Delivering Value

The quarterly newsletter for clients of Harland Printed Products & Marketing Services

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HARLAND

LIBERTY®

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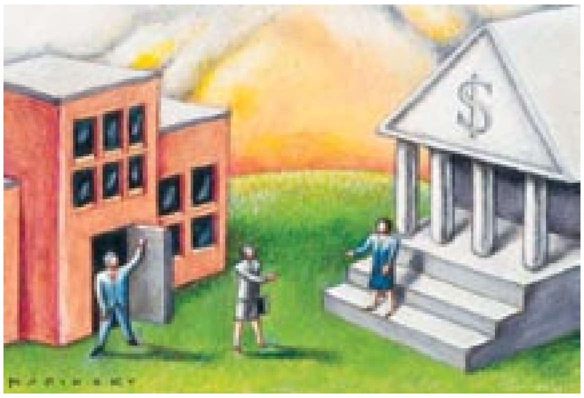
Keeping Your Small Business Customers Happy

What Do They Really Want From You?

In a world where small is the new big (witness the explosive growth of ever-shrinking cell phones, portable music players and computer laptops), it is not surprising that small business means big bucks. According to the U.S. Small Business Administration, small businesses make up 99.7 percent of all companies. They employ half of all private-sector employees and generate 60 to 80 percent of new jobs annually.



Although they may differ greatly in terms of actual size and industry, one thing they all have in common is a need to build long-term, mutually satisfying relationships with financial institutions such as yours. So why are these entrepreneurs—as well as the bankers who want their accounts—behaving more like the perennially misunderstood opposite sex described in John Gray's bestselling book, *Men Are From Mars, Women Are From Venus?* Part of the problem may be that banks and credit unions just can't seem to figure out exactly what it is their small business customers really want from them.

The Middle Child Syndrome

"In some ways, small business accountholders are the banking industry's stereotypical forgotten middle children," said Kathryn Foley, vice president of segment marketing, Harland Printed Products. "They tend to get lost between the attention dedicated to either the goliath commercial accounts or the mass market consumer accounts. Because of this, financial institutions may lose sight of what these entrepreneurs really need."

And that will be the financial institution's loss, because knowing what makes small business owners tick can spell the difference between a happy customer and an unhappy one who takes his or her banking elsewhere. Bankers might be very surprised at the mindset of entrepreneurs, if they would only take a closer look.

What they need, according to Foley, is for

(Continued on page 4)

Inside This Issue

Delivering Value features news and information on the unique products and services Harland offers to help you improve business performance. Whether you are an existing Harland or Liberty client or you have considered becoming one, we are confident that you will find information and insights to optimize the way you do business.

To request additional copies of *Delivering Value* or to receive the publication electronically, contact Gaye Humphrey, managing editor, at 770-593-5349 or ghumphrey@harland.com.

Delivering Value Online

Did you know that you can access *Delivering Value* online? Simply visit **www.harland.com/dv** to find current and previous issues.

In Our Next Issue!

Manage First-Year Attrition of New Accountholders and Build Relationships That Last

U.S. Postal Service Announces Unprecedented Price Increase for Standard Mail Parcels

Learn How to Reach the Hispanic Market, One of the Nation's Fastest Growing Consumer Segments

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Message From Jeff Heggedahl

The financial services industry is changing at an incredible pace, and each day it grows more competitive. As we consider the industry as a whole, we continue to ask ourselves, "How can Harland address the needs of the banking industry—for banks and credit unions of all sizes?" The answer lies in our ability to truly understand what is important to the segments we serve. We must gain deeper knowledge of our clients' priorities, challenges and opportunities, as well as the business environments in which they compete.

Gathering that knowledge requires research, investigation and close work with clients on many different levels. In this issue of *Delivering Value*, we share the results of extensive work Harland has conducted to better understand the needs of small business accountholders. We examine the trends driving small business growth and share best practices for building trust-based relationships. We recognize small business as a growing and profitable segment for many financial institutions, and as you increase your focus and investment in this area, so will we.

Managing risks is another critical concern for you and the industry at large, and one of the ways Harland is making an impact is in check fraud prevention. Today check fraud is a $5.5 billion problem for financial institutions and growing. Of this total, forgery accounts for 29 percent of all check fraud, and counterfeit checks 21 percent. Harland's patent-pending invention, Validify™, addresses both types of check fraud by validating the authenticity of the maker's signature and the physical check document before funds are released. With early results indicating an 85 percent fraud capture rate, Validify is poised to save financial institutions millions of dollars annually, and it holds the potential to virtually eliminate check fraud industry wide. In our Security Corner, you'll enjoy reading our interview with Monica Canchola, vice president of operations administration for Tri Counties Bank in Chico, Calif., one of our original pilot partners to develop and test the solution. Tri Counties has installed the Validify technology and is now offering high-security checks to its employees and customers.

