



PHOENIX-HECHT
Measurements of Performance, Quality & Pricing

2011 Observations
and Analysis

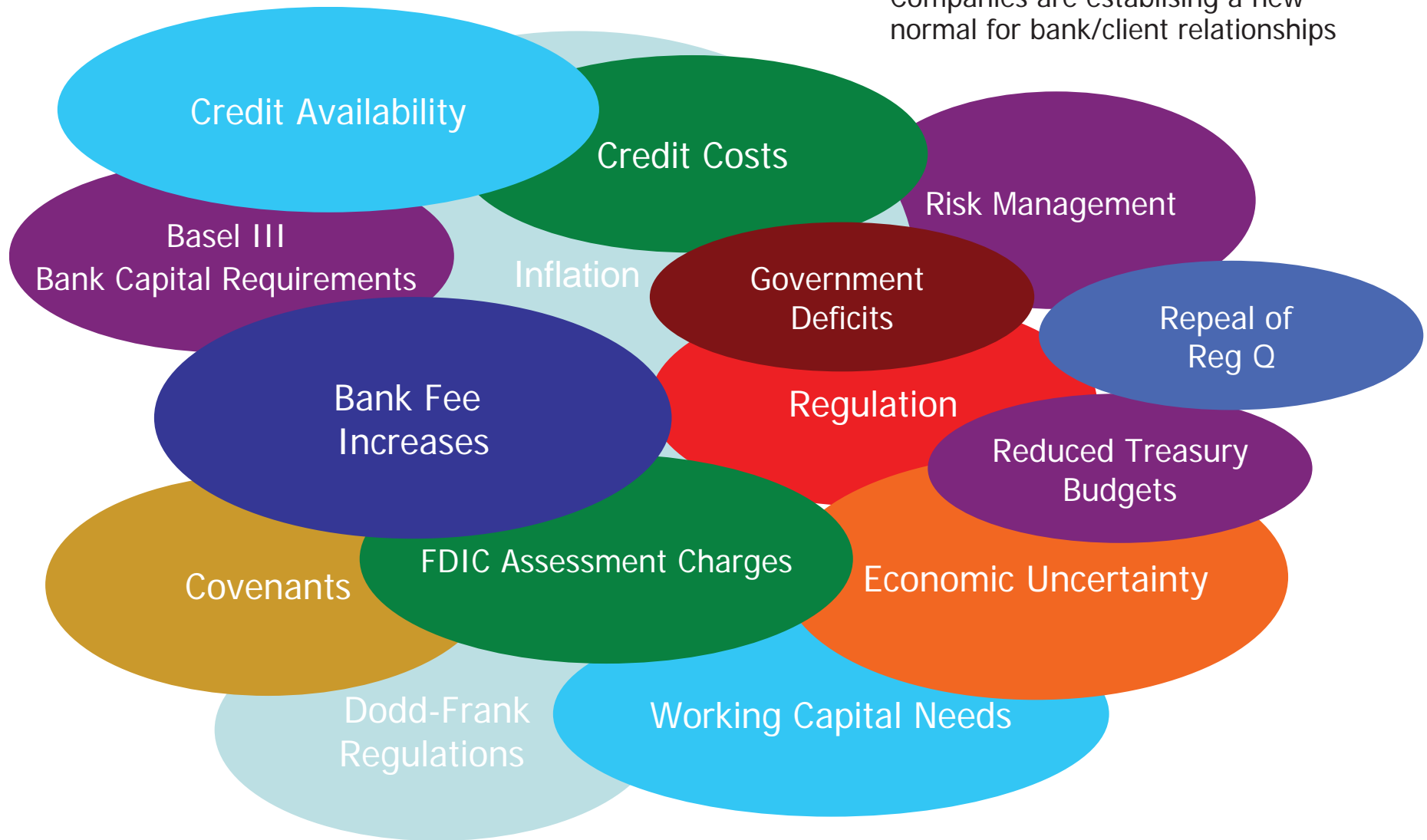
Under the Influence of Credit: Managing the Cost of Bank Services

Agenda

- Credit Drivers of Treasury
- Corporate Trends in Treasury
- Corporate Purchasing Behavior
- Bank Pricing Trends
- Predictions

The Environment

Companies are establishing a new normal for bank/client relationships



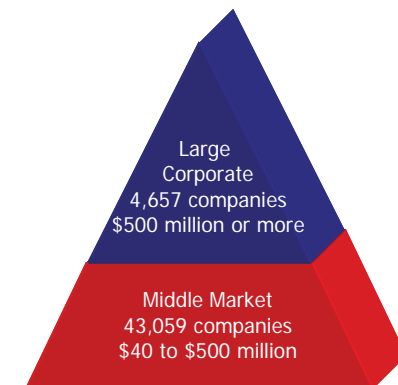
Data Sources

Measurable Dimensions of Treasury Management Relationships and Services



- Treasury Management Monitor™
Industry Trends
- Quality Index™
Perceptions from bank customer
- Blue Book of Bank Prices®
Account Analysis statements
- The Postal Survey™
Remittance mailings to all major lockbox providers
- The Check Clearing Study™
Actual checks deposited

*Monitor & Quality
Index Universe*

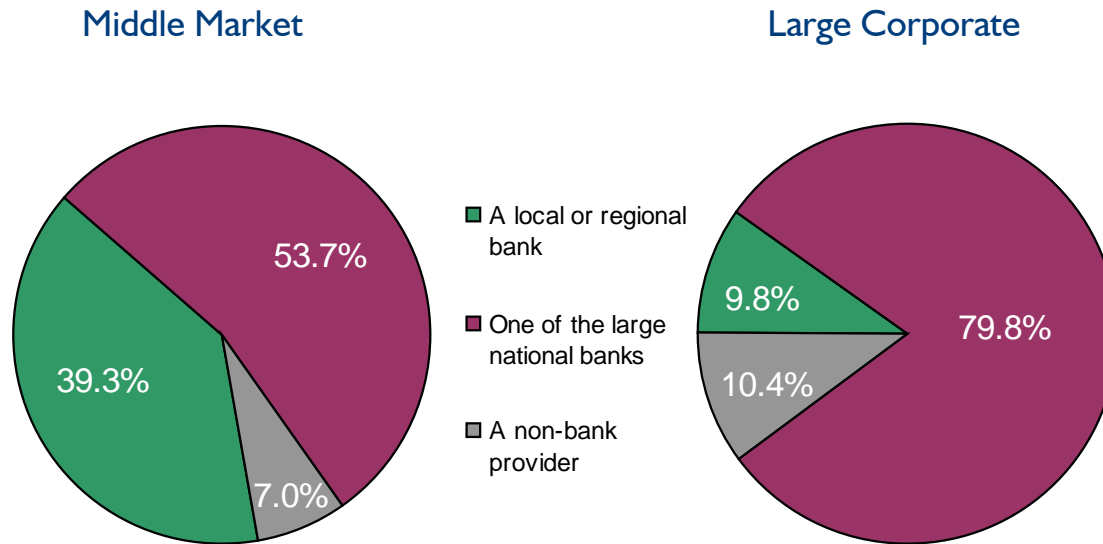


Credit Stress and Influence

(respondents who said "yes")	Middle Market		Large Corporate	
	2010	2011	2010	2011
Have any credit banks reduced or withdrawn credit commitments in the last year?	17.7%	18.1%	27.5%	22.0%
Have any of your credit banks denied your request for additional credit in the last year?	10.9%	13.9%	17.2%	14.5%
If you accepted a credit package from a new bank, would you expect to move cash management business to that bank?	54.3%	61.6%	31.9%	34.3%

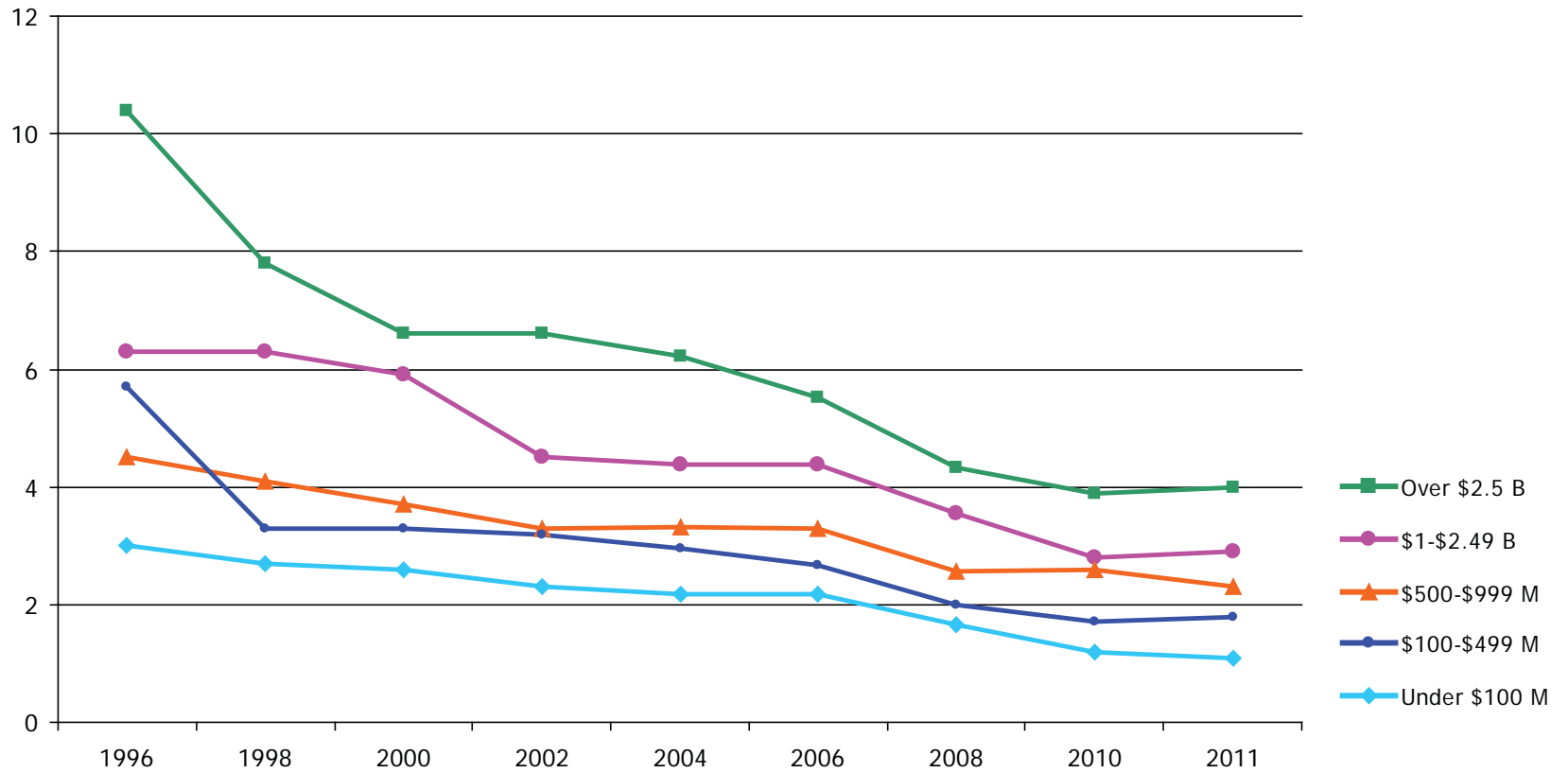
Target Banks for New Credit

If you were seeking new credit, would you be more likely to approach:



Treasury Management Relationship Consolidation

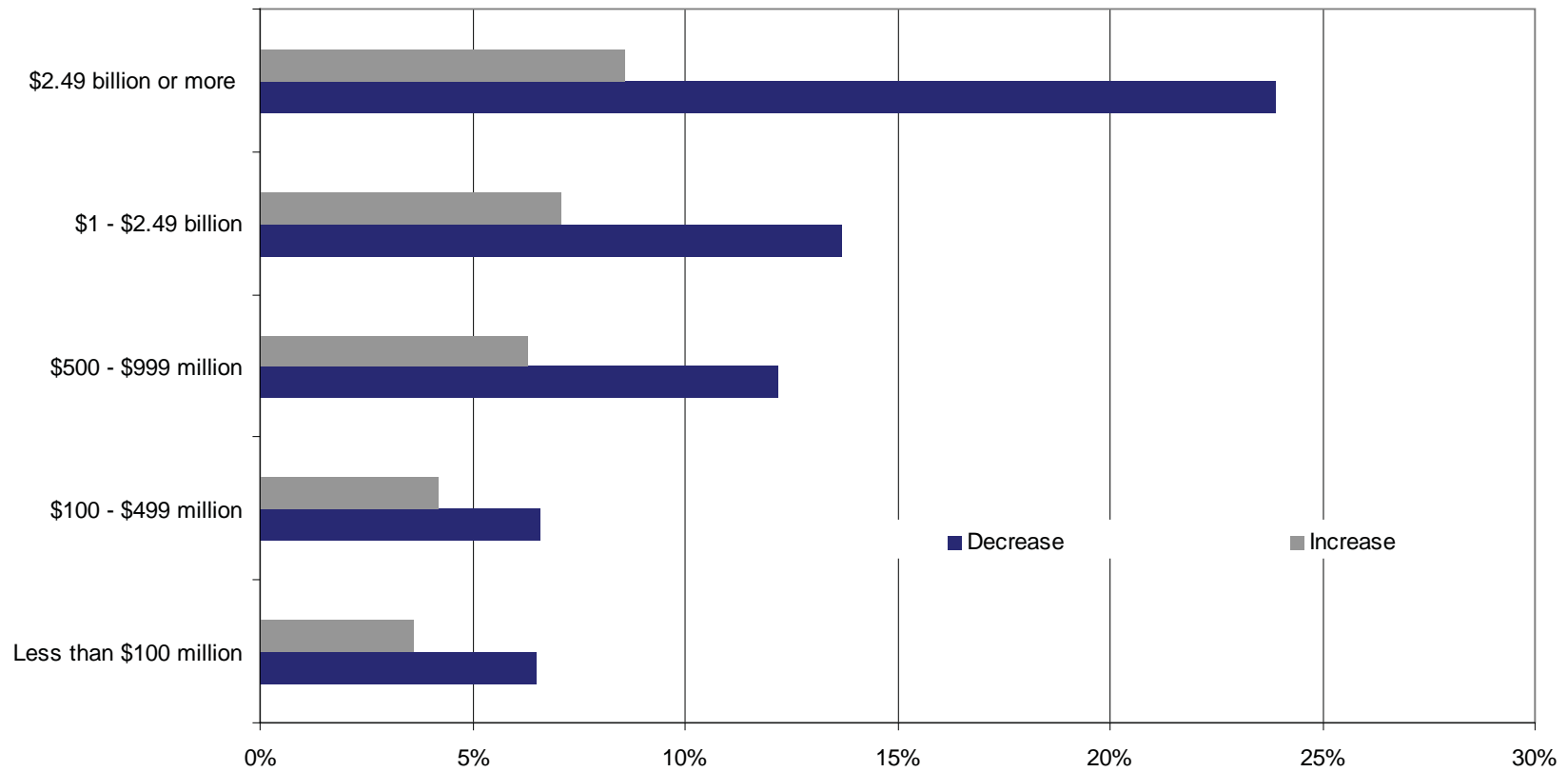
Average Number of Treasury Management Relationships



