

Corporate Treasury & CFO Outlook



A report on the outlook of Australia's Corporate Treasurers and Chief Financial Officers



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Welcome to BNP Paribas' *Corporate Treasury & CFO Outlook*

This study reveals the outlooks and concerns of chief financial officers (CFOs) and treasurers for their corporate operations.

It found their greatest concern is reporting, which worries over half (57%) of CFOs and corporate treasurers. Meeting regulation also occupied between 10-30% of the time for half (53%) of them, while for a further third it occupied more than 30% of their time.

Accurate cash forecasting was the next major issue that keeps over half of them (53%) awake at night.

Funding costs and associated risks was the next major concern for just under half (47%) of those polled. Credit risk concerned a quarter (27%), followed by foreign exchange (20%) and interest rate risk (13%).

Looking forward, almost two-thirds (60%) of CFOs and corporate treasurers seek to reduce costs further; while 57% aim to provide a better return on their cash.

The study also identified that some treasuries are struggling with getting the best out of their cash management and there is a special focus on this in this report that found:

- Accurate cash forecasting and staff management keeps almost a third (30%) up at night, while
- Liquidity challenges concern a quarter (27%), and
- Balance sheet optimisation worries just under a quarter (23%)
- Almost a third (30%), are not managing their cash as effectively as possible or are uncertain, and
- Less than 50% of external payments are automated, and
- Almost a third have less than 50% visibility on their cash balances.
- The majority (53%) allocate their cash surplus to traditional bank deposits and acknowledge their comparative low rate of return from their cash holdings.

Overall, treasurers are becoming the bankers of their corporations.

If you have any questions, or would like assistance, please let us know.

We hope you find the results useful.

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If you are interested in participating in future poll programs please contact us at brand.communications@au.bnpparibas.com



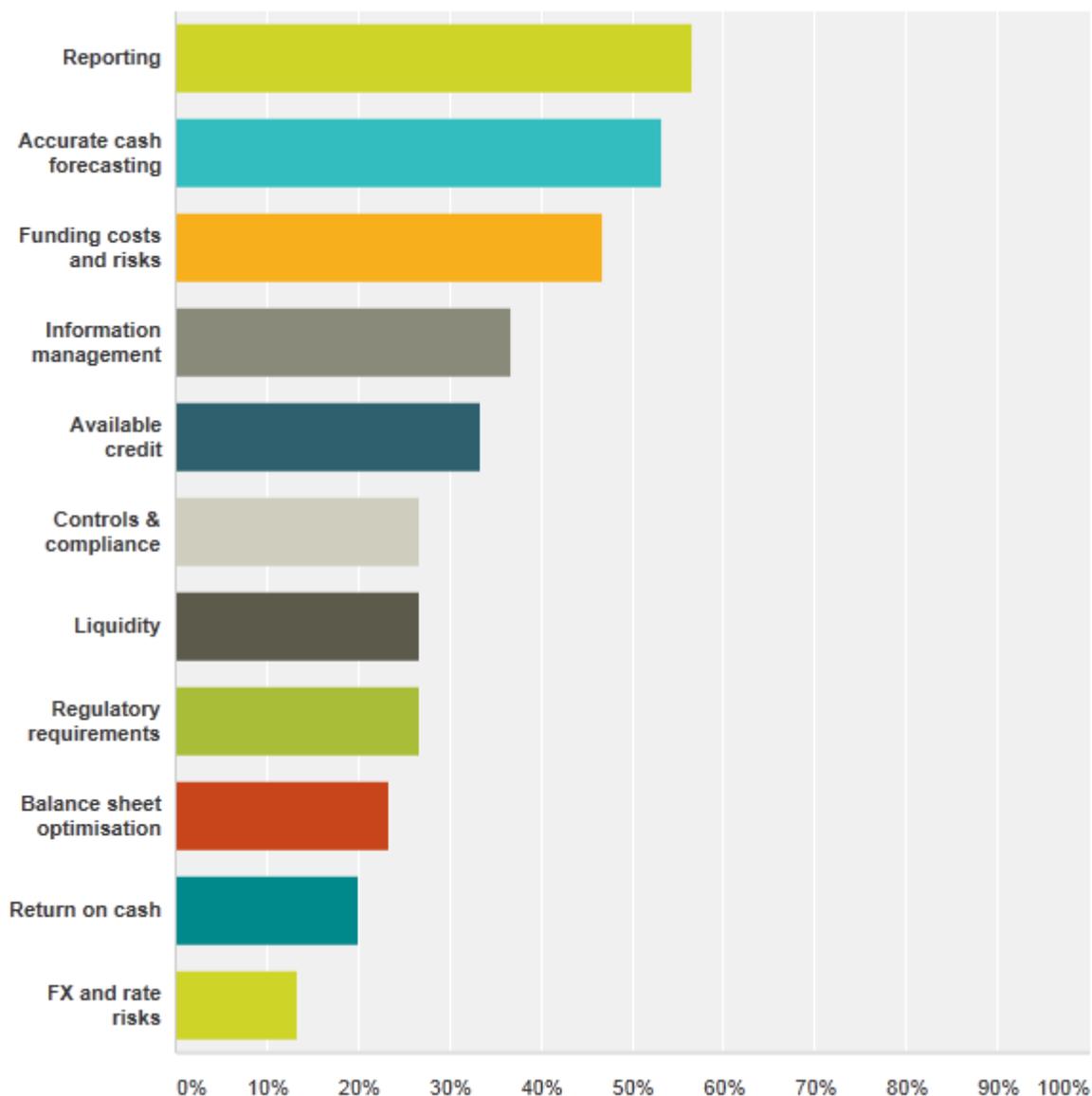
What keeps CFOs and corporate treasurers awake at night?

