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**MOBILE REMOTE DEPOSIT CAPTURE WILL ELIMINATE OVER 1.5 BILLION
CHECK DEPOSIT TRANSACTIONS FROM U.S. BANK BRANCHES BY 2014**

Mercatus Study Indicates Strong Consumer Interest in Mobile Remote Deposit Capture,
Creating Platform for 'Thin Branch' Expansion Strategies

Boston, MA February 1, 2010 – Strong consumer interest in Mobile Remote Deposit Capture (Mobile RDC) will dramatically alter the current deposit-taking activities of retail banks and provide a viable roadmap to banks pursuing 'thin branch' strategies, according to a study released today by Mercatus LLC, a strategic consulting and investing firm focused on retail financial services.

The Mercatus Mobile RDC Adoption Research Study was conducted in December 2009 as part of Mercatus' on-going Franchise Health study. The research queried more than 2,100 US consumers regarding their retail banking services needs, decision making, and behaviors.

“We expect consumers to significantly embrace mobile remote deposit capture and it will be the 'killer app,' said Bob Hedges, Mercatus managing partner. “With consumers placing a premium on convenience, mobile RDC has the potential to significantly change retail banking's business model by providing a way for people to do basic banking without branches. Retail financial service companies have the game-changing opportunity to provide both increased convenience and lower costs. Mobile RDC definitely levels the playing field across competitors.”

According to the study, close to two thirds (59%) of today's mobile banking customers are likely to adopt mobile remote deposit capture if the technology is offered by their banks (Figure 1). At the segment level, 66% of mobile banking consumers age 26 to 34 and 69% of mobile banking users age 35 to 44 years old indicated they were likely to adopt mobile deposit capture (Figure 2).

Adoption potential was also strong among consumers not currently using mobile banking. Among consumers not currently utilizing mobile banking, 35% of consumers 18 to 34, and 25% of those age 35 to 44 indicated they were likely to adopt mobile RDC if it were offered by their bank.

Likely adopters pointed to several key factors (Figure 3) driving interest in mobile remote deposit capture, including:

- Convenience and accessibility of mobile phone-enabled deposits (52%)
- Faster accessibility to funds (45%)
- Lower time cost relative to other deposit options (39%)

Consumer reluctance to adopting mobile RDC was focused on a limited set of factors. In the Mercatus study, not surprisingly, potential security concerns were cited as the leading consumer factor in not being positively inclined to adopt mobile RDC. Reflecting the routine nature of deposit-making transaction, the next set of reasons cited by consumers for not using mobile RDC were the already convenient locations of branches and ATMs. Convenience is clearly the dominant consumer consideration.

“Consumer interest in mobile RDC, and mobile financial services in general, suggests that a significant percentage of deposit volume is available for migration to those financial services institutions offering mobile RDC,” said Hedges. “Despite the potential opportunity mobile RDC presents, only a limited set of competitors have launched mobile RDC applications today. A significant strategic opening exists for the early adopters in that they can gain new customers, as well as reduce bank branch operating expenses,” he said

Beyond the compelling convenience benefits for Mobile RDC to consumers, the adoption of Mobile RDC represents a significant opportunity to reduce traditional branch deposit transaction volume. The Mercatus study found that consumers likely to adopt mobile RDC, today, are responsible for approximately 30% of branch consumer deposit volume. “With only moderate adoption of Mobile RDC by consumers, banks can expect to see dramatic reductions in the volume of branch deposit transactions. The incredible convenience benefit to consumers is equally matched by the strategic cost structure benefit to banks,” Hedges said. Mercatus forecasts that with Mobile RDC, more than 1.5 billion check deposit-making transactions will be eliminated from U.S. bank branches by 2014 (Figure 4).

The Mercatus Mobile RDC Adoption Research Study builds on previous mobile financial services consumer research conducted by Mercatus. Among the findings of the December 2009 study, were:

- Banks offering mobile financial services can increase new customer acquisition by as much as 60%
- Nearly one-third of consumers are using, or considering using, mobile financial services in the next year
- Consumer mobile financial services adoption will reach 53% by 2015, and exceed the use of online banking

“Owing to its rapid pace of adoption, mobile is a market that offers a clear first-mover advantage. Banks that act soon, and aggressively deploy mobile financial services, will capture a clear market opportunity. Banks that delay will risk losing their best customers to the competition,” said Hedges.

Methodology

This Mercatus research study surveyed more than 2,100 consumers over the age of 18. The survey was fielded to an online panel managed by Market Tools in December 2009. The results are representative of the U.S. population. The Mercatus Mobile RDC Adoption Research study was part of the on-going Mercatus Franchise Health consumer research program.

About Mercatus LLC

Mercatus LLC is a strategic consulting and investing firm focused on the retail financial services. Mercatus works with industry executives and private equity investors to make investment and business growth decisions. Mercatus is dedicated to delivering the insights, innovative thinking, and information required to equip clients for success in today's fast-changing marketplace.

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