Bank Relationship Changes

	Middle Market	Large Corporate
Last Two Years		
Expected	(2.0%)	(13.0%)
Actual	4.9%	(4.6%)
Next Two Years		
Expected	(1.8%)	(9.5%)

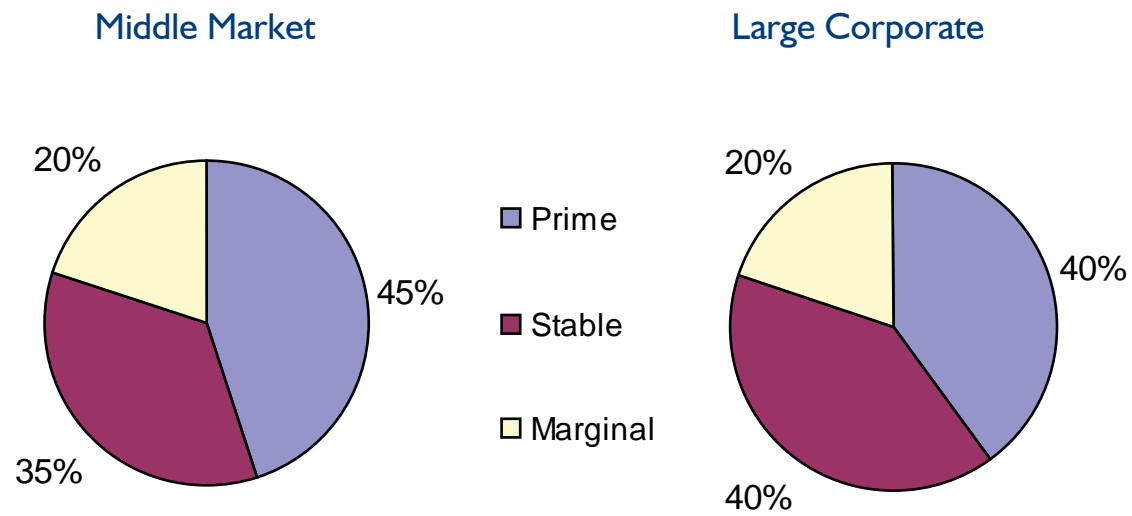
Predicted Change



Bank Relationships Types

	Middle Market		Large Corporate	
	2010	2011	2010	2011
Credit and treasury management	44.5%	49.8%	35.5%	35.7%
Credit only	29.7%	26.2%	44.2%	39.6%
Treasury management only	25.8%	24.0%	20.1%	24.8%

Customer Classification of Bank Relationships



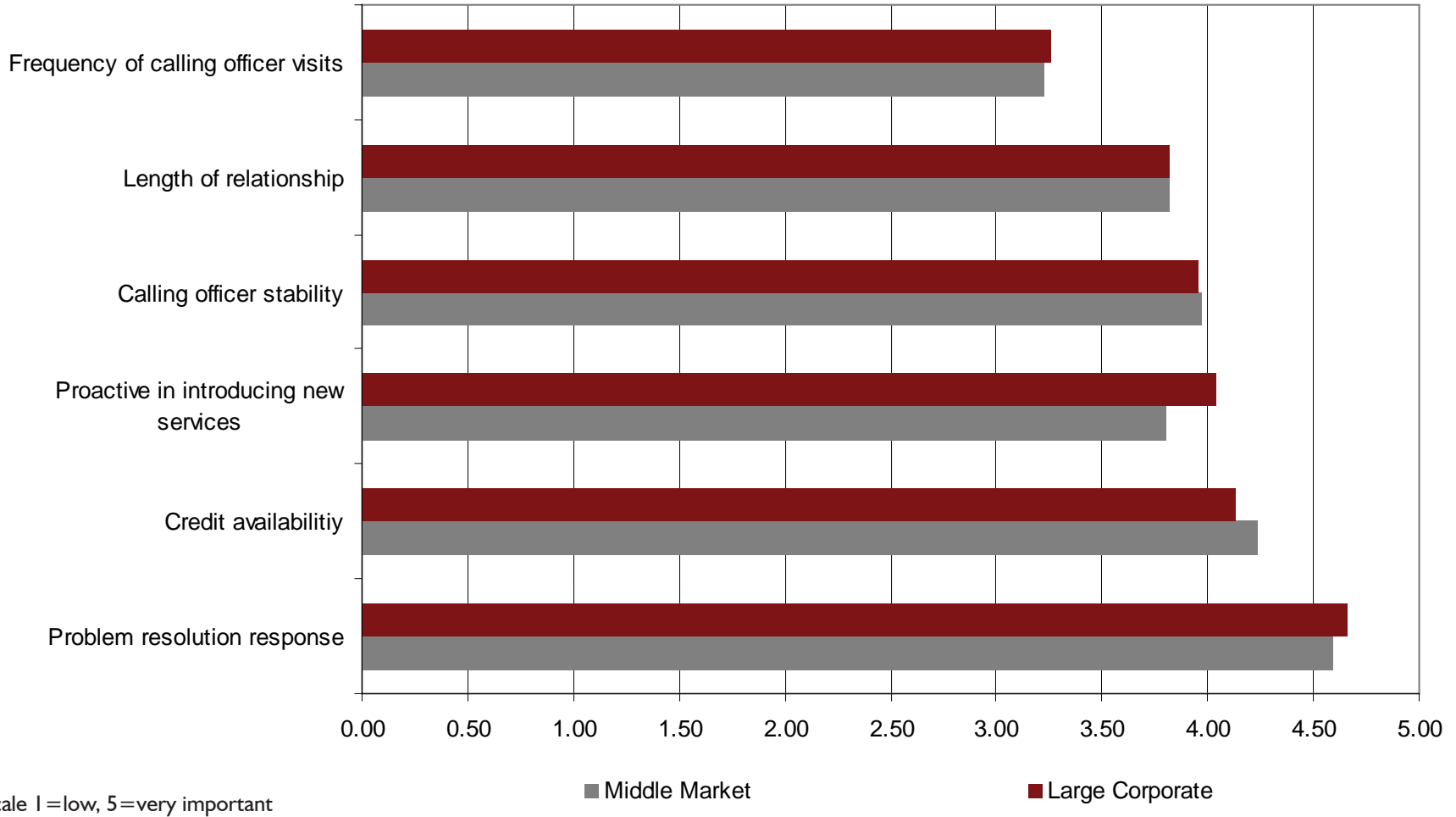
Re-alignment of Customer Defined Classification

Prime Stable Marginal	Middle Market	Large Corporate
Percentage of companies who have downgraded a bank in the last 2 years	20.8%	28.8%

Reasons to Downgrade a Bank Percent rated 4 or 5 (1=low, 5=high)

Credit issues	68.2%	53.3%
Relationship manager	62.3%	62.3%
Customer service	65.6%	51.3%
Product quality	34.3%	49.6%
Product features	20.4%	35.6%
Changes by new bank owner	20.7%	14.8%
Product/service pricing	52.9%	29.9%
Cost efficiency	22.4%	38.9%

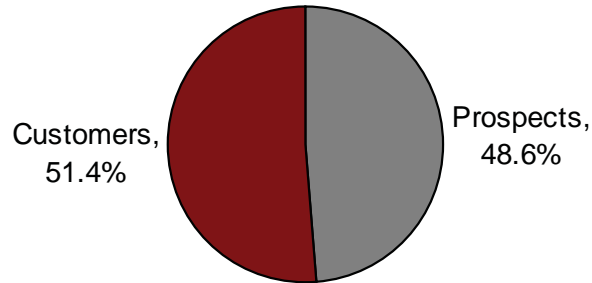
Importance of Bank's Commitment



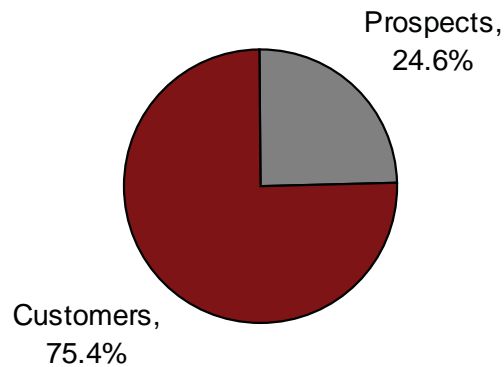
Banks Efforts to Generate New Business

Banks expect slightly more business from current customers
Visits to Customers vs. Prospects

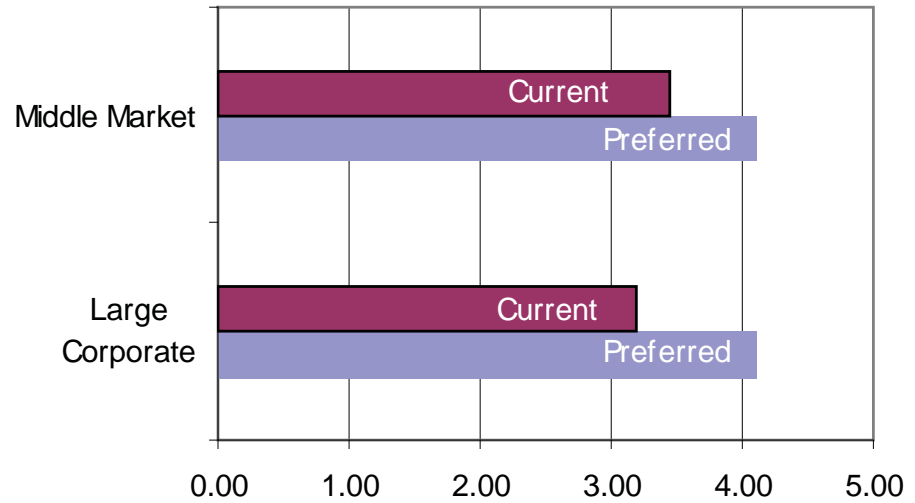
Middle Market



Large Corporate



Customers want more frequently delivered value
Current vs. Preferred Visits



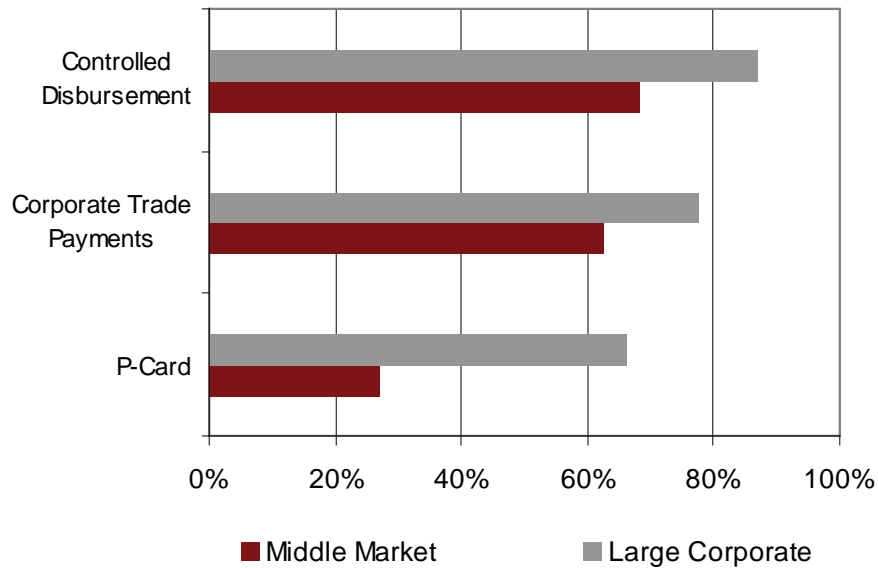
Sources of Treasury Services Information

	Middle Market	Large Corporate
Scale 1 to 5 1=low, 5=very important		
In-person bank calls	3.71	3.85
Bank website	3.25	3.04
Trade publications	2.85	3.29
Trade meetings	2.50	3.25
Web-based seminars	2.89	3.41