While there is a range of issues that concern chief financial officers and corporate treasurers in Australia, it is reporting that is the top-ranked, keeping over half (57%) of them up of an evening.

The quality of their cash forecasting came in a close second, also concerning over half (53%). Forecasting challenges have significantly increased with globalisation often resulting in regional treasury and operating teams being set further apart. Technology has a role to play in providing solutions here, with group-wide treasury management systems facilitating the consolidation of forecasts from local teams. IT solutions can also help with reporting and information management.

Funding costs and associated risks ranked third, worrying 47%; while information management rated fourth (37%) among respondents (who were able to select more than one response).

What are your top concerns in your treasury department today?



Source: BNP Paribas as at August 2014



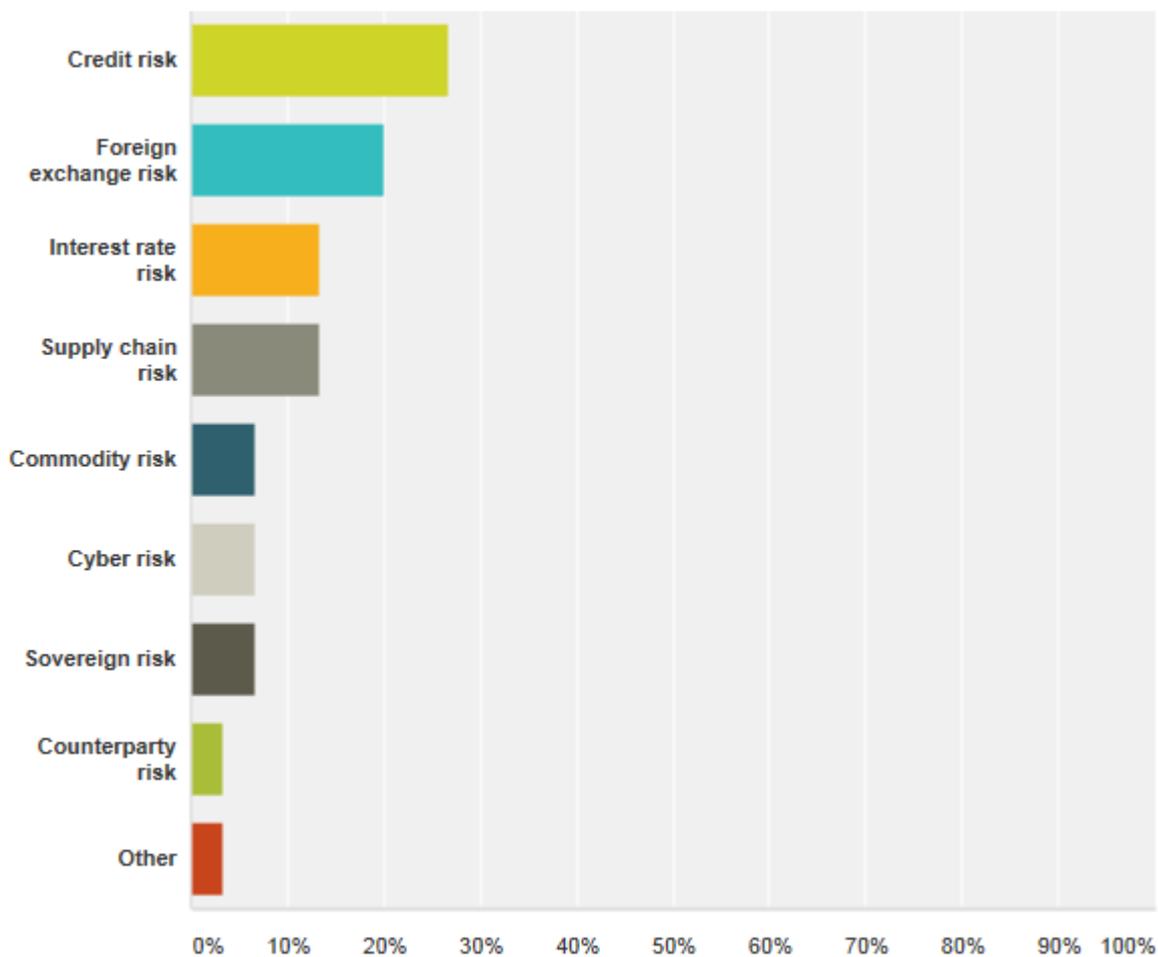
Risks – credit is the most concerning

Of all the risks that CFOs and corporate treasurers face, credit risk is their most concerning, worrying over a quarter (27%).

