How Do You Stack Up?

Benchmark Data from the Harland Clarke National Banking Industry Database

July 26, 2012

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Today's Presenters

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Agenda

- Why we are here
  - Stacking up against the challenges
  - Top marketing priorities
- The data: How do you stack up?
  - New and tenured customers
  - Demographic profiles
  - Attrition
- Top performers: Using data to stack the deck
  - Six things you can do
  - Becoming account holder-centric and data-driven
  - The right products and the right plan

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Stacking Up Against the Challenges

- Acquiring and retaining account holders
- Addressing declining spread
- Growing a quality loan portfolio
- Meeting regulatory demands
- Operating with technical restraints

All of this while focusing marketing dollars on the most efficient, cost-effective and trackable marketing plans.

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Top Marketing Priorities

- Deeper relationships as a result of cross-selling
- Loan growth
- Customer or member acquisition
- Encouraging channel shift

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The Data:
How Do You Stack Up?

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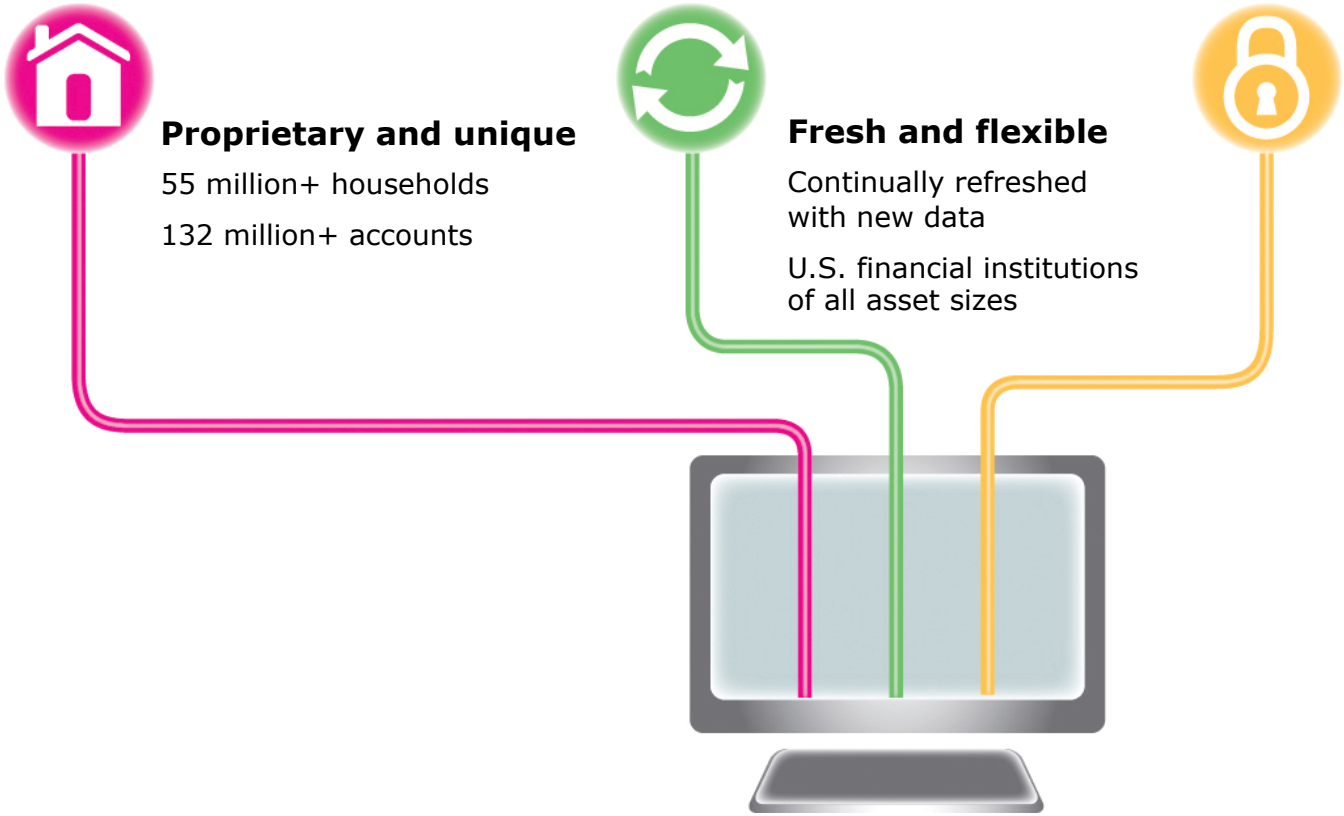
The Harland Clarke National Banking Industry Database



