

Concentrate on your liquidity

Managing Liquidity in a Changing Environment

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Bradley T. Airing is a Managing Director with Global Liquidity Investment Solutions, a group which provides investing clients end-to-end investment solutions, including bank term deposit products, institutional money market funds, fixed income securities, and asset management solutions. Airing manages a Charlotte office, with responsibility for the Carolinas and Mid-Atlantic, a Miami office with responsibility for LATAM, and leads a team responsible for our large corporate and financial institutions clients.

Airing started his career in securities sales in 1990 in the DC metro area, shortly after joining the bank. He moved to Charlotte in 1999 to manage the Charlotte Client Investment Strategies team responsible for the Carolinas and large corporate relationships in the Midwest and Northeast. He later took responsibility for the Southeast region and Latin America Sales. And, prior to his current role, he managed a team nationally responsible for covering large corporate, large government, and middle market institutional relationships in Middle Markets Sales within Global Markets.

Airing received a B.A. in Government from the University of Virginia. He is a Chartered Financial Analyst (CFA), and holds his Series 7, 9, 10, 24, 53 and 63 licenses.

Airing resides in Charlotte, NC. He is a member of the North Carolina Society of Financial Analysts and the CFA Institute.

Triné Alimena
Vice President, Bank of America Merrill Lynch
Bank of America, NA

Triné Alimena is a Vice President with the Liquidity Solutions Specialist team within the Global Transaction Services (GTS) group at Bank of America Merrill Lynch. Providing treasury clients with integrated solutions focused on forecasting, moving and managing cash, Liquidity Solutions focuses on strategic end to end structures that enhance working capital globally.

In her role in Liquidity Solutions, Triné works closely with sales, product and the Global Liquidity Investment Solutions teams to provide domestic and global liquidity and investment solutions to commercial clients in the Southeast region of the US, as well as Business Banking clients nationally.

Triné joined the bank in 2013. Prior to her current role, she held a variety of positions at Citi, her latest being Global Head of Commercialization for Liquidity Management Services.

She holds a BS from The NYU Stern School of Business with a degree in Finance and Marketing.

Agenda

1 Regulatory environment

2 Liquidity & investment
management trends

3 Appendix

Regulatory Environment

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Global regulations are plentiful...

New regulations promote safety and soundness of the banking industry

Capital

Liquidity

	CET1	SLR	TLAC	LCR	NSFR
Full name	Common Equity Tier 1 ratio	Supplementary Leverage Ratio	Total Loss Absorbing Capital	Liquidity Coverage Ratio	Net Stable Funding Ratio
Objective	Ensure sufficient common equity against risk weighted assets to cover bank losses	Additional capital measure with non-risk weighted approach intended to help contain system wide leverage	Ensure large global banks can be resolved or recapitalized without needing a public bail out	Ensure sufficient high quality liquid assets to withstand short-term market-wide stress event	Address longer-term liquidity mismatches and incents more stable sources of funding
Numerator	CET1 capital	Tier 1 capital	Tier 1 capital plus certain 'bail in' debt	High quality liquid assets (HQLA)	Available stable funding
Denominator	Risk-weighted assets	On-balance sheet exposures plus certain off-balance sheet exposures	Risk-weighted assets or SLR exposure measure	Net cash outflows over 30 days	Required stable funding
USA Timing	Introduction (4%) Jan 2014 Full compliance (8% + buffers) Jan 2019	Introduction Jan 2015 Full compliance (5% BHC 6% IDI) Jan 2018	Pending U.S. proposal	Introduction (80%) Jan 2015 Full compliance (100%) Jan 2017	Pending U.S. proposal BCBS introduction 2018

Key Definitions:

CET1 regulatory capital- common shareholder equity

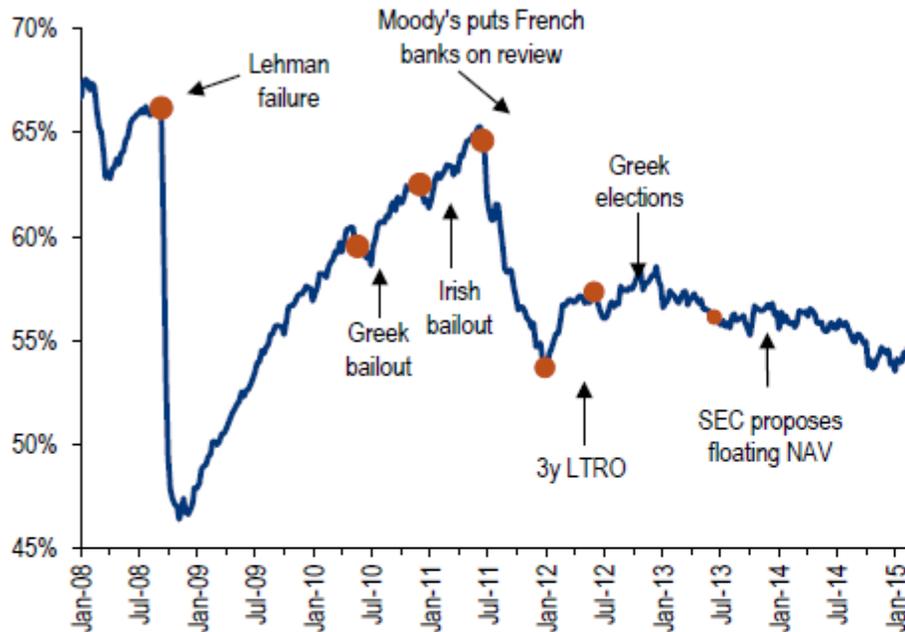
Tier 1 regulatory capital - CET1 plus disclosed reserves (retained earnings) and non-cumulative preferred shareholder equity

Tier 2 regulatory capital - tier 1 capital plus supplementary capital

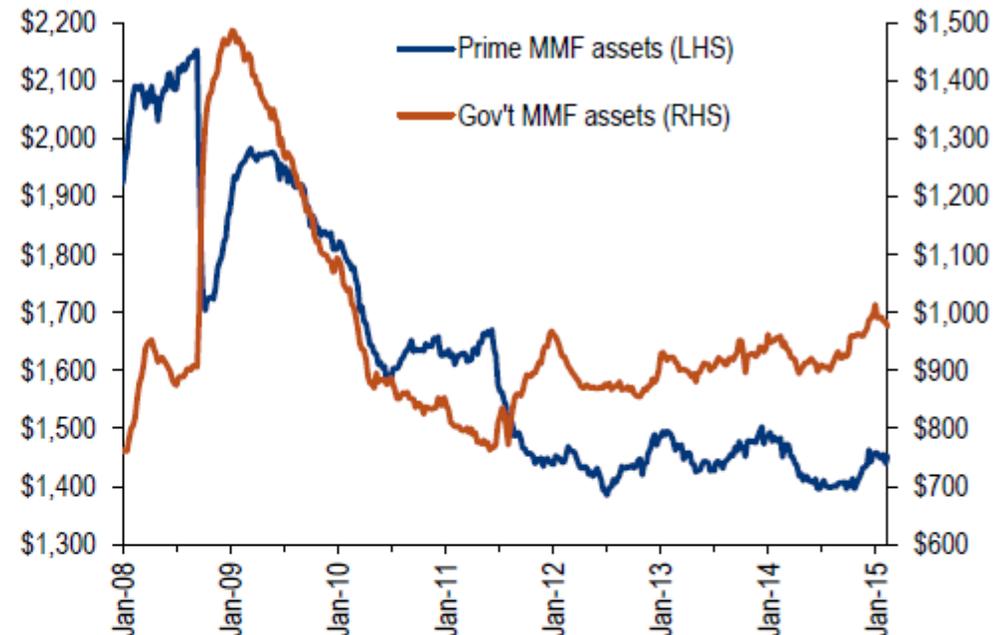
High Quality Liquid Assets - sum of Lvl 1, Lvl 2A and Lvl 2B assets

US money market fund reform

Share of institutional MMF assets held in prime funds



Taxable money fund assets (bn)



- Floating NAV for institutional prime and muni funds
 - Gates/fees for all prime funds if weekly liquid assets fall below 30% (current prime avg is 38%)
 - October 14, 2016 implementation deadline
 - Fidelity will convert ~\$125bn in prime fund assets to gov't funds by year end
- May see \$500bn in prime AUM move from VNAV prime funds into CNAV gov't funds & bank deposits
- Expect lower repo, bill & disco yields and wider credit spreads

Liquidity Management Trends

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What can you do?