Foreign exchange risk ranked next, worrying almost a quarter (23%). Interest rate risk and supply chain risks both ranked equal third (12%).

This survey also noted an increased awareness on cyber risks. Fraud, more recently associated with complex social engineering, is a key risk for all, corporates and banks alike. Traditional security responses, such as PKI authentication and biometrics, only offer partial protection. Awareness and education of back-office staff still have a key role to play.

What area of risk concerns you the most?



Source: BNP Paribas as at August 2014



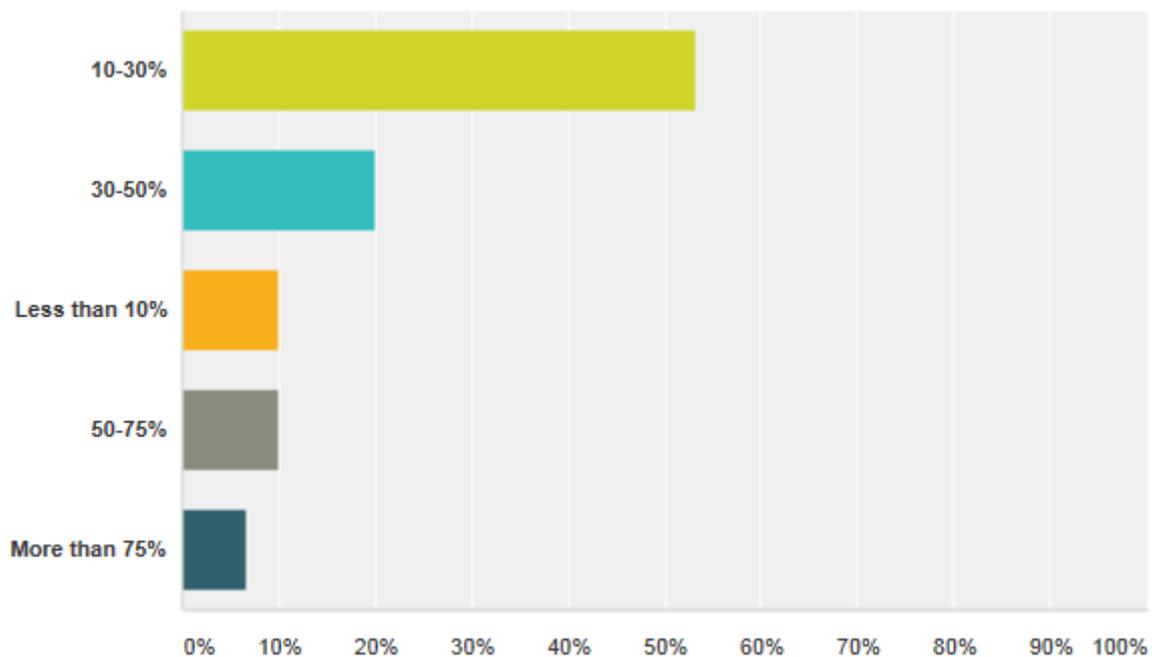
Regulation takes time and money

Increasing regulatory and compliance requirements are also a major concern for CFOs and corporate treasurers. Half of respondents (54%) reported that meeting compliance and regulatory requirements takes between 10-30% of their day. For one in five respondents, it takes between 30-50% of their time.

Compliance, both internal and external, and regulatory reporting requirements have increased - both at home and overseas.

It is unlikely that reporting pressure will decrease in the near future, rather they will continue to become part of the 'new normal'.

How much of your treasury department's time is dedicated to compliance and regulation?



Source: BNP Paribas as at August 2014

In short, corporate treasurers are increasingly becoming the bankers of their organisations. Some are even looking at setting up an in-house bank or at least partnering more with their bank/s.