Proprietary and unique

55 million+ households

132 million+ accounts

Fresh and flexible

Continually refreshed with new data

U.S. financial institutions of all asset sizes

Protected and safe

Non-identifiable data

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What Does the Data Say? Highlights: 2011 vs. 2010

New customers (of one year or less):

Increased movement of account holders between financial institutions — and they are bringing less with them

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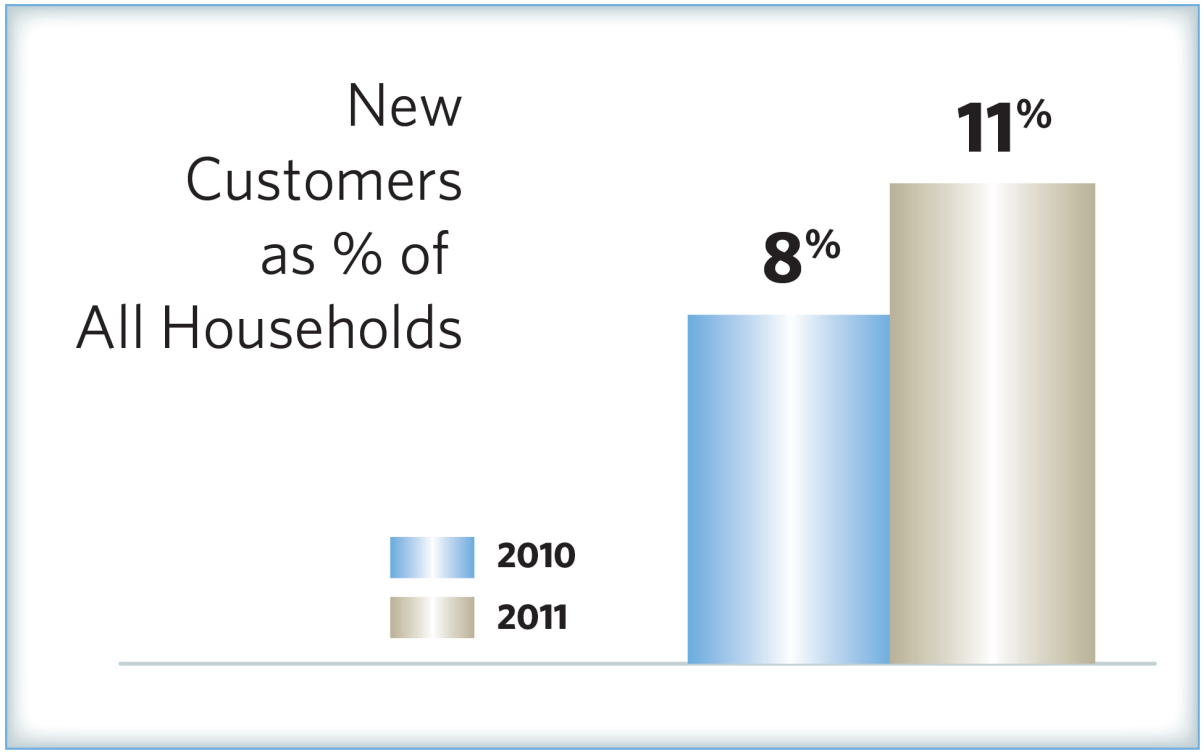
Increase in the Number of New Households as a Percent of Total

