

What NOW ?

The Hidden Advantages for Banks in Today's Economy



Brenda Standlee American Prudential Capital, Inc.

Capital Growth is the current MANTRA

There are only so many ways to increase Capital.

Some are familiar but some are definitely new.

Profitable clients increase capital.

Profitable culture increases capital.

New sources of fee income will increase capital.

There are hidden advantages, if we know where to look.

Our focus has been *forced* to change by outside events.



Now how do we make this work for us?

The Acquisition of Capital

Traditionally there were two ways to increase capital:

1. Find it...get investors (the capital markets)
2. Earn it...retained earnings (make a profit)

Now I guess we have to add a third way

3. TARP



Let's talk about # 2

Earn it...retained earnings (make a profit)

There are two traditional ways of increasing profits:

1. Cut expenses
2. Increase income



Let's Talk about # 2

Increase Income

Traditionally there are two ways to do this:

1. Sell more of our existing products
 - a. to existing customers and
 - b. to new customers
2. Sell **new** products
 - a. to existing customers and
 - b. to new customers

(In other words, SELL, SELL, SELL...)



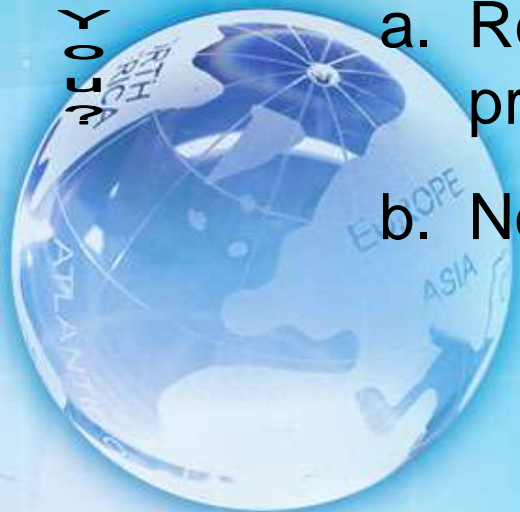
Is Your Bank a 90 - 10 Bank?

1. The Concentration/Profitability Principle

- a. As much as 90% of your profits may come from 10% of your clients.
- b. Most of your cross-selling is done to the 90% of your clients who only represent 10% of your profits.
(*Volume, Volume, Volume!*)

2. This Bank rewards **Un**profitability

- a. Relationship managers are remunerated for productivity not profitability (just sell, sell, sell).
- b. No one knows what a profitable client looks like.



What we Treasure...We Measure

1. Do the homework and learn which customers are making you the most bottom line profit.
2. Change your approach with the low profit clients.
3. Make what is private public...let your team know which customers are profitable to the bank. Get everyone focused on the profitable relationships. (Also, know which relationship managers represent what % of your bottom line **PROFIT**...reward them accordingly.)
4. Use your own profitability numbers...what is profitable for you may be a real drag to your competitors. (Get professional help)



Let's Talk about # 2

1. Train staff to recognize a profitable customer.
2. Up-sell the profitable customers.

Now what do you do with the not-so-profitable customers?

1. Train staff to recognize the **not so profitable** customers (I.e. Rapid growth, emerging companies with limited capital, companies with questionable earnings trend, companies with payroll tax problems, cyclical or seasonal spikes).
2. Migrate the not so profitable customers into a lower-risk/higher-profit product.