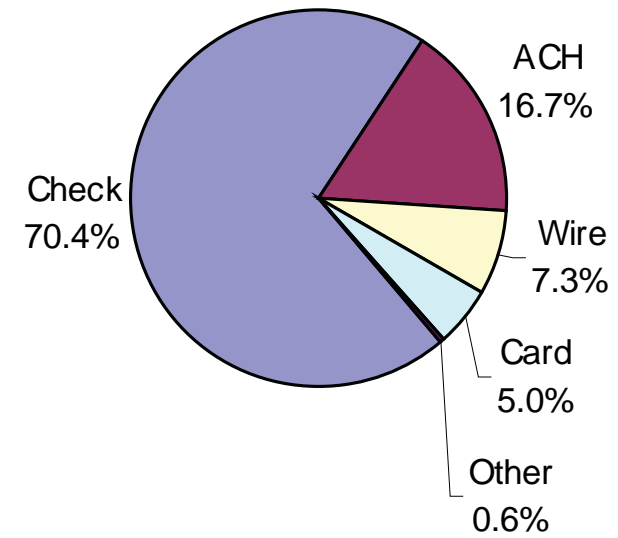
Source: Treasury Management Monitor™

Payments Types

Usage of Payment Types



Percent of Payment Transactions Made by Corporations

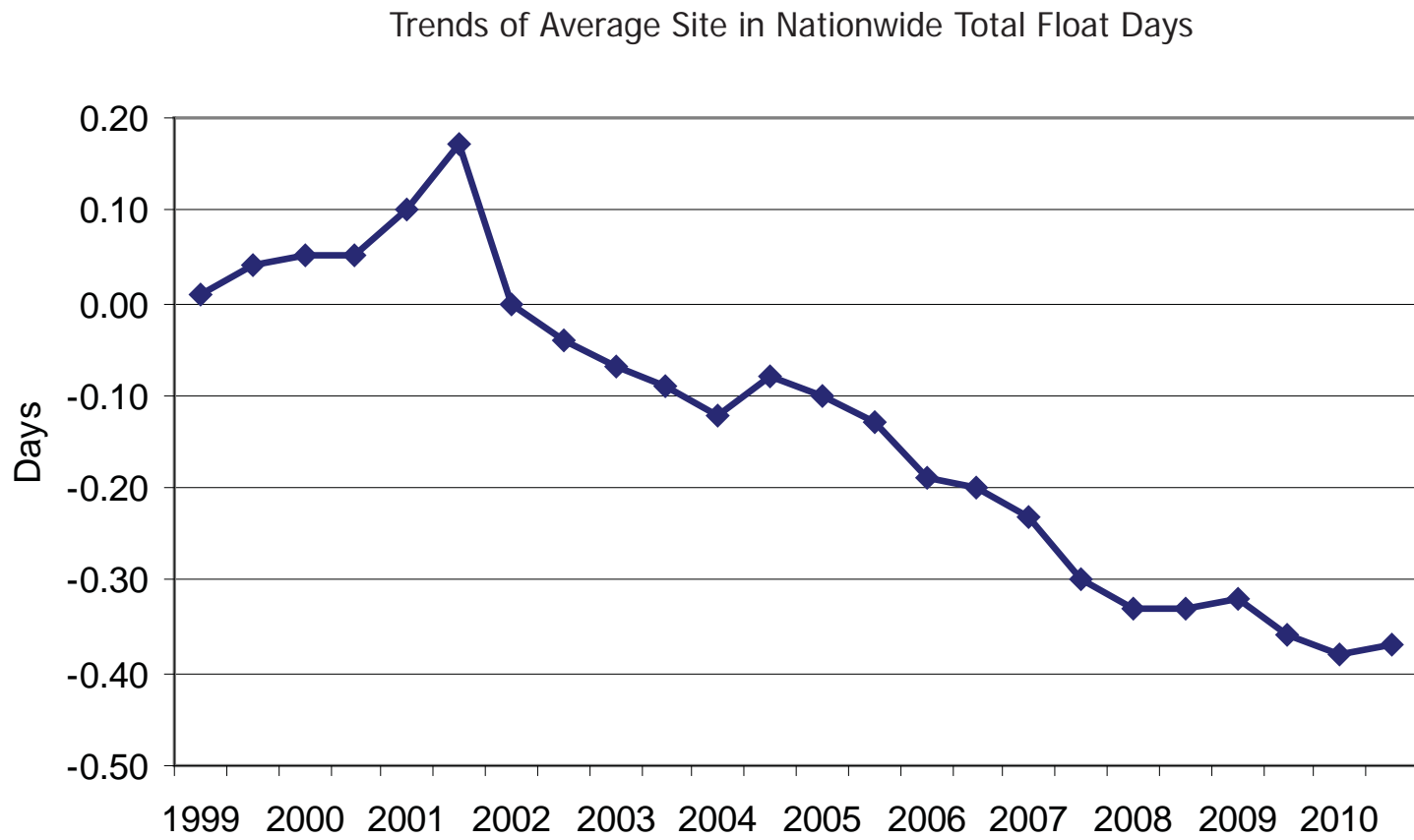


Percent of Payment Transactions Made by Corporations

	2009		2010	
	Middle Market	Large Corporate	Middle Market	Large Corporate
Check	74.1%	61.8%	71.6%	58.2%
ACH	13.1%	23.2%	15.7%	26.7%
Wire Transfer	7.7%	10.7%	7.1%	9.6%
Credit/Debit Card	4.6%	3.9%	5.0%	5.0%
Other	0.5%	0.4%	0.6%	0.5%

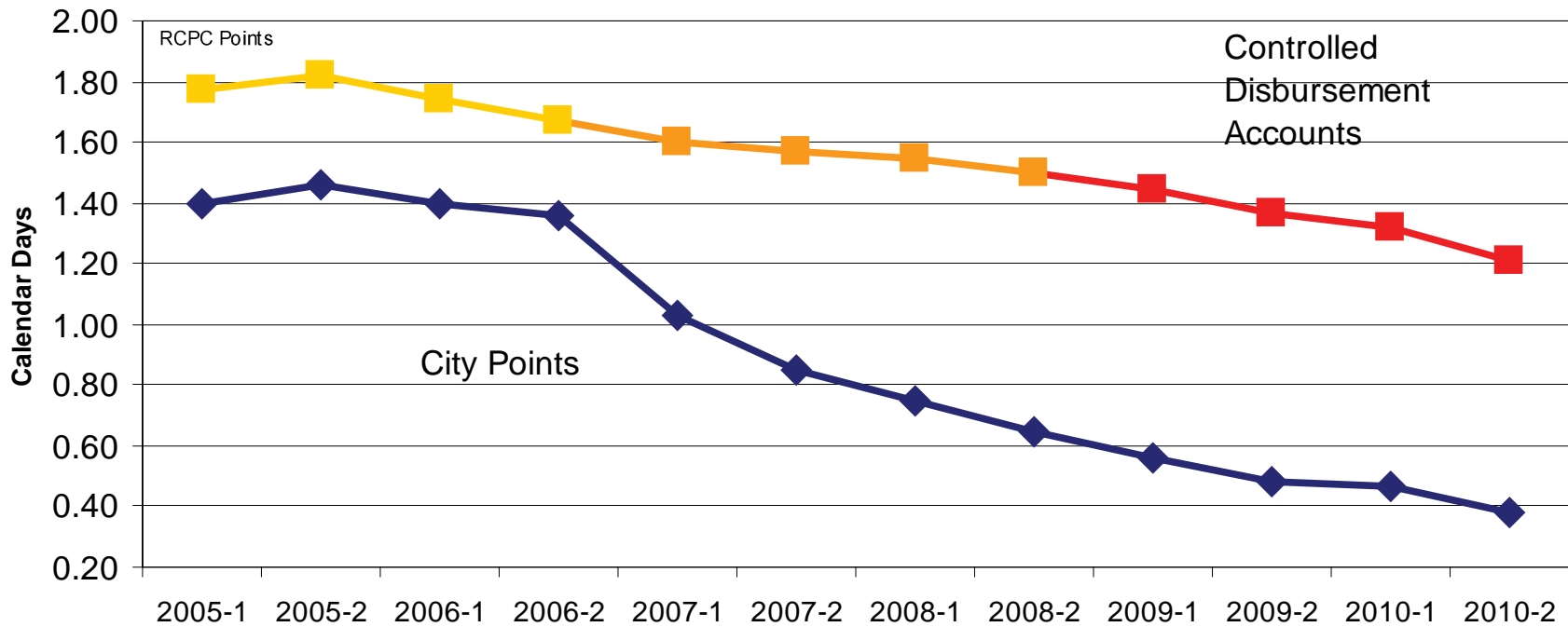
Improvements in Mail

Mail times and image processing enable lockbox to compete with electronic payments.



Check Clearing Time Averages for Lockbox Deposits

Controlled Disbursement Advantage - .88 Day



Note: Regular bank checks are clearing as fast as ACH items.

Electronic Payment Commitment vs. Reality

	Middle Market	Large Corporate
Company is committed to converting from paper to electronic	49.4%	72.1%
Company has converted at least 5% of paper payments to electronic	41.4%	67.3%
Importance <small>Percent rated 4 or 5 (1=low, 5=high)</small>		
Importance of expense as deterrent to converting to electronic payments	38.8%	20.7%
Importance of data processing resources as seterrrent to electronic payment	35.1%	55.1%
Importance of electronic payment conversion viewed as Account Payable issue, not Treasury	34.2%	23.3%

Remit Information on Wire Transfers

Percent rated 4 or 5 (1=low, 5=high)

	Middle Market	Large Corporate
Likelihood of using remittance information capability in wire origination	59.1%	61.0%
Likelihood of requesting customers include remittance information with wire payments	59.6%	64.8%

Percent responding "yes"

Would remittance information capability cause you to move payment to wire system?	14.4%	8.5%
If yes, would move at least 5% of electronic payments to wire?	77.5%	66.4%

Adding remittance information to wires may reduce inquires to AR or AP.
Additional bank fees yet to be determined.

Fraud Concerns

Have you had a major fraud issue in the past two years?	2010	2011
Middle Market	21.9%	15.1%
Large Corporate	27.9%	20.6%

Areas Where Fraud Was Involved	Middle Market		Large Corporate	
	2010	2011	2010	2011
Check	80.2%	81.6%	88.5%	83.0%
ACH	6.0%	3.3%	4.6%	10.2%
Wire transfer	3.9%	8.6%	0.5%	0.0%
Other	3.9%	6.5%	6.4%	6.8%

- Overall fraud concerns are diminishing with use of fraud prevention products
- 87.7% of the Large Corporate market use ACH debit blocks and filters
- Spike in ACH fraud in Large Corporate
- 52.2% use ACH positive pay

Purchasing Cards

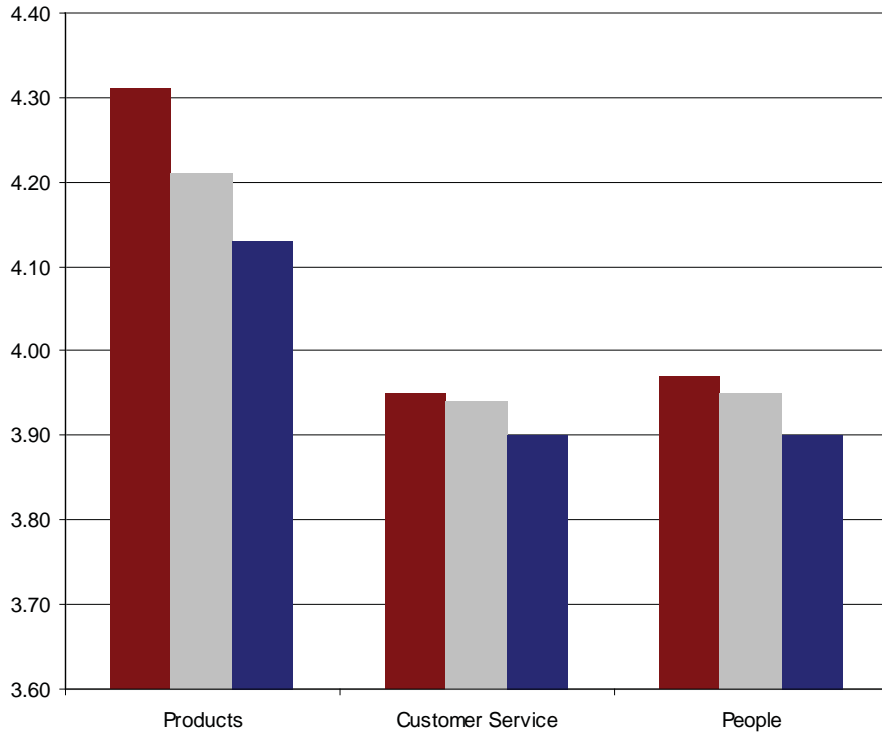
	Middle Market		Large Corporate	
	2010	2011	2010	2011
Currently using P-Cards	n/a	26.8%	65.0%	66.1%
Currently using a corporate or commercial credit card	n/a	74.1%	n/a	76.7%
Percentage of vendor transactions to be converted	9.3%	9.7%	16.0%	13.7%
Receive a rebate	56.8%	57.0%	81.7%	81.5%
Accept for invoice greater than \$10,000	25.7%	23.7%	26.9%	26.4%

P-Card Rebate Size As A Percentage of Annual Spend

	Middle Market	Large Corporate
.50% or less	66.6%	46.3%
.51% to .75%	6.0%	11.5%
.76 to 1.00%	17.9%	13.4%
Above 1.00%	9.5%	28.9%
Average Rebate Size	0.44%	0.66%

