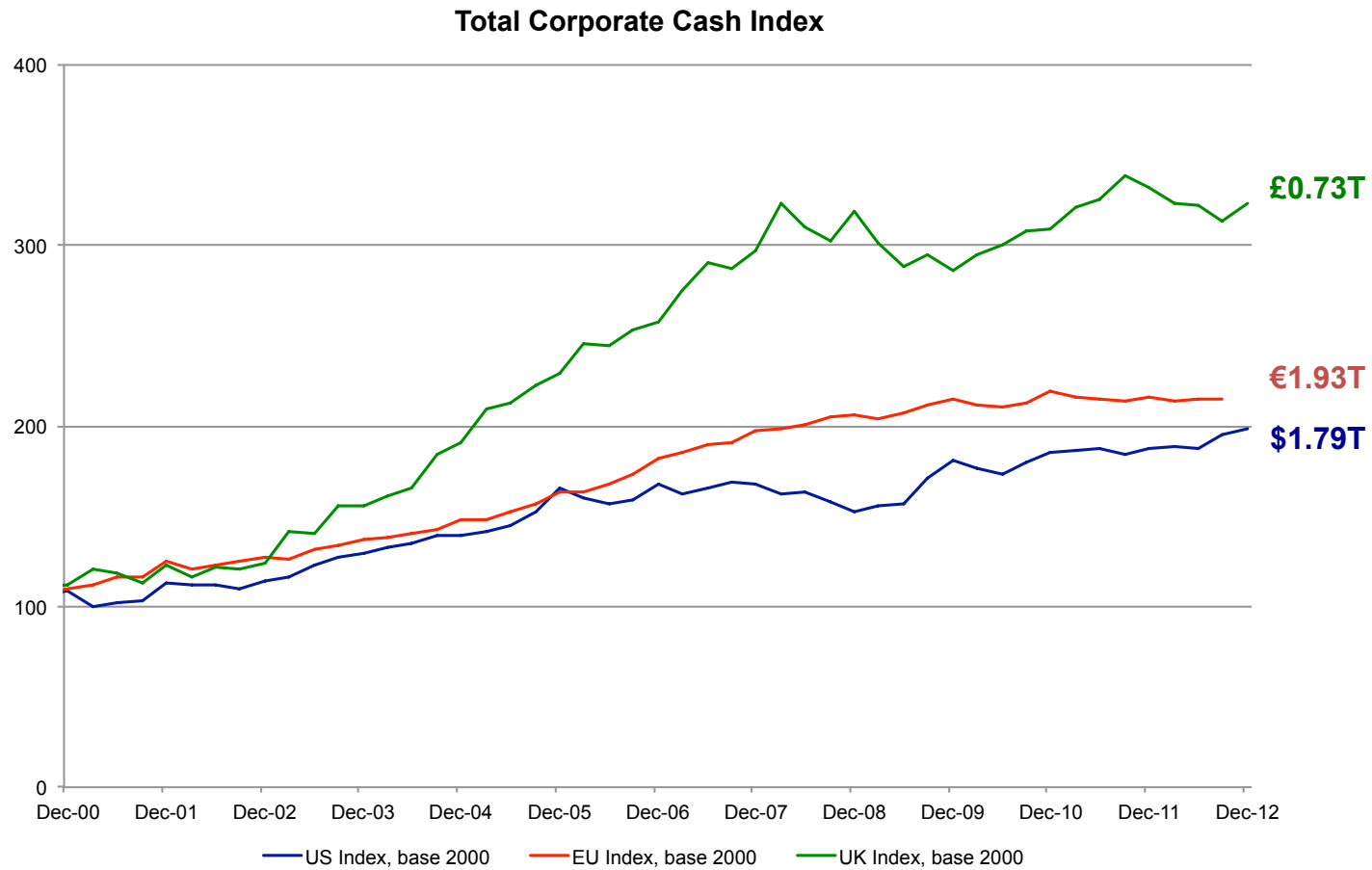


Source: European Central Bank, Treasury Strategies





# Corporate Cash Index



Sources: Treasury Strategies, Federal Reserve, European Central Bank, Office of National Statistics  
Note: 1Q 2000 = 100





## Corporate Cash as % GDP by Region



Country/Region	December 2000	December 2012
United States	10%	11%
Eurozone	14%	20%
United Kingdom	26%	45%