CASE STUDIES

Four Cases



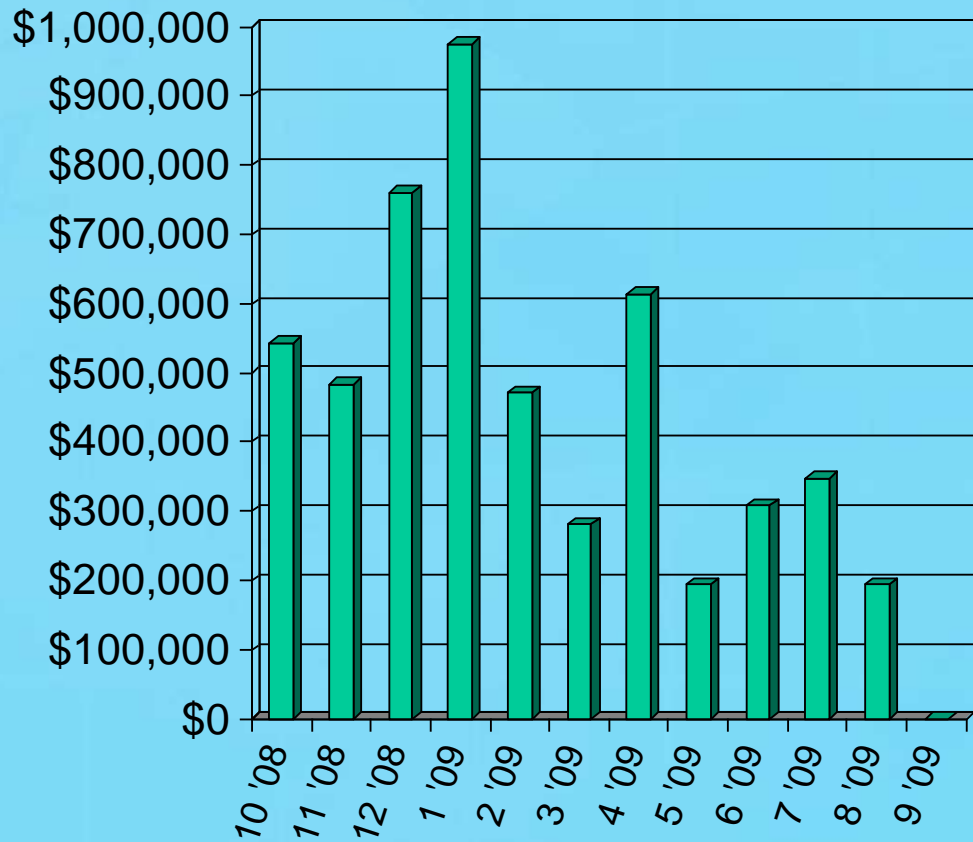
Industrial Importer

- **Contract Amount** • **\$1,250,000**
- **Contract Date** • **January 2004**
- **Total Current Outstanding** • **\$525,316.37**
- **No. of Seller-Debtors** • **1**
- **Invoices Factored last 365** • **106**
- **\$\$\$ Factored last 365** • **\$5,179,179.80**
- **\$\$\$ Paid last 365** • **\$4,307,801.98**
- **Average Outstanding** • **\$888,782.15**
- **Average Days Out** • **46**



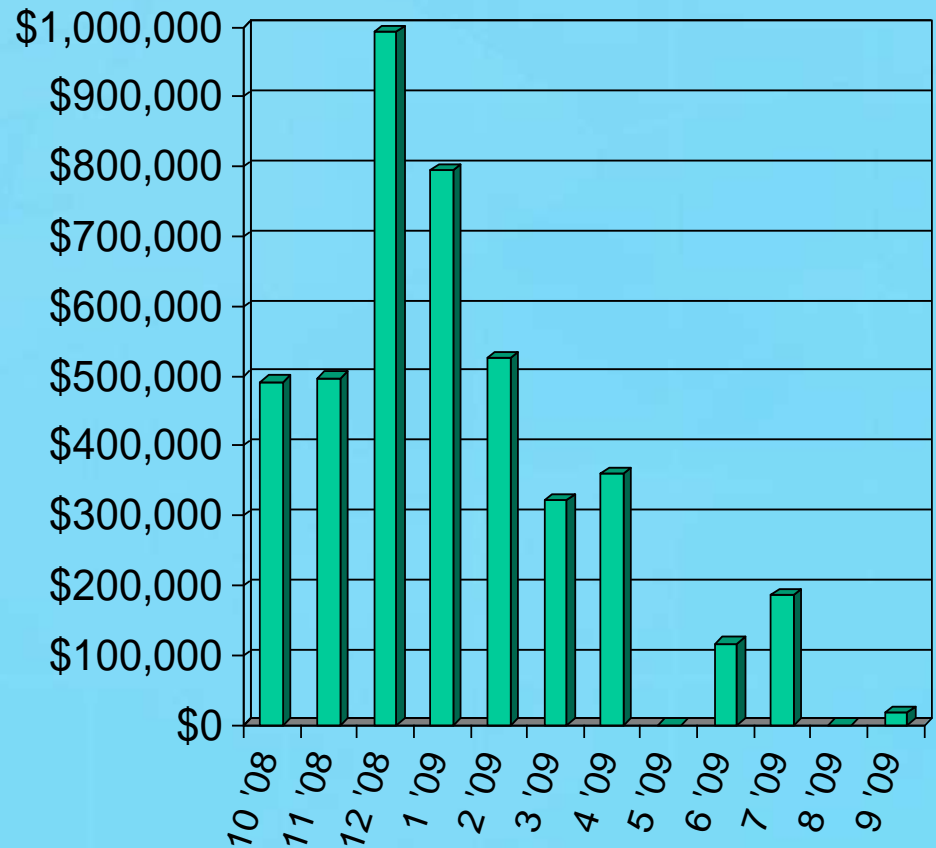
Industrial Importer

Month	Total Fundings
Oct '08	\$543,762.67
Nov '08	\$484,047.63
Dec '08	\$760,825.84
Jan '09	\$975,104.31
Feb '09	\$472,376.53
Mar '09	\$281,420.07
Apr '09	\$613,724.24
May '09	\$195,255.29
Jun '09	\$309,474.62
Jul '09	\$348,267.71
Aug '09	\$194,920.89
Sep '09	\$0.00