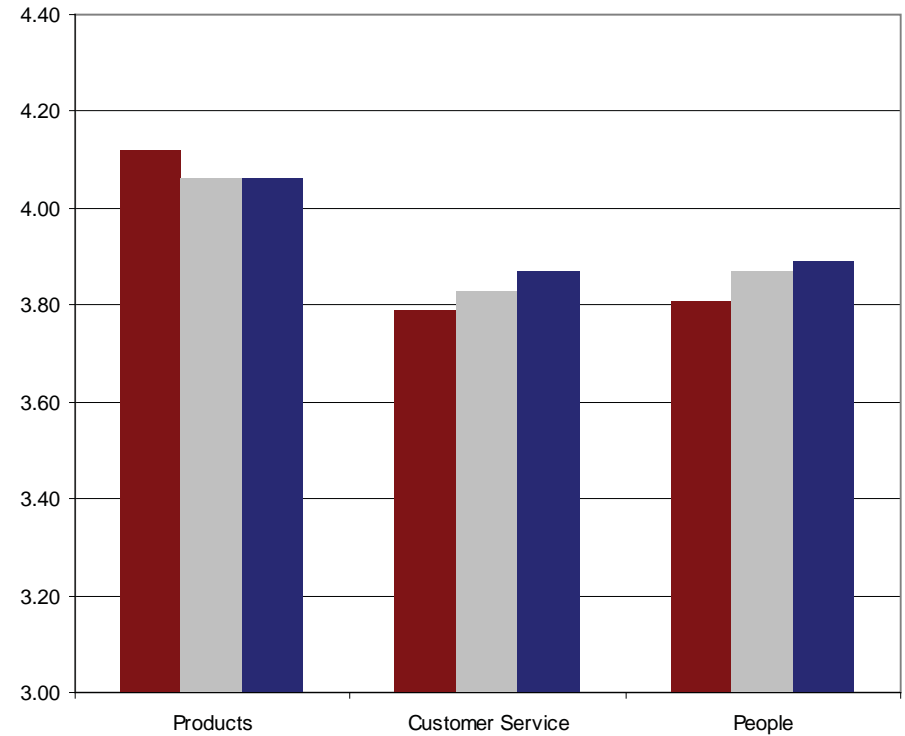
Average Quality Ratings

Middle Market Quality Index™



Overall Perceptions	2009	2010	2011
Improved	22.0%	17.6%	15.9%
Worsened	11.6%	17.6%	12.5%

Large Corporate Quality Index™



Overall Perceptions	2009	2010	2011
Improved	17.1%	17.2%	16.7%
Worsened	10.1%	13.1%	12.8%

Individual Bank Evaluations and Grades available from subscribing banks.

New Quality Index Categories - Bank Averages

	Middle Market		Large Corporate	
	High	Low	High	Low
Credit card receipt processing	4.69	2.44	4.38	2.84
Positive pay exception screening	4.74	3.22	4.67	2.55
Timeliness of processing account maintenance requests	4.65	3.34	4.73	2.92

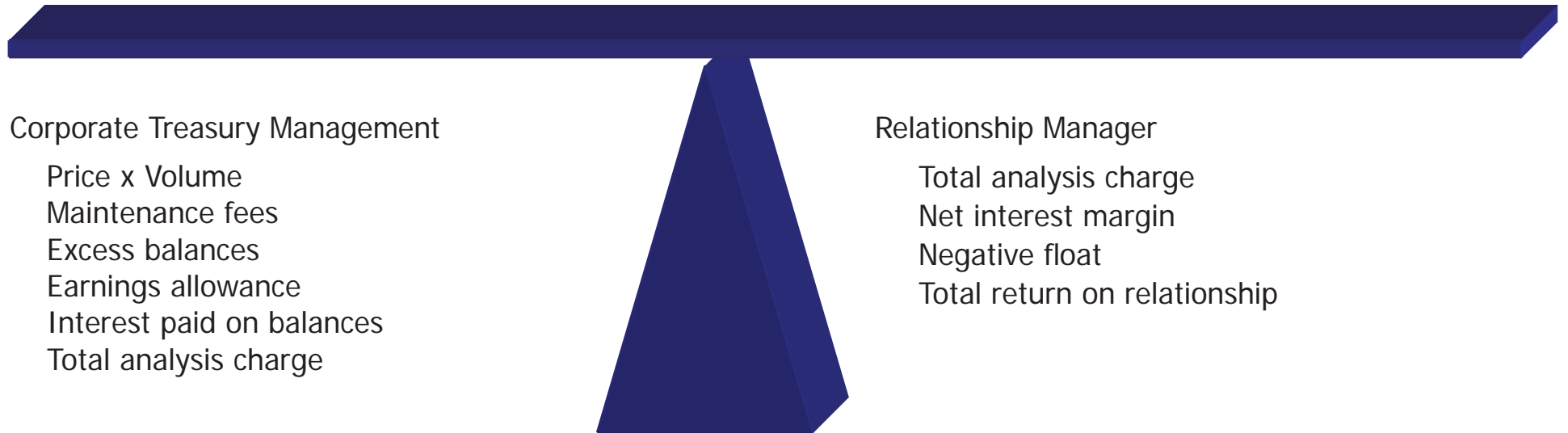
High and Low Scores of rated banks with sufficient sample size.

Peer Plans and Intentions

	Middle Market	Large Corporate
Credit		
Increase bank credit capacity	22.5%	24.3%
Expand number of credit banks	10.5%	18.2%
Replace a current credit bank	13.6%	16.5%
Services		
Reallocate cash management business at existing banks	9.2%	20.1%
Add remote deposit service	13.3%	20.0%
Add or change a lockbox bank	10.2%	16.4%
Consolidate data feeds from multi banks to automate task	7.0%	16.3%
Add positive pay to disbursement accounts	19.5%	15.7%
Implement P-card program	12.9%	14.9%
Add or change international services bank	8.5%	14.3%
Add or change a controlled disbursement bank	12.1%	13.5%
Add credit card processing	11.7%	13.2%
Add or change an ACH bank	14.4%	12.2%
Eliminate ACH and check generation through outsourcing	2.4%	7.7%

Components of Bank Compensation

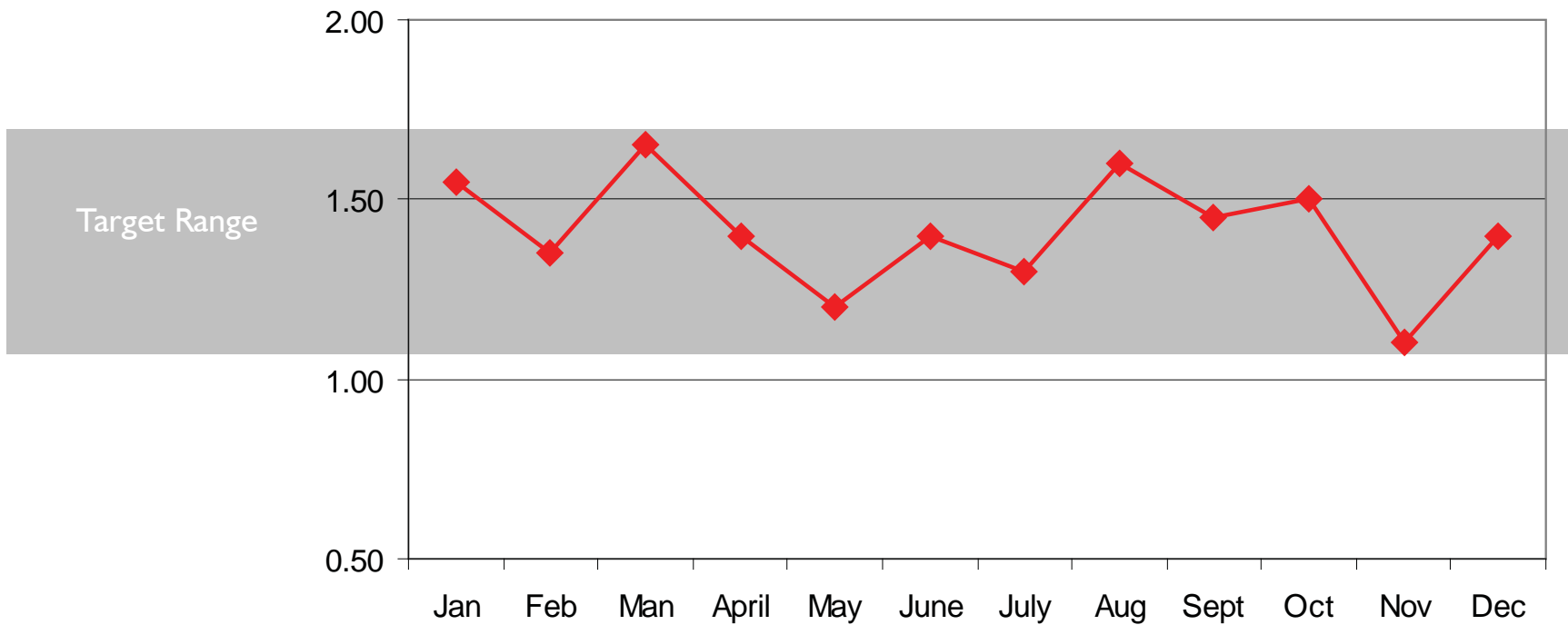
Customer Profitability Measuring Return on Relationships



Price Monitoring Tools

- Account Analysis Statement
- Float Tracking
- Competitive Bids

Average Monthly Funds Availability
example



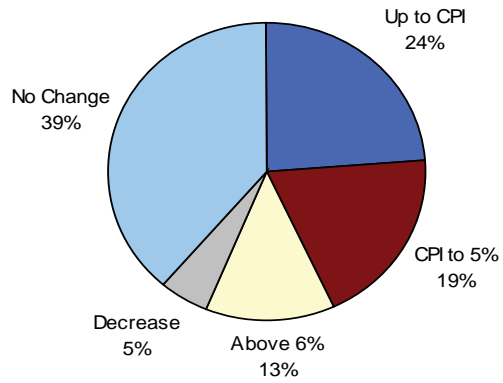
Corporate Buying Behavior for Treasury Services

(Percentage Who Agree)	Middle Market			Large Corporate		
	2010	2011	Diff	2010	2011	Diff
Company requests competitive bids for new cash management services	45.5%	40.4%	(5.1%)*	64.5%	56.8%	(7.7%)*
Company buys new services only from existing banks	77.8%	79.0%	1.2%	68.8%	67.8%	(1.0%)*
Bank has won cash management business principally because of low prices	23.1%	24.6%	1.5%	26.7%	25.8%	(0.9%)*
Company has changed banks primarily because of price increases	13.5%	14.0%	0.5%	13.0%	9.9%	(3.1%)*

