Financial Email Marketing Benchmark Report

HARLAND CLARKE DIGITAL™

Executive Summary

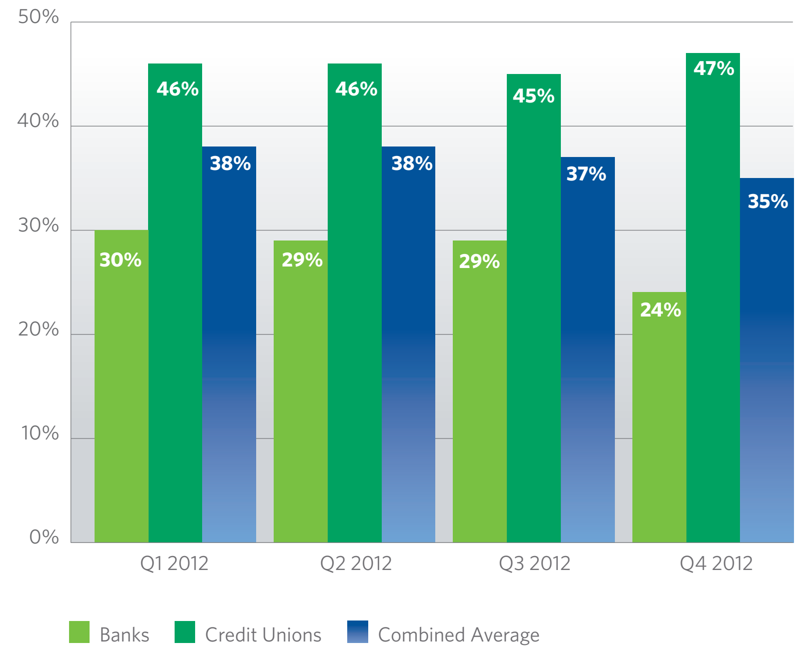
With high audience receptivity and above-average engagement rates, email marketing has proven to be just as effective — and in some cases more effective — for financial institutions as it has been for other industries. The large amount of account holder information available to financial institutions makes possible a very strategic approach to email marketing, one that relies on targeted content and can truly become a meaningful, personal and valuable line of communication with account holders. Still, there are challenges for financial institutions, particularly when it comes to building a subscriber base for email communications.

To compile this research report, Harland Clarke Digital™ analyzed the email marketing programs of over 100 financial institutions (split evenly between Banks and Credit Unions) between January 1, 2012 and December 31, 2012. These financial institutions—ranging in size from 1,000 to 1,000,000 account holders—collectively sent over 7,000 email campaigns to more than 14M account holders through Harland Clarke Digital's SubscriberMail® platform.

Email penetration continues to be a major challenge for financial institutions.

On average, financial institutions have the email addresses on roughly 35% of their customers; however, there are marked differences between credit unions and banks. Credit Unions held a clear advantage in this regard, hovering above 45% compared to the penetration rate for Banks that was below 30%. For all financial institutions, this represents a clear obstacle to achieving email marketing objectives, as well as a clear opportunity to make some immediate gains through a concentrated focus on list growth. Start by identifying account holder touch-points, such as account creation, online banking portals, teller interaction, envelope inserts, lobby signage (etc.) where it makes sense to prompt account holders to sign-up for notifications, news and educational materials delivered via email.