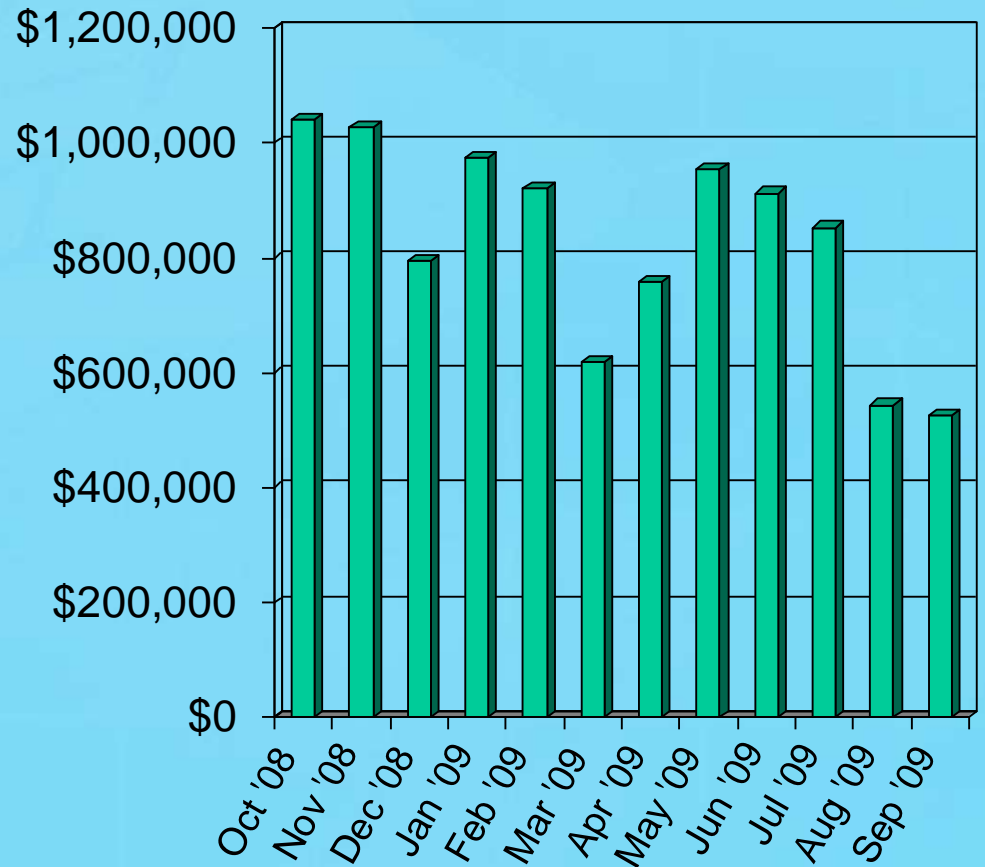
Industrial Importer

Month	Payments Rcvd
Oct '08	491937.98
Nov '08	497554.89
Dec '08	993480.98
Jan '09	795155.15
Feb '09	525071.02
Mar '09	321951.74
Apr '09	360561.63
May '09	0
Jun '09	117447.15
Jul '09	186669.2
Aug '09	0
Sep '09	17972.23



Industrial Importer

Month	EOM A/R Outstdg
Oct '08	\$1,041,317.56
Nov '08	\$1,027,810.30
Dec '08	\$795,155.16
Jan '09	\$975,104.31
Feb '09	\$922,409.82
Mar '09	\$618,237.43
Apr '09	\$758,864.32
May '09	\$954,119.61
Jun '09	\$913,264.95
Jul '09	\$852,997.62
Aug '09	\$543,188.60
Sep '09	\$525,216.37

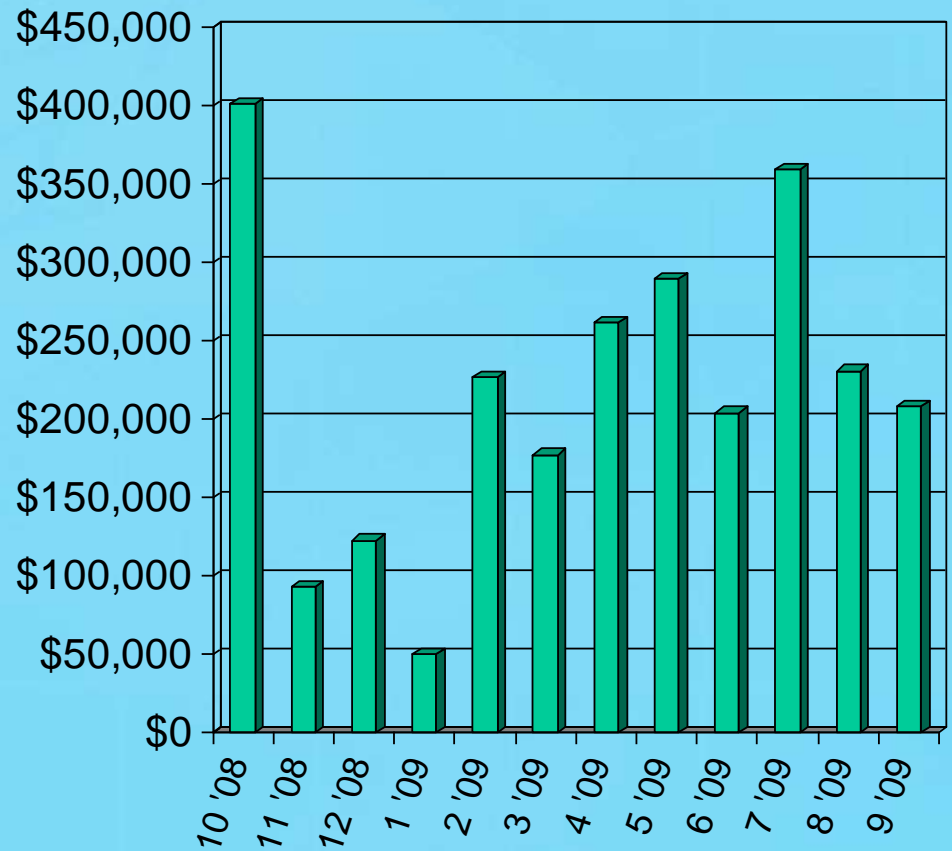


Building Maintenance Services

- **Contract Amount** • **\$1,200,000**
- **Contract Date** • **September 2006**
- **Total Current Outstanding** • **\$270,206.93**
- **No. of Seller-Debtors** • **13**
- **Invoices Factored last 365** • **416**
- **\$\$\$ Factored last 365** • **\$2,624,216.11**
- **\$\$\$ Paid last 365** • **\$2,278,650.32**
- **Average Outstanding** • **\$236,825.03**
- **Average Days Out** • **23**

