THOMSON ™

XYZ

PERCEPTION STUDY PRESENTATION

Performance Matters [SM]

Agenda
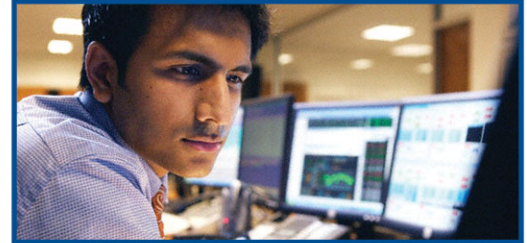
- Introductions

- Methodology and Background

- Key Findings

- Recommendations

- Questions and Comments

# METHODOLOGY AND BACKGROUND

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Methodology and Background

- In an effort to better understand the financial community's perception of XYZ, Thomson Financial (TF) gathered feedback on topics pertaining to:

  - Corporate strategy

  - Investment merits

  - Senior management

  - Investor relations

- Open-ended and scalar question interview framework was developed in conjunction with XYZ, using a template based on TF expertise

Methodology and Background

- 25 industry professionals participated in the study, including:

  - 11 current shareholders

  - 10 prospective investors

  - 4 sell-side analysts

Current, 11, 44%

Sell-Side, 4, 16%

Prospective, 10, 40%
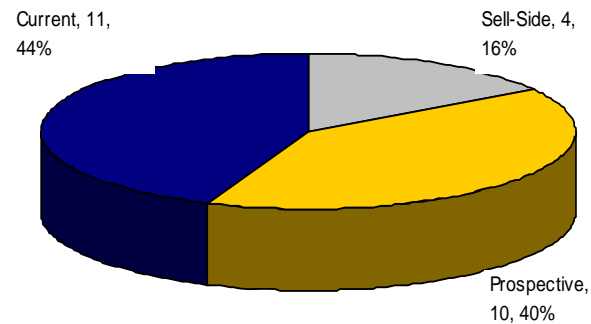
- 11 out of 25 participants (44%) asked to remain anonymous

- TF spoke to several additional investment professionals who declined to participate in the study

Methodology and Background

- Overall, study participants represent institutions that manage upwards of US$1.5 trillion in equity assets

- Study participants were contacted at XYZ's request and also identified based on ownership and purchasing power data

- The interviews were conducted between 4/1/07 and 4/21/07

KEY FINDINGS

Key Findings: Strengths

- Respondents mention numerous Company strengths:

  - Size and Scale – one of the top players in the market

  - Franchise – strong brand equity

  - Balance Sheet – albeit overcapitalized

  - Management – experience, knowledge, and improving breadth and depth

  - Deposit Base

Perceived Company Strengths

|	
Size and Scale	64%
Franchise	32%
Balance Sheet	32%
Management	24%
Deposit Base	24%

Key Findings: Weaknesses
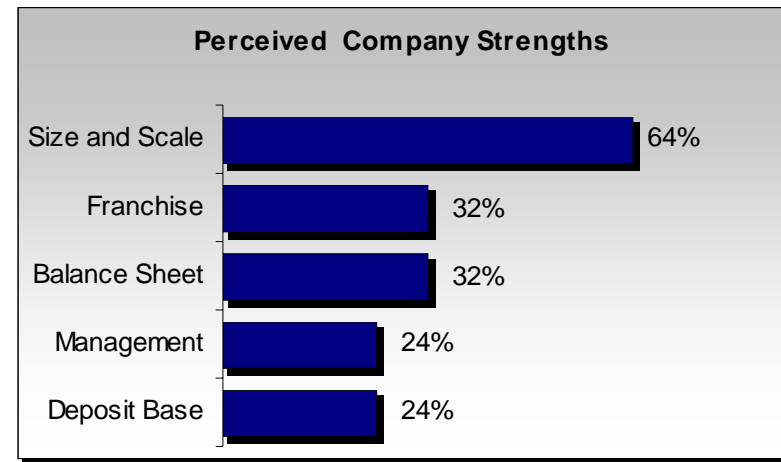
- Weaknesses include:

  - Products – particularly on Wealth Management side

  - Capital Management – overcapitalized and low loan-to-deposit ratio

  - Mature current market

  - Management – lack of breadth and depth, but seen as improving

  - Strategy*

    * The majority of participants feel the strategy is clearly communicated. However, drilling down, investors want additional clarification on topic A, topic B, and topic C.