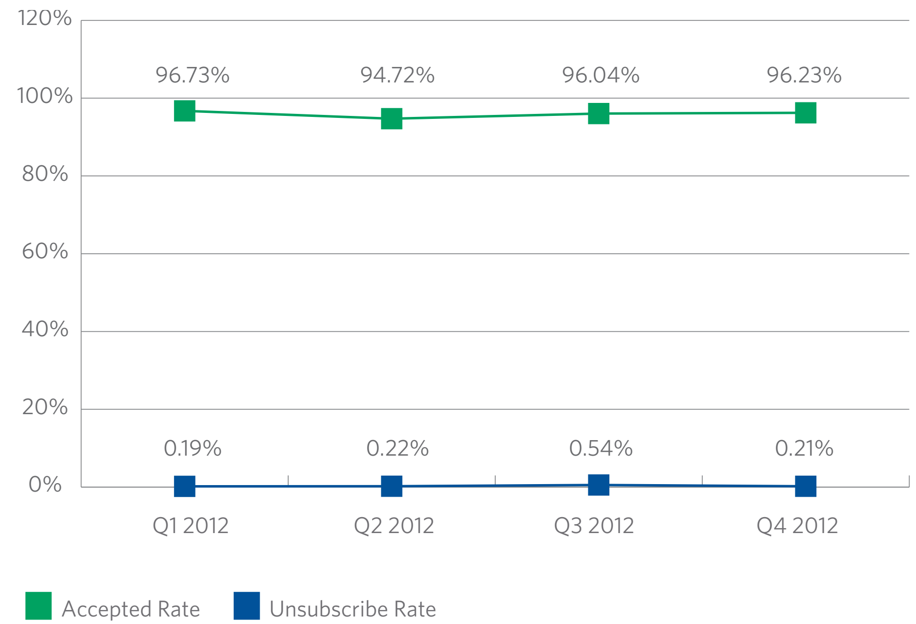
2012 Email Address Penetration Among Financial Institutions



Message delivery and low unsubscribe rates indicate account holders' acceptance of email communications from financial institutions.

Financial institutions have historically (and justifiably) been concerned about the delivery of their emails, particularly in light of the many spam and phishing emails that purport to come from financial institutions. While delivery should certainly remain an area of high priority/focus, our data indicates that accepted rates — indicating the percentage of messages that did not record a hard or soft bounce — for financially focused emails held at a very respectable 96% throughout 2012. Furthermore, unsubscribe rates for these messages are very low, averaging less than 0.4%. These are very positive signs that not only are financially focused messages being received by the intended recipients, they are being well received.

2012 Accepted Rates and Unsubscribe Rates for Financial Email Campaigns



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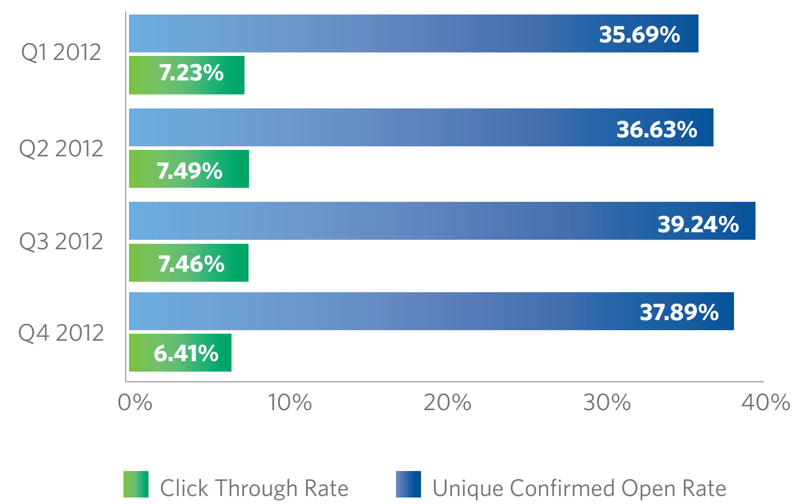
Overall recipient engagement with financial emails is high, but click activity is minimal.

Harland Clarke Digital measures unique confirmed opens as a reflection of recipients who rendered images in an email (the traditional "open") or who clicked a link within an email where images were disabled. This measurement of engagement stayed in the range of 35-39% throughout 2012, which is a very solid performance. However, the number of recipients clicking links within messages never rose above 7% in a given quarter. Many financial institutions specifically choose not to include links within emails, going so far as to advise recipients never to click links in an email that appears to be coming from their financial institution (to prevent account holders from falling prey to phishing scams). The unfortunate side effect is that account holder email engagement does not extend past the inbox for these financial institutions. It's a difficult problem to solve, but not difficult to see the missed opportunity for increased account holder interaction that would be provided by driving email traffic to a website or landing page(s). One approach we have seen financial institutions use to reassure recipients is to create a unique ID for all email subscribers and include that ID in all messages sent to those individuals, instructing them to never click links in emails unless they see that ID.