OBJECTIVES

BEST PRACTICES

Enhance yields on operating, excess, strategic and reserve cash

Review investment policies, capitalize on yield-producing opportunities

Better control over liquidity; achieve cash efficiency

Take a holistic view of your liquidity management structure; Know where your cash is and when it will be needed – stay focused on how cash is invested and recycled

Comply with a rapidly changing regulatory environment

Deploy cash management effectively to respond to changing regulations

Improve cash forecasting through enhanced visibility

Utilize online tools — view cash position and investments in real time

Balance security, liquidity and yield

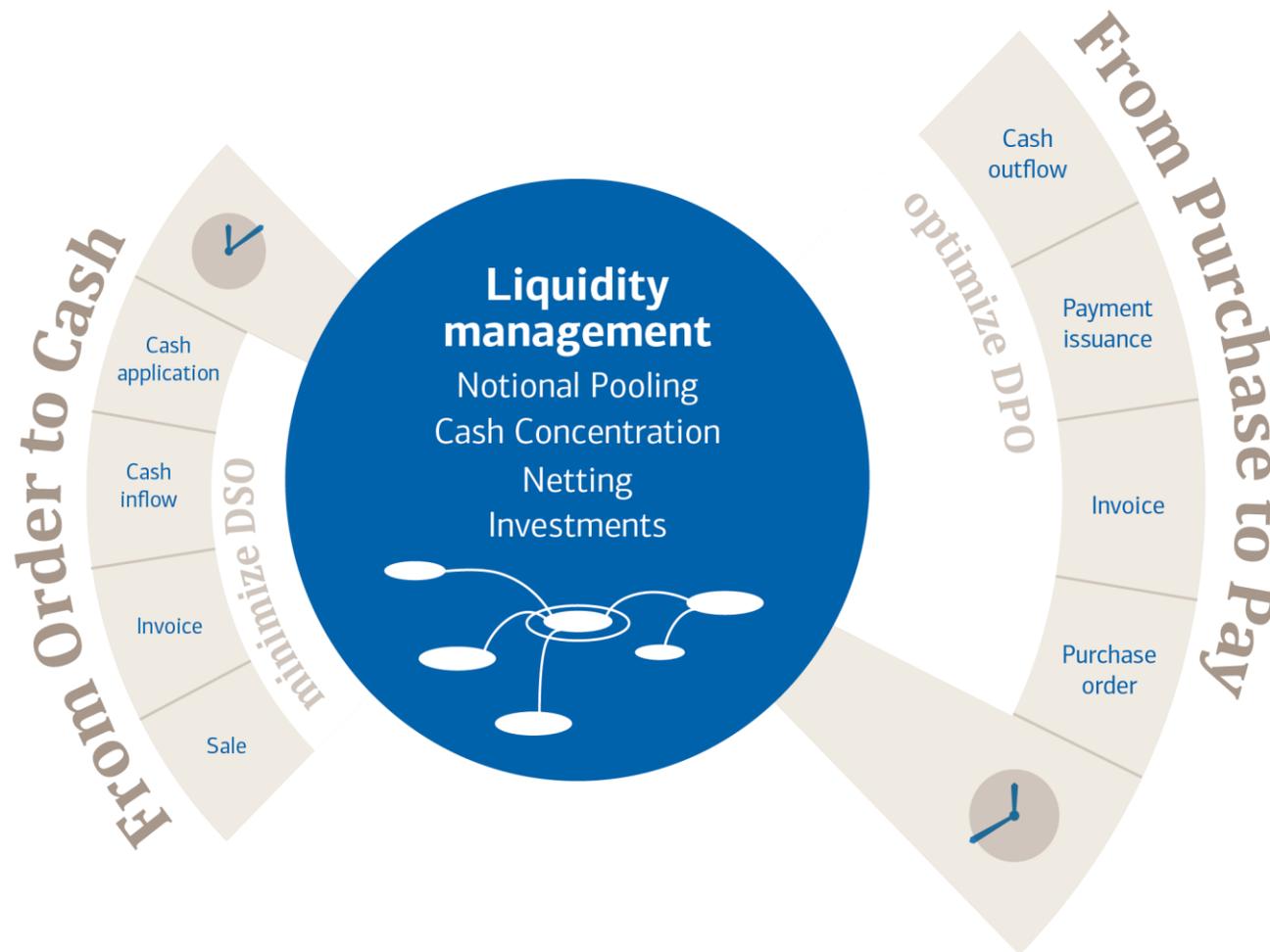
Understand every investment decision is a balance of security, liquidity and yield - Explore the range of term and investment vehicles available