Cash management focus

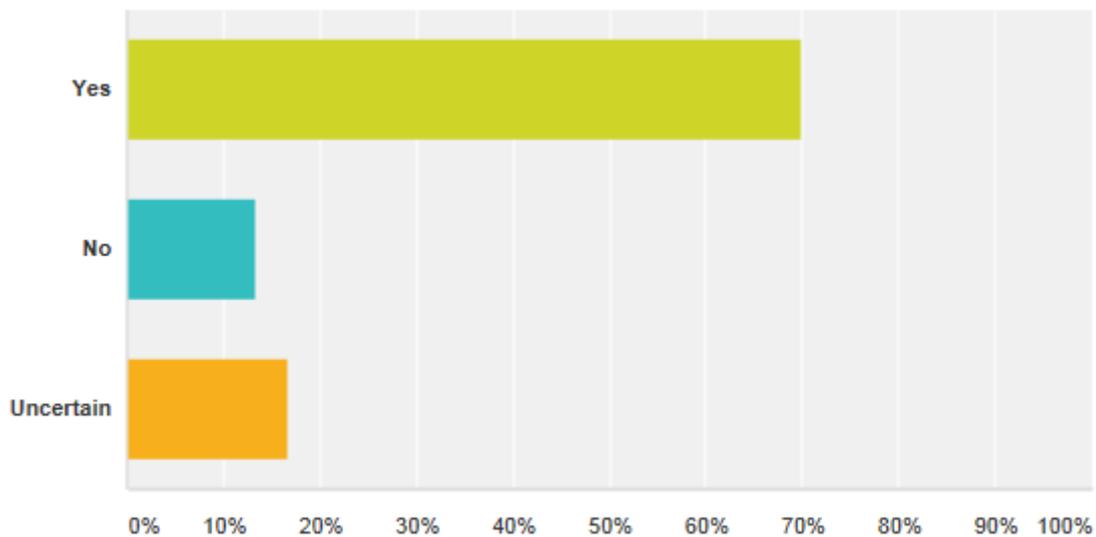
Several respondents noted the cash management operations of their treasuries are becoming increasingly important as they seek to better manage and obtain greater returns on their cash holdings.

While the majority of respondents are satisfied with their cash management, almost a third (30%) are not - or are uncertain - as to the effectiveness of their processes and systems, as shown below.

Inefficiencies cost precious time and often bring in unnecessary risks. Seeking the views of banks, consultants and IT vendors are a good starting point for treasurers who are unhappy or uncertain with the effectiveness of their cash management processes.

We note that for those who have global responsibility, cross-border physical pooling is becoming more common, with just a few not using cash pooling.

Do you think you are managing your cash as effectively as possible?



Source: BNP Paribas as at August 2014



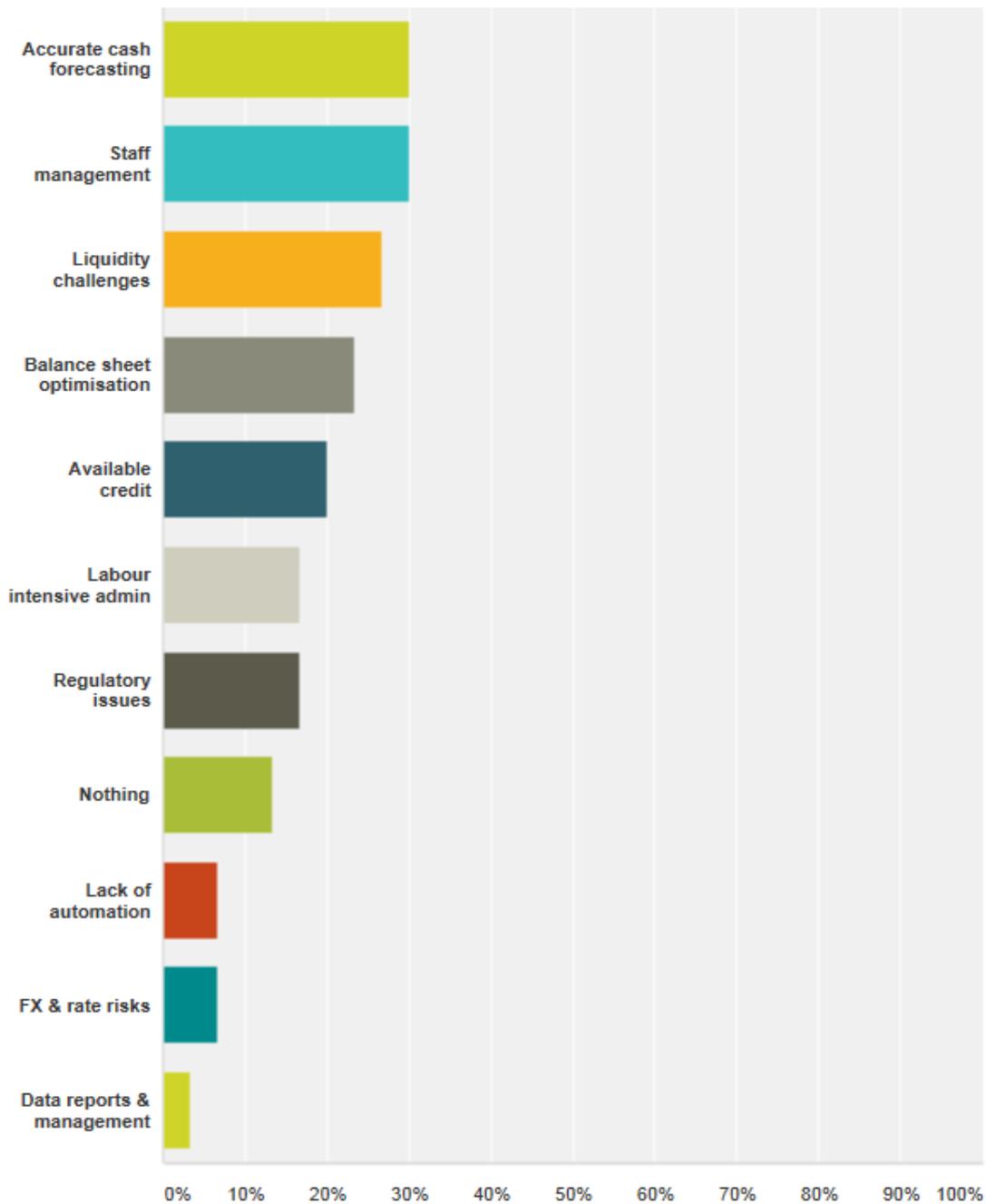
Cash forecasting keeps CFOs and treasurers up at night