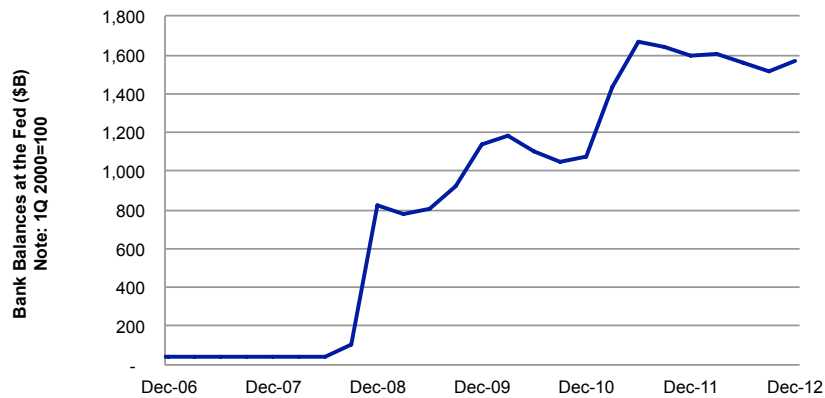
Source: Treasury Strategies' estimate



# Reserve Balances

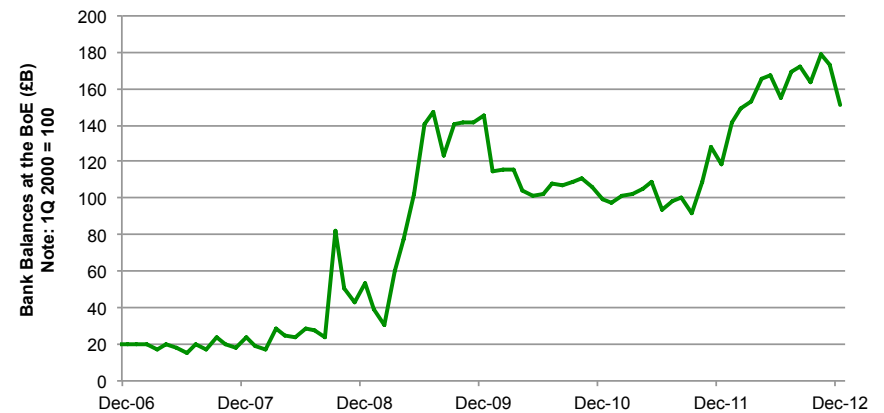


**Bank Balances at the US Federal Reserve  
December 2006 - December 2012**



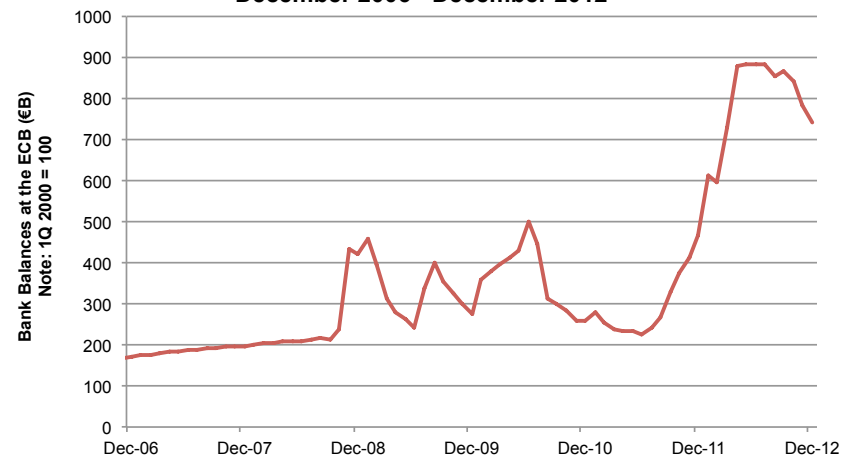
Source: Federal Reserve H3 Report, Treasury Strategies

**Bank Reserve Balances at the BoE  
December 2006 - December 2012**



Source: Bank of England, Treasury Strategies

**Bank Reserve Balances at the ECB  
December 2006 - December 2012**



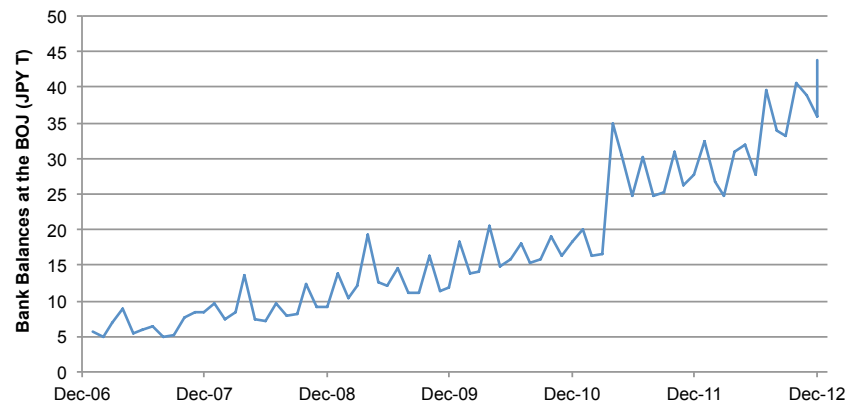
Source: European Central Bank, Treasury Strategies