Identify liquidity needs: investment policy

Help you meet your investment objectives and avoid risks

Robust investment policies are more than just permissible investments — they specify the objectives, risk controls, investments and monitoring requirements for the entire investment program.





Many CFOs believe that better management of **working capital** will improve profitability

Source: Bank of America Merrill Lynch, 2014 CFO Outlook Asia

Liquidity Management helps you achieve the following:

- Ensure that cash is available when and where it is needed
- Manage funds from receivables and for payments as efficiently as possible
- Conduct short-term borrowing and investments in a timely and efficient manner that minimizes costs and maximizes returns

Appendix

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75% of all corporate cash was maintained in banks, money market funds, and Treasury securities.

Cash balances grew for 36%, decreased for 23%, and had no significant change for 41% of respondents.

Safety of principal remained the top investment concern for most cash investors.

Top deposit alternatives included Treasuries, money market funds, and commercial paper.

83% of short-term investments had maturities of 90 days or less.

Regulatory environments, particularly MMF reform, were a particular concern for cash investors.

- Bank deposits remained a top holding vehicle for short-term portfolios
- The low rate environment and a lack of attractive returns led to a build up of deposits
- With the complicated and uncertain economic environment, bank deposits were attractive from a safety of principal perspective
- The top three determinants, respectfully, for choosing where to place cash and short-term investments:
 1. Relationship management
 2. Credit quality
 3. Rate paid

Major Determinants for Which Banks to Use When Investing in Bank Deposits (Percent of Respondents)

	All Responses	Annual Revenues Under \$1 Billion	Annual Revenues At Least \$1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Overall relationship with bank	72%	67%	75%	72%	71%	71%	73%	78%	69%
Credit quality of bank	65	58	71	58	69	67	60	72	59
Earning credit rates	41	39	41	39	41	40	40	41	34
Simplicity of working with bank	36	41	32	37	36	34	41	37	36
Compelling rates offered on deposits	36	30	41	31	41	41	26	44	28
Ability to determine how to apply ECR	10	6	13	10	10	11	7	9	8
Basel III consideration	6	33	7	4	6	7	2	7	5
Other	3	4	3	2	4	3	2	2	4