Harland occupies a unique position because of the tool sets we have to address the complex business needs of the financial services industry. Now, more than ever, we're placing increased focus on understanding your business and then, rather than selling you products, we're taking a solutions-based approach to help you drive better business performance. This is a significant shift in the way we do business, and one example is our newest offering in the area of Deposit Benchmarking—a capability that draws on expertise, resources and investments from across Harland's entire business enterprise. In our Solution Spotlight, Tom Richards discusses the "Deposit Dilemma" and how our benchmarking capabilities can help you address this growing industry concern.

Harland is committed to your success—whether that's growing your business, managing risks, reducing expenses, optimizing performance or adapting to change. Whatever your key success drivers are, we are working to more fully understand them and to bring you comprehensive solutions that increase your competitive advantage—and your bottom line. Thank you for your continued trust and confidence in Harland.

Wishing you safe and happy holidays,

Jeff Heggedahl, President
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Keeping Your Small Business Customers Happy

(Cover story continued)

banks and credit unions to understand that they have their own unique needs, separate from commercial clients and consumer accounts. This starts with the challenges they grapple with daily. Whether it is the rising cost of fuel, which impacts all aspects of a business, or skyrocketing health insurance premiums, which make it cost-prohibitive to offer coverage to employees (who consequently may leave for greener pastures), keeping a keen eye on expenses is a defining characteristic of small business owners.

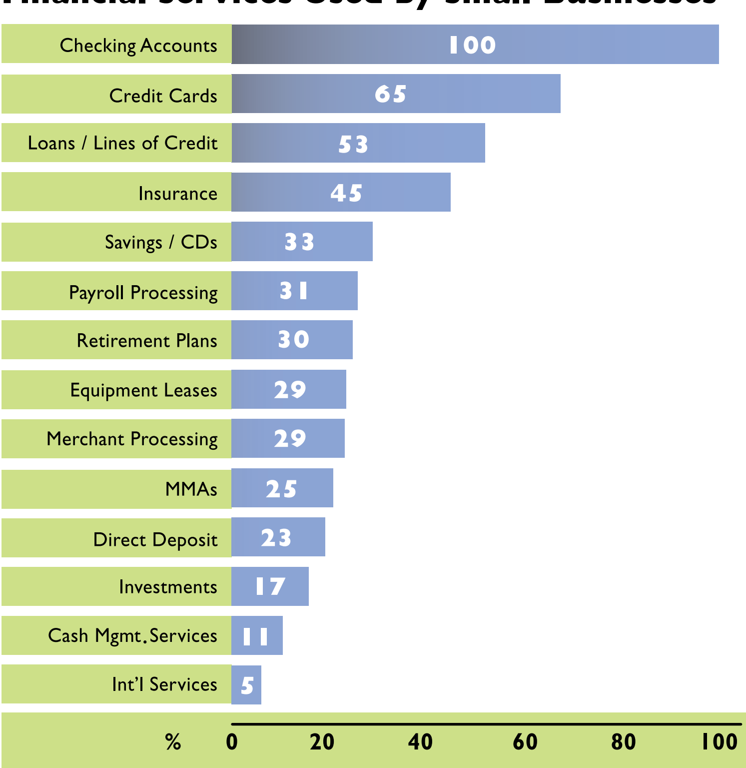
Resistance to Electronic Banking

"Banks and credit unions may not be able to solve, these sorts of problems," said Foley, "but even so, simply understanding the issues goes a long way in building trust." There is one challenge that financial institutions are tailor-made to solve, however, and that is to help small businesses navigate the growing world of online banking, a place many entrepreneurs are loath to explore.

"It's almost counterintuitive to think that entrepreneurs, who by nature tend to be risk-takers, would be averse to new technology," said Foley. "But the fact is, when it comes to managing finances, the vast majority of them prefer a traditional checkbook."

A telephone survey of 650 owners or executives of small businesses in manufacturing, wholesaling, retailing and service industries bears this out. Conducted in August and September 2005 by Synergistics Research Corp., the survey found that while every business used a checking account, electronic money management was not nearly as popular. Fewer than one-third utilized payroll or merchant processing, and a mere 23 percent made use of direct deposit.