# Reserve Balances

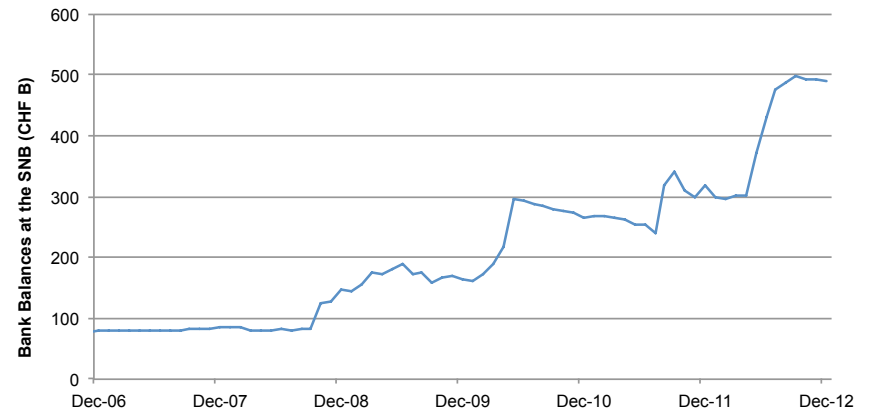


**Bank of Japan Reserves:**  
December 2006 - December 2012



Source: Bank of Japan, Treasury Strategies

**Swiss National Bank Reserves:**  
December 2006 - December 2012

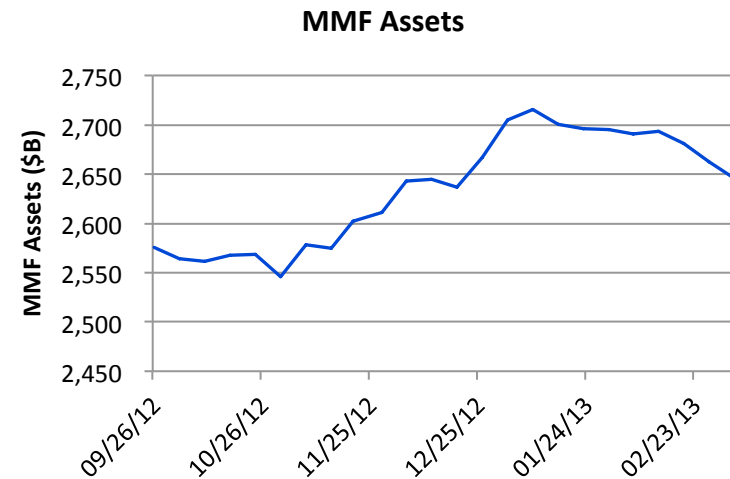
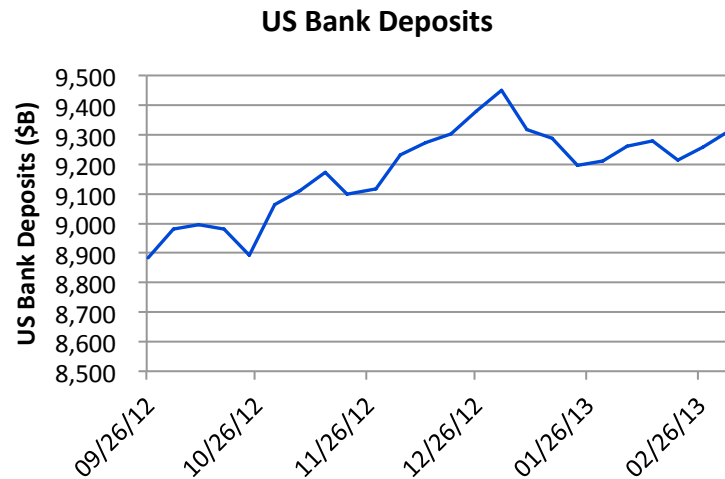


Source: Swiss National Bank, Treasury Strategies





# US Bank Deposits, MMF Assets Impact of Deposit Insurance



Net Change Oct 2012-Mar 2013	
MMF Assets	2.74%
Total Bank Deposits	4.84%
• Domestic	4.65%
• Foreign	6.60%
• Large	5.39%
• Small	3.35%