Perceived Company Weaknesses

Category	Percentage
Products	49%
Capital Management	29%
Mature Current Market	21%
Management	17%
Strategy	13%

Key Findings: Expansion Strategy

- Opinions vary:

  - Nearly half are undecided or have mixed feelings

  - One-third agree

  - 10% unaware

  - 10% disagree – do not see competitive advantage

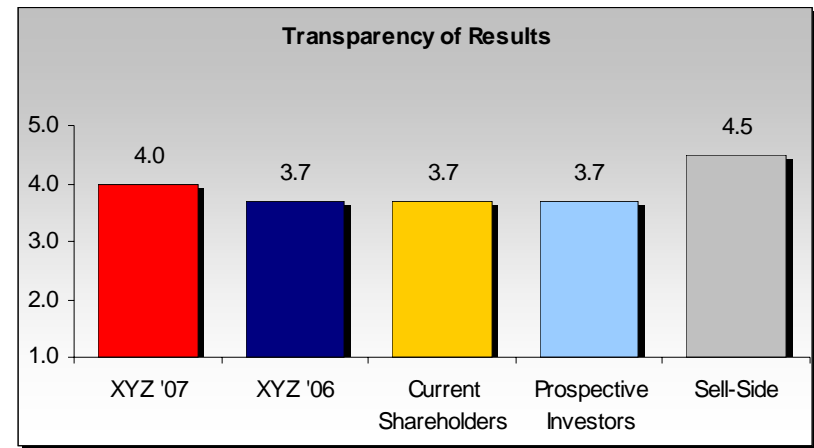 - Two-thirds of respondents feel XYZ is well-positioned to execute on its expansion strategy

Perception of the Expansion Strategy

Disagree, 10%

Unaware, 10%

Undecided, 47%

Agree, 33%

Key Findings: Company Direction
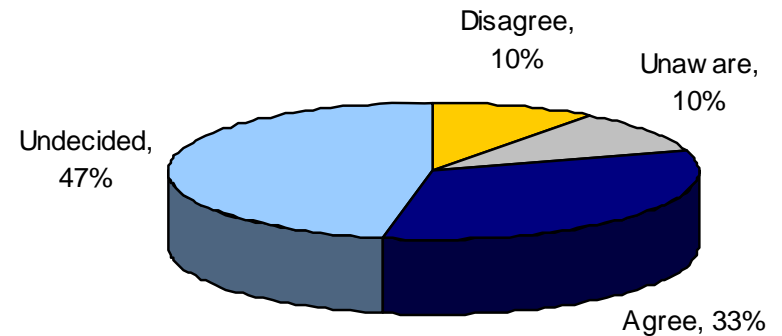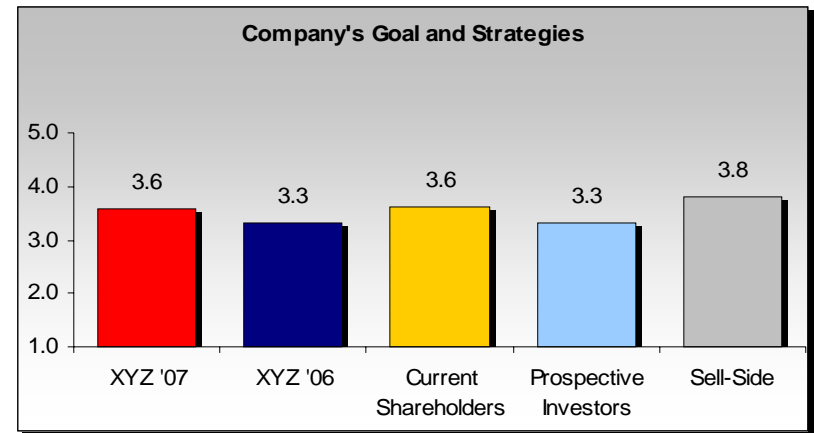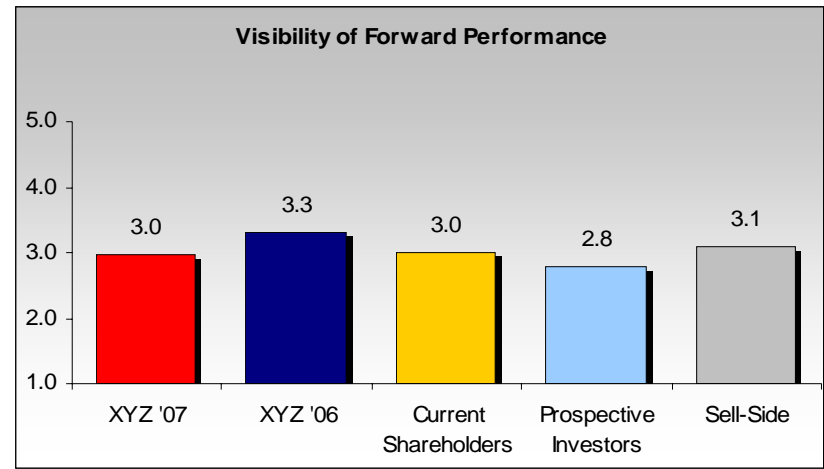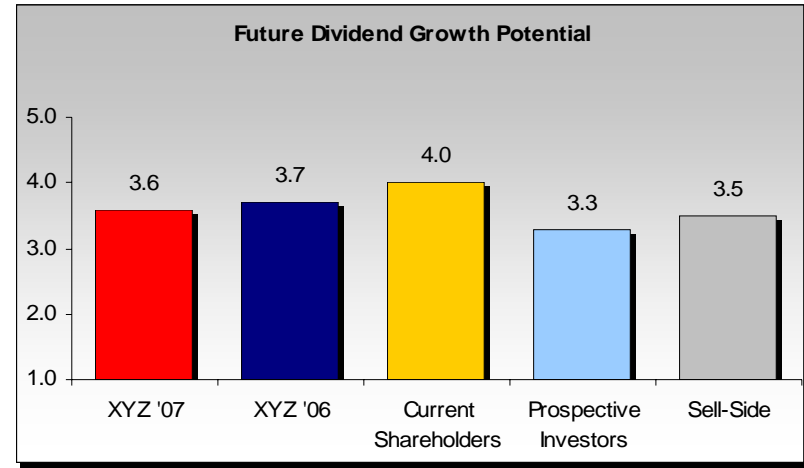
- TF asked investors to rate XYZ on a scale of 1.0 to 5.0, with 5.0 being the best on the following constructs:

  - Company's Goals & Strategies

  - Future Earnings Growth Potential

  - Future Dividend Growth Potential

  - Transparency of Results

  - Visibility of Forward Performance

Key Findings: Company Direction

- XYZ′s ratings improved compared to last year in terms of its:

  - Goals and Strategies

  - Future Earnings Growth Potential

  - Transparency of Results

Company's Goal and Strategies

3.6	3.3	3.6	3.3	3.8
XYZ '07	XYZ '06	Current Shareholders	Prospective Investors	Sell-Side

Future Earnings Growth Potential

3.5	3.3	3.8	3.7	3.0
XYZ '07	XYZ '06	Current Shareholders	Prospective Investors	Sell-Side

Transparency of Results

|				
4.0	3.7	3.7	3.7	4.5
XYZ '07	XYZ '06	Current Shareholders	Prospective Investors	Sell-Side

Key Findings: Company Direction
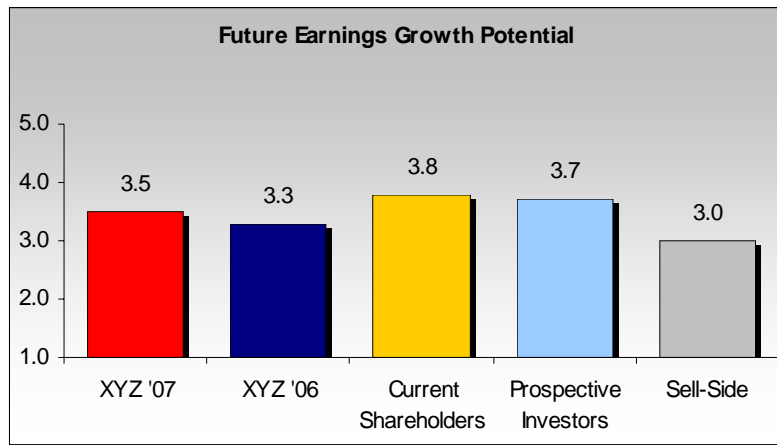
- **XYZ received lower marks compared to last year on:**

  - Future Dividend Growth Potential

  - Visibility of Forward Performance

Future Dividend Growth Potential

	XYZ '07	XYZ '06	Current Shareholders	Prospective Investors	Sell-Side
Score	3.6	3.7	4.0	3.3	3.5