Financial Services Used by Small Businesses



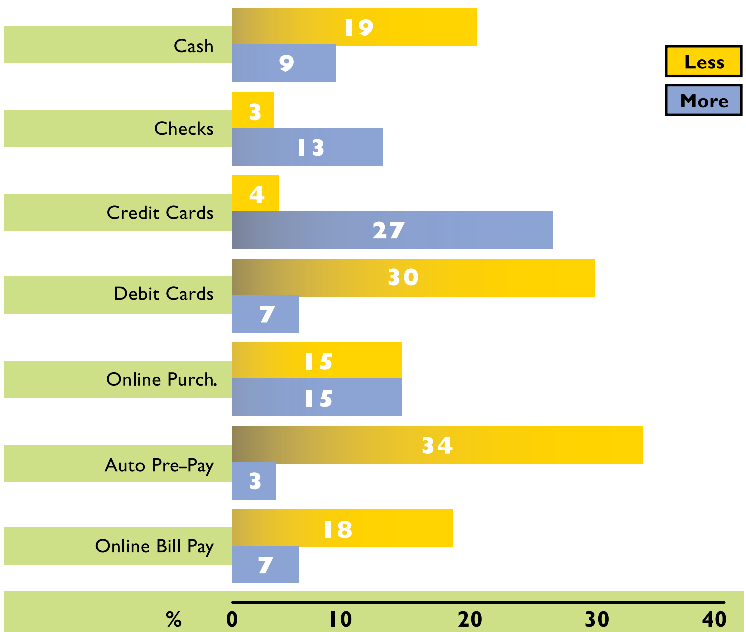
Perhaps even more telling is that, when asked which payment methods they expected to keep using, only checks and credit cards came out ahead. A whopping 30 percent gave a thumbs-down to debit cards (compared with 7 percent who would use them more). Likewise, auto pre-pay was roundly dismissed by a more than 10-to-1 margin (34 percent would use it less compared with only 3 percent who would use it more), and more than twice as many respondents gave the boot to online bill payment (18 percent would use it less compared with 7 percent who would use it more).

It is worth noting that more than 90 percent of those surveyed by Synergistics ran companies with annual sales of less than $1 million. Nearly half had sales under $100,000 per year. Similarly, only about one in ten had more than 21 employees, and nearly half employed five or fewer people. While the actual size of a "small business" can vary depending on the industry, the Small Business Administration defines a small business as one that is independently owned and operated and is not dominant in its field. The Office of Advocacy defines it as an independent operation with fewer than 500 employees. So these survey respondents fell well within the definition of "small."

The Big Issue for Small Business: Security

The reason for this resistance to electronic banking mainly has to do with very real concerns about fraud protection. Large companies, for example, have access to a cadre of experienced information technology personnel who can build myriad safety controls into their computerized bill payment systems. Small businesses cannot afford that luxury. So they tend to create their internal controls around pen-and-paper processes. Indeed, the survey found that nearly half (46 percent) of small business operators cited checks as the most secure payment method. How many of them felt that optimistically about online bill payment and debit cards? Not many—a mere 5 percent

Expect To Use Less / More



Source: Synergistics 2005

and 3 percent, respectively.

"Small business owners have been largely left to their own devices," said Foley. "They're understandably resistant to high-tech banking because they don't have the time or resources to understand the technology, train staff or change their processes."

On the other side of the coin are consumers, who have embraced online banking with open arms, much to the delight of financial institutions. But consumers are extended certain government protections against unauthorized transactions. These same protections are not yet uniformly offered to small businesses.

"There aren't many entrepreneurs who feel confident enough to start using electronic bill payment, particularly if that means giving a bookkeeping employee access to their accounts," said Foley. "They feel much more secure with a traditional checkbook."

Not Just a Banker—Be a Small Business Consultant

First and foremost, financial institutions need to be sympathetic to the dilemma that electronic banking poses to the typical small business owner. With that in mind, they can be realistic about what their small business customers will and will not do when it comes to moving their finances online. Institutions that can help small businesses in this way will be seen as more than just bankers; they essentially become consultants to their small business accounts, enabling these accountholders to do what they really want to do, which is spend more time building their business.

The institutions that can make banking simpler are the ones that will keep these accountholders happy. The answer lies in providing real working solutions—ones that take into account the specific needs of that entrepreneur—not merely offering cookie-cutter services that they think will work, like debit cards or online bill pay. For example, it may be worth it to provide a service such as "remote deposit capture," which enables entrepreneurs to scan checks and upload them for deposit right from their business location, saving them the hassle of a trip to the bank. Financial institutions can utilize intelligence-gathering tools, such as satisfaction surveys and demographic profiling, to help them better tailor their services to small businesses.

"It's like a marriage," said Foley. "Just like the spouses from Mars and Venus who need to better understand each other, bankers need to appreciate and respect the concerns of their small business accountholders." Indeed, in terms of growing those small business relationships, that's a big step in the right direction.

"The institutions that can make banking simpler are the ones that will keep these accountholders happy."

