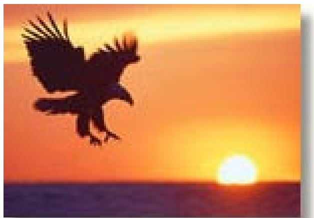

Eagle Net

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Fireside Chat with Judy Johnston
Senior Vice President & Chief Operating Officer
Where Eagles Soar Inc.

I don't know about you, but over the last few years I have become extremely conscious of the service, care, devotion - call it what you may - that I receive whether it be at a gas station, supermarket, restaurant or my bank, to name a few. Do I need to go back to a restaurant where I have ordered a Perrier which when served is flat and the waitress whom I ask for another drink tells me "Well, that's too bad, it was a new bottle"? ***Why would I?*** There are good restaurants on every corner in Sydney, Australia, and I was happy to get up, cancel my dinner order and go to another one.

Or do I need to go back to a supermarket where I return chicken with packaging and labeling, clearly identifying the supermarket, still intact, bought one day earlier, because when opened it was obviously not fresh only to be told "you don't have a receipt so we're not exchanging the chicken or refunding your money"? ***You bet not***. Even after being a loyal customer for 17 years, I actually drive an extra half hour now to get my groceries, and to top it off this supermarket not only lost my business but that of my family and close friends as well.

So, do you think I am different to your customers and members? ***No, I don't think so.*** There are so many options out there now for us to do our banking that service has really become the major differentiator. And what does all the research that we at Where Eagles Soar Inc. tell us about what customers and members want? They want to be cared for, they want to feel special, and the persons that have the ability to do this more than anyone else, are those that they encounter on a day-to-day basis, your tellers.

WESI has done proprietary Channel Preference Research for over 10 years and in the results of all studies, covering a number of countries, consumers are quite explicit in stating that branch tellers are their primary contacts for new product information and service recommendations. In fact, the tellers are generally rated well ahead of platform sales people and branch management as their relationship contacts.

So, do you know how your tellers feel about their jobs? Are they considered to be the lowest people on the totem pole? "I'm only a teller". I'm sure you've heard that somewhere along the way, and that is what has to change.

In a recent article in CUNA's Credit Union Magazine entitled "Changing Faces" by Beth Stetenfeld, dealing with teller turnover, a senior vice president of HR for a large credit union pointed out that members don't like to see new faces and when most credit unions measure the cost of turnover, quality of service never hits the radar screen. Tellers are always aspiring to move into more senior positions leaving a gap at the front line. A teller focus group put together to identify issues and concerns came back with some surprising findings reported this senior vice president. He said, "Our tellers are critical to us. Most people remember their tellers. They have a greater impact on the member satisfaction level than anybody. "Pay wasn't the No. 1 issue," he said. Lack of respect and recognition were top issues identified as reasons tellers left. His credit union maintains a member satisfaction level of 98% to 99% and recognizes tellers' critical role in maintaining that standard. "What group of employees has the greatest impact on member satisfaction day in and day out? It's tellers", he says.

The president/CEO of another large credit union adds, "I've always thought the banking industry misses a great opportunity". He maintains banks often treat front-line employees as second-class citizens. But it's time to recognize their importance. "Our front-line staff ***is*** the credit union to the members."

So here's the challenge. Shouldn't the employees that have the most impact on your customers and members be the best, most knowledgeable and most experienced? Shouldn't they be well recognized, rewarded and compensated? ***Of course they should!***

Have a fireside chat with your tellers. Let them tell you what their issues and concerns are and how they would like to see their jobs evolve. Learn from the people whom your customers and members trust and who ultimately hold the future of your organization in their hands.

... Judy Johnston

WEB 2.0 APPLICATIONS GROW

Late last year, Mark Palmer, founder of PeopleWerx Inc. and an expert in knowledge management, contributed an article to the Net on Web 2.0. Hopefully you read it or are familiar with this strategic reality, which is already creating substantial new wealth.

Executives in the financial service industry need to wrap their minds around this new person-to-person world, which we have seen already with YouTube. What about social lending? It is in the UK, USA and Europe with start up targeted for Canada in the latter part of 2007. Basically, a Web 2.0 utility is set up to allow people to lend and borrow from each other individually or through groups. It's like the eBay of borrowing.