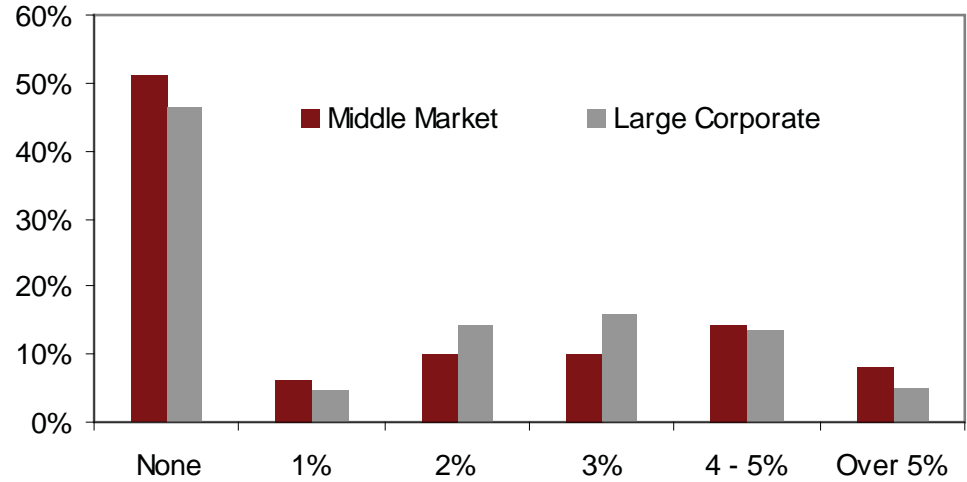
*Statistically significant

Analysis Pricing

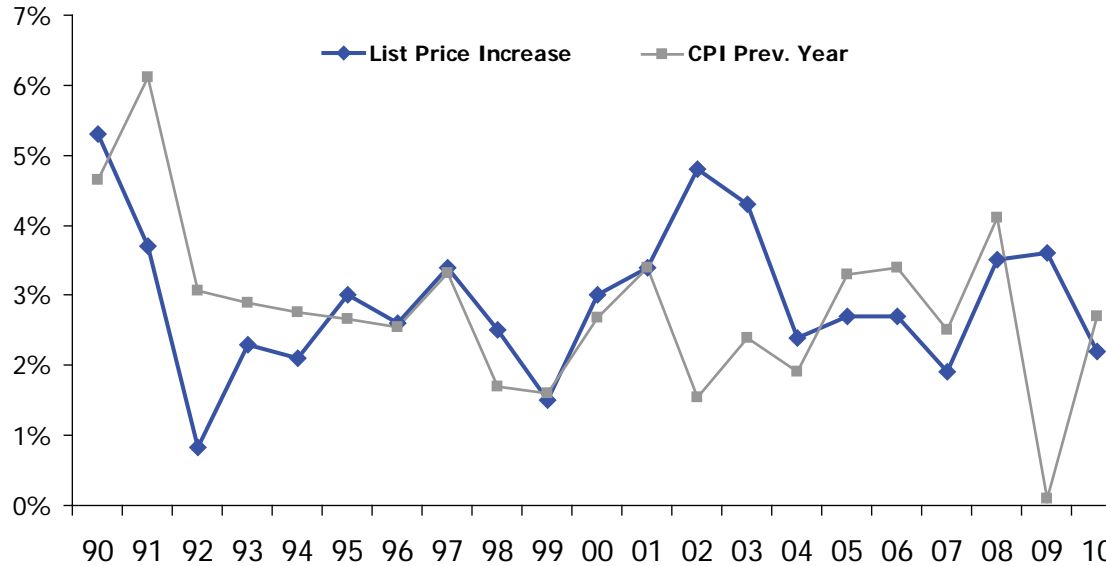
Price Change Distribution



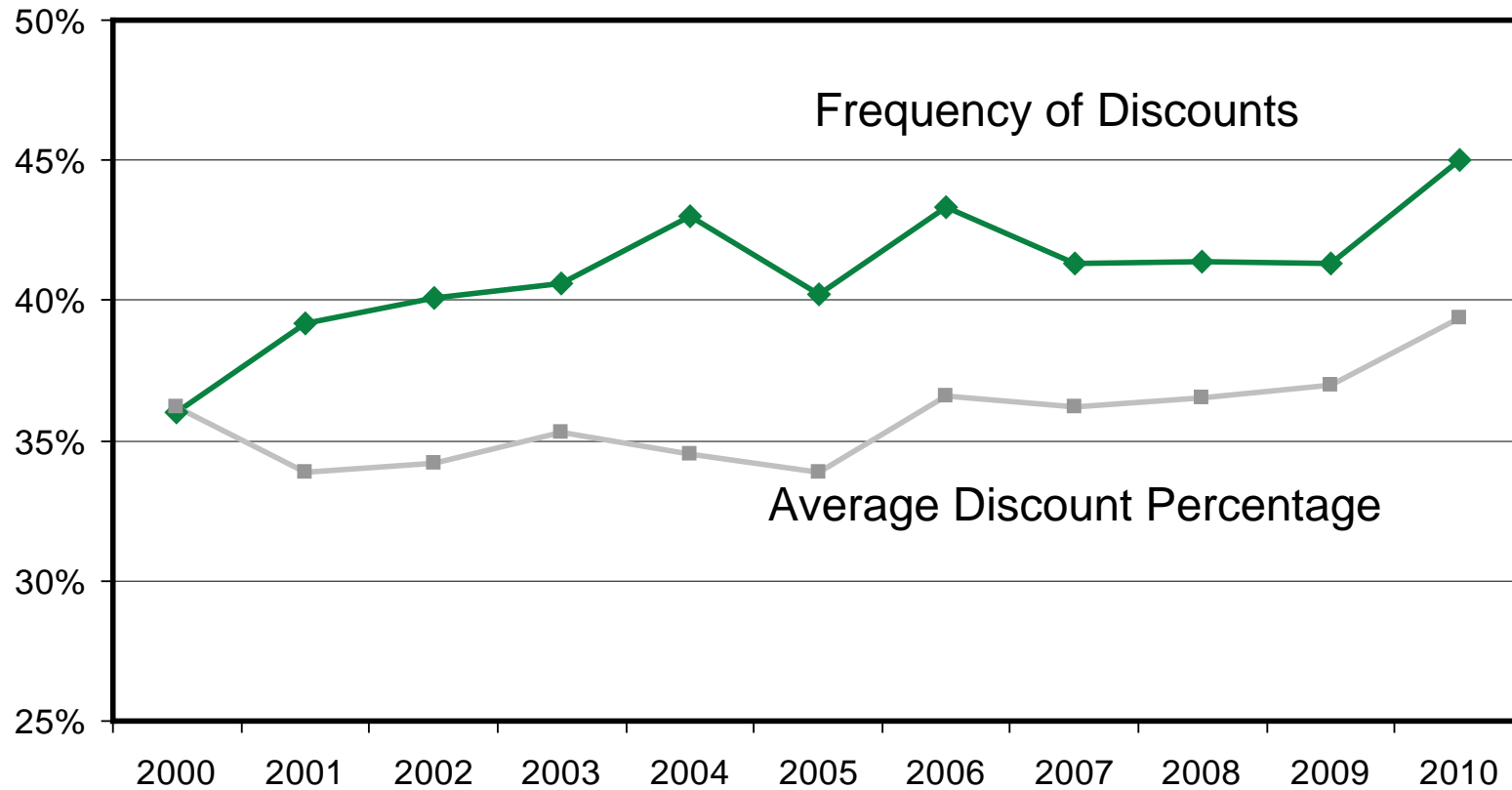
Expected Price Increases



List Price Increase vs. Previous Year CPI Increase



Discount Trends



Regression analysis identified three primary factors influencing the price paid for a service:

- The volume purchased
- The total monthly fees paid to the bank
- Geographic region of the company

Monitoring Cost of Services

Annual review of accounts and services with your banker

- Identify accounts and services no longer needed
- Identify new services to save you time, money, and FTE

Monitoring Account Analysis Changes

- Use of EDI 822's and TWIST Global Electronic Bank Services Billing Statements (BSB's)
- Use of bank relationship management software

Float-It still exists

- Value at your Long Term Cost of Capital
- Lockbox-mail and availability float - Measure, Monitor, and Model
- Remote deposit capture
- Over-the-counter deposit
- Image cash letter

Regulation Changes and Assessments

- From December 31, 2010 through December 31, 2012; unlimited deposit insurance on all non-interest bearing deposits. This includes Money Market Demand Accounts, Negotiable Order of Withdrawal and Interest on Lawyers' Trust Accounts.
- New FDIC Assessment effects all banks; none can opt. Replaces TAGP.
- Dodd-Frank changes the FDIC assessment base to net assets minus tangible net worth beginning 2Q 2011.
- FDIC rates will be 5-35 bps, based on a bank's Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to Market Risk (CAMELS) rating. Assessments will impact banks with higher leverage and those with lower CAMELS ratings.
- Dodd-Frank allows the repeal of Regulation Q in July 2011, permitting the payment of interest on corporate checking accounts.

Regulations and You

- Repeal of Regulation Q coupled with unlimited FDIC coverage will reduce the need for sweep accounts and encourage large deposit flows into U.S. banks.
- We expect the FDIC Assessment to be passed to corporate customers.
- Bank transparency for assessments on net assets minus tangible net worth to ledger balances will be lacking. Monitor the volume and rate you are being assessed. Look for changes in account analysis statements starting April 2011.
- The Earnings Credit Allowance will not disappear. Banks will offer a combination of earnings credits on balances and hard dollar interest above what is required to offset the cost of services.
- Calculate best service compensation option for your company periodically.
 - ECR
 - Interest
 - Blend

Who Gets Discounts?

- High Transaction Volumes
- Most Profitable Relationships
- Targeted discounts on selected services based on profitability
- Most Knowledgeable Customers
- New Relationships

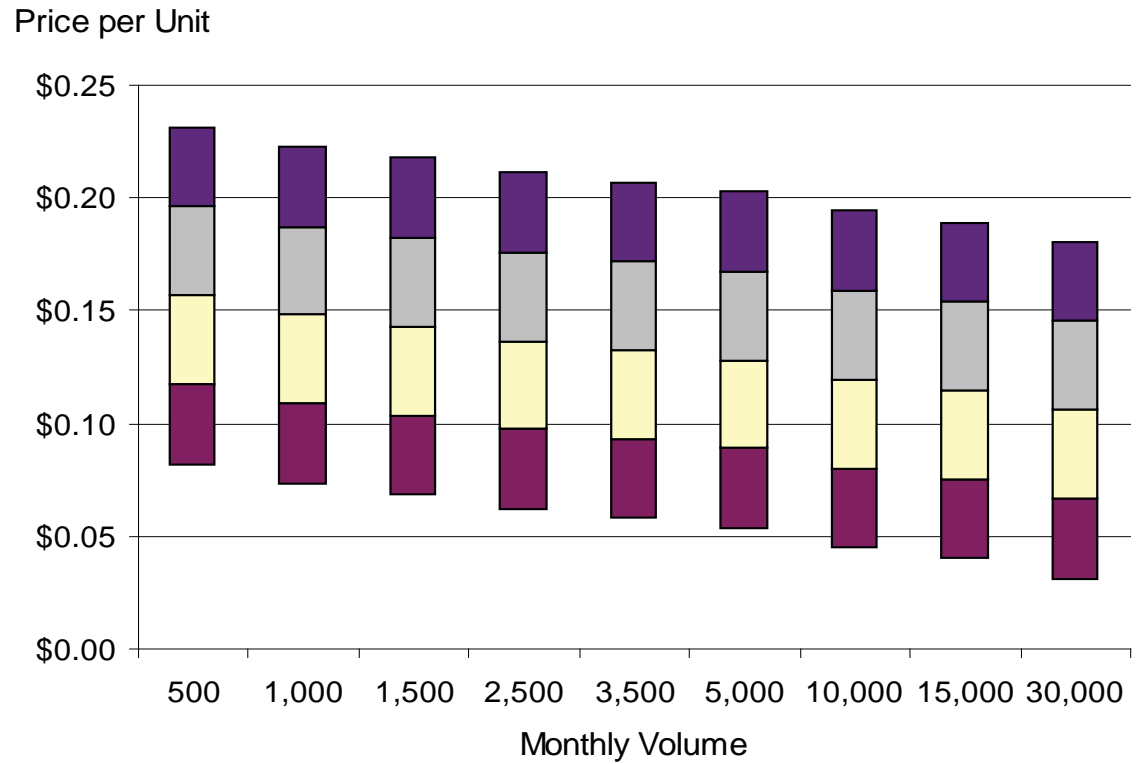
2010-2011 Blue Book Pricing Highlights

Top Price Increases	Account Recon Input	16.7%
	ACH Received Addenda Records	16.7%
	Credit Posting	10.0%
No Increases	Deposit Reconciliation Item	0.0%
	ZBA Sub Account	0.0%
	Checks Deposited - Transit	0.0%
Frequently Discounted	Positive Pay Checks Paid	68.9%
	Controlled Disbursement Checks Paid	67.3%
	Account Maintenance	65.8%
Rarely Discounted	Check Image Retrieval Maintenance	15.1%
	Lockbox Transmission	18.2%
	Check Image Item Retrieval	21.1%

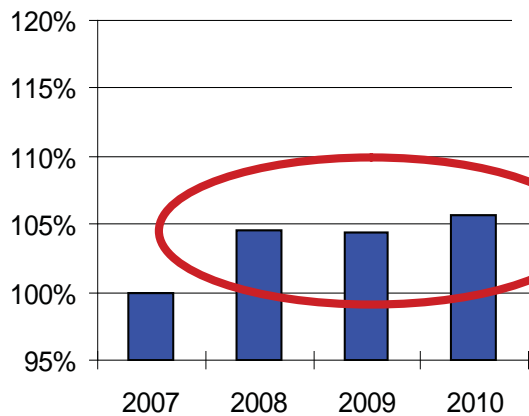
Controlled Disbursement Checks Paid

Average List Price	\$0.186
Average List Price Increase	1.2%
Discount Frequency	67.3%
Discount Percentage	43.8%
Median Price Paid	\$0.120

Expected Price Quartiles by Volume



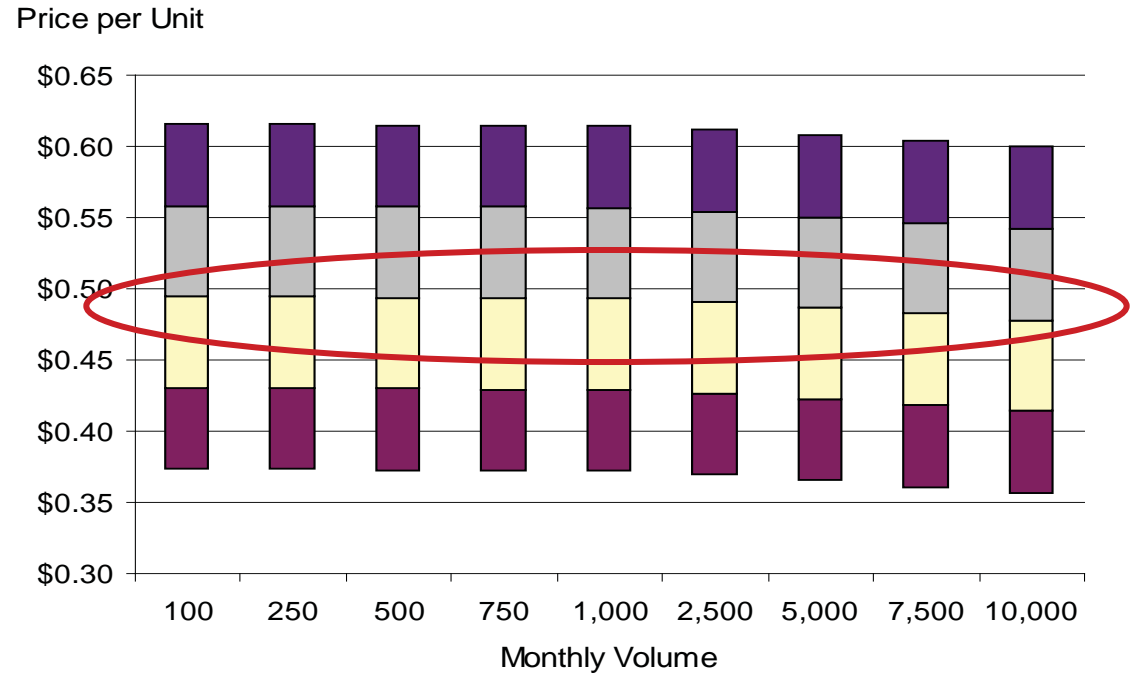
Average List Price Index



EXPECTED PRICE BY VOLUME		50TH PERCENTILE							
Volume	500	1,000	1,500	2,500	3,500	5,000	10,000	15,000	30,000
Price	\$0.157	\$0.148	\$0.143	\$0.137	\$0.133	\$0.128	\$0.120	\$0.115	\$0.106