What's Hot:

New Trends Driving Small Business Growth

Talk to 100 adults at random and statistics suggest you will probably find that at least six of them are trying to start a new business. That translates to more than 10 million adults in the United States. You will also find start-ups in some interesting emerging industries:

The eBay® Economy

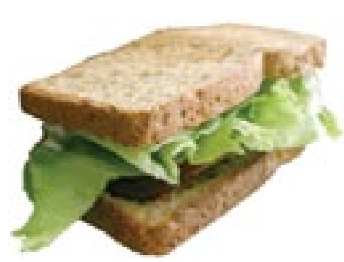
Drop-Off Retail, Web Hosting,
eBay Consultants, Shippers, Power Sellers

The Garbage Economy

Electronics Recyclers, Paper Shredding,
Recycling, Personal Waste Management

The Fit Economy

Sports & Fitness Apparel, Bottled Water,
Organic Foods, Health & Anti-Aging Products,
Niche Fitness Franchises



The Sandwich Economy

Home-Delivery Services (Food, Pharmaceuticals),
Home-Based Services (Cleaning, Laundry),
Community Services, Nursing Homes, Child Care

More and more, these small companies are being run by minority women, who are opening new businesses at six times the rate of all privately held businesses. Indeed, since 1997, the number of businesses owned by minority women has grown by nearly 55 percent. Furthermore, women-owned businesses in general are expanding into such "non-traditional" fields as construction, agriculture services, and the F.I.R.E. industries (finance, insurance and real estate).

Banks and credit unions eager to capitalize on these trends should consider revisiting their risk-assessment models before granting loans. That brand new eBay drop-off center down the block has a very different business paradigm from the decades-old mom-and-pop luncheonette across the street.

Trust-Based Best Practices for Building Relationships with Small Business Customers

While financial institutions have long been committed to measuring customer satisfaction levels of small business accountholders, a key challenge is to define the most effective measure and how that measure impacts profitable revenue or organic growth. According to Gwen Cuffie, vice president of product and program management, Harland Printed Products, "the 'net promoter' score measures customer loyalty and provides financial institutions with a measurement tool to track loyalty and trust among their small business accountholders." This score was introduced several years ago by Fred Reicheld who stated, "loyalty is the key to profitable growth." In recent years, large companies such as GE and Enterprise Rent-A-Car have integrated this concept as a key performance measure after establishing a statistical correlation between increases in the score and an increase in organic growth or revenue.

In its simplest form, a net promoter score is the difference between the percentage of customers who feel positively about a company and would recommend that company, versus those who feel negatively and will be active detractors. Harland partnered with Warrilow and Company to develop "The Warrilow Trust Index" for banks based on the net promoter score. This use of the net promoter score compares accountholders' satisfaction and loyalty with their financial institution to how they feel about other industries.

"The Warrilow Trust Index found that, on average, small business owners are about as satisfied with their banks as they are with other service providers such as their accountants or computer hardware providers," said Cuffie. "They are more satisfied, on the whole, than are customers of telecommunications companies. But they are not nearly as satisfied as are customers of courier companies, such as FedEx, which rank very high in loyalty."

In order to improve their scores, said Cuffie, financial institutions need to look at six specific "trust levers" that determine how satisfied bank customers or credit union members are with their financial institution. These drivers are: offer products and services that are easy to use, respect accountholder privacy, ensure ethical corporate behavior, be friendly and polite, communicate in easy-to-understand terms, and provide products and services that positively impact accountholders' businesses.

Cuffie offered the following trust-based practices to help financial institutions improve their net promoter scores among small business owners:

1. **Make it easy to do business with you:** Provide effective communications and quick and easy issue resolution.
2. **Commit early:** Establish a segmentation strategy that includes a focus on new businesses; entrepreneurs value companies that are with them from the very start.
3. **Provide control over servicing:** Offer fee-based services that allow small business owners to decide what level of banking services they are willing to pay for.
4. **Hire for attitude:** Recruit employees who put a priority on great customer service.
5. **Avoid jargon:** Financial service acronyms (DDA, R&T, LOC) may be second nature for you, but your accountholders may not know what you are talking about.
6. **Simplify your processes:** Make sure your products and services are easy to install and require minimal training to use.

Small Business Owners Speak Out

“I Like My Bank or Credit Union Because. . . .”

Harland asked several small business owners to complete the above sentence. Their answers were surprisingly similar—no matter where they were based or what type of business they ran. Seems it all comes down to good old-fashioned personal service and a strong local connection. Read on:

Name	**Lytia Brown**
Title	**Attorney**
Business Name	**Brown, Geiger & Associates**
Location	**Atlanta, GA**

“I know everyone at my bank. I have four accounts there—two business and two personal. I never have any problems at all. My family has a lot of history there. My parents have banked there as long as I can remember, and they still do. It was a natural choice for me because of this.”

Name	**Birgitte Pedersen**
Title	**Gift shop proprietor**
Business Name	**Gerda’s Iron Art**
Location	**Solvang, CA**

“I like my bank for one main reason: location. It’s about a quarter of a block away from my shop. I also like that I know all of the people there personally. I have always stayed with them, and I have been very happy.”

