





# What the tech?

Adventures in Treasury Management

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# Introduction



What is the Annual EY Cash Management Services Survey



How do banks participate



What does it entail



Why it's important



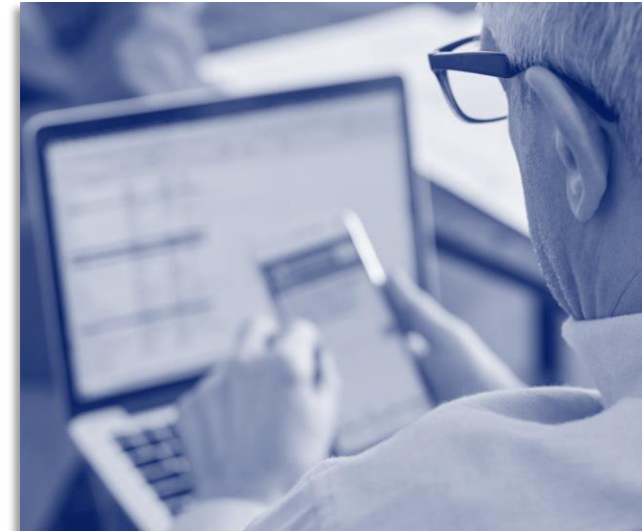
# Industry Trends



**Market Mix**



**Revenue Mix**



**Payments Mix**

# Market Mix

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# Market Mix: Customer and Industry Mix

Predominant peer 2 customer base is Middle Market and Small Business:  
 Top 5 is only grouping more geared towards large corporate

	Large Corporate	Middle Market	Small Business	Financial Institutions	Government and Nonprofit
Top 5	35%	32%	14%	11%	8%
Next 15	21%	40%	17%	14%	8%
Peers 2 and 3	15%	40%	28%	6%	11%
Total	24%	37%	20%	10%	9%

Customer industry sectors with the greatest impact to revenue are Manufacturing, Health Care, and Wholesale/Retail Trade

Peer 1	
Assets parameter:	More than US\$160 billion
Respondents:	16
Peer 2	
Assets parameter:	US\$16 billion to US\$160 billion
Respondents:	17
Peer 3	
Assets parameter:	Less than US\$26 billion
Respondents:	14

\* EY CMS Survey definitions for Large Corporate (\$250m in annual sales) Middle Market (\$50m-\$250m) and Small Business (<\$50m).

# Market Mix: Risks to Revenue

## Ranking of factors inhibiting revenue growth (average rank)

Participants ranked in order: six factors from being the biggest threat to revenue growth (1) to the least (6). They ranked these factors again with a longer-term view, over the next five years.

Today		Over the next five years	
Economic conditions	1.94	Economic conditions	3.00
Pricing pressures	3.00	FinTech competition	3.00
Lack of investment	3.75	Pricing pressures	3.03
Slow adoption of new technologies	4.00	Slow adoption of new technologies	3.72
FinTech competition	4.00	Lack of investment	4.00
Regulation	4.64	Regulation	5.00