New customers (of one year or less)



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Source: Harland Clarke National Banking Industry Database

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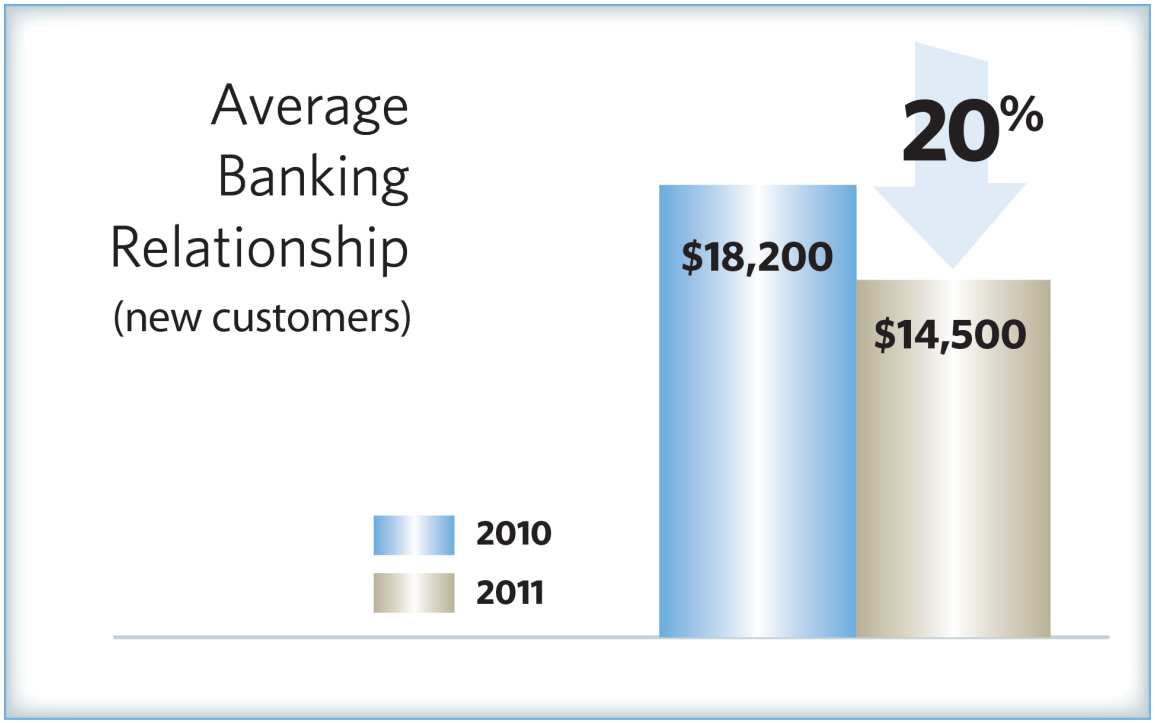
Decrease in the Average Banking Relationship (Total Balance)

New customers (of one year or less)



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Source: Harland Clarke National Banking Industry Database

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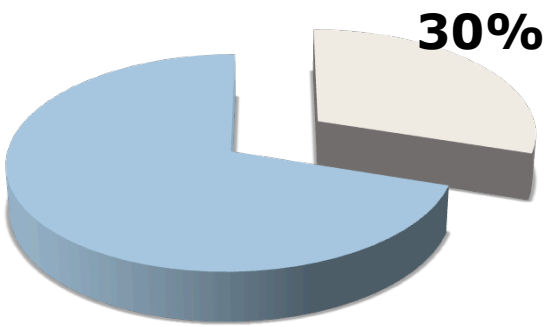
For Deposits, New Account Holders are More Likely to Have a Savings Account With a Lower Balance Than a High Balance CD

New customers (of one year or less)