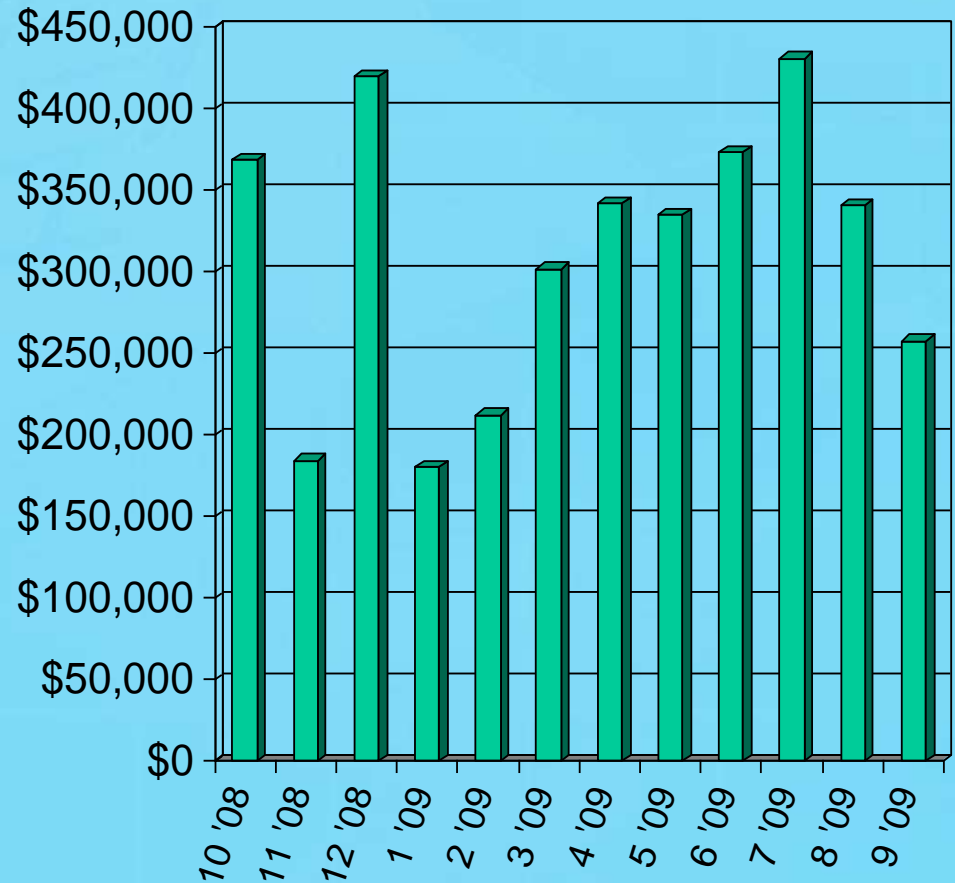
Building Maintenance Services

Month	Total Fundings
Oct '08	\$401,071.57
Nov '08	\$92,753.36
Dec '08	\$122,734.55
Jan '09	\$49,534.17
Feb '09	\$226,608.64
Mar '09	\$177,192.93
Apr '09	\$261,673.65
May '09	\$289,486.49
Jun '09	\$204,065.39
Jul '09	\$359,673.99
Aug '09	\$231,079.95
Sep '09	\$208,341.42



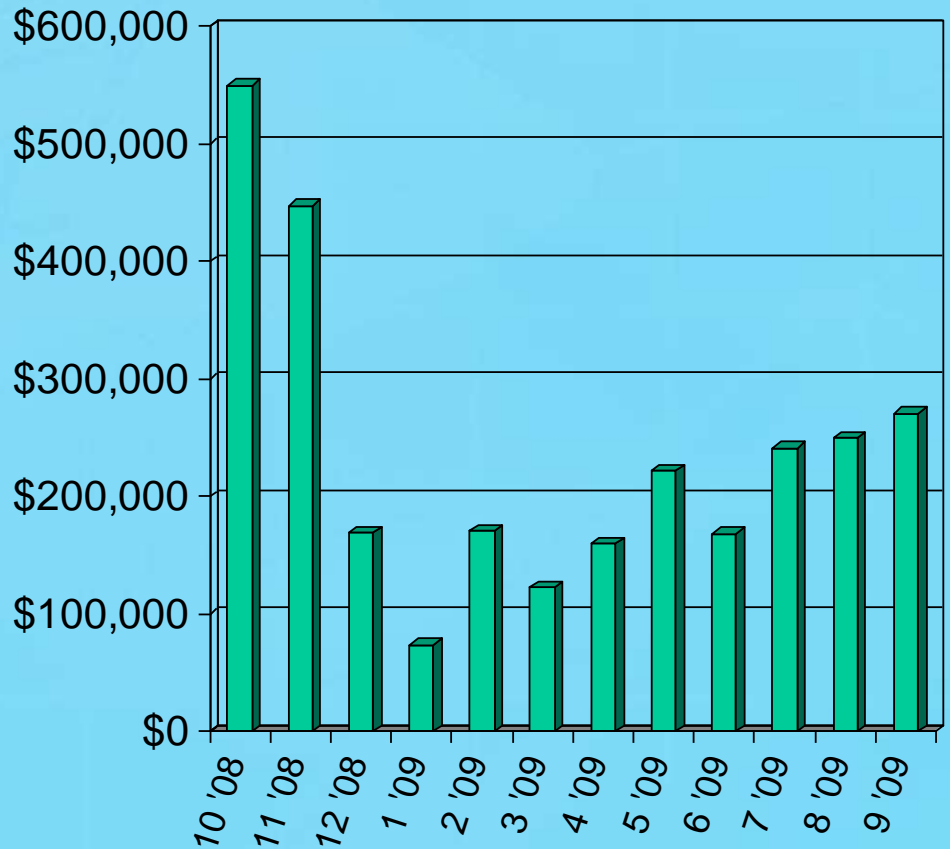
Building Maintenance Services

Month	Payments Rcd
Oct '08	368616.94
Nov '08	184187.29
Dec '08	420248
Jan '09	180413.61
Feb '09	212093.4
Mar '09	301958.22
Apr '09	342302.34
May '09	335196.28
Jun '09	373275.38
Jul '09	430874.28
Aug '09	340630.24
Sep '09	257483.43



