

RemoteDepositCapture.com

Remote Deposit Capture 2007 Industry Report

Key Findings, Metrics, Trends and Issues

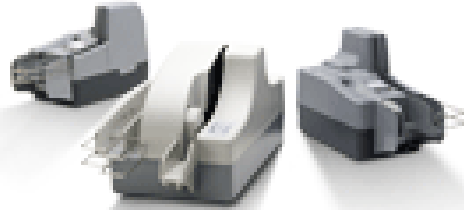
November 28, 2007

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Digital Check is a leading manufacturer of Check 21 check scanners for branch automation and remote deposit capture applications. Pictured above from left to right are the TS215, TS4120 and TS230 models. Digital Check's TellerScan® electronic scanners provide the highest quality images, MICR accuracy, and reliability within the industry. Not to mention the lowest cost of ownership. With models designed for a variety of business sizes and check volumes, the TellerScan series uses the common API and feature USB 2.0 plug-and-play connections, which makes adding or upgrading devices a quick and easy process.

Available worldwide through a network of more than 70 Authorized Solution Providers, Digital Check is the secure choice for remote capture solutions. www.DigitalCheck.com.

About Our Presenters...

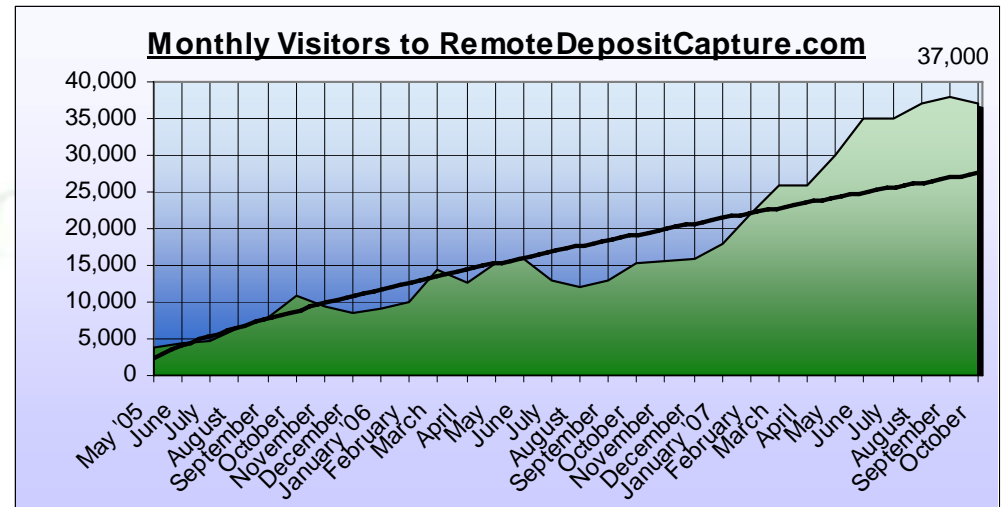
- John T. Leekley
 - Founder & CEO, RemoteDepositCapture.com
- Ed McLaughlin
 - Executive Director, RemoteDepositCapture.com

- About RemoteDepositCapture.com

- Over 5MM Hits Since Launch
- Independent, Unbiased

- Services

- [RDC Marketplace](#)
- News & Research
- Community Forums
- Solution Provider Directories
- RDC Overviews
- White Paper Central, and more.



Today's Agenda

- Laying the Foundation - Definitions
- Industry Update
- The 2007 Industry Report
 - Methodology
 - Metrics
 - Trends & Issues
- Q & A