In the UK, Zopa is the peer-to-peer Internet loans marketplace. Prosper is the site in the USA with expectations to surpass 100,000 loans per year in four years. The Netherlands now has Boober (www.boober.no) with 0.5 fees to borrowers and lenders plus a credit rating determination fee of about $30.00 Cdn. charged to the borrower. Germany has launched Amava (www.smava.de) where borrowers pay a 1% fee and a $15 Cdn. credit check charge. Soon Canada will have Community Lend (www.communitylend.com). Watch this!

To understand Web 2.0 and social lending, contact WESI or Mark Palmer directly at contact details below.

BLOGGING FOR BANKERS
(A contribution from our Alliance Partner, Mark Palmer, PeopleWerx)

Why should bankers be interested in blogging? Do bankers need to be more connected to their customers? Their employees? Do they need a competitive advantage? What do you think?

Over the past few years, the blogging phenomenon has successfully transformed marketing and media by giving the average person the power of push-button publishing.

Blogs have become the predominant online communication tool to enable you to connect to your prospects, clients, colleagues, and your competitors. It allows you to engage in a two-way conversation gaining insight and feedback from your audience and increase your brand.

So, just what is this blog thingy? A blog is an online version of the traditional journal. It is an instantly, frequently, and easily updated website that empowers users at all technical levels to publish online. Blogs can be secure and private for internal communications or they can be public facing communication channels that engage your target audience. They can be made up of long thought provoking entries or they could be simple one or two liners with a link to some useful information.

How could you apply blogs to your business?

Most banks or credit unions have yet to really pursue a public blogging strategy. However, it should be a strategy seriously considered as a means to help your company stand out amongst the competition.

The CEO blog is a mainstream application of corporate blogging today (aside from independent bloggers) and is mostly utilized by technology CEO's. The CEO blog helps personalize the company to its customers and prospects. It helps connect the top brass with the grassroots, it humanizes the company. A CEO blog will also greatly benefit CEOs through customer feedback that helps them stay on top of their own organization.

As an external communication channel, blogging enables you to truly connect with your customer base. Blogs are a great way to let customers know about what is going on in your company, new product launches, customer education regarding your products and services, news relating to your industry that has customer impacts, and much more.

Think of using blogs to give your investment advisors an online face or to connect with your mobile sales reps. Product managers use blogs to educate customers on mortgages, loans, deposits, and more. You could also use the blog to test new product and service ideas to increase your likelihood of success by the time you launch.

Internally, blogs can offer a great channel for communicating to your employees on all aspects of the company. Keeping employees up to date on financial performance, HR policies, sales performance and more. You can also use blogs for managing head office projects, communicating updates and highlighting success stories.

Blogs can be useful in monitoring your competition. Product managers can post competitors features and benefits and offer suggestions on how to position your products against the competition. Staff could also easily add new information based on local market initiatives that they have spotted. From a simple blog tool, you now have enabled hundreds, if not thousands of eyes to help you keep tabs and respond to competitive pressures – how about that?

Who reads blogs?

- Blog readers are older, more than half are over the age of 30
- Blog readers have money to burn. 75% make more than U.S. $45,000
- Blog readers shop online for everything. They are web savvy, making them great targets for online banking.
- Blog readers are passionate and have initiative. (Channel that passion and initiative to your benefit).
- Blog readers are influential opinion makers.

Why should you consider blogging?

Aside from the benefits outlined throughout this article, banks and credit unions have invested lots of money over the past 10 years towards building strong customer/member relationships. I believe that blogs now offer you the best way to communicate with your customers/members and strengthen those relationships that already exist and help develop new relationships.

Blogs will also increase the "findability" of your website potentially generating more prospects and sales. Blogs can be developed to target and attract specific audiences that you wish to have in your client portfolio, helping you to nurture existing demographics and develop others.

Blogs can position you as the filter – we all know how overwhelming the Internet and its vast sea of information can be – what if you became your clients' filter?

Your blog or blogs could be their filter that they seek out when looking for answers. Think of the information your customers/members need to succeed in their personal and business lives. Most likely they will not have the time to sift through hundreds of magazines and websites each month to get the information they want and need. You could provide an information blogging service on specific topics of interest, industry trends and other news of interest. Your clients' success often translates into your success – doesn't it?

Think of your blog as the sales brochure that never ends! As the communication channel that keeps on giving!

PeopleWerx helps organizations create the 2.0 enterprise through our boot camp programs and leveraging emerging technologies such as blogs, wikis, and other online publishing tools.

If you have any questions regarding blogging or other social media applications, please get in touch with me at mpalmer@peoplewerx.com or 905-319-7184

…Mark Palmer, President & CEO, PeopleWerx Inc.