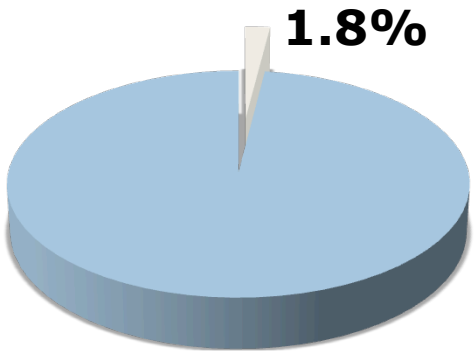
% of HH with Savings



$4,500

Average household balance

% of HH with CD



$67,600

Average household balance

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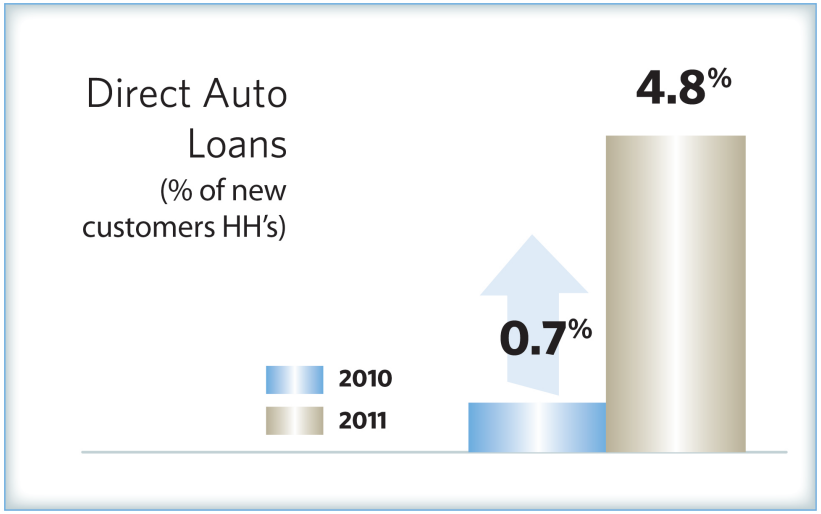
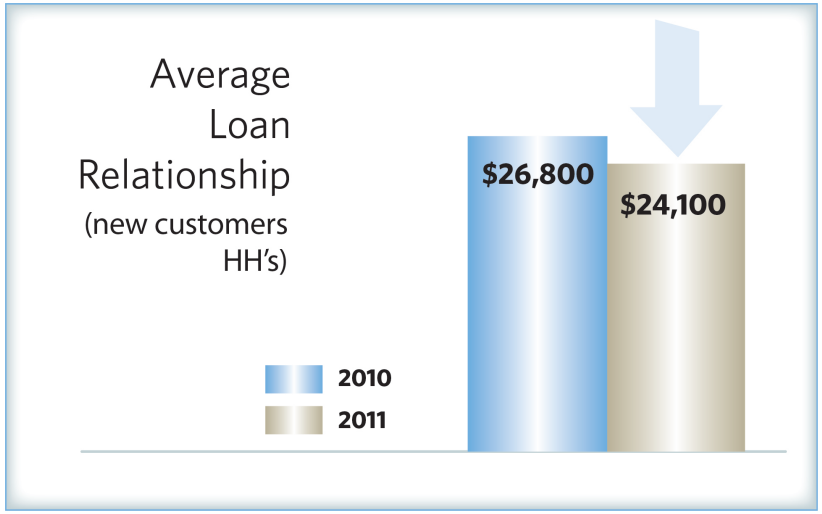
Auto Loans Brought in New Account Holders But Overall Loan Amounts Are Lower

New customers (of one year or less)





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Source: Harland Clarke National Banking Industry Database

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New Customer Trends

Size/Scope	2011	Change vs 2010
% All households	11%	↑ 3%
% All deposits	4%	1% ↓
% All loans	9%	↑ 4%
Avg. banking relationship	$14,500	20% ↓
Avg. deposit relationship	$9,600	35% ↓
Avg. loan relationship	$24,000	10% ↓
Avg. # all accounts per HH	2.5	↑ 12%