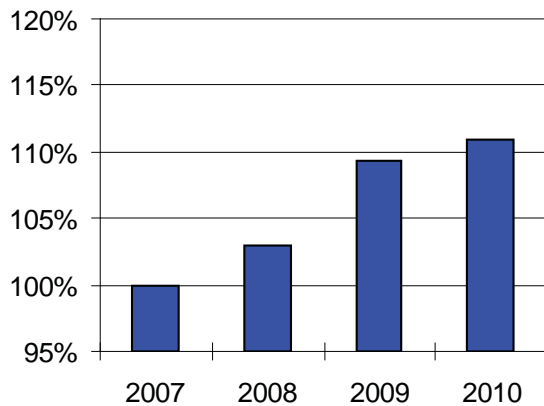
Lockbox Items

Expected Price Quartiles by Volume



Average List Price	\$0.479
Average List Price Increase	1.4%
Discount Frequency	55.4%
Discount Percentage	17.8%
Median Price Paid	\$0.430

Average List Price Index

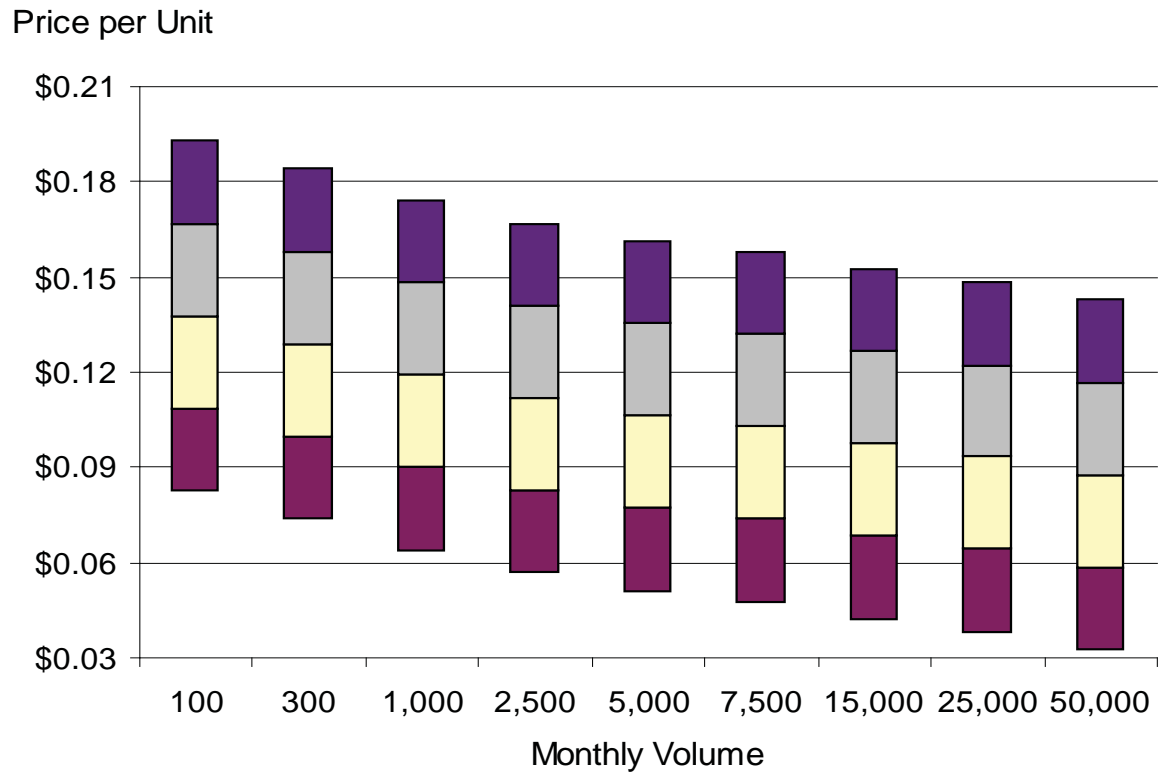


EXPECTED PRICE BY VOLUME		50TH PERCENTILE							
Volume	100	250	500	750	1,000	2,500	5,000	7,500	10,000
Price	\$0.495	\$0.494	\$0.494	\$0.493	\$0.493	\$0.491	\$0.486	\$0.482	\$0.478

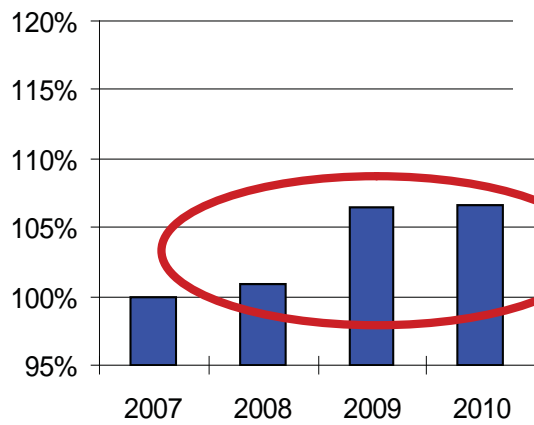
ACH Credit Originations

Average List Price	\$0.124
Average List Price Increase	0.1%
Discount Frequency	61.1%
Discount Percentage	46.7%
Median Price Paid	\$0.100

Expected Price Quartiles by Volume



Average List Price Index

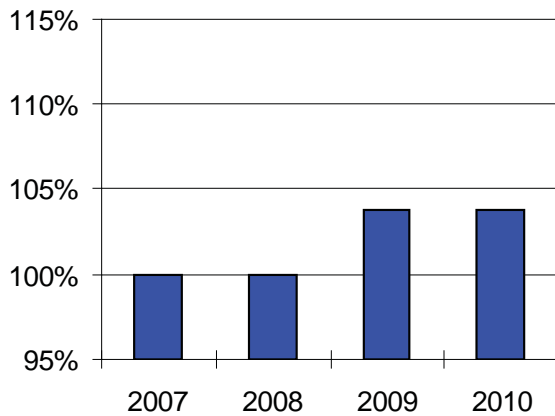


EXPECTED PRICE BY VOLUME				50TH PERCENTILE					
Volume	100	300	1,000	2,500	5,000	7,500	15,000	25,000	50,000
Price	\$0.138	\$0.129	\$0.119	\$0.112	\$0.106	\$0.103	\$0.097	\$0.093	\$0.088

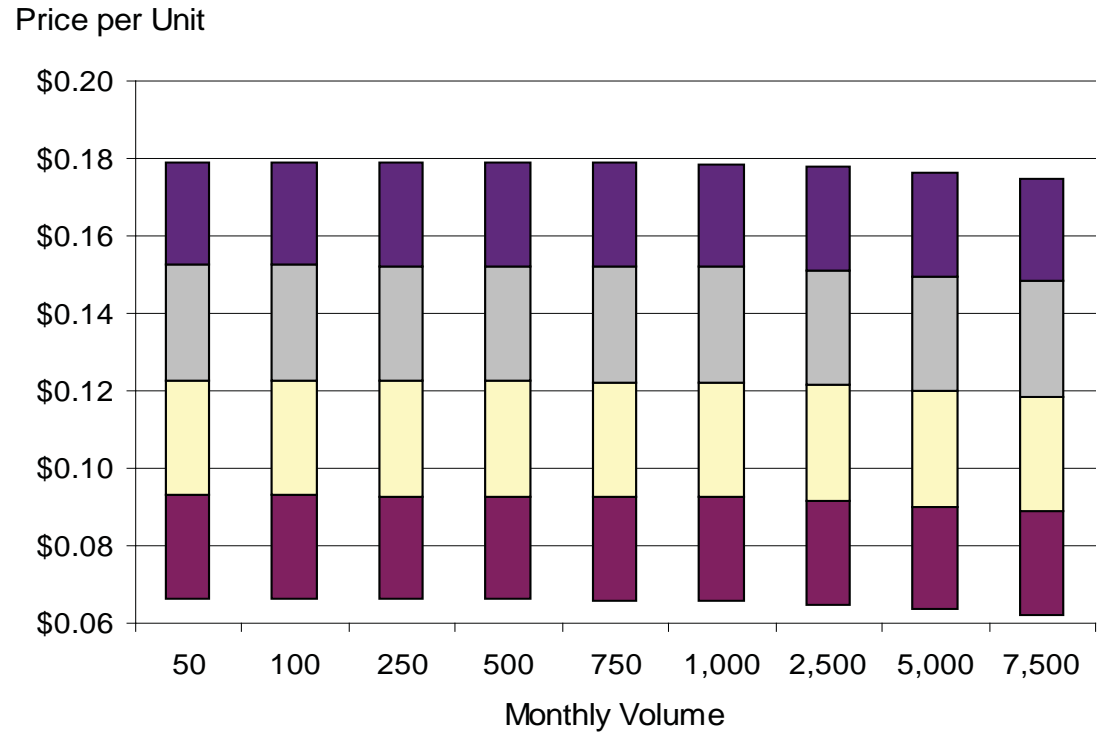
Remote Deposit Item

Average List Price	\$0.123
Average List Price Increase	0.0%
Discount Frequency	26.0%
Discount Percentage	33.3%
Median Price Paid	\$0.145

Average List Price Index



Expected Price Quartiles by Volume



EXPECTED PRICE BY VOLUME		50TH PERCENTILE							
Volume	50	100	250	500	750	1,000	2,500	5,000	7,500
Price	\$0.123	\$0.123	\$0.123	\$0.122	\$0.122	\$0.122	\$0.121	\$0.120	\$0.118

Predictions

- Bank fees are likely to track the CPI.
- Not all companies will enjoy or share in favorable pricing.
- New FDIC insurance assessments will be passed to corporate customers.
- Corporate customers will have choices in receiving earnings credits and/or hard dollar interest payments on deposits.
- Companies will continually assess each bank's commitment.
- Credit availability will continue to drive bank relationships.
- Companies will continue to resist tying treasury business to the extension of credit.
- Fraud will continue to increase for ACH payments.

Questions

Supplemental Material
Available @
www.phoenixhecht.com

Free Postal Survey and
Controlled Disbursement Study
results available to corporations.

CLIENT LOGIN

TREASURY RESOURCES

@ PhoenixHecht.com

CONSULTANTS CALENDAR RESOURCES PUBLICATIONS PRESENTATIONS LIBRARY

Commerce KC Compass Bank Cullen/Frost Deutsche Fifth Third First Tenn Harris HSBC JPMorgan KeyCorp M & T Bank

3.49 +1.10 49.81 +0.60 49.87 +0.75 68.99 +1.69 45.41 +0.14 59.00 +0.15 49.79 -0.11 80.94 +0.31 33.60 +0.31 35.12 +0.51 106.42 +1.31

REGULUS

through Transactions?

Tip of the Day
sponsored by:
PNC BANK
Treasury Management

Don't treat Treasury as a profit center

2005-1 Postal Survey - The anticipated deterioration in remittance mail performance for the 2005-1 Phoenix-Hecht Postal Survey™ did not materialize. Read more from the executive summary.

Postal Survey™ and Check Clearing Study™ data now available. Monitor your bank's performance by requesting their data.

Airline Delivery Problems Continue

Business Check Conversion Won't Work!

Should you ARC?

Impact of Check 21 on Corporate Cash Management

Pricing Calculator Logon

The Pricing Calculator, based on data from the Blue Book of Bank Prices™, is now available online to licensed users. Try the free demo the Pricing Calculator and place your order today.

BLUE BOOK OF BANK PRICES™
Pricing Calculator Demonstration

The Collection Model™

The ONLY Optimizer of Lockbox Locations

Prized in the 21st Century
A Corporate Payment Perspective

Treasury Topics

Remittance Processing Disbursements Check Fraud Prevention ACH	International 401(k) Risk Management Short-term Investing	Electronic Commerce Borrowings Bank Regulations Foreign Exchange	Multimedia Presentations
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Lockbox Analysis Data Requirements

Rates

Treasury	Bellweather Bonds	Commercial Paper
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Luxoro 0.8120 0.8100 0.8080 0.8060 0.8040

€ 0.8058 = \$ 1.00

0 3 6 9 12 15 18 21 24
Sep 01, 2005 at 09:12 NY Time

How would you like a new place to work?
Hochstetler Bates of California

Search the web using a search engine optimized for Treasury Management

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The Blue Book of Bank Prices® 2010-2011

Executive Summary

INTRODUCTION

This is the twenty-third edition of the Phoenix-Hecht *Blue Book of Bank Prices*®, a compilation of the actual prices paid by companies for treasury management services. *The Blue Book of Bank Prices*® is a unique reference tool based on an extensive review of bank account analysis statements provided by participating companies.

Using actual prices paid rather than published price lists, the *Blue Book* is the only source of information on discounting practices within the corporate treasury management industry. It specifically examines the most frequently observed line items from the largest volume providers of treasury management services, analyzing both the size of discounts and the frequency with which they occur for all major treasury management product categories.