Almost a third of respondents (30%) said their cash forecasting keeps them awake of a night.

For another third (30%), treasury staff management keeps them up of an evening. Liquidity concerns 27% while balance sheet optimisation worries 23%, as shown below.

Interestingly, only one-in-five treasury professionals are concerned with the availability of bank credit. The current historically low market rates offer good opportunities for funding business growth.

What keeps you awake the most at night in terms of cash management?



Source: BNP Paribas as at August 2014

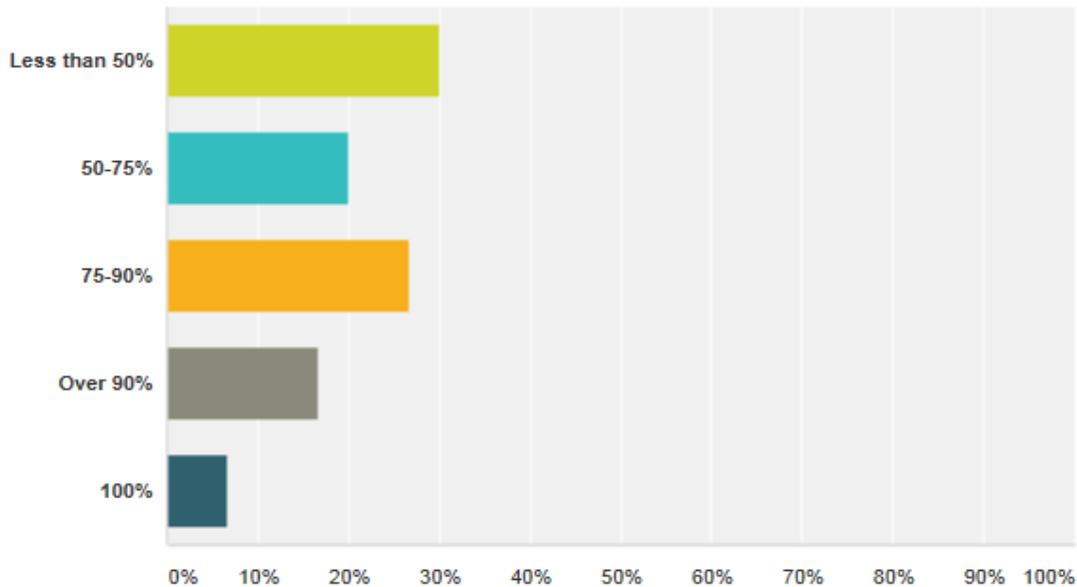


Cash not visible

One third of treasury professionals admit having only a partial view of their cash balances, with 30% revealing they have less than 50% visibility of their cash holdings. Another third also have less than 75% accuracy in their cash forecasting. Only 8% had 100% visibility.