Building Maintenance Services

Month	EOM Outstdg
Oct '08	\$550,287.28
Nov '08	\$447,448.25
Dec '08	\$169,111.23
Jan '09	\$73,061.35
Feb '09	\$170,717.74
Mar '09	\$122,351.90
Apr '09	\$159,670.78
May '09	\$221,325.04
Jun '09	\$167,735.72
Jul '09	\$240,809.09
Aug '09	\$249,175.10
Sep '09	\$270,206.93

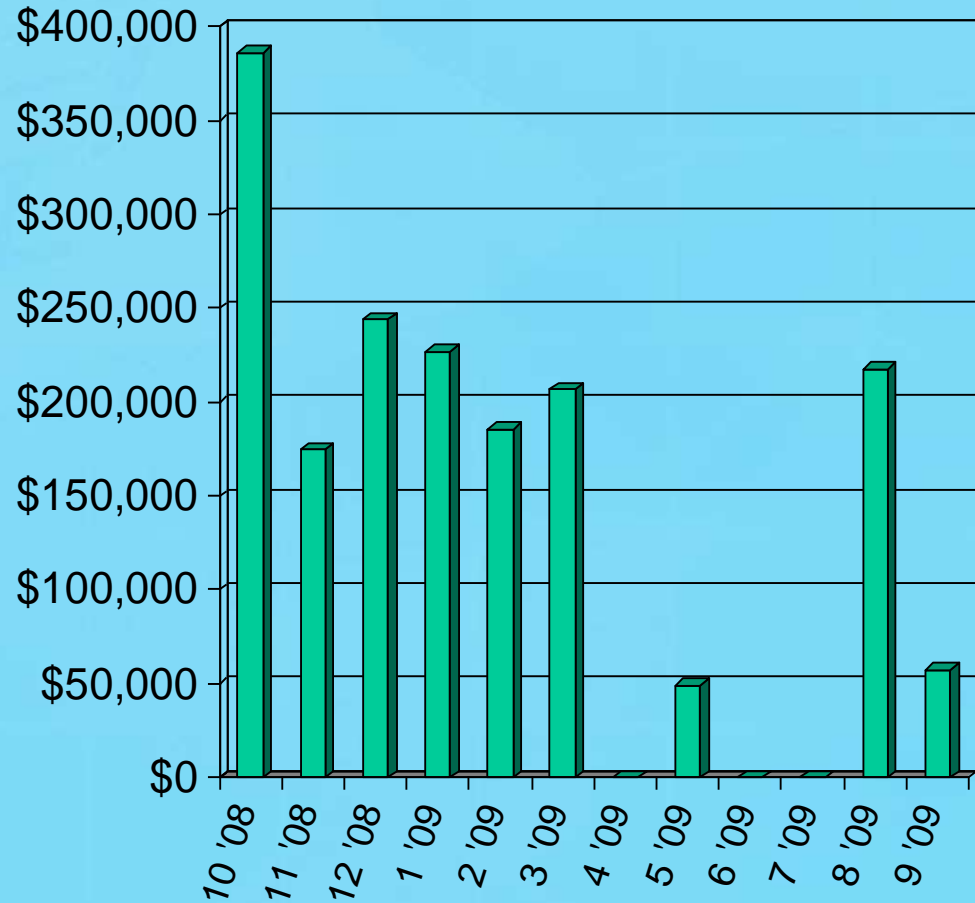


Rebar Installation

- **Contract Amount**
 - **Contract Date**
 - **Total Current Outstanding**
 - **No. of Seller-Debtors**
 - **Invoices Factored last 365**
 - **\$\$\$ Factored last 365**
 - **\$\$\$ Paid last 365**
 - **Average Outstanding**
 - **Average Days Out**
- **\$500,000**
 - **January 2007**
 - **\$98,133.68**
 - **8**
 - **47**
 - **\$1,748,772.16**
 - **\$1,901,813.19 (OP's)**
 - **\$200,735.04**
 - **38**