<u>SEXY SELLS, SENIOR DOESN'T</u> (Toronto Star, Feb. 3/07)

Aging, active boomers are the targets of most financial institutions today and their strategies need to appreciate these "youthful" consumers who are making marketers think differently on how to package and sell products and services. Aging boomers want convenience, luxury and platinum status without relinquishing their claim on sex, drugs and rock 'n' roll. They want the comforts without giving up any pleasures and peccadilloes of youth, including Harley Davidson's. In Canada, the over 50 segment already spends more than any other group and own half the credit cards in the country. They are into health and fitness, anti-wrinkle creams, pharmaceuticals, travel, recreation, cosmetic surgery, spas, resorts and condos. They want to be recognized as active, adventurous, attractive and sexual. Don't call them seniors! "Boomers" is a word that still carries the status of a select and powerful cohort.

<u>OTTAWA INVESTIGATES ATM FEES</u>

A parliamentary committee is investigating ATM fees. Although banks were singled out earlier, the politicians have now been informed the white-label machines (35,000+) out number bank owned ones (15,950). Charges on white-label range from $1.50 to $6.15 on a $20 transaction whereas bank machines are "0" to $4.65. White-label machines are outside the banking system so Ottawa has no regulation powers there.

<u>SCOTIABANK CONTINUES INTERNATIONAL EXPANSION & SUCCESSES</u>

A 10% interest in First Bancorp of Puerto Rico establishes a future foundation for expansion.

<u>BMO'S NEW HEAD ANNOUNCES FOCUSES</u>

Bill Down replaces CEO Anthony Comper and commits to a $135 million restructuring, 1,000 back office job cuts, and a boost in service.

BMO CURRENCY CONVERSION FEE LAWSUIT

An ex-employee is leading a legal action against BMO Nesbitt Burns for unauthorized fee – heavy foreign exchange charges on registered retirement accounts. This is a $100 million class action.

BMO CREDIT CARDS COMPROMISED

It appears that credit cards issued through BMO are involved with fraudulent transactions in Florida, connected to the T.J. Maxx and Marshall stores in the USA and the Winners and HomeSense Stores in Canada, where card data was breached late last year.

CREDIT CARDS ATTRACT BAD PRESS

Besides 18% to 20% interest rates, credit cards have been highlighted in the media for adding extra fees and changing the interest calculations. BMO, RBC & CIBC are identified with the latter but also Amex Bank, Citibank, MBNA Canada and Wells Fargo Financial Corp. are using the new method, which increase charges for two months when the balances aren't paid in full. Some (Sears) charge $25 on credit balances!

CANADIAN BANKS ARE QUESTIONED ON INVESTMENTS

TD Canada Trust and RBC Financial Group were targeted in a report by the Association of Community Organizations for Reform Now (ACORN) for supporting predatory lending. Specifically, the report highlighted investments in payday loan and sub-prime operations. The banks in question challenged the accuracy of the ACORN report.

BANK OF WAL-MART

US politicians believe that Wal-Mart is hiding its true plans for banking services. Wal-Mart is asking for approval to open a limited bank for processing payment instruments.

The supermarket competitor Kroger has been marketing financial services and the industry is starting to take notice. In Canada,
Wal-Mart's competitor, Loblaw, has the President's Choice Bank, with over a million customers. We have noticed recent branch closures in some stores as Loblaw face a myriad of merchandising problems.

WHAT CUSTOMERS WANTED 10 YEARS AGO (US BANKER DEC. 1997)
(Dove Associate Tony Hayes)

- Aren't prepared to do business with a bank where they don't know someone
- Want to use all of the delivery channel options
  (Attracted to the reassuring presence of branches – even if they don't use them as much)
- The branch focus should be as a sales location rather than a service location
- Look to computer banking to grow significantly

Note: Customers don't change that quickly and their preferences need to be uncovered and satisfied insofar as delivery of financial services is concerned.

USA 2006 IBT/MCA MARKET PULSE SURVEY HIGHLIGHTS

Consumers FI Relationships

Banks	84% (69% of adults say a bank is their PFI)
Credit Unions	40%
Se./Invest. Inst.	28%
Mortgage Co.	21%
Insurance Co.	10%
Savings & Loan	9%
Independent Professional	6%
Check Cashers	5%
Finance Co.	4%

Note: CUNA information shows 29.5% of population is credit union members. Gartner Leaders Toolkit says 68.3 million American adults don't bank online due to preferences, security concerns or lack of use.