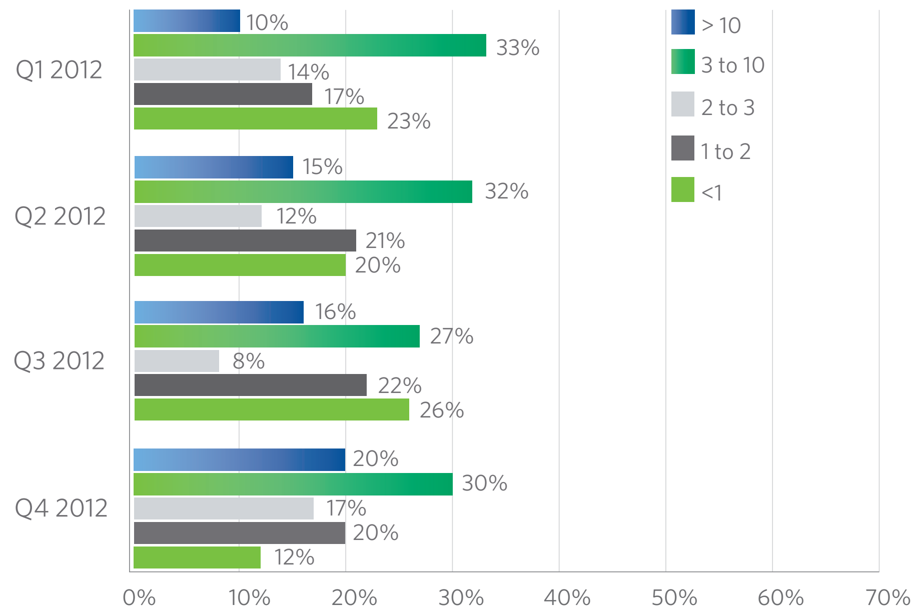
2012 Campaign Engagement Overall



Nearly half of financial mailers average more than three deployments per month.

The number of financial institutions averaging three or more deployments per month never fell below 43% in a given quarter, and was an even 50% by the end of Q4. In fact, 20% were averaging more than 10 deployments per month in Q4. Factors contributing to this higher frequency included onboarding campaigns sent on a regular basis to new account holders, as well as an increased focus on audience segmentation and targeted messaging rather than sending a single message to an entire mailing list. On the other end of the spectrum, we saw a fair amount of financial institutions still sending less than once per month (as high as 26% in Q3), but were encouraged to see that drop to 12% in Q4. Given the low unsubscribe rates for financial emails (as indicated in the chart on page 3), it seems the immediate risk is fairly low for institutions who want to continue testing changes to their monthly frequency, but it should be advised that too much variation can be confusing for recipients over time, and could lead to increased unsubscribes.

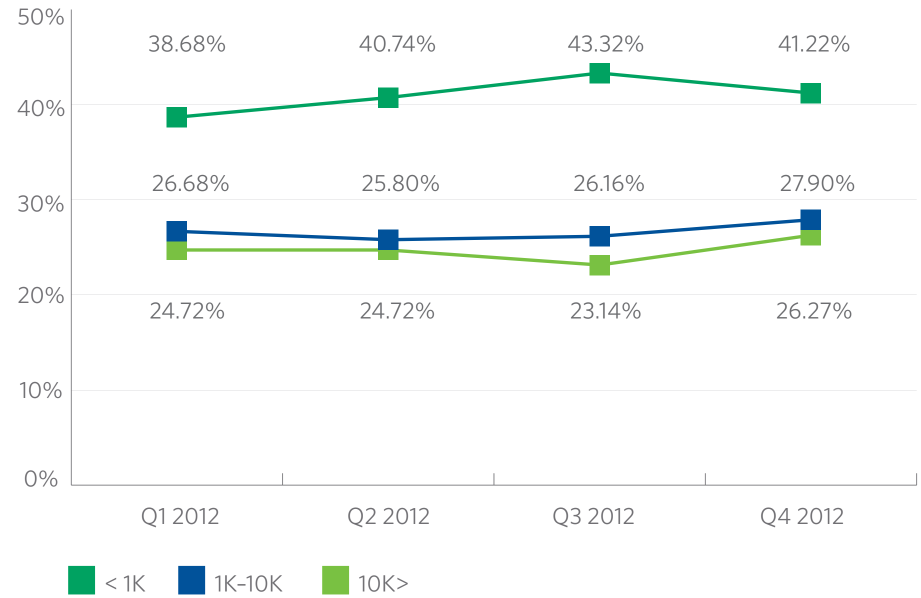
Average Number of Monthly Campaigns Sent by Financial Institutions in 2012



Targeted deployments drive higher response rates.