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What Does the Data Say? Highlights: 2011 vs. 2010

Tenured customers

The size of banking relationships has remained relatively stable despite economic conditions, but customers moved toward greater liquidity

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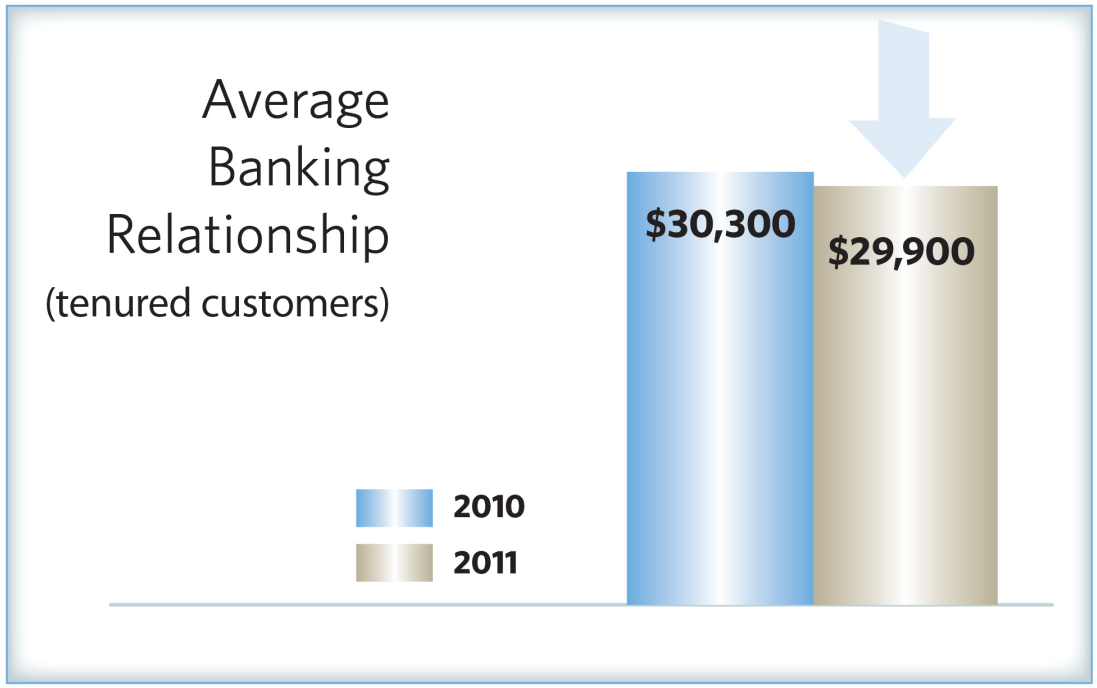
The Average Banking Relationship (Total Balance) Decreased Slightly

Tenured customers



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High Balance CDs Moved to Savings and Money Market Accounts

Tenured customers

CDs (% of HH's)	Savings (% of HH's)	Money Market Account (% of HH's)
8.2%	40%	$55,200
Down from 9.5% in 2010	Up from 37% in 2010	Up from $51,700 in 2010

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Overall Loan Balances Did Not Change

Tenured customers

$26,100

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The Slight Decrease in Credit Cards Was Offset by an Increase in Other Consumer Loans

Tenured customers

Credit Cards
(% of HH's)

13%

Down from 15% in 2010

Consumer Loans
(% of HH's)

7.2%

Up from 5.7% in 2010

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There Was Little Change in Auto and HELOC, but Equity Loan Balances Declined

Tenured customers

Household Balances		
	2011	**Change vs 2010**
Auto Loan (direct)	$8,700	1%
Home Equity Loan	$49,500	7.3%
Home Equity LOC	$56,400	1%