Remote Deposit Capture, Defined

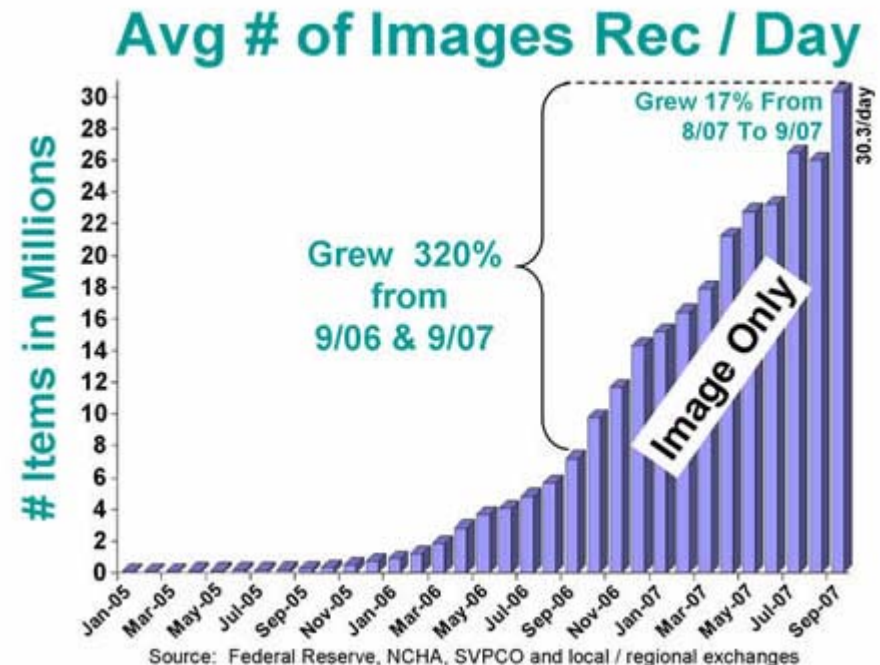
- RDC Applies to a family of related Products & Services most often differentiated by location of check capture.
- Soon to be added: Consumer?
- The term “Remote Deposit Capture” refers to the process of electronically capturing check images and data, transmitting that information for deposit and clearing, and truncating the original paper checks.

Remote Deposit Capture						
Corporate	Merchant	Teller	Branch	Lockbox	ATM	Correspondent

Check Imaging: Exponential Growth

Information Source: www.ECCHO.org

- Approx. 11,000 R/Ts Receive Images (out of 16,000)
- Avg. ~\$1,900 vs. Overall Avg. of \$1,070.
- 40%+ of all dollars processed by check were cleared via Image / IRD in September.
- More Images than IRDs!



Report Methodology

■ Information Process

- Written Surveys
- Phone, In-Person Interviews
- RDC Marketplace
- RemoteDepositCapture.com



■ Report Participants

- Over 40 Leading Software, Hardware & Bank Providers

■ Results Measurement

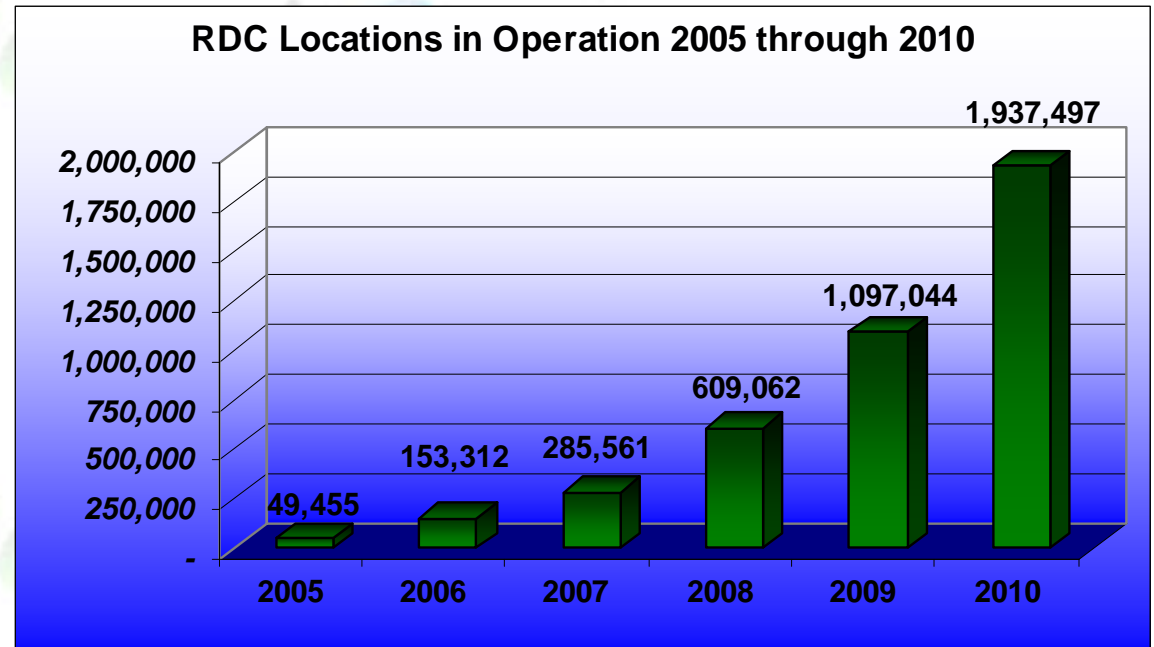
- Software vs. Hardware, Bank

The 2007 RDC Industry Report aims to truly and accurately reflect the current and future state of the Remote Deposit Capture Industry, as reported by Industry Participants