We measured response rates for deployments to less than 1,000 recipients, 1,000-10,000 recipients and over 10,000 recipients. One constant throughout 2012 was an increase in message response as the size of deployments decreased. These smaller deployments used audience segmentation to deliver very targeted content, or used account holder behaviors to drive relevant follow-up messaging (such as a new account holder Onboarding campaign). Targeted messaging has long been the approach recommended by Harland Clarke Digital due to the value of increased relevance, and indeed the chart below shows a roughly 50% lift in unique confirmed opens in each quarter of 2012 for smaller deployments compared to larger deployments. It is worth noting, however, that even larger deployments from financial institutions yielded a very respectable unique confirmed open rate that hovered around 25%.

Unique Confirmed Opens by Deployment Size



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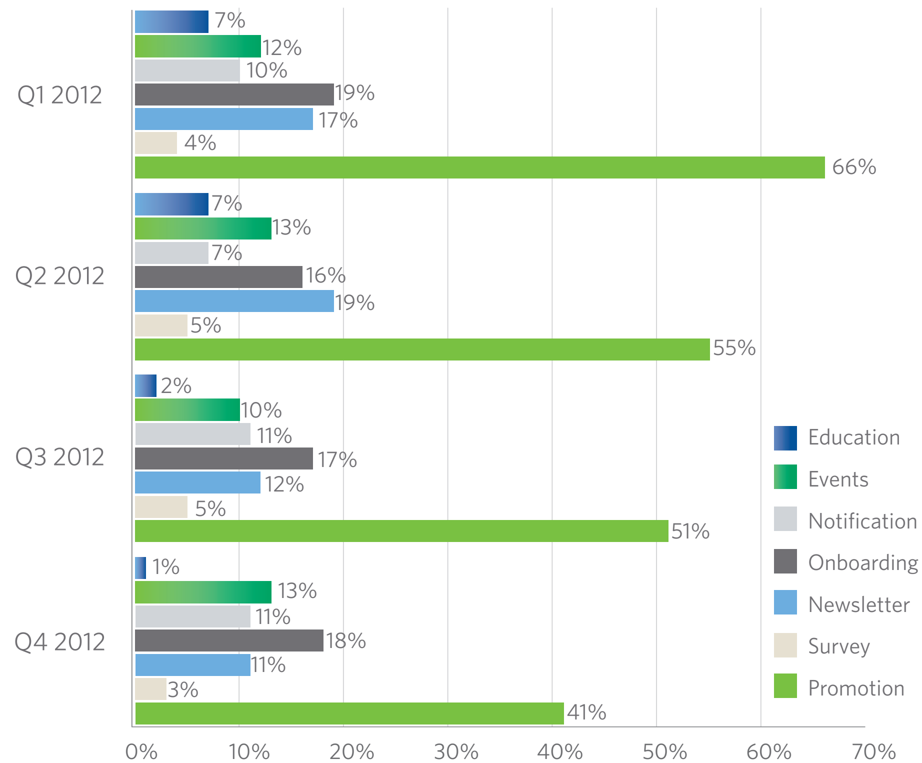
Promotional messaging remains the most common type of financial email.

Harland Clarke Digital identified seven campaign types that made up the majority of financial email communications, including Promotions, Surveys, Newsletters, Onboarding, Notifications, Events and Education. While Promotional messaging represented the largest percentage of campaigns sent in all four quarters, that percentage decreased by more than 1/3 between Q1 (66%) and Q4 (41%) while other campaign types remained fairly steady throughout the year. This is likely an indication of financial institutions scaling back promotional messaging during the holiday season (when retailers tend to increase their own promotional messaging), but continuing to send more timely communications such as Notifications and Onboarding emails.