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Tenured Customer Trends

Size/Scope	Q3 2011	Change vs 2010
% All households	89%	3% ↓
% All deposits	96%	↑ 1%
% All Loans	91%	4% ↓
Avg. banking relationship	$29,900	1% ↓
Avg. deposit relationship	$22,100	5% ↓
Avg. loan relationship	$26,100	No change
Avg. # all accounts per HH	3.6	↑ 3%

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Migration to Online Channels

Online Banking
(tenured customers)

45%

Up from 41% in 2010

Bill Pay
(tenured customers)

15%

Up from 11% in 2010

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Customer Demographic Profiles – Averages and Change Over 2010

Average Age	**43** new customers	**52** tenured customers
Average HH Income	**$59,700** new customers	**$61,400** tenured customers
Average Home Ownership Rate	**44%** new customers	**73%** tenured customers
	3% increase vs 2010	7% increase vs 2010

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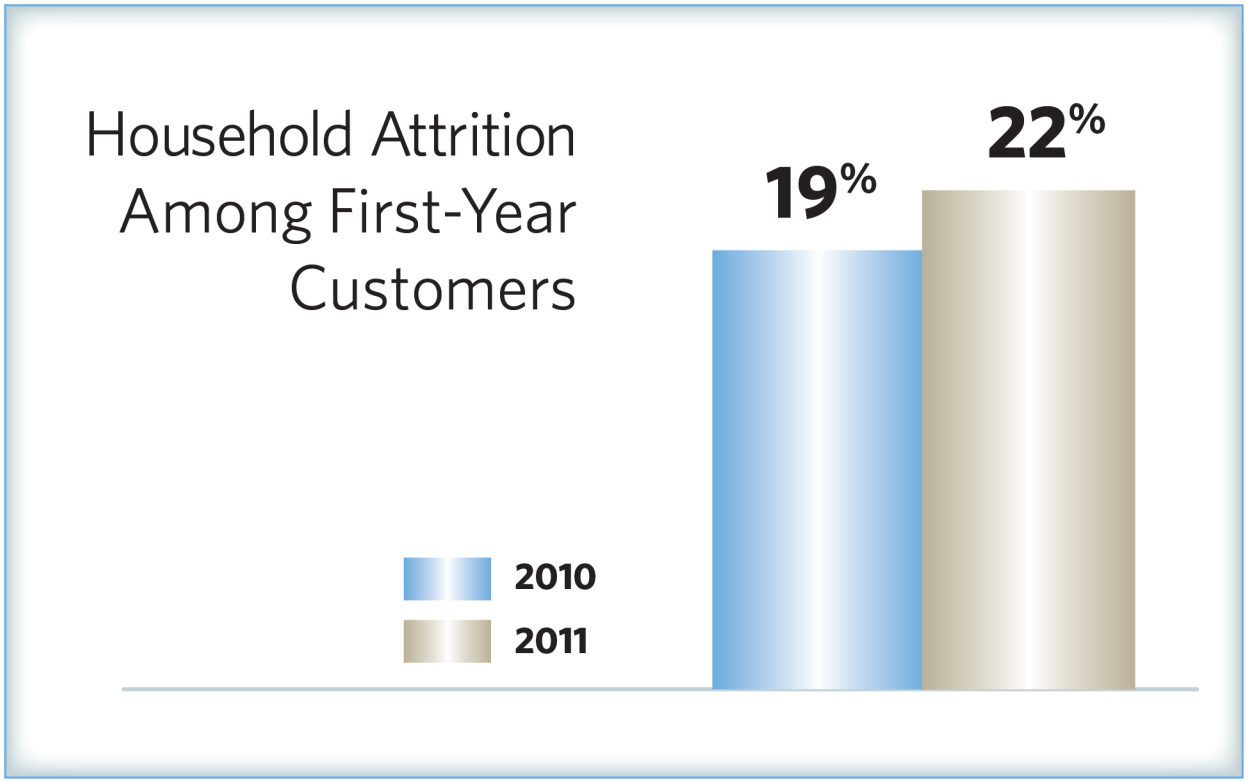
First-Year Household Attrition Grew