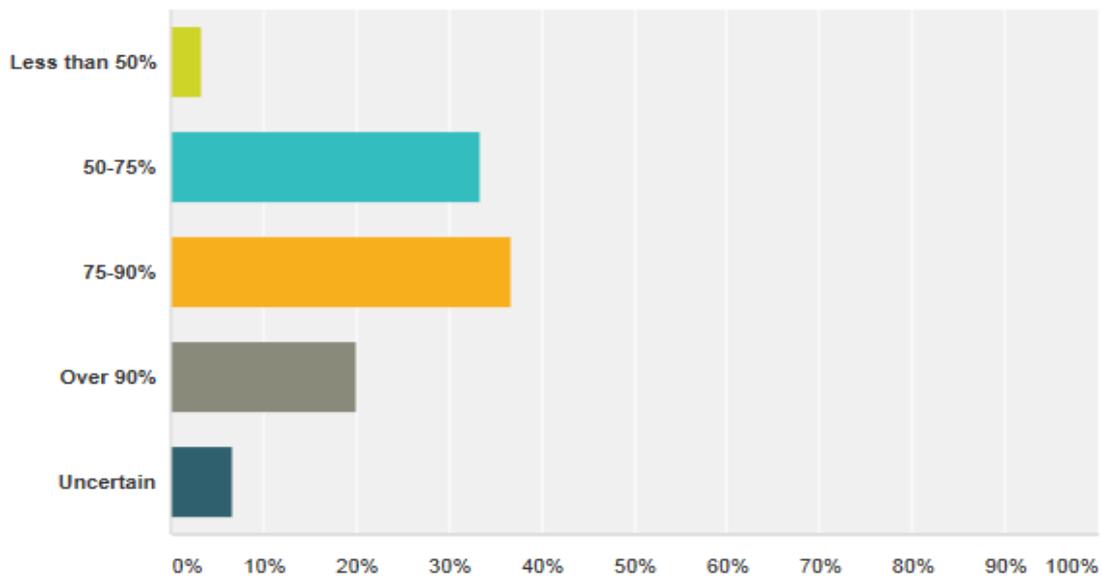
This is despite the solution being at hand, with all major banks offering web-based solutions that offer end-of-day/ intraday visibility on balances on accounts.

What visibility are you achieving on your cash balances?



Source: BNP Paribas as at August 2014

What degree of accuracy are you achieving with your cash-flow forecasting?



Source: BNP Paribas as at August 2014

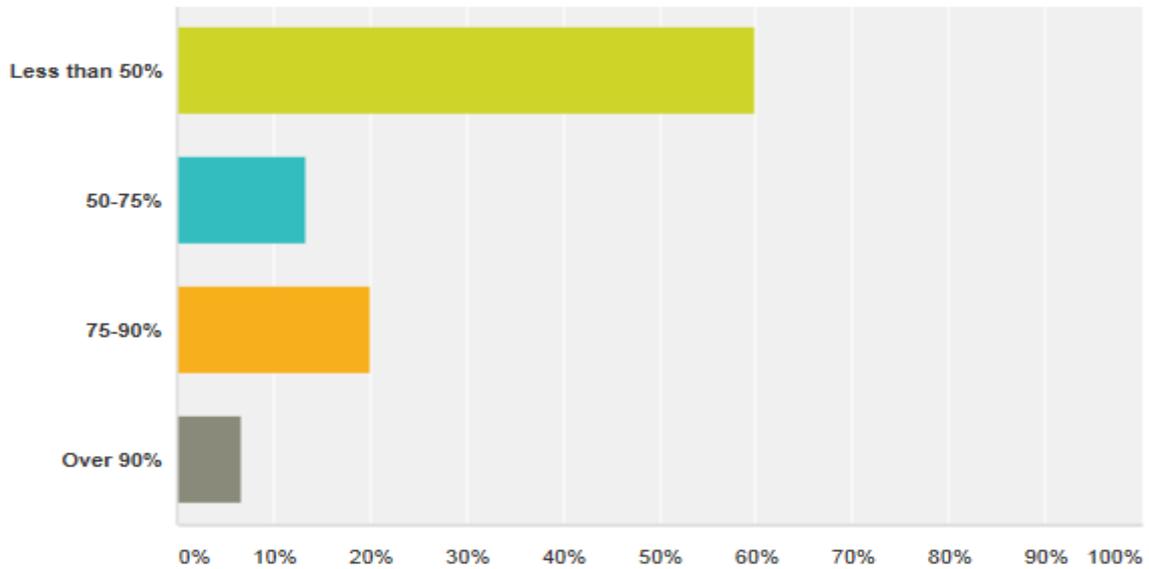


More processes could be automated cutting costs

Interestingly, almost two-thirds of respondents (some 60%) said less than 50% of their external payments processes are automated.

Cost savings come from less manual processes and identification of better process control and reduction of treasury resources employed in manual processes can be freed to more value-added tasks. Accordingly, return on investment on payment automation projects is typically high.

What % of your external payments are automated?