Phoenix-Hecht® believes that corporations can find the *Blue Book* useful in pricing and bidding situations, monitoring pricing trends, as well as in the preparation of annual treasury reviews or benchmarks. Analyzed services include:

- Account Services
- Deposit Services
- Remote Deposit
- Coin and Currency
- Wholesale Lockbox
- Disbursement Services
- Positive Pay
- Reconciliation Services
- ACH Services
- Wire Services
- Balance Reporting

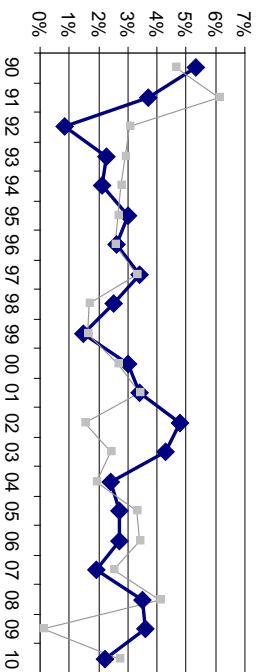
EXECUTIVE SUMMARY

This twenty-third edition of *The Blue Book of Bank Prices*[®] summarizes the annual Phoenix-Hecht survey of actual prices paid for treasury management services. Over 800 companies supplied pricing data by providing account analysis statements from March 2010. This year pricing data is being provided for 88 services.

CPI Rebounds - List Price Increases

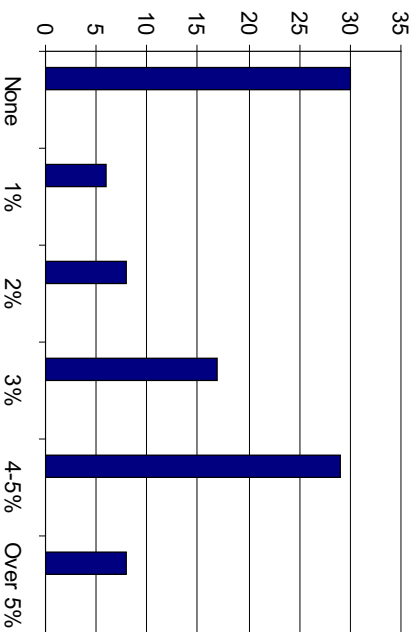
Over the life of the *Blue Book* publication, the previous year's CPI has most often been the best predictor of the rate of increase for list price in treasury management services. This was not so for 2009, when the 2008 year-ending CPI was almost zero, but list price increases averaged 3.6%. 2009's year ending CPI rebounded to 2.7% while this year's average rate of increase for list prices fell to 2.2%. So the average rate of list price increase fell nearly 1.5% to about a half percent below CPI. List price is an important bellwether as it indicates the price banks would like to charge for a given service. While banks appeared to have completely ignored inflation as a price determinant for 2009, this year they returned to the prevalent behavior of 2005-2008 where the average list price increase was approximately a half-percent below previous year CPI.

Of the 78 services for which list price increase could be calculated, the largest group, 39%, had no change in list price, 5% actually had a minor decrease, 24% had an increase up to CPI, 19% had an increase above CPI but below 5%, and only 13% had an aggressive increase (above 6%). Thus about 45% of services experienced either no change in list price or even a slight decrease, about one quarter of services had list price increases up to CPI, and the remaining third experienced aggressive increases, only 1 in 3 of these above 6%. When asked what they expected 2010 price increases to be, the most common answer from corporations was "none" (38%).

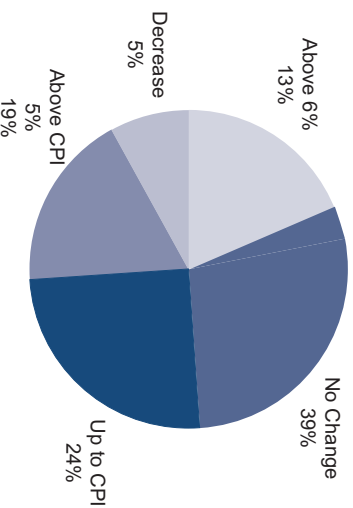


List Price Increase v. Previous Year CPI Increase

Corporate Expectation of Price Increase



Distribution of Price Increases



EXECUTIVE SUMMARY

Thirty services (39%) had no change in list price for 2010. Some important maintenance services had no increase including wholesale and retail lockbox, controlled disbursement and positive pay, and internet ACH. Capturing lockbox information such as data capture, document imaging, check imaging and data transmissions also had no list price increases. Return items, both paper and ACH, made this list.

No List Price Increases 2009-2010 (1-Year)

Deposit Reconciliation Item
ZBA Sub Account
Checks Deposited - Transit
Image Clearings - On Us
IRD Clearings
Remote Deposit Capture Per Deposit
Remote Deposit Capture Per Item
Return Item
Return Item Redeposit
Debit Posting
Branch Issued Currency Strap
Vault Issued Currency Strap
Wholesale Lockbox Maintenance
Lockbox Data Capture
Lockbox Check Image Processing
Lockbox Document Image Processing
Lockbox Transmission Maintenance
Lockbox Data Transmission Item
Retail Lockbox Maintenance
Controlled Disbursement Maintenance
Controlled Disbursement Notification
Positive Pay Maintenance
Account Recon Input Transmission Per Transmission
Account Recon Output Transmission Item
Internet ACH General Maintenance
ACH Return Item
ACH Reversal Item
International Outgoing Wire
ACH Credit Originated
ACH Debit Originated

Four services had slight decreases in average list price for 2010. Interestingly, maintenance for both previous day and intraday balance reporting had slight average decreases. International wires fared well from the corporate perspective with outgoing having no list price increase and incoming having a slight decrease.

List Price Decreases 2009-2010 (1-Year)

Previous Day Balance Reporting	-1.2%
Intraday Balance Reporting	-1.0%
International Incoming Wire	-0.9%
Checks Deposited - On Us	-0.7%

Twenty-six services have also averaged under a two percent per year increase since 2007.

Lowest List Price Increases 2007-2010 (3-Year)

Vault Issued Currency Strap	(0.3)%
Lockbox Check Image Processing	0.0%
Controlled Disbursement Notification	0.0%
Image Clearings - On Us	1.0%
Deposit Reconciliation Item	1.4%
Lockbox Transmission Maintenance	1.4%
Automated Repetitive Wire	1.8%
Remote Deposit Capture Per Item	1.9%
Full Reconciliation Item	2.1%
Internet ACH General Maintenance	2.2%
Lockbox Data Transmission Item	2.5%
International Incoming Wire	3.2%
Branch Issued Currency Strap	3.5%
International Outgoing Wire	3.7%
Remote Deposit Capture Per Deposit	3.8%
ACH Maintenance	4.0%
Image Clearings - Transit	4.6%
Intraday Reporting Transaction	4.7%
ACH Return Item	4.8%
Manual Stop Payment	4.9%
ZBA Sub Account	5.3%
Debit Posting	5.3%
ACH Reversal Item	5.3%
Retail Lockbox Maintenance	5.4%
Controlled Disbursement Checks Paid	5.7%
ACH Debit Originated	5.7%

Ten services (13%) posted average list price increases above 6% this year. Interestingly, in last year's publication, the list price for receiving an ACH addenda record was a half-cent below originating one, but this year, the list price for receiving is fractionally higher than for originating. Although originating both an ACH debit and credit had no list price increase this year, the internet version of both products had a substantial increase.

Top List Price Increases 2009-2010 (1-Year)

Account Recon Input Transmission Item	16.7%
ACH Received Addenda Records	16.7%
Credit Posting	10.0%
ACH Tax Payment	10.0%
Checks Paid	8.7%
Deposit Reconciliation Maintenance	7.7%
ACH Notification of Change	7.3%
Remote Deposit Capture Maintenance	6.3%
ACH Credit Internet Originated	6.3%
ACH Debit Internet Originated	6.3%

EXECUTIVE SUMMARY

Eleven services have averaged greater than 5% increases per year in list price since 2007. Although Account Maintenance makes this list, it is also the third most frequently discounted service. Two other services, Positive Pay Checks Paid and Deposit Reconciliation Maintenance, offset trending list price increases by having frequently discounted prices.

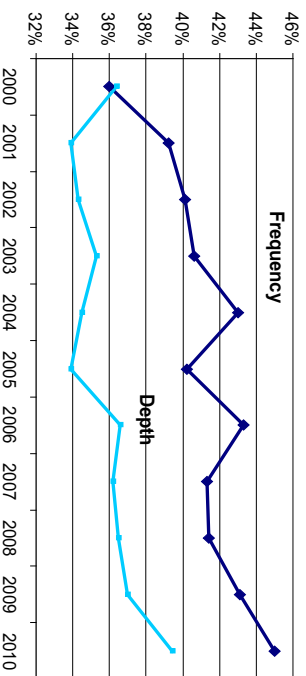
Top List Price Increases 2007-2010 (3-Year)

Account Recon Input Transmission Item	45.8%
Deposit Reconciliation Maintenance	29.2%
Checks Paid	26.3%
Wholesale Lockbox Photocopy	22.1%
Credit Posting	18.3%
Account Maintenance	17.0%
ACH Notification of Change	16.5%
Wholesale Lockbox Image Maintenance	16.4%
Lockbox Deposit	15.6%
Positive Pay Checks Paid	15.6%
ACH Debit Received	15.5%

Discount Trends

Discount frequency and depth both reached record publication levels this year. Frequency jumped almost two percentage points to 45%, having never been above 44% in the publication. Depth rose 2.4% above last year's publication record level to 39.4%. The rise of both statistics so significantly appears to reflect the overall weakness of the economic recovery with banks feeling the need to mitigate price increases to their stronger customers. We also need to disclose a tweak to our methodology which slightly increased the number of statements we encoded for the largest banks. Although not readily obvious, it is likely this methodology change had some impact upon these statistics. Individual service discount frequencies ranged from a low of 15.1% to a high of 68.9%. Individual service discount depth varied from a low of 11.2% to a high of 60%.

Frequency and Depth of Discounts



Frequently Discounted Services

Ten services experienced very substantial discount frequency, having over 60% of observations discounted. Note that tiered pricing, i.e. multiple “list” prices based upon volume processed, is interpreted by *Blue Book* methodology to be discounting. There is thus some admitted bias toward higher discounting frequency within the services listed below. Account Maintenance at large institutions that have undergone numerous mergers often reflects the historical pricing offered by the acquired institution. This coupled with discounting for numerous accounts explains the service’s presence on this list. Discounting both for numerous accounts and numerous transactions causes both Controlled Disbursement Maintenance and Deposit Reconciliation Maintenance to appear on this list. Transaction volume drives the other services discount frequency on this list.

Frequently Discounted Services

	Discount Frequency
Positive Pay Checks Paid	68.9%
Controlled Disbursement Checks Paid	67.3%
Account Maintenance	65.8%
Controlled Disbursement Maintenance	65.2%
Credit Posting	64.5%
Automated Repetitive Wire	62.7%
Deposit Reconciliation Maintenance	62.2%
Checks Paid	61.4%
ACH Credit Originated	61.1%
Previous Day Reporting Transaction	60.3%

Rarely Discounted Services

For 2010, only five services were granted discounts on fewer than 25% of observations. Check Image Retrieval, both maintenance and retrieval, were new services for the *Blue Book* this year. Both had very infrequent instances of discounting. Obviously, lockbox transmission frequency does not change, so the service is only subject to discounting based upon large number of boxes or “relationship” discounting. Likewise, service volume for on-us image clearings had little impact upon pricing.

Rarely Discounted Services

	Discount Frequency
Check Image Retrieval Maintenance	15.1%
Lockbox Transmission Per Transmission	18.2%
Check Image Item Retrieval	21.1%
Image Clearings - On Us	21.8%
ACH Originated Addenda Records	24.2%

EXECUTIVE SUMMARY

Deeply Discounted Services

This year 20 services, six more than last year, experienced a median discount percentage of at least 50%. Eight exceeded a median discount of “half-off.” From this list, it is evident that ACH services are prone to substantial discounts when given. Interestingly, two new *Blue Book* service items, Check Image Retrieval, maintenance and items, although on the infrequently discounted list above, received substantial discounts when given. Certain services, with premium pricing attributes such as Return Items (with or without redeposit), Positive Pay Exceptions, Retail Lockbox Maintenance, and Intraday Reporting Transaction appear on this list with little surprise.

Deeply Discounted Services

	Median Discount Percentage
Check Image Item Retrieval	60.0%
Deposit Reconciliation Item	58.3%
ACH Debit Block-Filter Maintenance	55.8%
Return Item Redeposit	55.6%
ACH Return Item	53.5%
Intraday Reporting Transaction	52.0%
Retail Lockbox Maintenance	51.4%
Credit Posting	50.7%
Remote Deposit Capture Per Deposit	50.0%
Return Item	50.0%
Controlled Disbursement Notification	50.0%
Positive Pay Exception	50.0%
Check Image Retrieval Maintenance	50.0%
Account Recon Input Trans Per Trans	50.0%
Account Recon Output Transmission Item	50.0%
ACH Maintenance	50.0%
ACH Debit Originated	50.0%
ACH Originated Addenda Records	50.0%
ACH Debit Internet Originated	50.0%
ACH Reversal Item	50.0%

Least Deeply Discounted Services

Five services received a twenty percent or less median discount in 2010. All five were on this list last year.

Least Deeply Discounted Services

	Median Discount Percentage
Image Clearings - Transit	11.2%
IRD Clearings	16.7%
Wholesale Lockbox Item	17.8%
Ledger Overdraft Fee	20.0%
Internal Automated Wire Transfer	20.0%

Pricing Environment

The Phoenix-Hecht *Treasury Management Monitor*[™], a survey of corporate attitudes, provides additional insight into *Blue Book* pricing data.