Current allocations

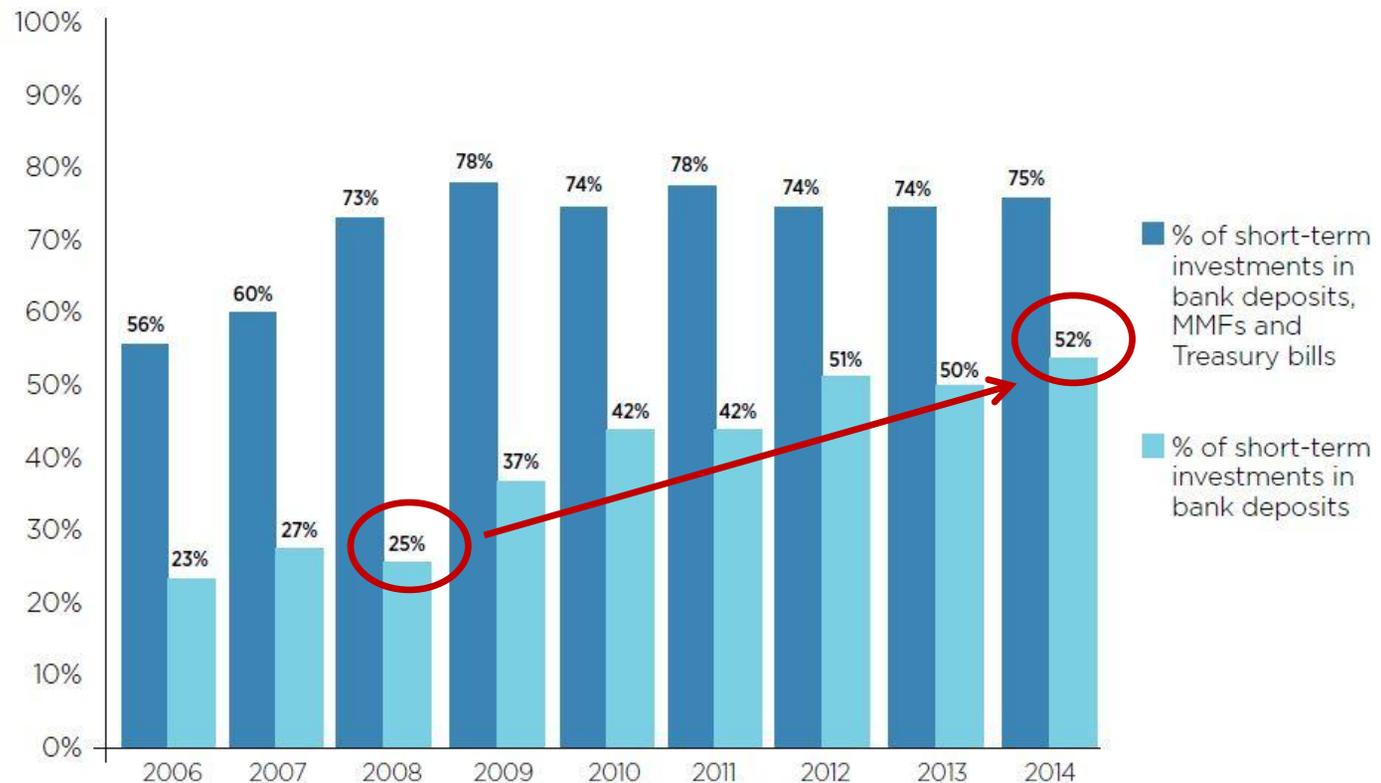
27% increase in short-term balances in bank deposits since 2008

16% of organizations' short-term balances are held in money market funds

36% of respondents had greater cash balances in Q1 2014 than in Q1 2013

- 52% of corporate cash were held in bank deposits, an AFP survey record
- The most common allocations for short-term cash were:
 - ✓ Deposits
 - ✓ Money market funds
 - ✓ Treasury Bills
- The average number of vehicles that organizations used for short-term investments was 2.7
- Smaller companies (<\$1B revenue) were more likely to have higher allocations in deposits than larger firms

Current Percentage of Short-Term Portfolio Allocated to Specific Investment Vehicles
(Mean Percentage Distribution of Cash and Short-Term Investment Holdings)