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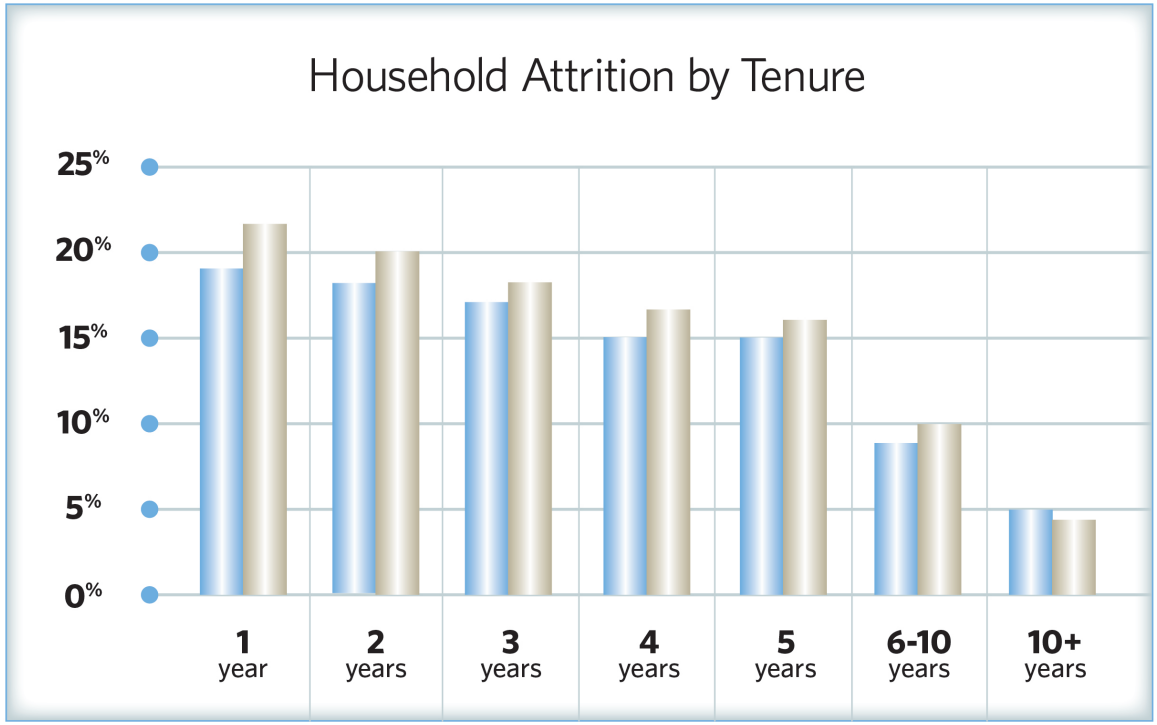
Household Attrition Over Time

Attrition is highest among households that have been with the financial institution less than one year and drops each year for tenured households