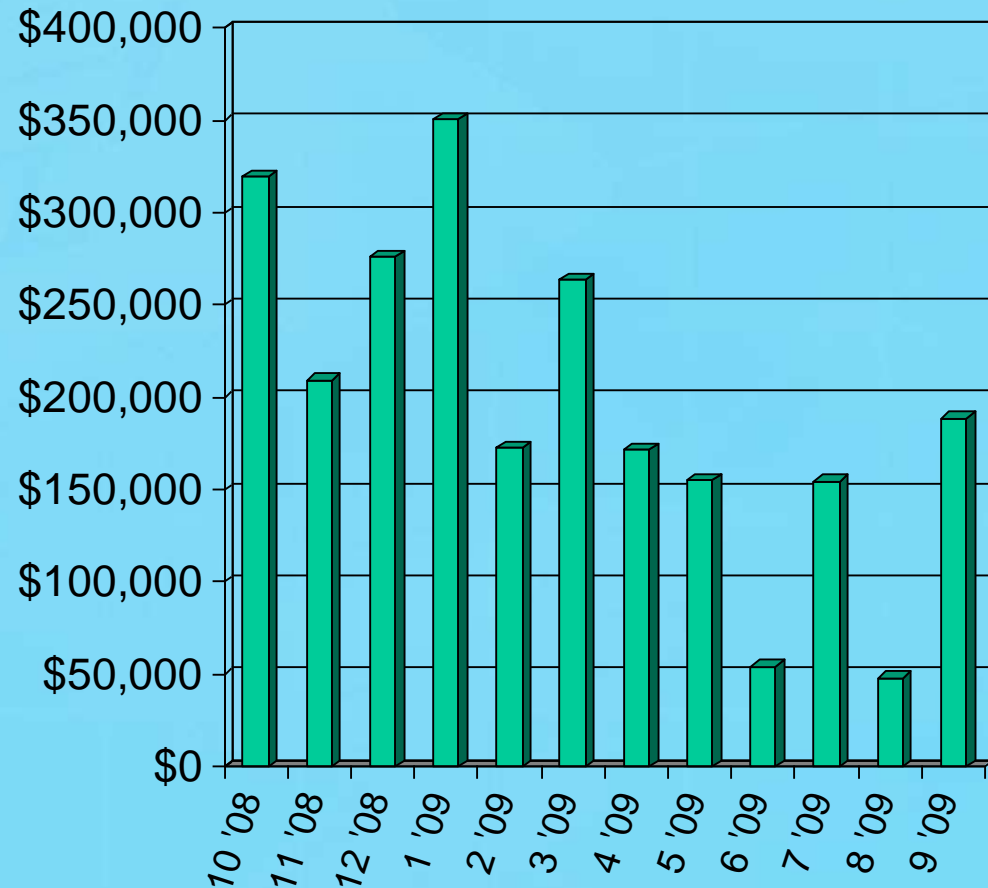
Rebar Installation

Month	Total Fundings
Oct '08	\$386,425.63
Nov '08	\$174,513.62
Dec '08	\$244,183.28
Jan '09	\$226,960.50
Feb '09	\$185,716.00
Mar '09	\$207,011.09
Apr '09	\$0.00
May '09	\$48,882.62
Jun '09	\$0.00
Jul '09	\$0.00
Aug '09	\$217,801.57
Sep '09	\$57,277.85



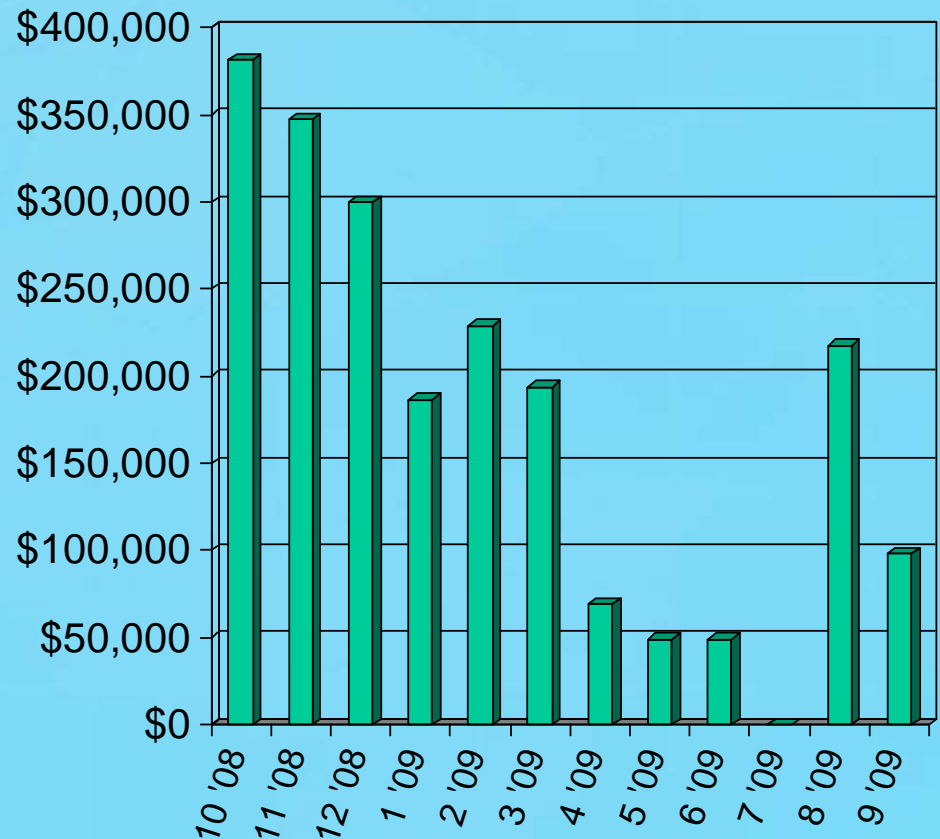
Rebar Installation

Month	Payments Rcd
Oct '08	\$319,708.08
Nov '08	\$209,402.89
Dec '08	\$276,124.13
Jan '09	\$350,574.97
Feb '09	\$172,480.45
Mar '09	\$263,400.01
Apr '09	\$171,612.03
May '09	\$154,883.68
Jun '09	\$54,058.95
Jul '09	\$154,310.06
Aug '09	\$47,828.57
Sep '09	\$188,708.06



Rebar Installation

Month	EOM Outstdg
Oct '08	\$381,630.01
Nov '08	\$347,656.41
Dec '08	\$299,942.28
Jan '09	\$186,397.57
Feb '09	\$229,033.00
Mar '09	\$193,802.69
Apr '09	\$69,219.92
May '09	\$48,882.62
Jun '09	\$48,882.62
Jul '09	\$0.00
Aug '09	\$217,801.57
Sep '09	\$98,133.68