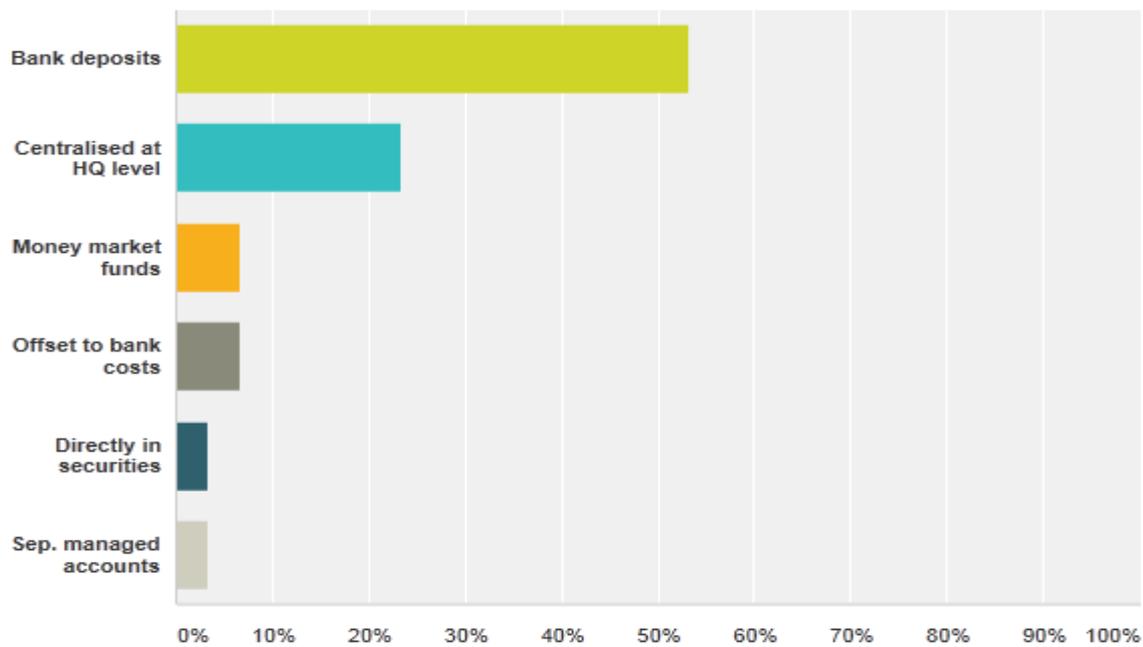
Source: BNP Paribas as at August 2014



Cash could be earning more

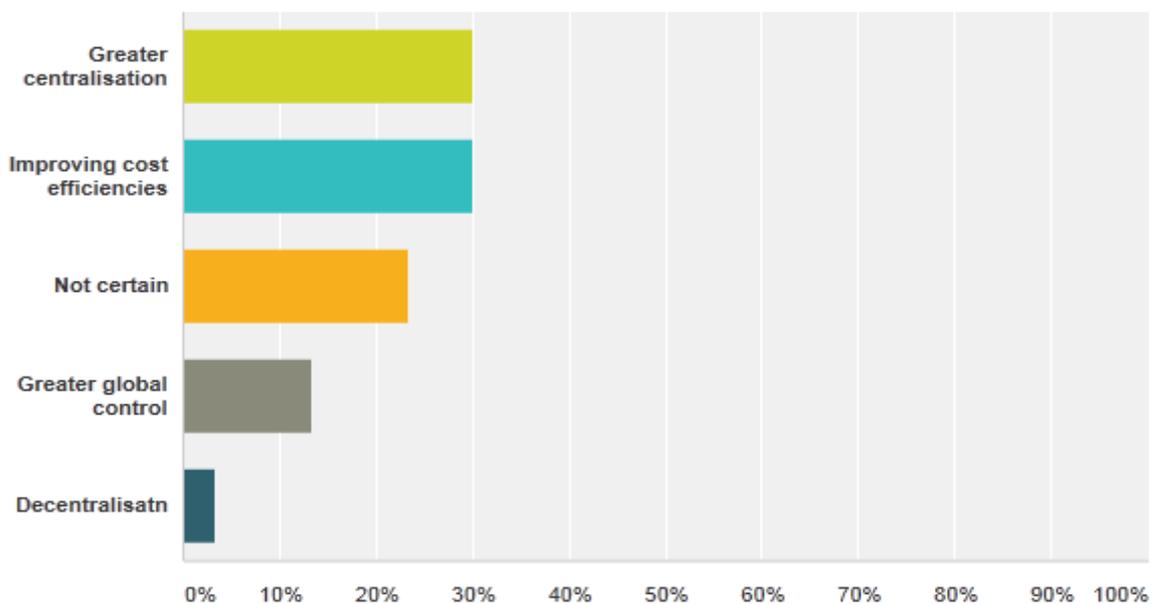
With just over half of respondents (53%) allocating their surplus to traditional bank deposits, many are missing obtaining a better return on their cash holdings. While the current market environment does offer challenges for maximising cash returns, yield is only one of the dimensions of investment optimisation. Consideration needs to be given to investment liquidity and risk.