Visibility of Forward Performance

	XYZ '07	XYZ '06	Current Shareholders	Prospective Investors	Sell-Side
Score	3.0	3.3	3.0	2.8	3.1

- The majority of participants indicate they do have concerns with XYZ

  - Concern A

  - Concern B

  - Concern C

Key Findings: Investment Drivers

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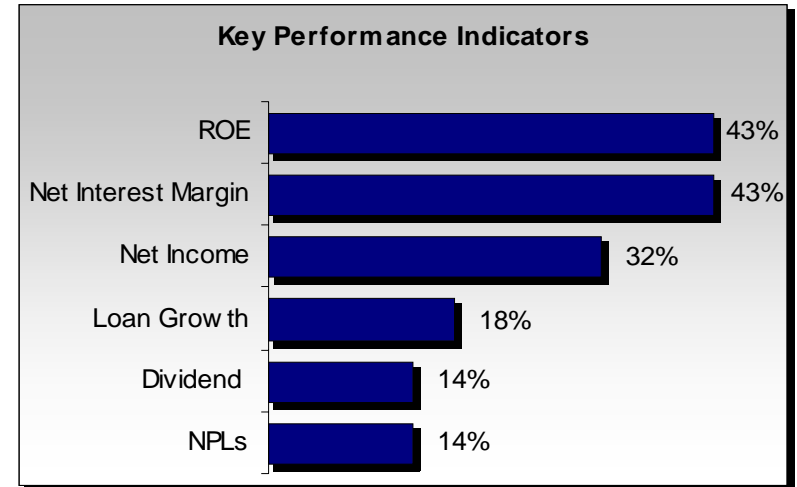- Investment Drivers

  - Valuation – cited almost twice as much year-over-year

  - Higher Dividend

  - Quality Name – Brand Equity

  - Target Market Growth Potential

  - Strong Balance Sheet – although over capitalized

Investment Drivers

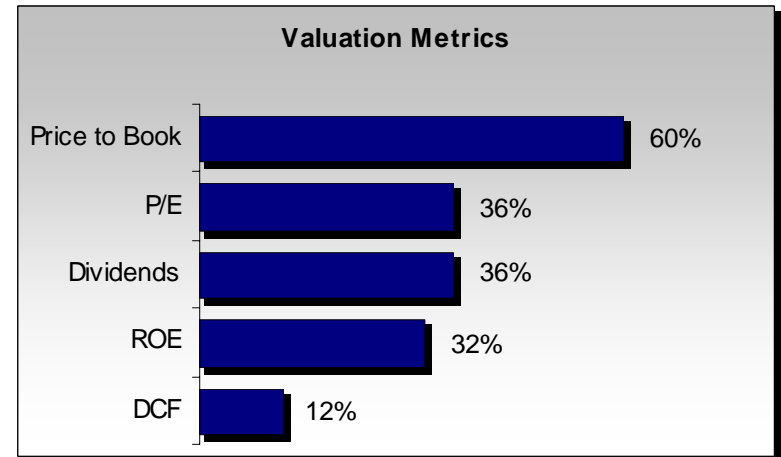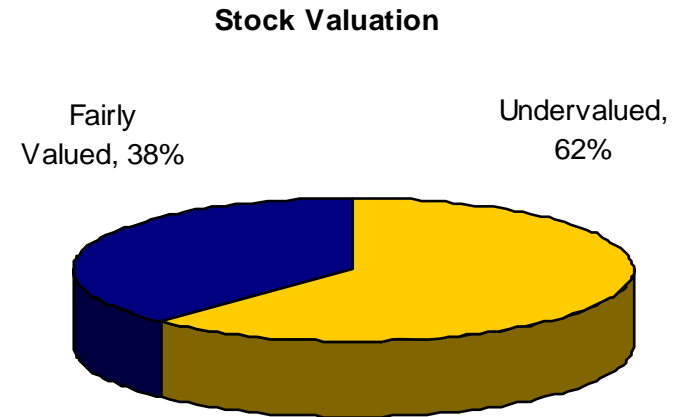| Driver	%
Valuation	71%
Potential for Higher Dividend	30%
Quality Name	30%
Target Market Potential	30%
Balance Sheet	20%
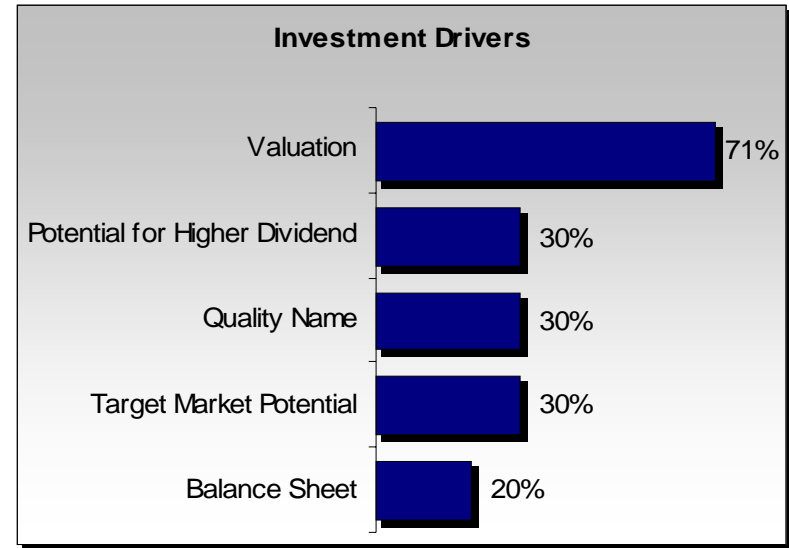
- Prospective investors report that the mature and competitive current market is a main reason for <u>not</u> investing in XYZ