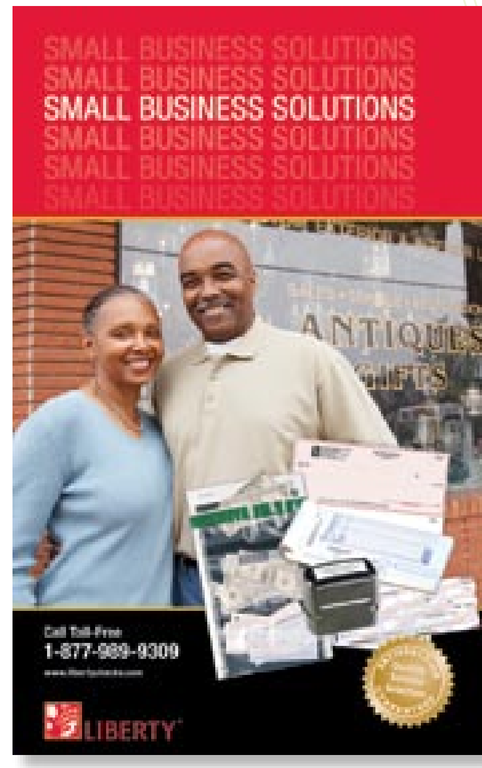
Name	**Robert Bright**
Title	**Owner of a video business & a wedding planning business**
Business Name	**MRF Enterprises & Aloha Lani Weddings**
Location	**Honolulu, HI**

“We use two different banks. I like the free checking. I’m big on that. Also, the people are nice.”

Name	**Mark Shnitkin, D.D.S.**
Title	**Dentist**
Business Name	**General Family Dentistry**
Location	**Bethpage, NY**

“The location of my credit union is very convenient. Also, I don’t have to fill out deposit slips, which saves me a lot of time. I just hand them my deposits and they take care of the rest. It’s like ticketless travel!”

Liberty
Small Business Solutions
Simplify Business Check Ordering



Liberty's new Small Business Solutions offer credit unions the expertise and tools to provide even greater value and service to small businesses. Now credit unions can refer small business members directly to a Liberty business product specialist who can easily handle business check orders, recommend products that meet computer compatibility requirements and even cross-sell other business products offered by the credit union. This combination of services enhances the overall customer experience and improves operational efficiencies.

To learn more about Small Business Solutions from Liberty, contact your Liberty Account Executive or call **1-877-989-9309**.

Harland offers a growing list of services to help banks and credit unions strengthen relationships with small business customers…

Bank and Credit Union Core Processing Systems: Enable institutions to operate in the growing commercial marketplace and service this segment with support for business loan origination, servicing, compliance and deposit services.

Business Check Ordering Referral Programs: Take the hassle out of ordering business checks by encouraging small businesses to contact Harland and Liberty directly to place their orders.

Small Business Predictive Models: Identify attrition risks and the likelihood of small businesses to purchase additional products and services.

Remote Deposit Capture Capabilities: Enable small businesses to scan or capture deposits at their business locations and electronically transmit data and images to their financial institution, saving businesses time and eliminating the need to physically transport checks to the bank or credit union.

Scantron Survey Solutions: Provide employee opinion surveys, consumer satisfaction surveys, consumer comment cards, demographic profiling, and other intelligence-gathering tools to help financial institutions improve service to small businesses.

To learn more about these services, call 1-866-281-5788.

Solution Spotlight

Addressing the Deposit Dilemma Is Critical

By Tom Richards

Recent polls and earnings announcements confirm a growing problem: Financial institutions have been unable to attract and retain the deposits necessary to profitably fund their loan growth. The Federal Deposit Insurance Corp. reports that the average institution has a historically high 105 percent of its deposits loaned out. Meanwhile, more discerning customers have increased both the cost and the competition for coveted core deposits. The predictable result has been a squeeze on net interest margin. Some industry experts estimate that deposits actually account for 75 percent of industry profits. So this is a bigger problem than it first appears to be.

According to Grant Thornton's recent survey of bank CEOs, 96 percent see retaining deposits as a factor critical to their success, more than any other factor. Yet CEOs also reported that it was one of the critical factors they were least confident in addressing. In many ways, it has become a dilemma—the Deposit Dilemma.

The lack of confidence is understandable. Unscientific promotional offers often result in little more than an increased cost of funds. And leveraging more expensive brokered deposits isn't a long-term solution either. It's expensive. The reason for the lack of confidence in addressing deposits is that there is no single answer to the Deposit Dilemma. And while there are proven tactics in the battle for deposits, each financial institution faces a different market with a different mix of products. Like addressing any medical ailment, there is an institution-specific diagnosis needed to go along with any prognosis or recommended remedy.

Harland's benchmarking database of financial institutions nationwide containing millions of consumer and small business households is providing new insight into the underpinnings of the Deposit Dilemma. Harland initiated this ongoing benchmarking process a decade ago when the Federal Reserve retired its functional cost analysis, but today it is providing unique insights into acquisition, organic growth, and retention of deposit relationships.