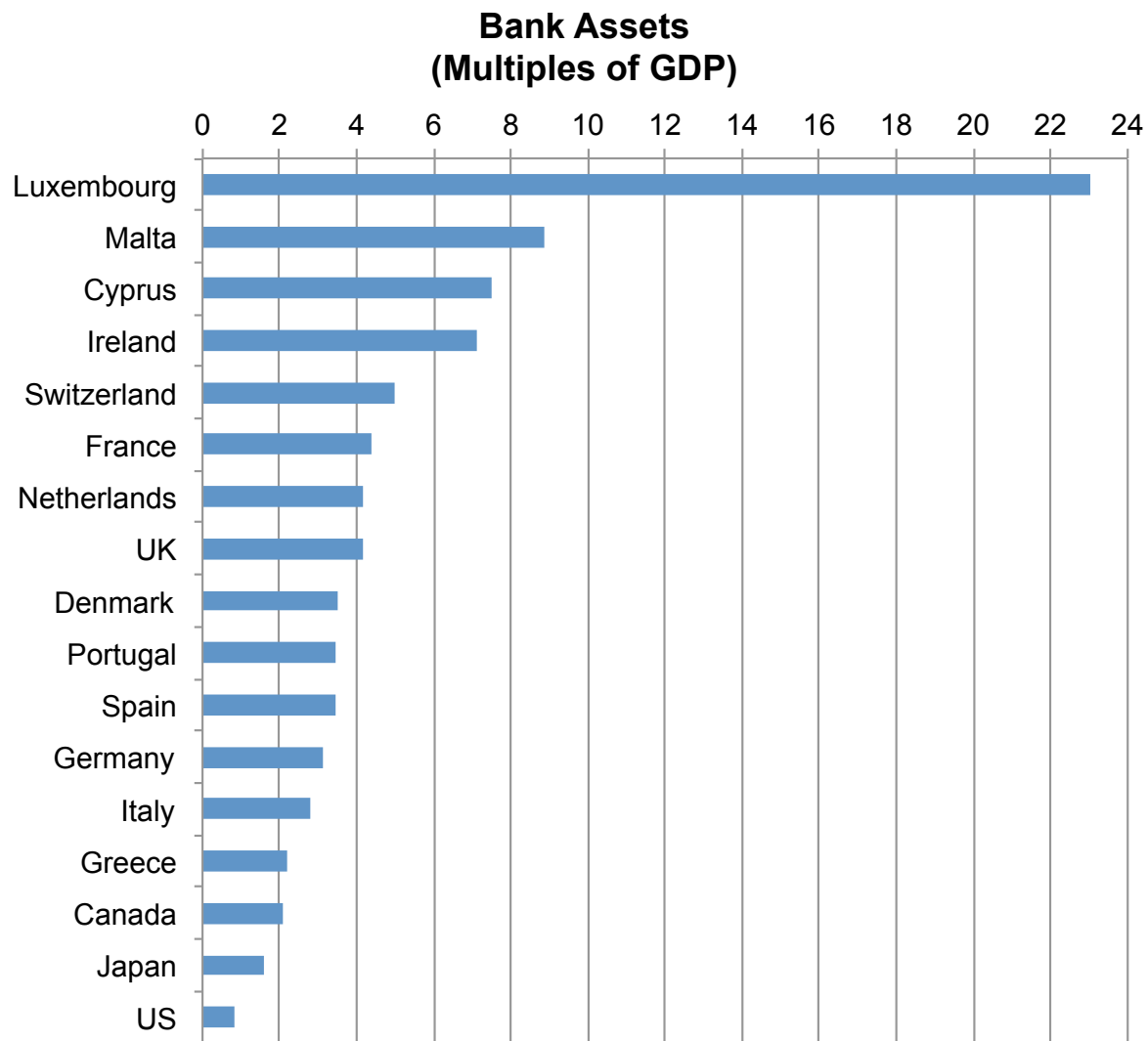
Source: Investment Company Institute, Federal Reserve, Treasury Strategies







## Bank Assets as a Multiple of GDP



Source: Institute of International Finance, Treasury Strategies





# **Treasury Strategies' 2013 Outlook Survey: Findings and Highlights**



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## Changes in Corporate Cash Levels