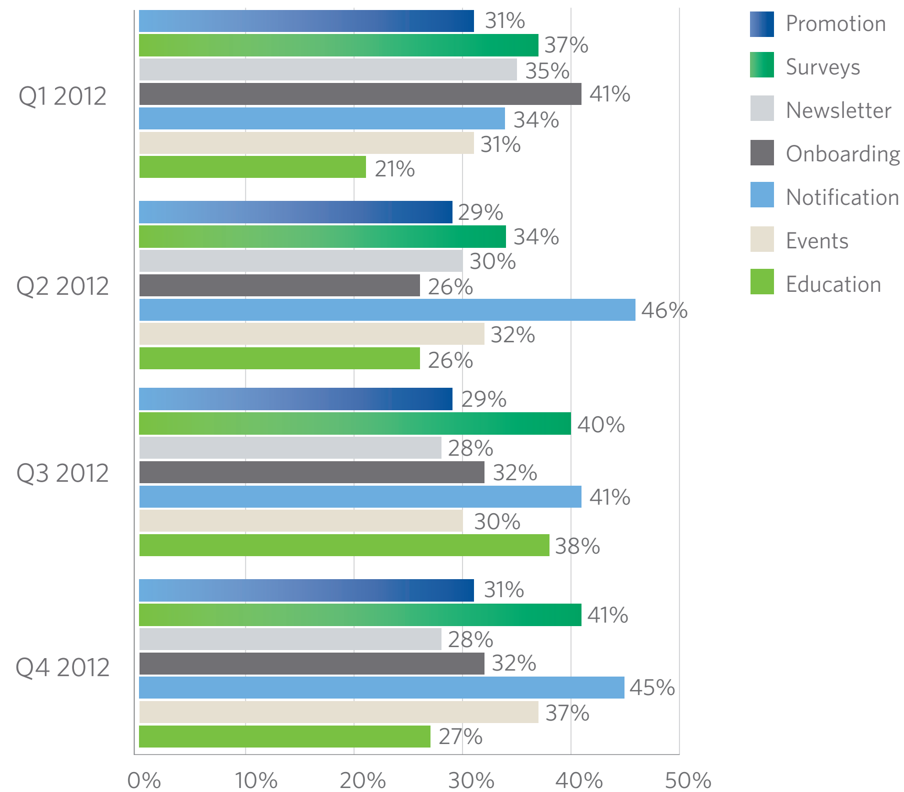
Percentage of Overall Financial Emails by Campaign Type



Regardless of the type of message, unique confirmed opens for financial emails indicate a promising degree of engagement.

Over the course of 2012, Notification emails (such as overdraft notices) had the highest unique confirmed open rate in comparison to other campaign types, but by a very slim margin. In what should be an encouraging sign for financial email marketers, campaigns of all types enjoyed high rates of engagement in 2012. The most "under-performing" campaign type (Education) still averaged almost a 30% unique confirmed open rate in 2012, while Notifications, Surveys and Onboarding campaigns all exceeded 40% unique confirmed open rates in a given quarter.

Unique Confirmed Open by Campaign Types



About Harland Clarke Digital

Harland Clarke Digital (www.hcdigital.com) is a team of experienced marketing and technology professionals that works with hundreds of organizations to execute effective lifecycle marketing programs through email/mobile campaigns, research and survey services, content generation, strategic consulting, employee training services and more. Harland Clarke Digital is the digital arm of Harland Clarke Corp., a leading provider of integrated payments solutions, marketing services, technology solutions and security services. Harland Clarke Corp. is a wholly-owned subsidiary of Harland Clarke Holdings Corp.

About Harland Clarke Corp.

Harland Clarke Corp. (www.harlandclarke.com) is a leading provider of best-in-class, integrated payment solutions, marketing services and security solutions. It serves clients in multiple industries, including financial services, retail, healthcare, insurance, and telecommunications, and ranging in size from major corporate brands and trade groups to micro-businesses and individual consumers. Harland Clarke's comprehensive suite of integrated marketing solutions is based on customer lifecycle marketing and includes database marketing, email marketing, advanced analytics, campaign management, strategic services, and creative development. Harland Clarke delivers integrated marketing campaigns focused on acquisition, onboarding, engagement, retention, and cross-selling, utilizing extensive print, phone and email channels for campaign execution. Within its payment solutions business, Harland Clarke provides needed products and services to nearly 11,000 banks, credit unions and major investment firms. Headquartered in San Antonio, Texas, Harland Clarke employs more than 4,500 people nationwide and operates manufacturing and contact center facilities in multiple states and communities. Harland Clarke is a wholly owned subsidiary of Harland Clarke Holdings Corp., which also owns Harland Financial Solutions, Scantron and Faneuil.

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