- Low growth and the Company's size were also cited as reasons for <u>not</u> being invested currently

Key Findings: Key Performance Indicators

- Key Performance Indicators include:
  - ROE
  - Net Interest Margin
  - Growth of:
    - Net Income/EPS
    - Loans
    - Dividends

Key Performance Indicators

Indicator	Value
ROE	43%
Net Interest Margin	43%
Net Income	32%
Loan Growth	18%
Dividend	14%
NPLs	14%

Key Findings: Valuation

- The majority of investors consider the stock to be undervalued

- Last year, 57% of participants characterized the stock as fairly valued, 32% said it was undervalued, and 11% described the stock as overvalued

- Price to Book is the most common metric used to value the shares

- Other valuation metrics used are P/E, dividends, ROE, and DCF

Stock Valuation

Fairly Valued, 38%   Undervalued, 62%

Valuation Metrics

Metric	
Price to Book	60%
P/E	36%
Dividends	36%
ROE	32%
DCF	12%

Key Findings: Management

- Management was cited as a strength by 24% of the participants, in-line with last year (25%)
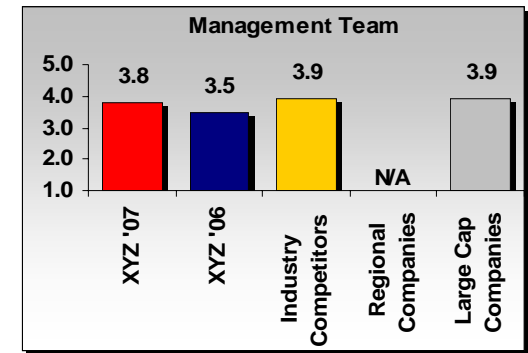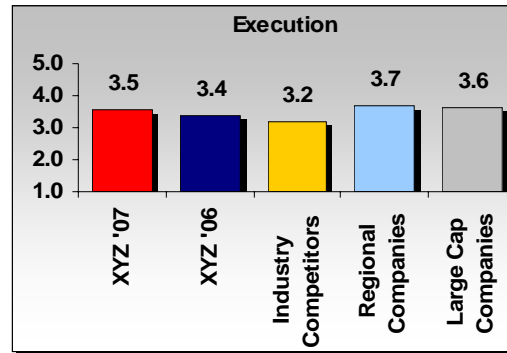
- Numerous participants note that top management is improving the overall quality and depth of management by bringing in the right people
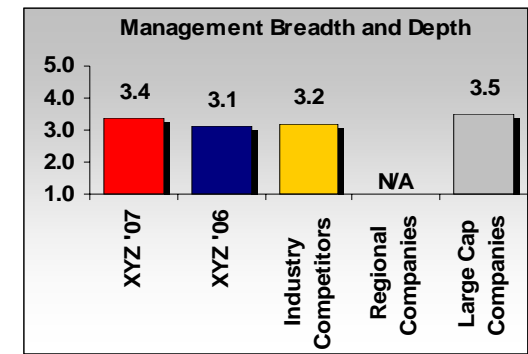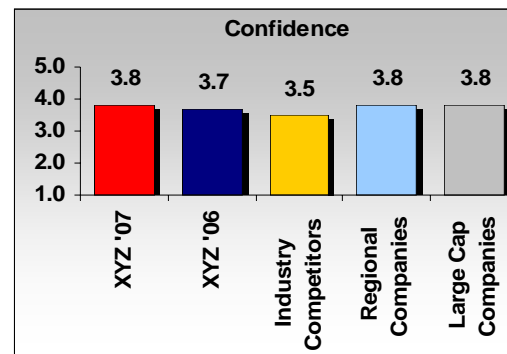
- Management weaknesses generally pertain to the strategy