US CREDIT UNION MERGER ACTIVITY 2006

By Asset Size

<$10M	197	(70.1%)
$10M – $50M	55	(19.6%)
$50M - $100M	14	(5.0%)
$100M+	15	(5.3%)

US CREDIT UNION MEMBERSHIP PENETRATION BY AGE (CUNA)

All US adults	32%
18 – 34	23%
35 – 44	33%
45 – 54	41%
55 – 64	41%
65+	28%

US BUSINESS ISSUES FOR CONTINUED BANK SUCCESS

(Grant Thornton)

Retaining Deposits	94%
Attracting new business customers	94%
Developing new sources of revenue	87%
Enhancing use of technology to improve productivity	84%
Finding adequate funding resources	77%
Planning for management succession	59%
Corporate Governance	51%
Offering non-traditional financial services	39%

TOP CREDIT UNIONS IN RETURNS TO MEMBERS – USA

Callahan & Associates developed a Return of the Member (ROM) index as an attempt to calculate value received by members. The top credit unions and their scores are as follows:

1. Orange Country Teachers (CA)	99.11*
2. BECU (WA)	98.21
3. Pentagon (VA)	97.32
4. OnPoint Community (OR)	96.43
5. Digital (MA)	95.54
6. Suncoast Schools (FL)	94.64
7. Redwood (CA)	93.75
8. Lockheed (CA)	92.86
9. Eastman (TN)	91.96
10. Northwest (VA)	91.07

*Out of 100 a combination of return to savers, return to borrowers, and members service usage. The latter measures sales and service effectiveness.

MORTGAGE FORECLOSURES ATTRACT U.S.A. POLITICAL ATTENTION

The subprime mortgage market in the US took off in recent years but now with weak economic conditions, late payments (13.33%) and the delinquency rates (14.44%) have grown with this segment. Obviously foreclosures followed. US Congress and Senate are looking at the situation. Entering the subprime market for most lenders was an opportunity not well thought through as prudent lenders. First, to have a subprime strategy necessitates adjusting the whole process and set of principles around the segment dynamics e.g. higher unemployment propensity, cyclical job erosion and minimal contingency cash reserves. Knowing these dynamics requires policy adjustments from drawdowns to foreclosures. Second, lending into the subprime segment has a greater education responsibility attached to it.

Customers need financial institutions to help them learn about financial planning, pitfalls and preparations.

No doubt there will be some strong negative political fallout with the current foreclosure actions; some lenders will fail; and, the tap will be drastically tightened.

THE SAME PRIORITY – GROWTH

As we approach the spring startup of financial institutions' business planning for fiscal 2008, growth will be the critical challenge from the largest to the smallest organization. Growth strategies will tax everyone's innovative thinking and leadership vision. In consumer services, we see more competition than ever before as established retail and manufacturing brands continue to try and add financial services to their value propositions and the Internet searches continue to show new additions of commoditizers, comparative sites and creative pre-approvers.

Bottom line growth is generated by new or incremental revenues as well as cost improvements. The latter should be evaluated closely amongst people, processes and technologies as well as the sourcing options. A recent McKinsey study on mergers found that organizations, which do objective productivity initiatives, improve costs by 26% whereas those who merge to gain productivity advantages show only a 14% betterment. On the revenue generation side, we have cautioned our readers for eighteen months to build alternative sources to the mortgage - housing stream. Concurrently, we have seen more virtual offers in the media to erode all lending products at the traditional financial institutions. First, you protect against any vulnerability in current revenues prior to focusing on totally new sources, which take time to build. For some, years ago it was simple to increase fees and service charges to gain incremental income. The advent of free chequing alternatives have made that tactic suspect since all demographic groups from youth to the wealthy can deal with suppliers offering no charge chequing.

The current customer base holds the secrets for both new revenues and cost savings if you know their delivery, product and future service preferences. First and foremost, we are retailers whose major offering is financial services, but what else is the brand capable of offering to meet customer preferences? Think outside the traditional "nine dots". Answers are there. How strong is the customer loyalty factor? If intermediaries are generating a significant percentage of your revenue then, as we have reported in the past, these brokers, planners etc. have the relationship factor, unless your customer care portfolio overshadows all intermediaries once you have them onboard.