Considerable Variability

Deposit Benchmarking service participants experienced an average 9.2 percent annual deposit growth rate, which aligns with the industry overall as reported by the FDIC. To achieve that growth, 11 percent of deposits came from new customer acquisitions, while 7.3 percent of deposits were lost to customer attrition. Making up the critical difference was 5.5 percent organic growth, the net result of cross-selling and customer development efforts. Digging deeper into consumer households, business clients, and mixed business/consumer relationships and exploring product specific areas, the analysis is compelling and instructive on an individual institution level. The findings show considerable variability among institutions, re-emphasizing the need for a specific diagnosis. One institution's approach to tackle attrition, for example, is not appropriate to attack another's acquisition or organic growth needs. As institutions develop more sticky services and relationship-oriented product packaging, it is critical to know how their efforts measure up in, for example, checking or premium money-market product development.

Beyond deposit acquisition and managing products, solid customer retention and organic growth rates indicate customer loyalty and increased franchise value. While many banks have perfected their inorganic merger-and-acquisition activities, we find that the industry still seeks better answers to organic growth. And there are best practices which demonstrate that profitable deposit growth can be achieved the old-fashioned way—not expensive "brokered" deposits or "advances" on your balance sheet, but real deposits developed from real accountholders to profitably fund loans.

Here's an example. One of the more interesting findings of this relationship-based benchmarking

Solution Spotlight

study is the need for more development in growing client relationships. After opening a new relationship with a financial institution, it takes an average of 48 days before an accountholder is sold a second product. Knowing how an institution measures up in this area alone is highly instructive, since we found that 62 percent of attrition comes from single-service households.

The annual attrition rate among new accountholders is nearly double in the first 90 days. This is an area of tremendous opportunity for the institution. Harland has taken a significant interest in the process of onboarding and helping financial institutions get their clients more quickly and profitably oriented into the right mix of products and services. Evidence also suggests that the industry has considerable fulfillment errors that need to be addressed. Only through improved customer engagement does the process improve.

There are several potential solutions to the Deposit Dilemma. Not every sore knee requires surgery. Comparative economic pricing analysis helps determine where the institution is competitive and if money is being left on the table in certain areas. If customer experience appears to be an issue, mystery shopping and a careful review of delivery channel automation might be appropriate. Onboarding and other targeted direct-marketing efforts are often part of the solution. And a marketing customer information file (MCIF) can improve understanding of retention, attrition and organic growth drivers. But achieving the right prognosis is based on a solid diagnosis. Ongoing benchmarking provides the necessary insight and helps provide the right diagnosis and mid-course corrections to build effective strategies to fight the Deposit Dilemma.

Tom Richards is executive vice president and general manager of retail solutions for Harland Financial Solutions, a wholly-owned subsidiary of the John H. Harland Company, that supplies software and services to thousands of financial institutions of all sizes, in both an in-house and service bureau environment. Richards has more than 30 years of experience in the application of information technology in the banking industry with Financial Insights, Digital Equipment, IBM, JP Morgan and the American Bankers Association. He can be reached at 1-800-989-9009 or tom.richards@harlandfs.com.

Client Cases

How One Financial Institution Reduced Liquid Deposit Attrition and Boosted Net Income

Situation

A retail bank with assets approaching $200 billion partnered with Harland Marketing Services to test various operational processes and analytical models in an effort to reduce attrition. The bank's specific goal was to decrease liquid deposit attrition. Harland recommended and deployed its Stratics[SM] liquid deposit attrition model, which targets households that are likely to diminish liquid deposit balances. Since 75 percent of all attrition is due to balance diminishment rather than account closure, Harland has had much more success modeling diminishment in assets as opposed to outright account closure.

Action

More than 300,000 households made up the population for a year-long testing effort that was designed to measure the ultimate rollout potential of a systematic targeting strategy to reduce liquid deposit attrition. Direct mail and teleservices were used as outreach methods to households that were identified through model scores as likely to result in attrition. Matched control populations were held out so results or lift of the outreach methods could be measured. Furthermore, tests were designed to examine performance between model segments. For example, tests were designed to ensure that households that scored high (or likely to diminish balances) actually did so at a greater rate than households that scored lower (or less likely to diminish balances).

In total, five distinct campaigns were conducted throughout the period to control for the potential effects of seasonality and competitive forces.

Impact

The results of the tests were very compelling for this particular financial institution. The results strongly indicated that the institution could reduce liquid deposit attrition and therefore improve its net income by:

1. Implementing an attrition prevention program targeting the top 10 percent of its customer population that scored most likely to diminish liquid deposit balances.
2. Delivering retention programs via the branch personnel versus the institution's centralized call center. In fact, relationship calls by branch personnel were found to be the most successful delivery method for the bank's retention efforts.
3. Separating sales messages from retention efforts. In other words, a "customer care" message was much more successful than a "customer care/up-sell" message.

