Business Trends and Cash Management Innovations

Marcus von Kapff
Senior Vice President, Head of Small Business Treasury Services

Felicia Mupo
Vice President and Product Specialist

March, 2006
Today’s Learning Objectives

- Identify three emerging trends in cash management
- Understand how these trends translate to cash management efficiency
- Hear about a Chase cash management innovation that will revolutionize the way you work with your bank
Emerging Trends in Cash Management

- Branchless Banking
  - Businesses have reduced their reliance on the branch

- Electronic Payments
  - Businesses are using less paper checks

- The Paperless Office
  - Businesses are using imaging technology to reduce dependence on traditional paper storage
Trend — Branchless Banking

- Small Business customers have decreased use of the branch by over 20% in the last 4 years
- . . . making the branch the focal point for less than half of all bank interactions

Source: Barlow Research Associates 2005 Survey of Small Business Banking
Trend — Electronic Payments

- Electronic payments have overtaken checks as the predominate payment type

- Small businesses continue their rapid adoption of ACH and Wire

Source: Federal Reserve; TNS NFO Financial Services Survey; Barlow Research Associates
Trend — The Paperless Office

- 29% of companies with less than 100 employees plan to increase spending on document imaging in 2006.

- Companies are also saying they plan to significantly increase their usage of imaging solutions to reduce costs and increase data accessibility.

Source: Intelligent Enterprise 2005 Survey; Global Concepts 2005 Survey of small to medium sized companies
Achieving Cash Management Efficiency

<table>
<thead>
<tr>
<th>Latest Trend</th>
<th>Opportunity For Your Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branchless Banking</td>
<td>• Online reporting</td>
</tr>
<tr>
<td></td>
<td>• Online transaction initiation</td>
</tr>
<tr>
<td>Electronic Payments</td>
<td>• Payments and collections with ACH &amp; Wire</td>
</tr>
<tr>
<td></td>
<td>• Payroll using prepaid cards</td>
</tr>
<tr>
<td></td>
<td>• Card solutions for business spending and travel</td>
</tr>
<tr>
<td>The Paperless Office</td>
<td>• Bank processing of customer receivables</td>
</tr>
<tr>
<td></td>
<td>• Internet or CDROM for storing and retrieving checks and information</td>
</tr>
</tbody>
</table>

© 2006 JPMorgan Chase & Co. All rights reserved. JPMorgan Chase Bank, N.A. Member FDIC
A Chase Innovation

- Branchless Banking
- Electronic Payments
- The Paperless Office

Image Deposit Direct
Traditional Deposit Process

Day 1
- Receive checks
- Prepare deposit and drive to branch

Day 2
- Teller processes

Day 3
- Bank transports to back-office

Day 4
- Checks processed
  - Transported to various Federal depositories
  - Cash letters prepared

Day 5
- Check image presented to customer’s bank

Day 6
- Funds available

Up to 6 Days Processing Time
**Improved Deposit Process**

**Day 1**
- Receive checks
- You scan and transmit
- Processed, deposited and stored

**Day 2**
- Check image presented to customer's bank
- Funds available

**Little as 2 Days Processing Time**
Benefits of Image Deposit Direct

- Save Time
  - Reduce deposit prep time
  - Avoid trips to the branch
  - Search and retrieve check images electronically
  - Identify return items sooner
  - Funds available sooner

- Save Money
  - Less risk of employee fraud
  - No expense associated with trips to branch
  - Reduce fees by consolidating deposits
  - Lower return check fees
Benefits of Image Deposit Direct (cont’d)

Streamline Operations and Improve Cash Flow

- Funds available sooner
- Identify return items quicker
- Transmit checks at anytime
- Process higher volumes
- Avoid holding checks overnight
- Consolidate data and images for check and electronic payments
- No need to photocopy and store checks
- Reduce risks associated with trip to the branch
- Predictable check clearing patterns
- Detailed reports online
Typical Image Deposit Direct User

- Make deposits after typical banking hours
  - Product Distributor
- Make photocopies of checks for record keeping
  - Doctor Office
- Deposit a high volume of checks each month
  - Service Company
- Receive checks from out-of-state customers
  - Manufacturing Company
- Have multiple locations receiving check payments
  - Title Company
- Not located close to a branch
  - Any Company
Solution Profile

- Revolutionary image-based technology
- Windows-based software
- Uses a PC and scanning device located at your business
- Allows users to scan checks from any location and transmit images to single or multiple accounts for deposit
- Online images of checks and associated documents via secure Web site
- Summary- and transaction-level detail reports with clearing information available on a next-day basis
- Electronic files for updating accounts receivable programs are available on a same-day basis
Why Chase for Cash Management?

- Cash management professionals who understand the unique needs of small businesses
- Ability to deliver local expertise with the scale and strength of a global bank
- Industry leadership and innovation
- Heavy in-house investment in technology and infrastructure
Business Trends and Cash Management Innovations
This presentation was prepared exclusively for the benefit and internal use of the JPMorgan Chase client to whom it is directly addressed and delivered (including such client’s subsidiaries, the “Company”) in order to assist the Company in evaluating, on a preliminary basis, certain products or services that may be provided by JPMorgan Chase. This presentation contains information which is confidential and proprietary to JPMorgan Chase, which may only be used in order to evaluate the products and services described herein and may not be disclosed to any other person. In preparing this presentation, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of the Company or which was otherwise reviewed by us.

This presentation is for discussion purposes only and is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by JPMorgan Chase. Neither this presentation nor any of its contents may be used for any other purpose without the prior written consent of JPMorgan Chase. JPMorgan Chase makes no representations as to the legal, regulatory, tax or accounting implications of the matters referred to in this presentation.

Notwithstanding anything in this presentation to the contrary, the statements in this presentation are not intended to be legally binding. Any products, services, terms or other matters described in this presentation (other than in respect of confidentiality) are subject to the terms of separate legally binding documentation and/or are subject to change without notice.

Neither JPMorgan Chase nor any of its directors, officers, employees or agents shall incur any responsibility or liability whatsoever to the Company or any other party in respect of the contents of this presentation or any matters referred to in, or discussed as a result of, this document.

JPMorgan Chase is a marketing name for treasury services businesses of JPMorgan Chase Bank, N.A. and its subsidiaries worldwide.

JPMorgan Chase is licensed under U.S. Patent Numbers 5,910,988 and 6,032,137.

© 2006 JPMorgan Chase & Co. All rights reserved.