RDC Locations, 2005 - 2010

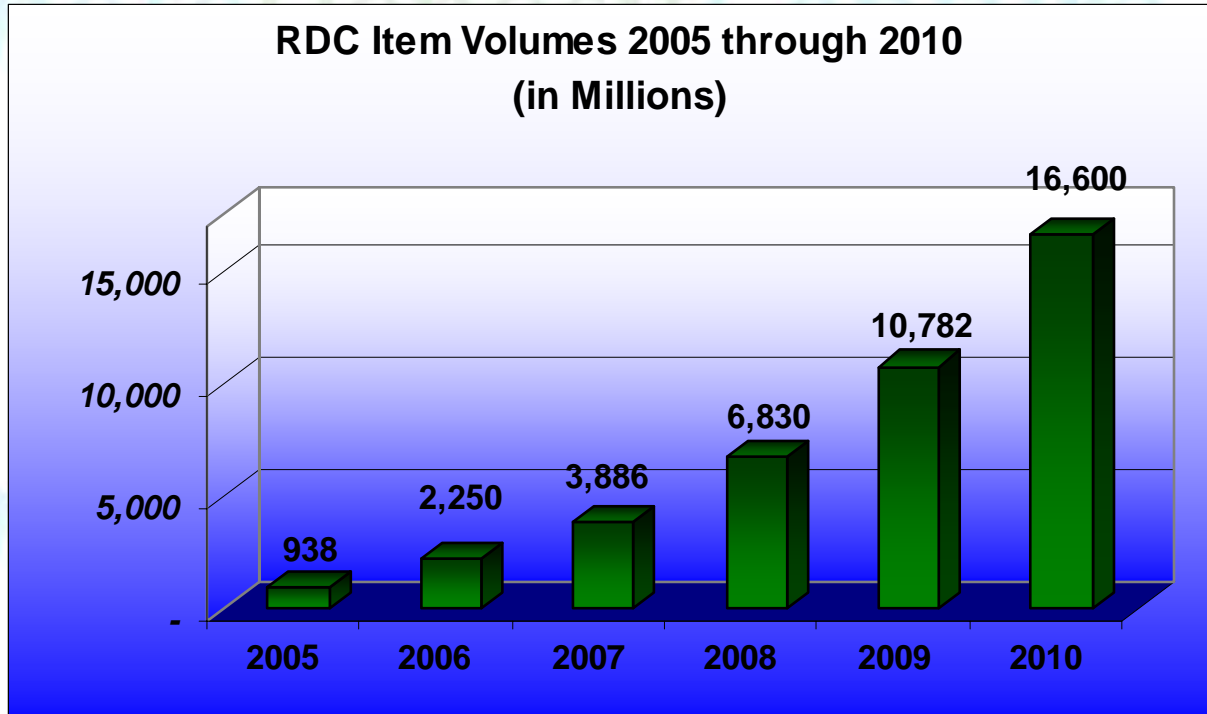
Key Points:

- 600% Growth through 2010
- 75%+ of All Banks
- Drivers Include Technology, Competition
- Wildcards: Small Biz & Consumer Acceptance