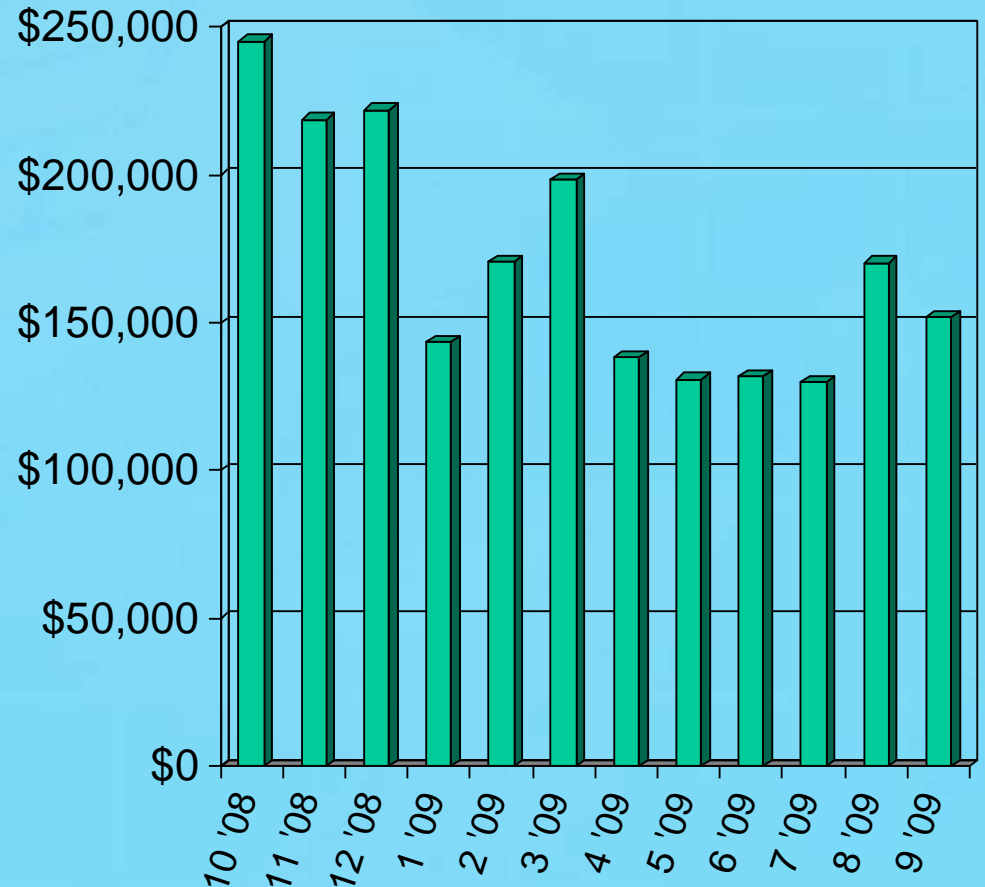


Delivery Service

- **Contract Amount**
 - **Contract Date**
 - **Total Current Outstanding**
 - **No. of Seller-Debtors**
 - **Invoices Factored last 365**
 - **\$\$\$ Factored last 365**
 - **\$\$\$ Paid last 365**
 - **Average Outstanding**
 - **Average Days Out**
- **\$350,000**
 - **October 2003**
 - **\$111,357.50**
 - **11**
 - **7,409**
 - **\$2,051,592.63**
 - **\$1,862,354.16**
 - **\$173,670.74**
 - **21**