How is your surplus cash currently allocated?



Source: BNP Paribas as at August 2014

What do you think will be the next development in cash management?



Source: BNP Paribas as at August 2014



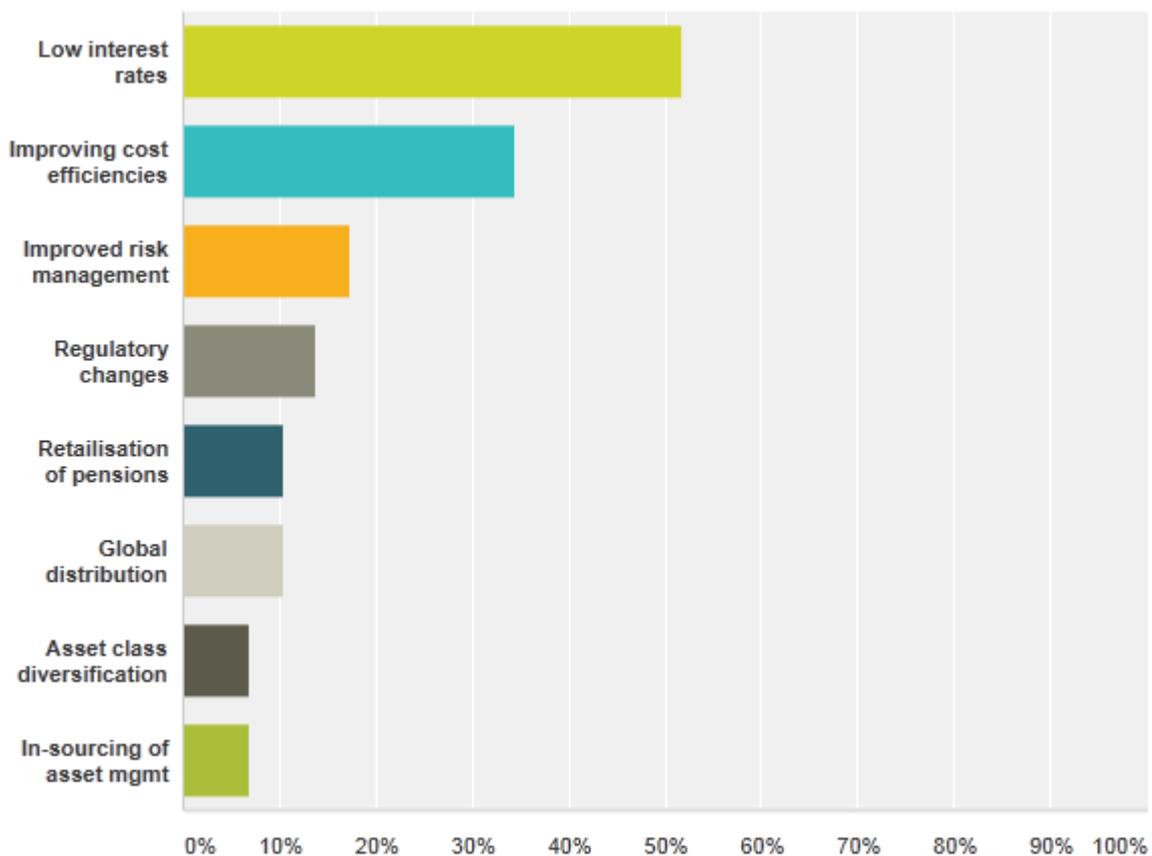
The future

The current low interest rate environment worries just over half of CFOs and treasurers (52%), with them expecting changes in interest rates to have the most impact on their organisation and its operations in the next 18 months.

A third (34%) want to improve the efficiency of their treasury operations. Clearly, today's treasurers are concerned with the 'corporate treasury P&L', with a strong focus both on the remuneration of balances and the reduction of operating costs.

Greater centralisation is currently being adopted as a solution by many treasuries, as it offers more control and efficiencies in payment processes, in particular with developments such as payment hubs, shared service centres and 'payments-on-behalf'.

What do you think will be the market trends that will have the most impact on your organisation going forward?



Source: BNP Paribas as at August 2014



About this poll

BNP Paribas undertook a poll of Australian corporate treasurers and chief financial officers (CFOs) as to their outlook and concerns in August 2014. The 30 respondents represent the treasury operations of many of Australia's largest corporations. Some 38% of those were CFOs or treasurers, while 48% were finance directors or managers answering on their behalf. A fifth (20%) were responsible for their firms' treasury and financial operations in Australia AND overseas, while 80% were responsible for Australia alone. The respondents represent a range of industries, including industrial and manufacturing (17%), consumer and financial services (both 10%), technology and telcos (7%) healthcare and utilities (each 3%).

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