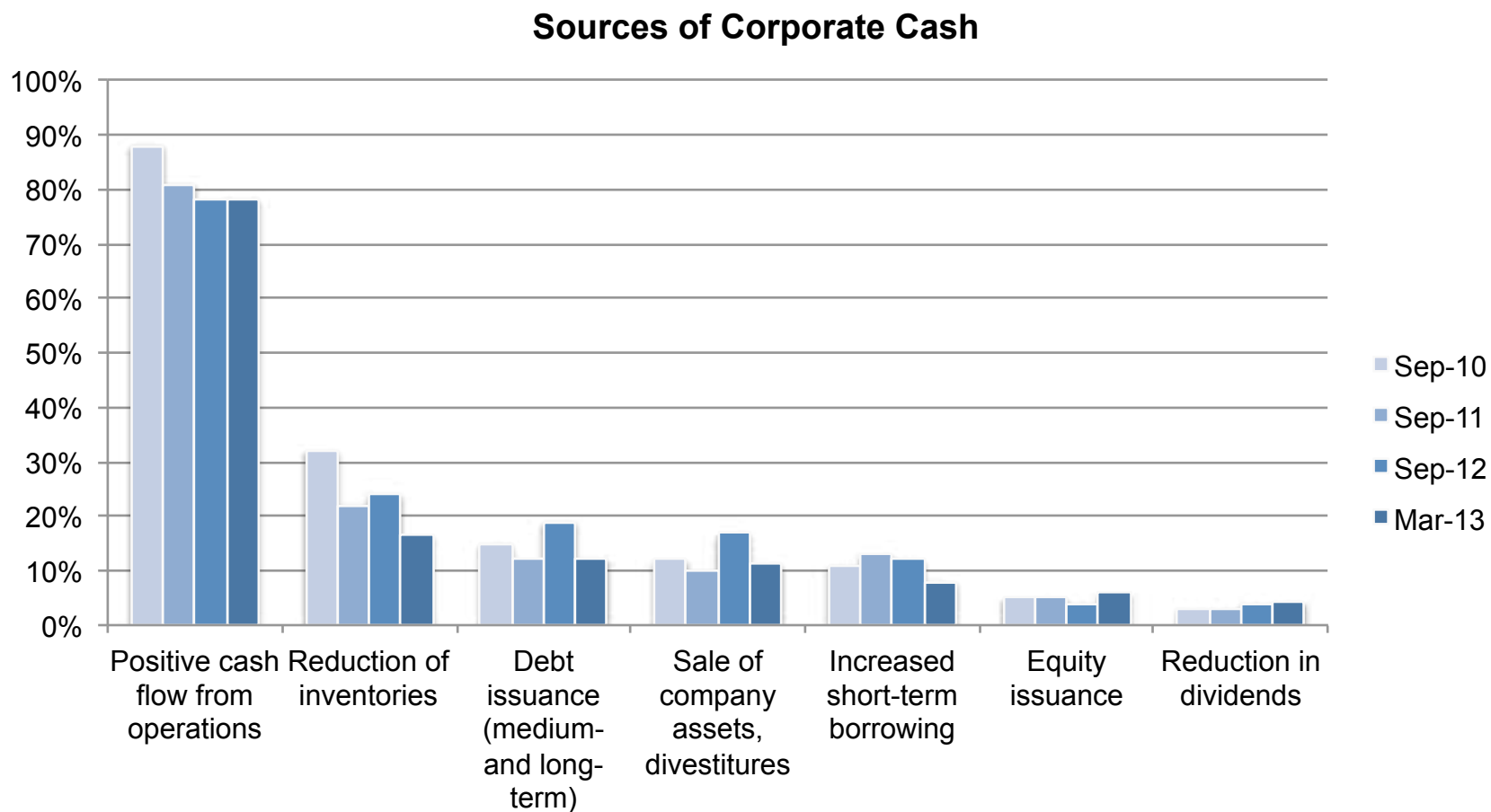
Change in Corporate Cash Level	Expected in the Next 6 Months	
	September 2012	March 2013
Increase	35%	44%
Decrease	18%	19%
Remain about the same (within 10%)	47%	37%

Source: Treasury Strategies, Inc. Corporate Cash Report™, September 2012, March 2013