Execution

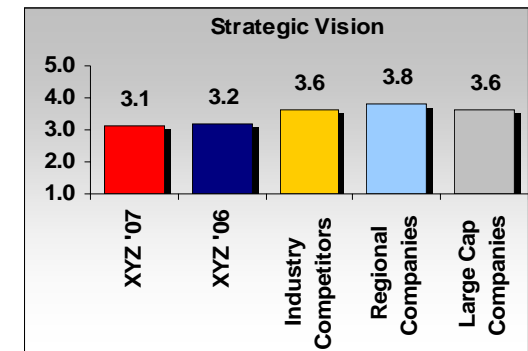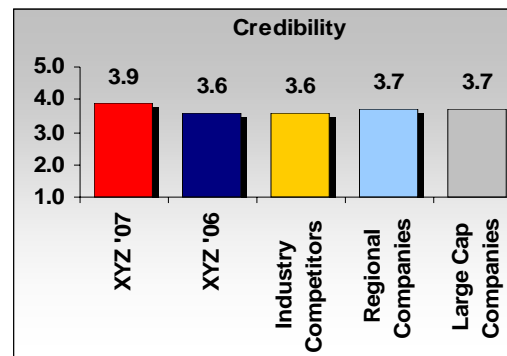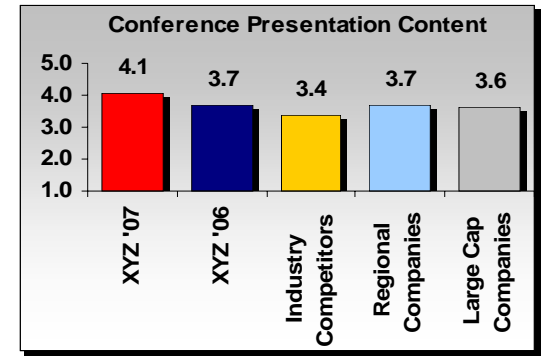| XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
3.5	3.4	3.2	3.7	3.6

Management Team

XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
3.8	3.5	3.9	N/A	3.9

Confidence

XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
3.8	3.7	3.5	3.8	3.8

Management Breadth and Depth

XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
3.4	3.1	3.2	N/A	3.5

Credibility

XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
3.9	3.6	3.6	3.7	3.7

Strategic Vision

XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
3.1	3.2	3.6	3.8	3.6

Key Findings: Investor Relations & Communications

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- Participants have positive views of XYZ's investor relations efforts

- IR is described as accessible, responsive, and informative

- XYZ's investor presentation content was rated 4.1, higher than last year, higher than other industry competitors, regional companies and large capitalization companies in the TF normative database

Quality of Communication

	XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
Value	3.8	3.7	3.1	3.9	3.6

Earnings Call Content

	XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
Value	3.6	3.5	3.5	3.8	3.7

Responsiveness

	XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
Value	4.0	3.7	3.8	4.0	3.9

Conference Presentation Content

	XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
Value	4.1	3.7	3.4	3.7	3.6

Accessibility

	XYZ '07	XYZ '06	Industry Competitors	Regional Companies	Large Cap Companies
Value	3.8	3.7	3.5	3.8	3.8

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RECOMMENDATIONS

Recommendations Overview

- The following recommendations are based on themes that emerged from conversations with 25 industry professionals, as well as from our research and insight into best practices (see Executive Summary for more details)

    - Consider Increasing Leverage

    - Better Communicate Long-Term Financial Targets, Specifically the Revenue Guidance

    - Evaluate Lowering the Long-Term Revenue Guidance

    - Increase Time Allotted to Q&A on the Earnings Call and Include Additional Members of the Management Team

    - Simplify Communications Regarding the Strategy

QUESTIONS AND COMMENTS

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