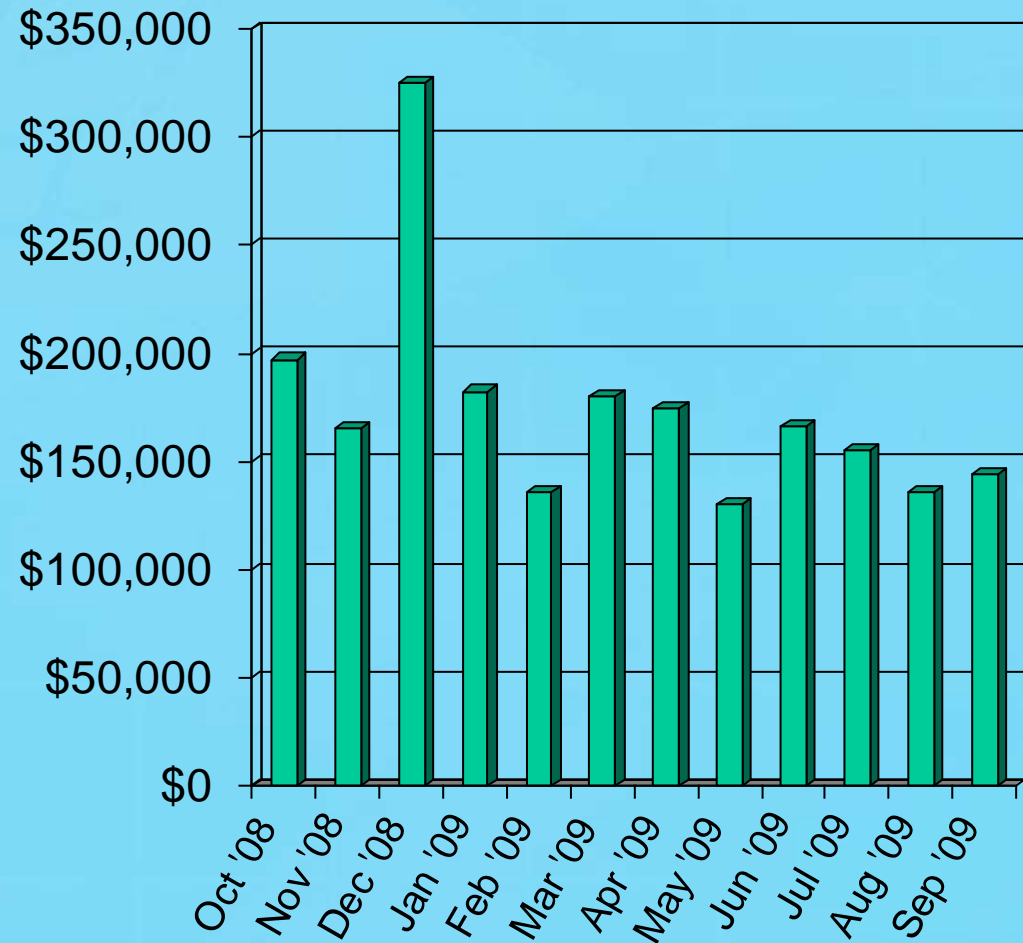
Delivery Service

Month	Total Fundings
Oct '08	\$245,193.75
Nov '08	\$218,716.75
Dec '08	\$222,163.50
Jan '09	\$143,262.00
Feb '09	\$170,552.50
Mar '09	\$198,442.58
Apr '09	\$138,432.00
May '09	\$130,856.75
Jun '09	\$131,816.30
Jul '09	\$129,892.50
Aug '09	\$170,238.50
Sep '09	\$152,025.50



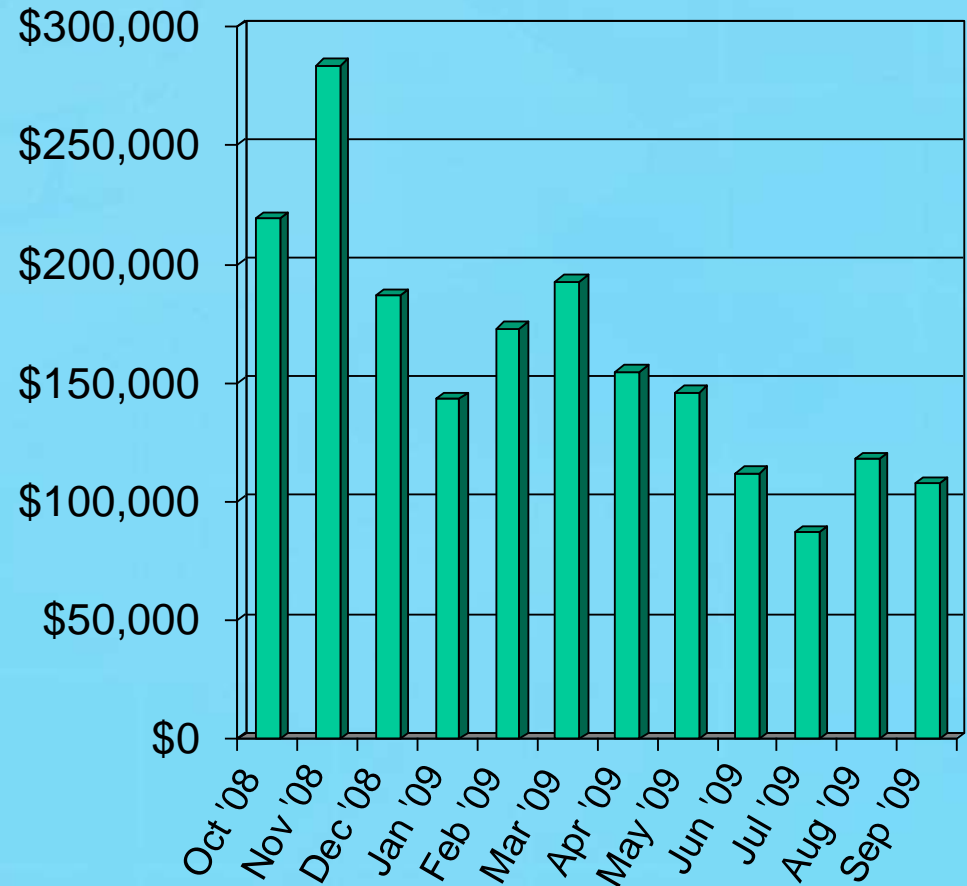
Delivery Service

Month	Payments Rcd
Oct '08	\$197,273.30
Nov '08	\$165,452.16
Dec '08	\$324,870.55
Jan '09	\$182,282.30
Feb '09	\$135,958.70
Mar '09	\$179,821.95
Apr '09	\$174,287.90
May '09	\$130,454.20
Jun '09	\$166,268.46
Jul '09	\$155,171.68
Aug '09	\$135,774.50
Sep '09	\$143,821.20



Delivery Service

Month	EOM Outstdg
Oct '08	\$219,066.25
Nov '08	\$283,801.75
Dec '08	\$186,793.00
Jan '09	\$143,382.00
Feb '09	\$172,910.00
Mar '09	\$192,752.58
Apr '09	\$154,819.58
May '09	\$146,076.75
Jun '09	\$112,074.50
Jul '09	\$86,885.00
Aug '09	\$117,952.50
Sep '09	\$107,695.00



Capital Growth is the current MANTRA

There are only so many ways to increase Capital.

Some are familiar but some are definitely new.

Profitable clients increase capital.

Profitable culture increases capital.

New sources of fee income will increase capital.

There are hidden advantages, if we know where to look.

Our focus has been *forced* to change by outside events.



Now we make this work for us!