Overall, the treatment populations outperformed the matched control populations by more than 250 basis points. When the results were extrapolated to this customer's entire segment of "at risk" balances (just 10 percent of the entire portfolio), the impact to net income was estimated at more than $75 million (assuming a 2.5 percent spread) or an incremental $3 billion in retained balances.

To learn more about our Stratics attrition models or to view other case studies, visit **www.harland.com/hpp/marketing/**.

Focus on Workforce Diversity:

Harland attends the NSN and NBMBAA Annual Conferences in Atlanta

"Harland is committed to employing a diverse workforce," said Jeff Heggedahl, president of Harland Printed Products, commenting on Harland's recent participation in two events that provided an opportunity for Harland to showcase its commitment to diversity.

During the third quarter, Harland sales and HR associates spent a busy month participating—for the first time—in two events in Atlanta designed to: (1) educate diverse business professionals about Harland as a career choice; (2) schedule post-career fair exploratory conversations with prospects; and (3) chart a course for future participation with the organizations' leadership in upcoming conferences.

On September 22 at the Hilton Hotel in downtown Atlanta, Harland was a conference sponsor of the **National Sales Network (NSN)**, an organization of African-American sales professionals. On September 28 and 29, Harland participated as a conference sponsor of the **National Black MBA Association (NBMBAA)** meeting at the Georgia World Congress Center. The two meetings attracted 600 and 11,000 African-American sales and business professionals, respectively. In both instances, Harland staffers took advantage of the company's sponsorships to meet and greet conference attendees, explore career options and converse with conference leaders on plans for future collaborations.

"We absolutely achieved our goal of positioning Harland as a desirable place to work for diverse individuals," said Karen Matterson, vice president of human resources, Harland Printed Products. "In fact," Matterson continued, "the two meetings we attended have resulted in several very serious post-conference interviews that will likely result in new hirings within our organization. We look forward to next year's conferences so that we can expand and build on the success of this first initiative."

Ollie McCoy, regional vice president of sales, Harland Printed Products (left), and Michael Davis, chairman, NSN

Survey Results for *Delivering Value* Newsletter

Thank you for your responses to our third-quarter survey on *Delivering Value*. We received more than 100 responses, and we're pleased to report that 74 percent of readers have medium to high interest in the newsletter, and 96 percent are satisfied with the overall content. We also received a number of suggestions for future articles, including industry trends, payments, regulation and compliance, Check 21, pricing strategies, security and much more. We look forward to bringing you information on these important topics in 2007.

To view the complete survey results, visit **www.harland.com/dv**.

Security Corner

Tri Counties Bank Partners With Harland to Prevent Check Fraud

Since introducing the Validify™ solution for fraud prevention, Harland has partnered with several financial institutions to conduct pilot tests on its groundbreaking technology. The editors of *Delivering Value* recently sat down with Monica Canchola, vice president of operations administration for Tri Counties Bank in Chico, Calif., to ask about her experiences using Validify during the alpha implementation.

DV: Will you tell us a bit about Tri Counties Bank?

MC: Tri Counties was established in 1975. We now operate 32 traditional branches in California and 22 grocery store branches through partnerships with Raley's, Albertson's and Wal-Mart Supercenters. We have six branches in Chico, where we have approximately 30 percent of the market share. Readers of the *Chico News and Review* honored us by naming Tri Counties their favorite bank for 2006, and members of our management team recently rang the opening bell at NASDAQ, making us the first California company headquartered north of Sacramento to do so. Tri Counties has been publicly traded on the NASDAQ since 1993 and is approaching $2 billion in assets.

DV: Why did Tri Counties Bank agree to become a Validify partner during alpha testing?

MC: The primary reason was the strong relationship we've had with Harland. Harland has been a partner to Tri Counties Bank for a number of years. We started out using Harland checks, and today we use Harland's Stratics analytics, direct marketing, and HarlandImpact. Also, identity theft is very much on everyone's minds, and we want to help protect our customers. Many of the programs I've looked at offer help *after* the theft has already taken place. So, when Validify was presented to me as something that could help *prevent* identity theft, I saw it as a service we could test to benefit both our customers and the bank.

DV: What are some of those benefits?

MC: Through Validify, we're offering our customers this service or protection, if you will. It's something that can help them feel more comfortable about their financial relationship with us and sleep a little better at night knowing they have security features that they can't get at any other bank in Chico. Besides doing its job and being able to identify fraudulent signatures, the Validify barcode stands out on the check and acts as a deterrent—like an alarm system sign in front of your home. With Validify, I feel we are at least taking proactive measures to prevent fraudulent checks from getting through the process.

VALIDIFY™

Validify launches at Tri Counties Bank in downtown Chico. From left to right, Michael Roth, assistant branch manager, Monica Canchola, vice president of operations administration, Mary Maghan, Harland sales executive and Brian Endemano, branch manager.