# Sources of Corporate Cash



Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, March 2013

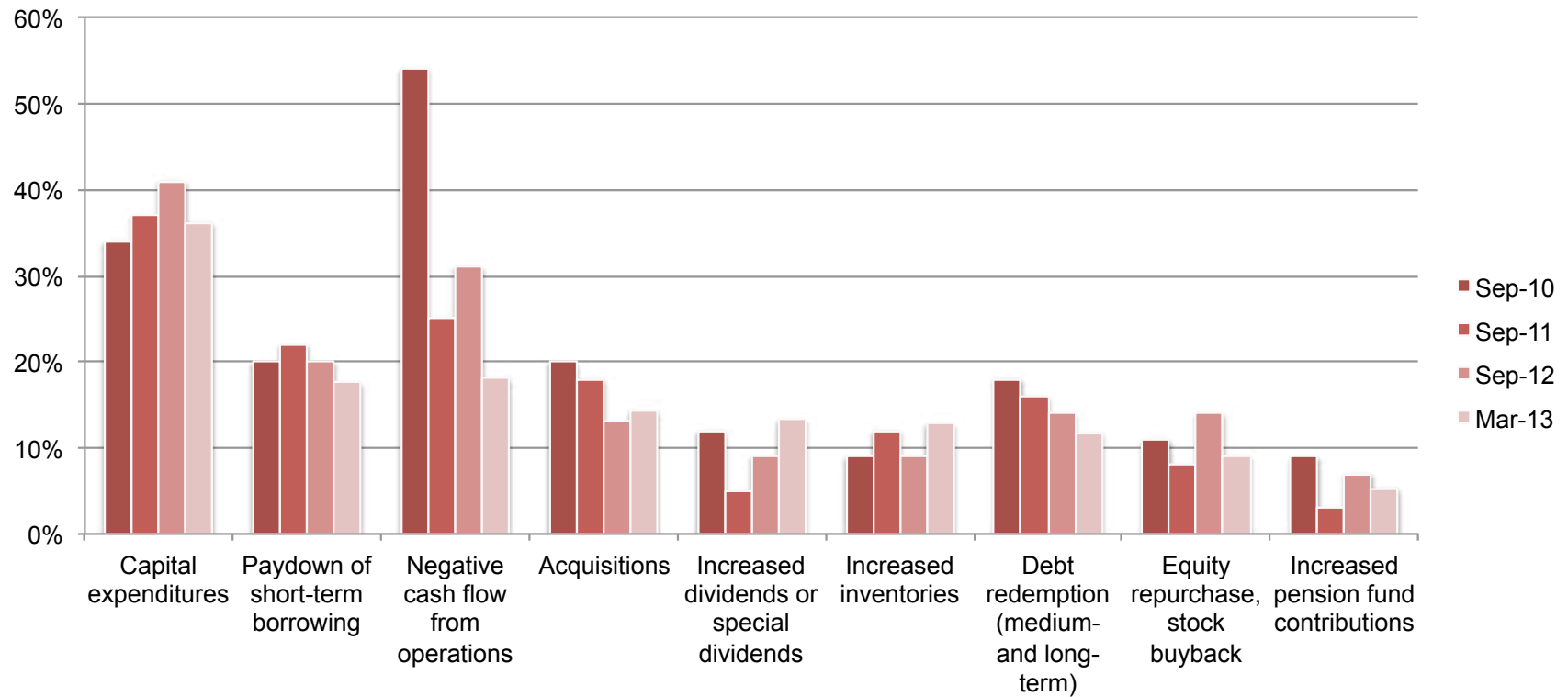




# Uses of Corporate Cash



Uses of Cash



Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, March 2013





# Corporate Cash: Managing Risk



## Maturity Structure

Maturity Structure	Past Six Months (March 2013)	Next Six Months (Expected)
Shorter	20%	20%
Longer	13%	14%
About the Same	68%	66%

## Credit Risk

Credit Risk	Past Six Months (March 2013)	Next Six Months (Expected)
More Conservative	16%	16%
Less Conservative	7%	16%
About the Same	77%	68%

## FX

Hedges of FX Exposures	Past Six Months (March 2013)	Next Six Months (Expected)
Increasing	18%	16%
Decreasing	11%	9%
About the Same	71%	75%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, March 2013



## Changes to Treasury Management Practices



Current market dynamics encourage corporate treasurers to expedite the transition to *Treasury 3.0®*, which positions Treasury as the financial nerve center of the corporation.