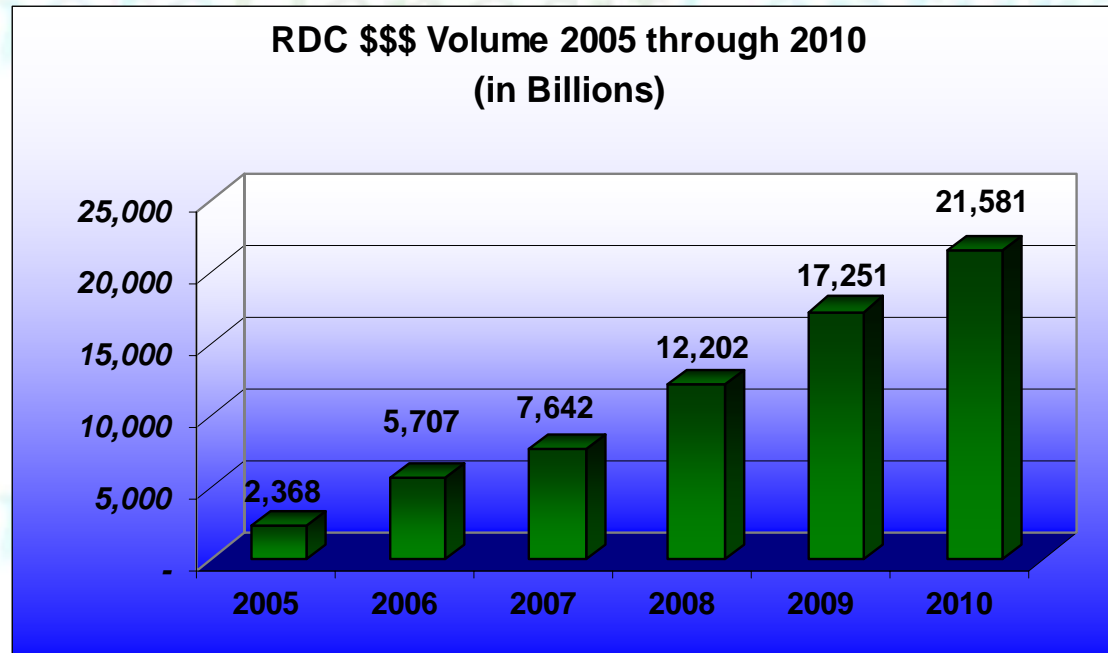
**By EOY 2010, Potential for 1.7MM Corp Locations,
230K+ Branch Locations**

RDC Item Volumes, 2005 - 2010



By EOY 2010, over 50% of All Checks Will be Processed via RDC.

RDC Dollar Volumes, 2005 - 2010



By EOY 2010, over \$21 Trillion Will be Processed via RDC.

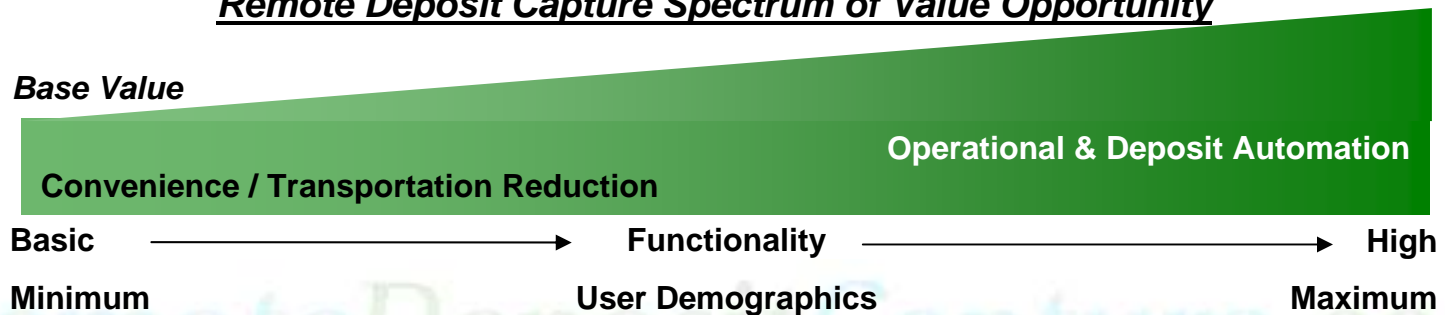
The End-User Perspective

■ Benefits

- Segmented by Client Demographics

Remote Deposit Capture Spectrum of Value Opportunity

Base Value



■ Challenges

- Resources, Implementation, Service, Support, Integration, Risk

■ Functionality Requests

- It's About The Payment... Not Just The Check!
- Data Usability, Risk Management, Integration

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Technology Evolution

- 1st Generation RDC – Challenges
 - Met time to market for October 28, 2004
 - Thick Client – Windows integration
 - Focused on check capture for deposit
 - File Transfer for export of data
- 2nd Generation RDC – Current Capability
 - More features and Thin client or Smart Client
 - Capture information about the check.
 - SSO Integration
 - File Transfer for export of data for the most part
- 3rd Generation RDC – Next Step
“It is about the payment”
 - Use of a service oriented architecture (SOA) for content and application integration integrated as a portal service
 - Capture documents and information associated with the payment.
 - Integration into A/R and ECM systems
 - Multiple workflows to meet customer requirements