DV: What would you tell other financial institutions that are considering integrating Validify?

MC: My approach with anything we market is to get it to our employees first. That way, they can use it, see the benefit of it and be able to explain it—really help their customers understand and get to know the product. Tri Counties Bank is the fifth largest employer in Butte County, with approximately half of our 700+ employees living and working in the Chico area. For the alpha implementation, participating employees received a box of Validify checks. Several who ran out of checks wanted to reorder them with Validify, commenting, "I really like having that on my check." We've been talking to our customers about it, they'll start using it, and it will begin to be seen in the marketplace. I expect that the enthusiasm will have a snowball effect from there.

I think this is a challenging time for all financial institutions. Having a service like Validify that makes our customers feel more comfortable and secure is certainly going to provide an advantage for us in the marketplace. Eventually, it will be nice when all banks use Validify so that signature fraud can be stopped.

DV: How did Tri Counties Bank communicate about Validify to employees and customers?

MC: We sent e-mails to the branches to alert them it was coming and held contests to make it an exciting process for both branch staff and customers. Of course, we also used the posters and banners Harland provided. We probably have one of the best graphic designers around in our marketing department, and he was extremely impressed. To me, that's excellent validation of the work Harland did.

DV: Do you expect the program to be extended to small business customers as well?

MC: That is my intention. I have the Validify checks, and there hasn't been a store I've used them in where merchants haven't asked about them, commented on how great they were, or asked how they could get them.

To learn more about Validify, call 1-800-723-2580, Ext. 5143 or visit www.harland.com/validify.

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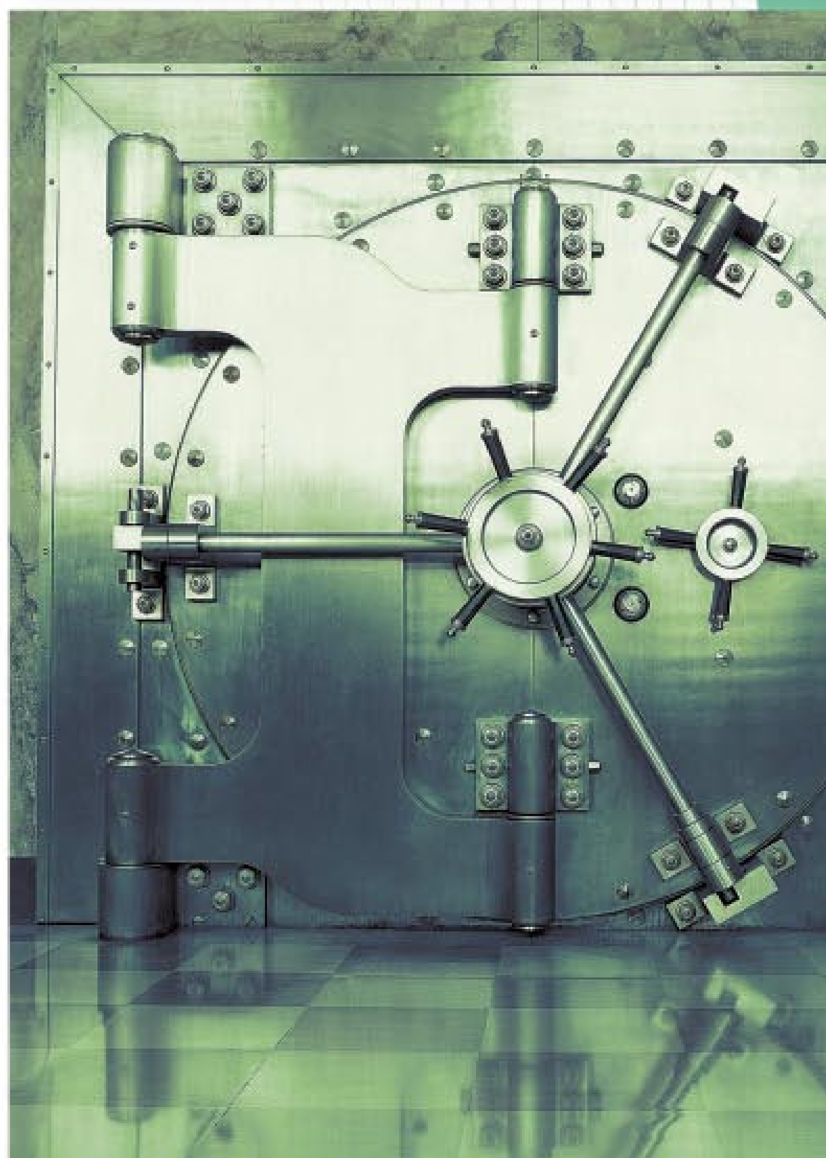

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