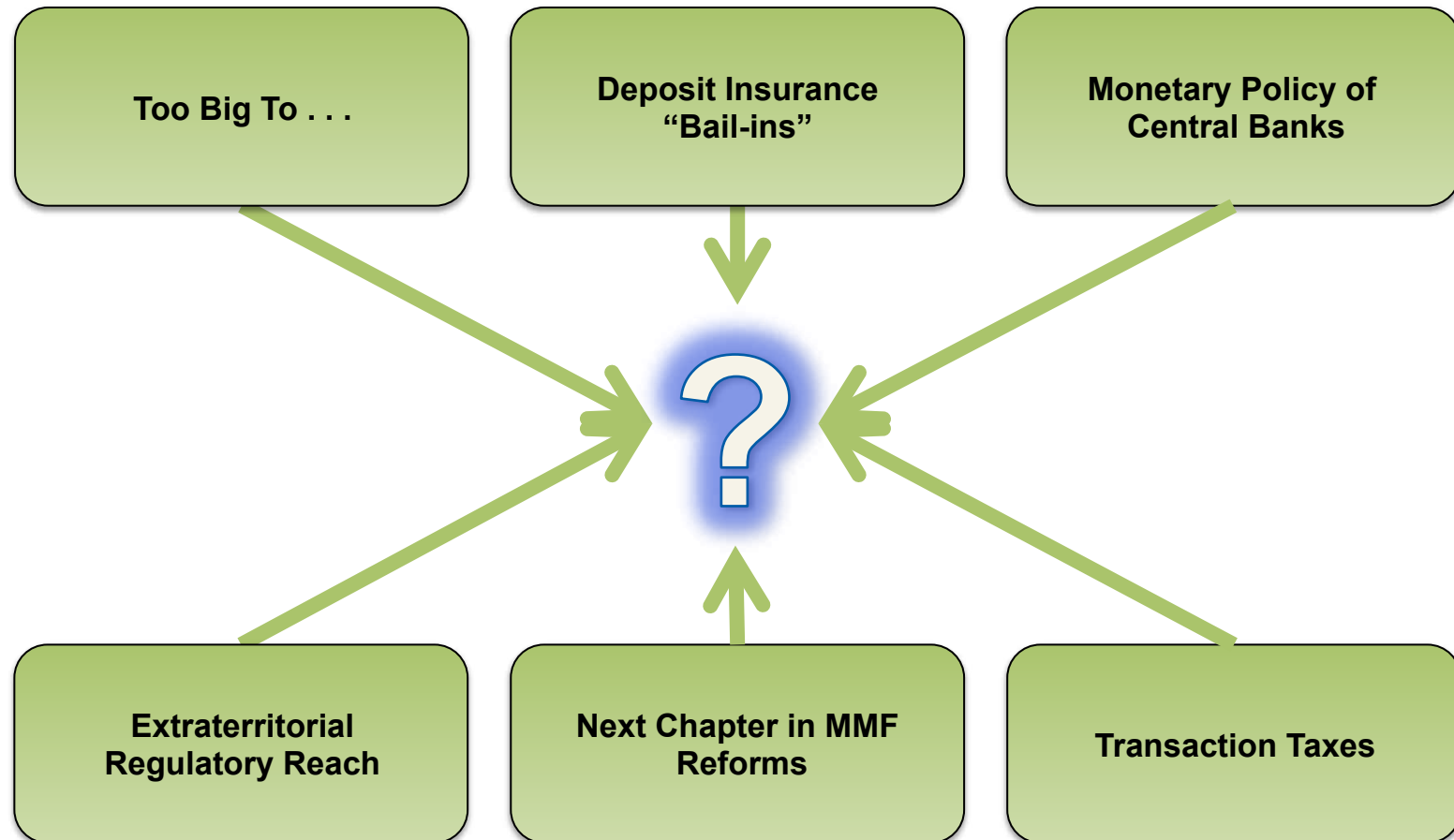
Expected Changes in Treasury Management	Sep-2010	Sep-2011	Sep-2012	Mar-2013
Increasing reliance on cash forecasting	35%	39%	40%	50%
Implementing new technology for cash management	43%	25%	30%	35%
Formally modifying investment policies	22%	20%	15%	24%
Formally modifying risk management policies	N/A	16%	15%	19%

Source: Treasury Strategies, Inc. Corporate Cash Report™, September 2010; September 2011; September 2012; March 2013





## Potential Game Changers





## The Expert Speakers, Panel & Sponsors



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## What Treasury Strategies' Clients Are Saying



### We are holding precautionary cash...

"...due to the spinoff and sale of businesses. This increased our cash situation along with **strong cash flow from continuing operations in the first two quarters of our fiscal year.**"

"...of higher volume resulting in significantly increased revenue. Extremely high gain on sale margins."

"...of a reduction in inventory and a reluctance to invest in our business in the current regulatory environment.

We expect to maintain this position until either the economic or regulatory environment improves in our estimation."

"Will remain that way for a couple of years. We are building a nest egg for possible acquisitions."

"...of concerns about macroeconomic environment driven by **perceived excess risk taking (junk bond yields), fiscal austerity, overvalued stock market relative to GDP growth.**

Specific concerns regarding current solar industry turmoil: strong balance sheet supports survival of the strongest. Also **want to keep cash in case of compelling acquisition opportunities.**"



## What Treasury Strategies' Clients Are Saying



"There is still uneasiness in the market, so treasurers are turning to money market funds as the 'safest' alternative investment. However, **treasurers are aware of the controversy in Washington on money market fund regulation and are watching closely.**"

"MMFs are our sole investment instrument, and we are there for safety of principal. Hopefully, floating NAV fund managers will manage fund to a short enough duration that it will be \$1 and effective result is a stable NAV fund."

"As cash builds in some organizations, corporate treasurers are looking for more yield. This means more risk. Many treasurers are now focusing on improving their forecasting capabilities and managing liquidity needs throughout the organization."

"It was easy to leave deposits at the bank with full FDIC insurance and forget about it. With market signals indicating a turnaround in the economy, **treasurers are looking for higher yields and moving funds out from financial institutions.**"





## Treasury Strategies' Advice to Clients



### Key themes emerging from our work with Corporate Treasurers:

- Improve information flows – ensure global visibility of cash and risk.
- Strengthen treasury organization and processes.
- Strengthen balance sheet.
- Monitor global markets and central bank activities.
- Avoid temptation to chase yield.
- Create a roadmap to a Treasury 3.0® environment.

**Disclaimer:**

*Treasury Strategies' recommendations are situation-specific and based upon careful, individual analysis. The advice cited above may or may not be appropriate for your specific situation.*





# About Treasury Strategies, Inc.



## Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

## 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 – which includes creating a roadmap, selection, implementation and optimization. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

### Financial Services

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

## Locations

Chicago • London • New York

## Accreditations



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## Contact Us



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Please feel free to join our many treasury and finance groups on **LinkedIn**





# About the Sponsors



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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.