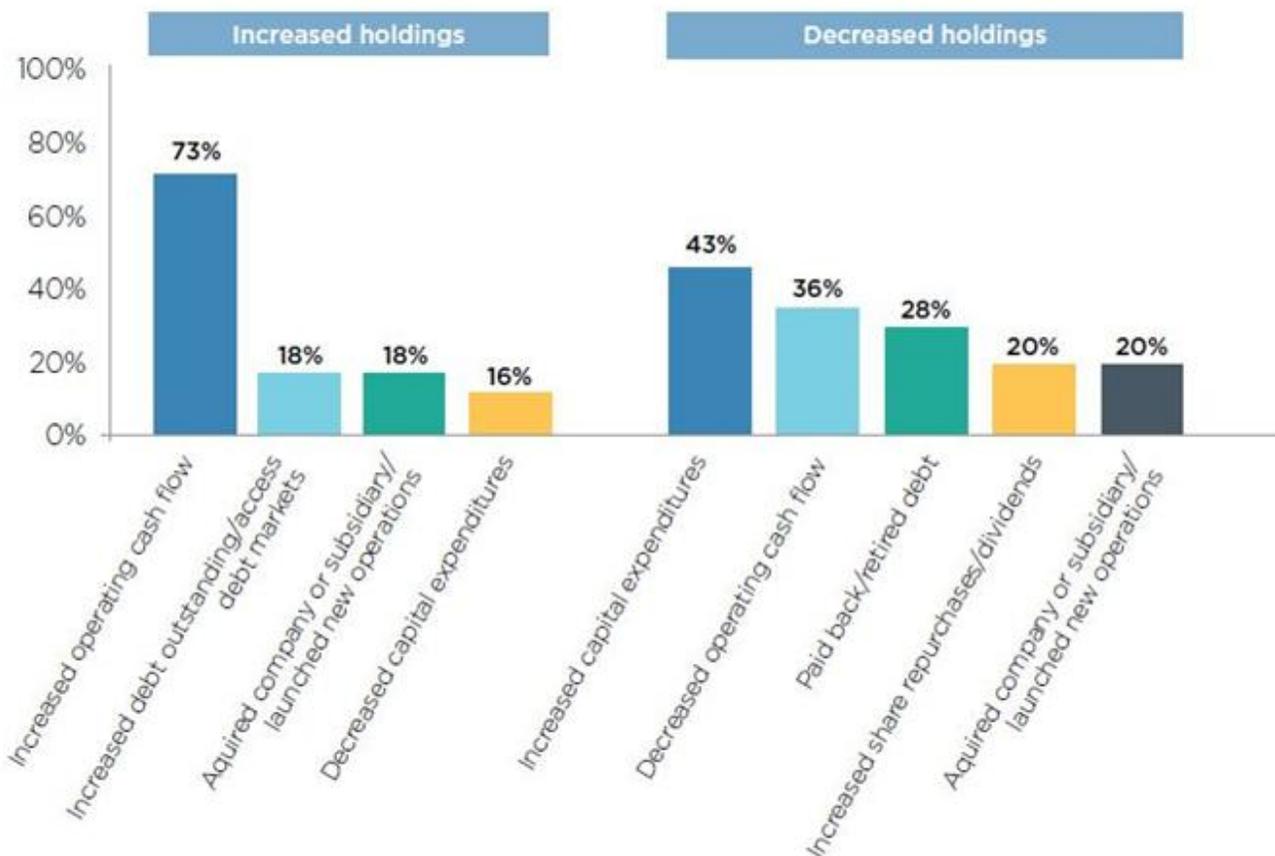


Drivers for cash balance changes

36% of companies reported cash increases; 23% reported cash decreases

- Drivers of increased cash holdings included increased operating cash flow, utilization of debt markets, and acquisitions or expanded operations
- Most common driver for cash decreases was increased CAPEX
- Three-fifths of organizations had cash holdings outside of the U.S. reflecting complex financial, tax, and operational implications
- Business prospects outside of the US suggest cash will increasingly be generated and held abroad
- The drivers of cash management decisions are expected to remain the same over the next 12 months

Leading Causes of the Net Change in Organization's Cash Holdings
(Percent of Respondents Citing Increased or Decreased Cash Holdings)