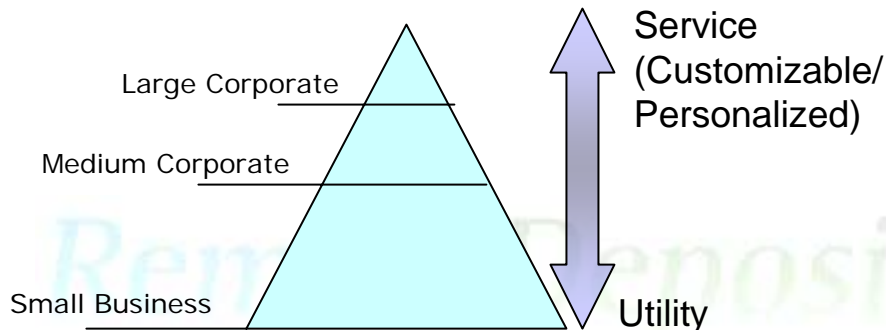
RDC Functionality Evolution

Define by Application

1. Payments applications where a coupon is or maybe included for the customer to return.
2. Payment applications where a coupon is *not* included but is based on an invoice being sent to the customer that may or may not be returned
3. Retail applications where a check is presented to settle at POS (Point of Sale)

Define by Industry

1. Large Corporate & Retail Customers
 1. Multiple National and International Installations
 2. Integration with corporate systems is expected
 3. Requires a mix of RDC and ICL
2. Mid Size Corporate & Retail Customers
 1. Similar to large corporate but may be more regional in nature
3. Small Business & Retail
 1. Simple UI
 2. Integration with Quicken or similar accounting package
 3. 100% self fulfillment
 4. Price sensitive



RDC Functionality

Processes and Features vary by market segment

Table Stake Feature Examples

- IQA
- Car / LAR / ICR
- Checks + Coupons
- Balancing
- Duplicate Detection
- Archive
- Reporting
- Security Levels
- Branding

Differentiating Feature Examples

- Database Comparisons
 - Risk & Fraud; Opt Out
- A/R Uploads
- 3rd Party ISV Integration
- Document Management
- Location Monitoring
- Scanner Monitoring
- Customized Availability
- Dynamic Clearing – Least Cost Routing (LCR)
- Service & Support
- 100% Self Fulfillment

Operational Models

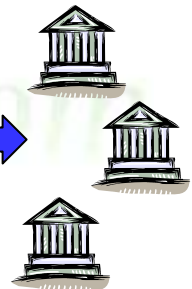
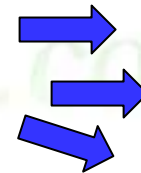
1. Bank-Provided Solution



2. Third Party Via Client to Bank Clearing File



3. Third Party as Clearing Agent w/ ACH credit



4. End-user Controlled Platform.



Pricing Trends

- Competition, Technology is Forcing Pricing Lower
 - Per Item Fees
 - Monthly Maintenance
 - Scanner Buy / Rent / Lease
 - Scanner / PC Maintenance
- Additional Considerations
 - Additional Functionality
 - Check Storage, Risk
 - Balances, Relationship



RDC is no longer a stand-alone product, but increasingly becoming part of an overall RELATIONSHIP Pricing Package

Risk Management

Key Risks

- KYC
- Item Replication
- Data Alteration
- Information Security – Paper & Electronic
- Fraud Detection
- Image Quality
- Overdrafts

Risk Management

- Insurance Industry Lessons?
- Replication Detection
- Data Encryption
- Information Security – Procedures & Tech.
- Legal Liabilities Shifted
- Standards Evolving
- Availability Assignment

RDC & Related Technologies can provide better risk management capabilities than were present in a paper-based processing environment.

The Move “Down-Market”

- Small Biz: 22 Million!
 - Industry Support for Banks
 - Mixed Response
- Consumer RDC: Industry Largely Divided
 - USAA, EasCorp
- Perceived Risk, Business Case?
- How to do KYC, Operational Risk Mgmt.
- The Demise of the (Consumer) Check



Legal & Patent Concerns

■ Legal

- New Client Agreements Required
- Check 21 = Banks Liable, Agreement gives Client “Skin in the Game”

■ Patents

- Business Method Patent Lawsuits
- Settlement Cost / Benefit
- An Issue for Years to Come

Branch & Teller Capture

■ Key Considerations

- To Image Enable, or Not
 - Location, Demographics, Impact
- Back Counter vs. Teller
 - Integration, Impact, Role of the Teller

■ Benefits

- Accelerated Clearing, Later Cutoffs, Deposit Automation, Transportation, Elimination of Control Docs

■ Costs

- Equipment, Software, Training
- Re-Engineering the Branch Process

On the Horizon...