Appreciation and welcome programs described in the Eagle Net in earlier issues are built in revenue and loyalty creators with present customers or members and they can be motivated to refer their families and friends to you. Sales costs average less than 40% when dealing with current relationships and their referrals versus new prospects. That's substantial when you realize that mortgage sales costs average over $1,000 per new client; loans approximately $400 and new deposit accounts $150 or more. Understanding sales efficiency and effectiveness will make you a winner.

Growth diagnostics by experienced, objective advisors can unlock a variety of revenue and productivity opportunities. In less than a month you can have innovative input for the business plan plus start implementation immediately to capture "the low hanging fruit". Attracting new customers is an important strategy as well and it is important to rethink targets, processes and results for repackaging efforts to get optimum returns. Complacency in terms of year after year repeat initiatives will gradually show declines and competitors will take advantage of your predictability. Answering competitors' initiatives with rate improvements, fuels your commoditization weakness and squeezes the bottom line that you are trying to improve. A game plan, developed from knowing consumer preferences and having a fine-tuned operation, will help the team immensely in their ongoing challenge to build long-term growth.

THE LAST WORD

The Ultimate Sacrifice Deserves Better

Canada has proudly met its international responsibilities by committing its sons and daughters in the armed forces to serve in various peacekeeping/rebuilding strategies in war torn, dangerous countries. Unfortunately, some soldiers paid the ultimate price in Afghanistan and their widowed families have publicly raised a judgement gap in the financial service industry relative to credit mortgage insurance coverage. For example, Manulife Financial first denied to follow through with mortgage insurance when Sgt. Craig Gillam’s widow approached them after the combat death of her husband. The Gillams had mortgage insurance from Home Loans Canada. Similarly, Scotiabank reversed an initial decline in the case of another soldier. Bank of Montreal publicly stated that it had no exclusion clause. The Government of Canada has now got involved.

Our enquiry to associates in Australia also led to a disappointing response. Apparently members of the defense force can take out Consumer Credit Insurance (CCI) when they borrow but the death benefit is void if the policyholder dies as a result of war or other civil disorders.

My emotions run wild at episodes such as this. Soldiers, police officers, firefighters and others commit to dangerous jobs to protect us. They know the dangers and the financial service industry does also. The claims due to death on these jobs are small compared to traffic fatalities or the annual murders in Canada’s largest city. At times, our clinical objectivity needs to be tempered by personal realism and public necessity.

From the UK I learned that the majority of Mortgage Payment Protection Insurance policies won’t pay a benefit for death or disability as a result of war. Now my blood is really boiling.

ON THE LIGHTER SIDE - SOME HUMOUR FROM JUDY JOHNSTON

This is for those men who need a laugh and for us ladies who I think can handle it!

A new sign in the Bank Lobby reads:
"Please note that this Bank is installing Drive-through ATM machines enabling customers to withdraw cash without leaving their vehicles. Customers using this facility are requested to use the procedures outlined below when accessing their accounts."
"After months of careful research, MALE & FEMALE Procedures have been developed. Please follow the appropriate steps for your gender."

MALE PROCEDURE:
1. Drive up to the cash machine.
2. Put down your car window.
3. Insert card into machine and enter PIN.
4. Enter amount of cash required and withdraw.
5. Retrieve card, cash and receipt.
6. Put window up.
7. Drive off.

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FEMALE PROCEDURE:
1. Drive up to cash machine.
2. Reverse and back up the required amount to align car window with the machine.
3. Set parking brake, put the window down.
4. Find handbag, remove all contents on to passenger seat to locate card.
5. Tell person on cell phone you will call them back and hang up.
6. Attempt to insert card into machine.
7. Open car door to allow easier access to machine due to its excessive distance from the car.
8. Insert card.
9. Re-insert card the right way.
10. Dig through handbag to find diary with your PIN written on the inside back page.
11. Enter PIN.
12. Press cancel and re-enter correct PIN.
13. Enter amount of cash required.
14. Check makeup in rear view mirror.
15. Retrieve cash and receipt.
16. Empty handbag again to locate wallet and place cash inside.
17. Write debit amount in check register and place receipt in back of chequebook (check book).
18. Re-check makeup.
19. Drive forward 2 feet.
20. Reverse back to cash machine.
21. Retrieve card.
22. Re-empty handbag, locate cardholder, and place card into the slot provided!
23. Give dirty look to irate male driver waiting behind you.
24. Restart stalled engine and pull off.
25. Redial person on cell phone.
26. Drive for 2 to 3 miles.
27. Release Parking Brake.