[www.treasurers.org](http://www.treasurers.org)



[www.treasurers.org/linkedin](http://www.treasurers.org/linkedin)



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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

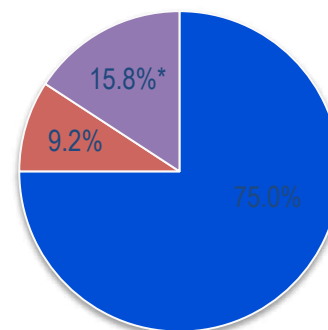
### Investment Management Singular Focus

- 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

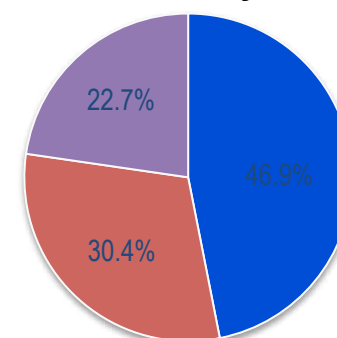
Firm-Wide



■ 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*



# PNC Corporate Profile



## **EMPLOYEES:**

More than 56,000 in the U.S. and abroad

## **SIZE BY BRANCHES:**

5<sup>th</sup> largest U.S. bank by branches

## **CUSTOMERS:**

Approximately 6.5 million checking account customers

## **LOCATIONS:**

Branches – Approximately 2,900 in 19 states and the District of Columbia

## **ATMS:**

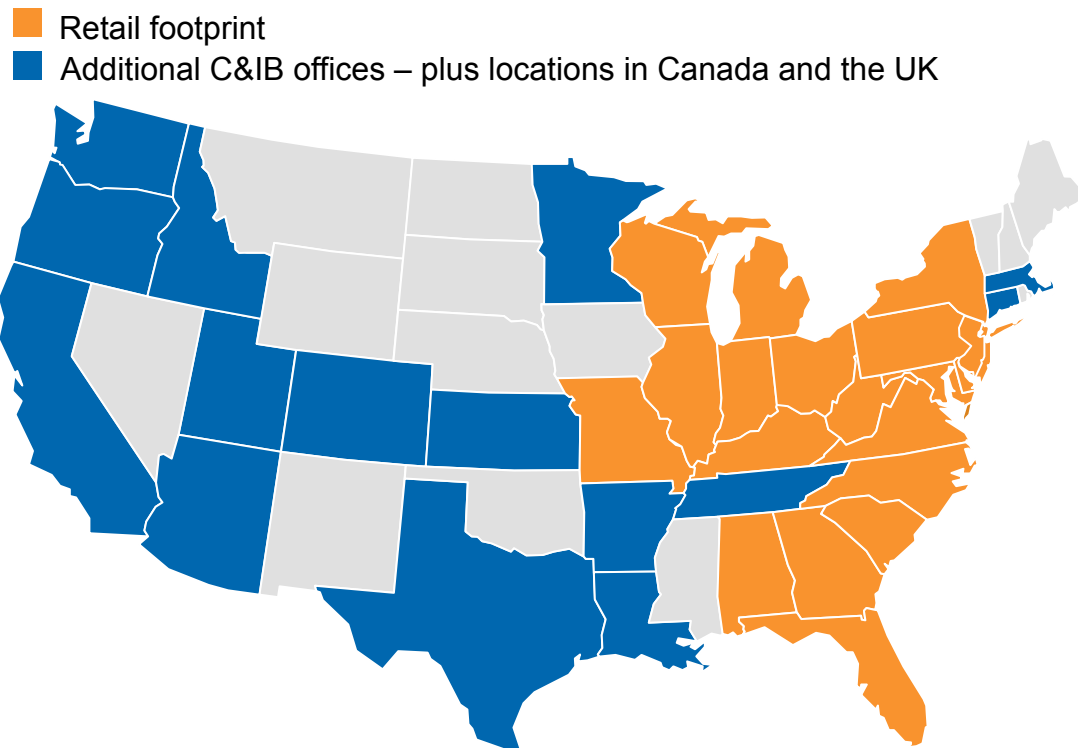
Approximately 7,300 machines

## **INTERNET ADDRESS:**

[www.pnc.com](http://www.pnc.com)

*As of December 31, 2012*

## **PNC US FOOTPRINT (as of 12/31/2012)**



## **FINANCIAL PERFORMANCE (as of FYE 12/31/2012)**

- \$3 billion in Net Income
- \$305 billion in Assets
- \$112 billion Assets Under Management
- \$213 billion in Deposits
- \$39 billion Shareholder Equity