- FDIC, FFIEC & Bank Examiners
- Sarbanes Oxley
- Basel II
- OFAC & Money Laundering
- Data Security & Integrity
- Patents

The Tip of the Iceberg

- Cleared Via Image Today
 - Less than 35% of Volume
 - Less than 40% of \$\$\$
- Total Locations
 - In Operation <260,000
 - Opportunity by 2010: ~2MM
 - Business Locations (1.7 MM)
 - Bank Branches (230,000 in USA)
- Small Biz, Consumer, ATM, Lockbox



A (Deposit) Gathering Storm

- Over 16,000 Bank R/Ts
- \$17.5+ Billion Target Market
- Low Barriers to Entry – Costs, Tech., etc.
- Elimination of Geographic Barriers
- Supportive Legal Environment



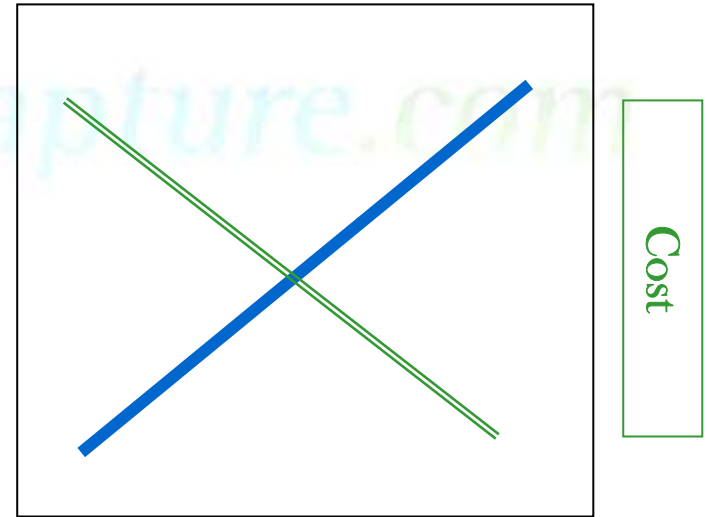
RDC will bring about unprecedented levels of competition within the Financial Services Industry.

The Great Deposit War Has Begun!

The Future of RDC

- A Growing Market

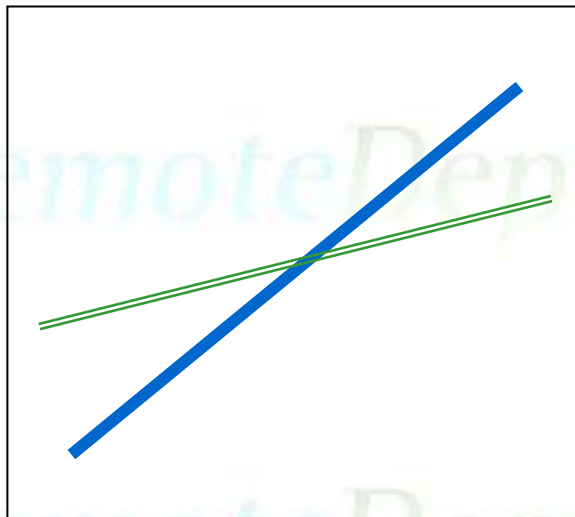
Adoption



Cost

Time

Capabilities



Requirements

Time

- Evolving Technology

The Future of RDC....

- Continuous Improvement
- Process Integration
- Reduced Costs
- Greater Competition
- Segmentation
- Application & Process Convergence
- Corporate Empowerment
- RDC = A Standard Banking Service



Regardless of the underlying technology, business strategies, competition and clients...

**Quality Execution, Support and Relationship
Management will remain Paramount**

Additional ?s & Discussion

If you have additional questions and / or would like to discuss this webinar with industry peers, log into the RDC Community Forums at...

www.RemoteDepositCapture.net

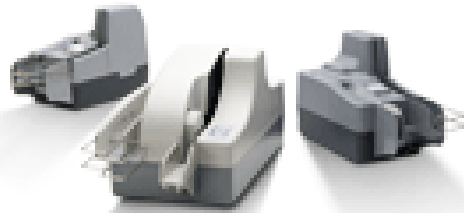
Basic Registration is FREE.

Additional Webinars

■ On-Demand Webinar Archive

- RDC Legal Agreement Workshop
 - Presenter: Paul Carrubba
- The Market Opportunity of Remote Deposit Capture
- Industry Update: Focus Upon Industry Pricing & Strategies
- Software Provider Roundtable – Focus upon POC Functionality
- Industry Roundtable - In-House vs. ASP Solutions
- **January 16 2008: Review 2007 / Preview 2008**

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