2010
2011

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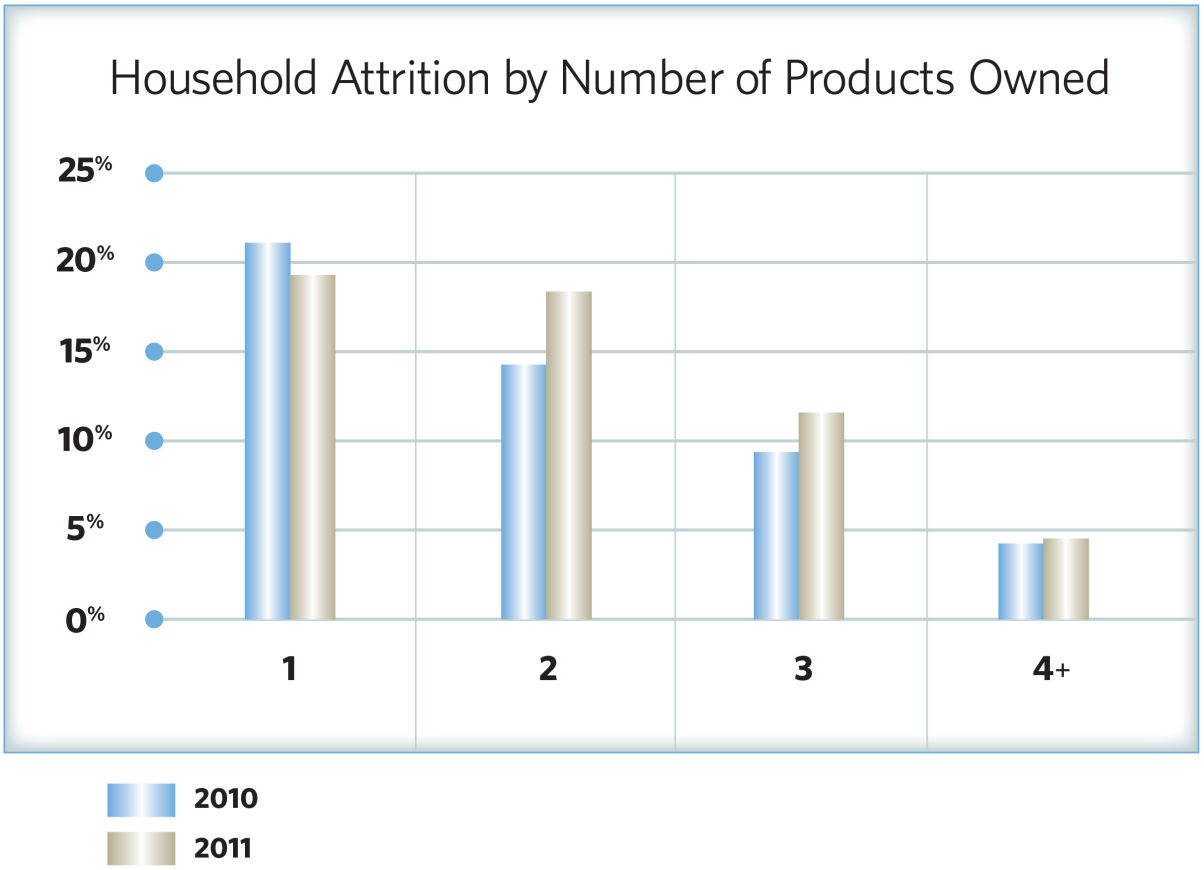
Ownership of More Than Three Products Lowers Attrition By Approximately 50% When Compared With Households With Only One Product



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Top Performers:
Using Data to Stack the Deck

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What Do the Top Performers Do?

- Gain key insight and information on their portfolio
- Identify significant opportunities and risks in their portfolio
- Perform product analysis for deposit, loan, electronic and other lines of business
- Use data to develop actionable plans with performance measurement

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Six Things You Can Do to Stack the Deck in Your Favor

1	**Use data** — increase overall marketing effectiveness
2	**Prioritize —** go for strategic value and highest potential return with your marketing initiatives
3	**Get customer-centric —** deploy actionable and results-oriented marketing
4	**Invest smarter —** focus on the right customer with the right message
5	**Grow wallet share —** increase cross-sell and improve retention
6	**Align —** ensure all functional areas within your organization are coordinated with your retail environment

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The Right Plan — Understanding the Data Components

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Right Products, Right Account Holder, Right Time

Identify using purchase potential models

Deposits
- Checking accounts
- Saving accounts
- Money market accounts

Brokerage/investment services
- CDs
- IRAs
- Annuities
- Mutual funds
- Equities
- Bonds

Loans
- Consumer loans
- Credit cards
- Mortgages
- Home equity loans

Electronic services
- Debit cards
- Online banking
- Bill pay service
- eStatements
- Mobile banking

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Discussion and Recap

Identify key areas that raise the bar on your profit potential

Q&A

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Thank You

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State of the Industry: 2012 Financial Services Benchmarking Analysis

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