The availability of credit is driving many banking relationships. Credit only relationships increased from 24.5% to 29.7% at companies under \$500 million in annual sales and from 34.7% to 44.2% at companies over \$500 million. This trend is likely to continue until the economic environment improves.

Company Credit Plans and Intentions

	2009	2010	Diff
\$40-\$500 million			
Increase bank credit capacity	17.7%	20.5%	2.8
Replace current credit bank	n/a	14.7%	n/a
Expand number of credit banks	12.3%	12.9%	0.6
Over \$500 million	2009	2010	Diff
Increase bank credit capacity	22.4%	23.2%	0.8
Replace current credit bank	n/a	17.9%	n/a
Expand number of credit banks	15.1%	21.0%	5.9

An increase in credit relationships also results in the movement of some treasury management services to the newly selected credit banks.

Credit Influence	Middle Market	Large Corporate
If you accepted a credit package from a new bank, would you expect to move treasury management business to that bank?	54.3%	31.9%
Have you moved treasury management services as a result of a credit issue?	12.4%	18.6%

To understand what corporations look for in a new banking relationship, it is helpful to analyze the factors that are the reasons companies end a bank relationship. Two factors have long been associated with why corporations terminate bank relationships: credit availability and customer service. The price of credit and the price of treasury management services as factors in the decision increased significantly for companies under \$500 million.

EXECUTIVE SUMMARY

Primary Reason to End a Bank Relationship

Middle Market	2009	2010
Availability of credit	19.0%	23.9%*
Customer service	25.6	26.5
Pricing of treasury management services	5.4	8.7*
Availability of treasury management services	9.5	8.6
Pricing of credit	6.4	13.3*
Large Corporate	2009	2010
Availability of credit	20.7%	26.5%*
Customer service	20.1	26.1*
Pricing of treasury management services	9.7	12.7*
Availability of treasury management services	11.5	12.5
Pricing of credit	4.1	4.4

*Statistically significant

Competitive bidding situations have become much more prevalent for companies over \$500 million. Approximately two-thirds of our respondents indicated they do competitive bidding when awarding new treasury management business.

Corporate Buying Behavior for Treasury Services

(Percentage Who Agree)	Middle Market		Large Corporate	
	2009	2010	2009	2010
Company requests competitive bids for new cash management services	45.2%	45.5%	0.3%	55.7%
Company buys new services only from existing banks	77.1	77.8	0.7	74.0
				68.8
				(5.2)*

*Statistically significant

Regression Analysis

The three primary factors that influence the price paid for a service are the volume purchased (most significant by far), the total monthly fees paid to the bank, and the geographic region of the customer. At the individual service level, the *Blue Book* provides the specific impact of these factors upon pricing.

Even more refined analysis of individual service pricing is available using The *Pricing Calculator*[™], an online companion product to the *Blue Book*. The *Pricing Calculator*[™] provides an expected range of prices for a service given the exact volume purchased, the total monthly fees paid to the provider, and the corporation's region. This price range is calculated using regression analysis performed on actual prices paid from the current *Blue Book of Bank Prices*[®] publication. While the price range calculated is usually dependent upon all three of these factors, the degree of impact varies by service. The Pricing Calculator, in conjunction with the *Blue Book of Bank Prices*[®], is an aid to assist corporations in benchmarking compensation for treasury management services.

Conclusion

Relative to a year ago, a weaker pricing environment for banks emerged from the 2010 *Blue Book* data. List price increases fell to the more usual 0.5% below previous year CPI, where last year list price increases seemed rather “oblivious” to the near zero CPI. Twenty-two percent of services had “aggressive” list price increases above 6% last year, but only 13% did this year. While three in four services last year had some price increase (1% or greater), almost half this year (44%) had either no increase at all or even a slight decrease. On top of this, discounting statistics, both frequency and depth, had historically significant increases to record publication levels (45% frequency and 39% depth). These statistics may reflect the weakness in the economic recovery data that was available when banks set 2010 prices. Some may also reflect corporate reactions to increasing FDIC and Transaction Account Guarantee Program (TAGP) costs which raised the overall analysis bill.

SERVICE PRICE SUMMARY

Service Name	Average List Price	Average List Price Increase	Discount Frequency	Discount Percentage
Ledger Overdraft Fee	\$38.27	3.1%	30.6%	20.0%
Account Maintenance	\$32.80	4.9%	65.8%	44.0%
ZBA Master Account	\$40.00	3.2%	46.7%	37.5%
ZBA Sub Account	\$24.46	0.0%	54.1%	40.0%
ZBA Transfer	\$0.83	n/a	30.9%	31.6%
Credit Posting	\$1.05	10.0%	64.5%	50.7%
Deposit	\$1.29	2.8%	46.9%	45.0%
Checks Deposited - On Us	\$0.09	-0.7%	51.4%	36.4%
Checks Deposited - Transit	\$0.15	0.0%	53.0%	22.2%
Image Clearings - On Us	\$0.05	0.0%	21.8%	42.1%
Image Clearings - Transit	\$0.07	3.4%	32.1%	11.2%
IRD Clearings	\$0.09	0.0%	28.4%	16.7%
Remote Deposit Capture Maintenance	\$58.42	6.3%	29.4%	35.4%
Remote Deposit Capture Per Deposit	\$0.83	0.0%	28.3%	50.0%
Remote Deposit Capture Per Item	\$0.12	0.0%	26.0%	33.3%
Return Item	\$7.58	0.0%	57.9%	50.0%
Return Item Redeposit	\$5.16	0.0%	54.5%	55.6%
Debit Posting	\$0.47	0.0%	42.6%	39.0%
Checks Paid	\$0.20	8.7%	61.4%	36.0%
Branch Issued Coin Rolls	\$0.14	2.8%	46.4%	30.0%
Branch Issued Currency Strap	\$0.82	0.0%	39.1%	37.5%
Vault Issued Coin Rolls	\$0.10	4.4%	55.8%	36.4%
Vault Issued Currency Strap	\$0.58	0.0%	34.3%	36.5%
Deposit Reconciliation Maintenance	\$95.00	7.7%	62.2%	48.9%
Deposit Reconciliation Item	\$0.11	-0.2%	50.0%	58.3%
Wholesale Lockbox Maintenance	\$128.93	0.0%	53.4%	25.9%
Wholesale Lockbox Item	\$0.48	1.4%	55.4%	17.8%
Lockbox Data Capture	\$0.07	0.0%	25.6%	28.6%
Lockbox Keying	\$0.01	1.7%	54.7%	33.3%
Wholesale Lockbox Image Maintenance	\$82.00	1.0%	38.3%	28.6%
Lockbox Check Image Processing	\$0.05	0.0%	29.9%	40.0%
Lockbox Document Image Processing	\$0.10	0.0%	35.0%	33.3%
Wholesale Lockbox Photocopy	\$0.14	1.9%	47.6%	38.8%
Lockbox Deposit	\$1.53	4.8%	37.4%	37.5%
Lockbox Transmission Maintenance	\$156.67	0.0%	50.0%	42.9%
Lockbox Transmission Per Transmission	\$8.67	n/a	18.2%	35.4%
Lockbox Data Transmission Item	\$0.06	0.0%	48.9%	40.0%
Retail Lockbox Maintenance	\$183.33	0.0%	41.2%	51.4%
Retail Lockbox Item	\$0.22	n/a	59.4%	25.0%
Retail Lockbox Multiple Payments	\$0.28	n/a	56.3%	28.5%
Controlled Disbursement Maintenance	\$121.15	0.0%	65.2%	46.7%
Controlled Disbursement Checks Paid	\$0.19	1.2%	67.3%	43.8%
Controlled Disbursement Notification	\$81.67	0.0%	46.3%	50.0%

SERVICE PRICE SUMMARY

Service Name	Average List Price	Average Price Increase	Discount Frequency	Discount Percentage
Positive Pay Maintenance	\$86.25	0.0%	59.8%	46.9%
Positive Pay Checks Paid	\$0.19	0.7%	68.9%	35.0%
Positive Pay Exception	\$3.59	n/a	28.3%	50.0%
Check Image Maintenance	\$34.81	2.6%	44.7%	42.9%
Check Image Capture	\$0.05	1.6%	44.7%	49.4%
Check Image Retrieval Maintenance	\$20.00	n/a	15.1%	50.0%
Check Image Item Retrieval	\$1.80	n/a	21.1%	60.0%
Automated Stop Payment	\$11.32	0.8%	47.3%	33.7%
Manual Stop Payment	\$32.38	2.3%	40.0%	36.7%
Partial Reconciliation Maintenance	\$60.00	2.2%	51.3%	33.3%
Partial Reconciliation Item	\$0.06	2.9%	54.7%	35.5%
Full Reconciliation Maintenance	\$76.25	1.1%	58.2%	33.3%
Full Reconciliation Item	\$0.07	1.8%	52.5%	36.4%
Account Recon Input Transmission Per Transmission	\$12.40	0.0%	32.2%	50.0%
Account Recon Output Transmission Item	\$0.03	16.7%	42.0%	33.3%
Account Recon Output Transmission Per Transmission	\$15.29	2.9%	27.9%	48.3%
Account Recon Output Transmission Item	\$0.02	0.0%	31.4%	50.0%
ACH Maintenance	\$54.33	0.3%	52.0%	50.0%
Internet ACH General Maintenance	\$42.90	0.0%	35.7%	30.0%
ACH Credit Originated	\$0.12	0.1%	61.1%	46.7%
ACH Debit Originated	\$0.12	0.1%	59.0%	50.0%
ACH Originated Addenda Records	\$0.03	4.8%	24.2%	50.0%
ACH Credit Internet Originated	\$0.23	6.3%	40.9%	49.7%
ACH Debit Internet Originated	\$0.23	6.3%	38.1%	50.0%
ACH Credit Received	\$0.34	3.9%	47.4%	40.0%
ACH Debit Received	\$0.24	1.9%	45.5%	40.0%
ACH Received Addenda Records	\$0.03	16.7%	31.5%	25.0%
ACH Return Item	\$4.27	0.0%	45.8%	53.5%
ACH Notification of Change	\$3.68	7.3%	48.9%	48.4%
ACH Reversal Item	\$20.64	0.0%	34.6%	50.0%
ACH Positive Pay Maintenance	\$29.00	n/a	34.0%	44.1%
ACH Debit Block-Filter Maintenance	\$23.87	3.1%	49.6%	55.8%
ACH Tax Payment	\$4.55	10.0%	36.6%	35.5%
Incoming Wire	\$10.39	1.1%	57.9%	33.3%
Automated Non-repetitive Wire	\$9.99	3.4%	55.8%	27.3%
Automated Repetitive Wire	\$9.18	1.8%	62.7%	27.3%
Internal Automated Wire Transfer	\$5.69	2.1%	40.3%	20.0%
International Incoming Wire	\$15.61	-0.9%	47.1%	25.0%
International Outgoing Wire	\$23.67	0.0%	46.2%	28.6%
Previous Day Balance Reporting	\$57.22	-1.2%	54.2%	46.7%
Previous Day Reporting Transaction	\$0.15	3.0%	60.3%	40.0%
Intraday Balance Reporting	\$63.89	-1.0%	47.2%	48.0%
Intraday Reporting Transaction	\$0.19	1.3%	47.2%	52.0%
Balance Reporting - Non-specific	\$76.25	n/a	47.2%	46.2%

The 2010-2011 *Blue Book of Bank Prices*® is compiled from actual bank account analysis statements, submitted by participating companies, for the month of March 2010. These corporations had sales of over \$40 million annually.

Statements were selected from the largest banks in terms of cash management activity. Collectively, these banks derive over 83% of the revenue from cash management services sold to the large corporate market. This year 88 services produced sufficient observations to be included in the report.

Issues of Consistency

Processing the account analysis statements and interpreting the data remains difficult for several reasons. First and foremost, each bank has a different policy on the bundling or unbundling of prices.

Second, banks do not adhere to any standards for account analysis terminology. At best they list an AFP code that is, in their opinion, most representative. The lack of a truly standard format leads to many instances where the same wording may mean different things at different banks.

Finally, the wording shown on the account analysis statement may not clearly spell out the service that was performed. We have done our best to resolve these inconsistencies, but some problems, no doubt, remain.

Blue Book Reports

The *Blue Book* analysis focuses on two presentations (pages) of pricing characteristics for each service.

The first, shown on the left page, identifies the major factors that influence the price paid for a service using regression analysis. Three factors are most influential to the price paid for all services reported. The volume of the service purchased is the strongest predictor of the price paid. Also significant are the total monthly fees paid by the customer to the bank (expressed in quartiles) and the customer's (not the bank's) geographic region. The relationship of volume to the price paid is depicted graphically for each service and the impact of total fee quartile and customer's region is shown in tabular format. These tables may be used to apply the company's characteristics and thereby arrive at the expected distribution of prices for the service.

The second presentation, the right page of each service, focuses on various discounting metrics. To accomplish this, both "list price" and "discount prices" were identified for each service for each bank.

The computation of list price and discount price used the following procedure: Each bank's statements were examined individually to determine the highest price occurring most frequently (the mode) for each line item. This observation was classified as the "list price." Once the "list price" for the bank was determined, all prices that fell below list were examined and those data were used to determine the level of discounting.

BLUE BOOK ORDER

To purchase the entire Blue Book of Bank Prices[®] :

1. Online at www.phoenixhecht.com. Click the Blue Book link on the left hand column.
2. Call 919.541.9339.



This presentation was made possible in part because of treasury managers who so graciously lent their valuable time and account analysis statements.

In order to continue to provide educational presentations of this caliber and bring valuable insight to your organization, we ask that you give back to the industry by assisting Phoenix-Hecht in the collection of data when requested.

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