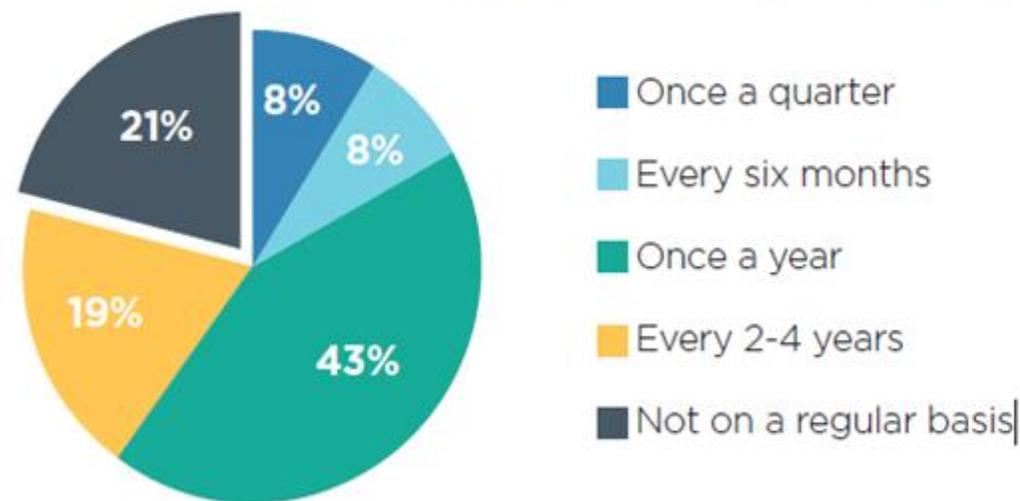


Change in Cash and Short Term Balances Over the Past Year: U.S. and Non-U.S. Cash Holdings
(Percentage Distribution of Organizations with Cash and Short-Term Investment Holdings Outside of the U.S.)

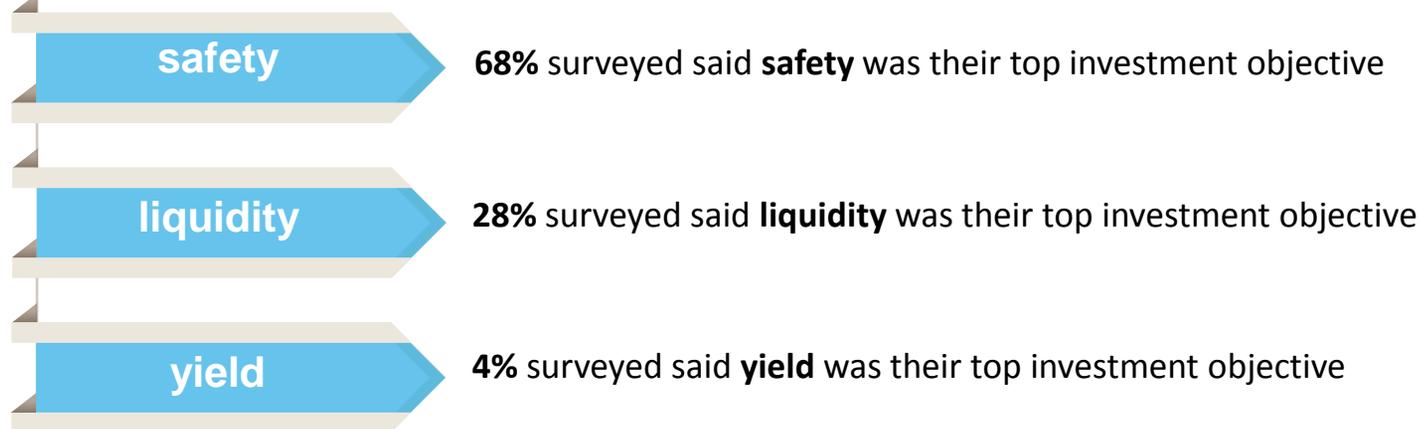
	Much Larger (+15%)	Somewhat Larger	No Significant Change	Somewhat Smaller	Much Smaller (-15%)
Within the U.S.	14%	18%	46%	11%	11%
Outside the U.S.	14	31	42	10	4

- 76% of organizations had a written cash investment policy
- An average of 4.4 short-term investment vehicles were permitted beyond bank deposits
- New regulations (e.g. Basel III and MMMF Reform) will increase the need for policy review
- Approximately 83% of short-term investments had a maturity of 90 days or less
- The most widely cited permissible investment vehicles beyond bank deposits were:
 - ✓ Treasury securities
 - ✓ Commercial Paper
 - ✓ Diversified money market mutual funds

Frequency of Review/Update of Cash Investment Policy
 (Percentage Distribution of Organizations with a Written Cash Investment Policy)



Investment objectives:



Other notable highlights from 2014 AFP Survey

While still cautious on outlook, improving business prospects are a positive sign for corporate business.

Low rates have allowed ECR to be a substantial cash allocation product.

Investors may consider more investment alternatives as yields rise.

Tax inversion strategies is one of the drivers for cash being held abroad.

Updates to investment policies are anticipated to occur under new bank regulatory changes under Basel III and MMMF reform.

Yield was the most common primary investment objective for money market fund investors.

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