Source: EY 39th Annual Cash Management Services Survey: 2022 participant report

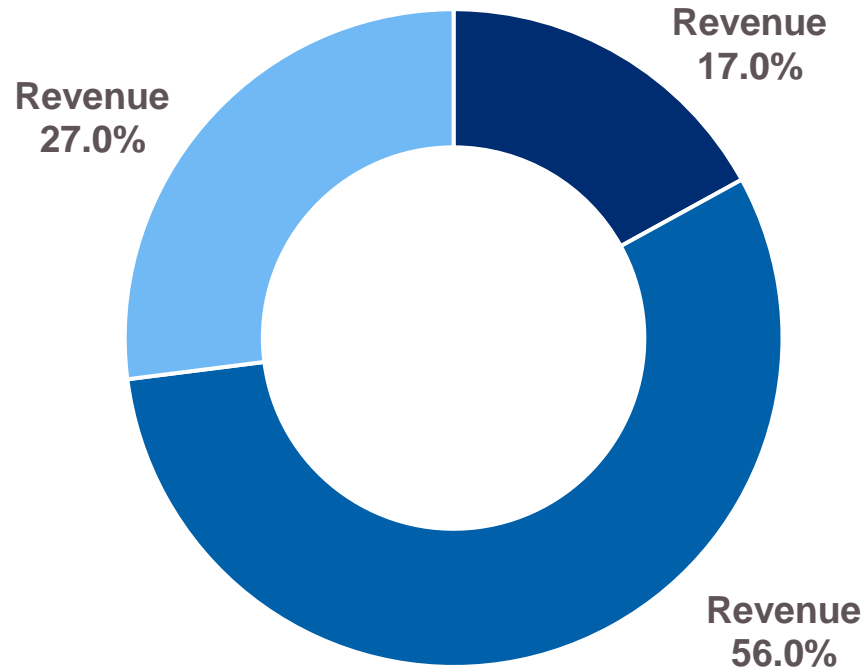
# Revenue Mix

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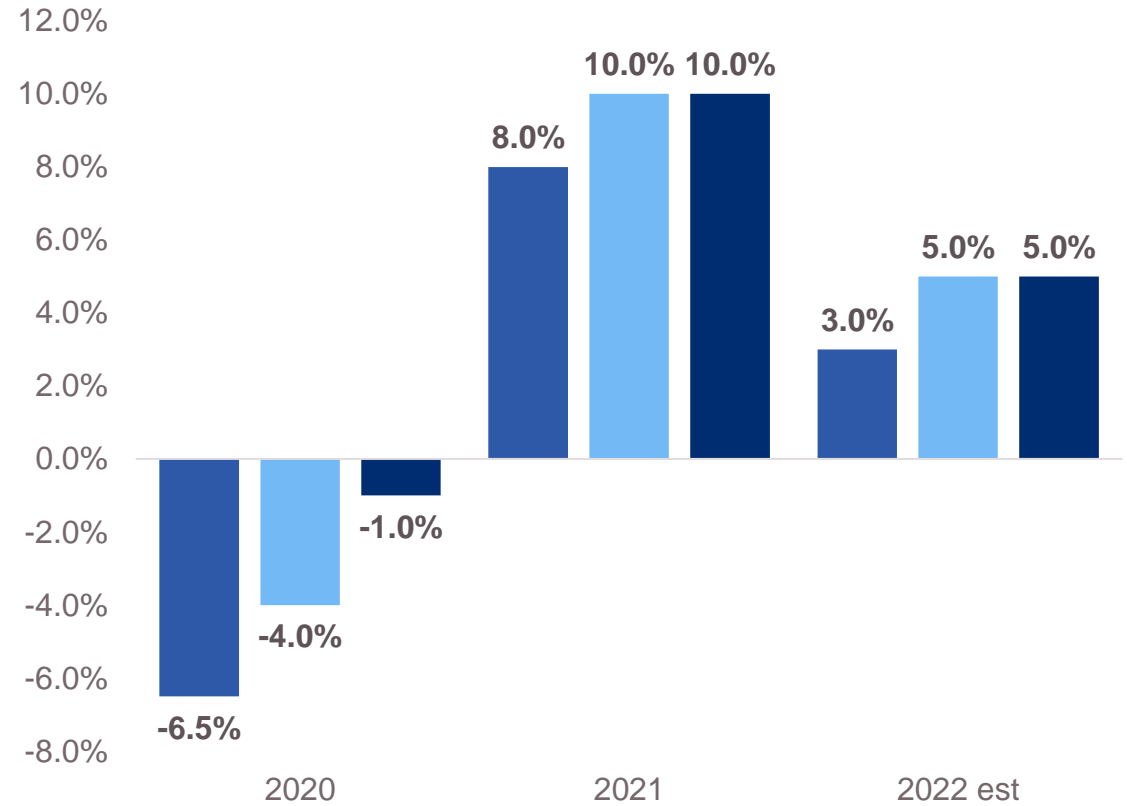


# Revenue Mix: The Barbell Effect

Share of 2021 fee-equivalent revenue



Fee-equivalent cash management revenue growth by bank segment

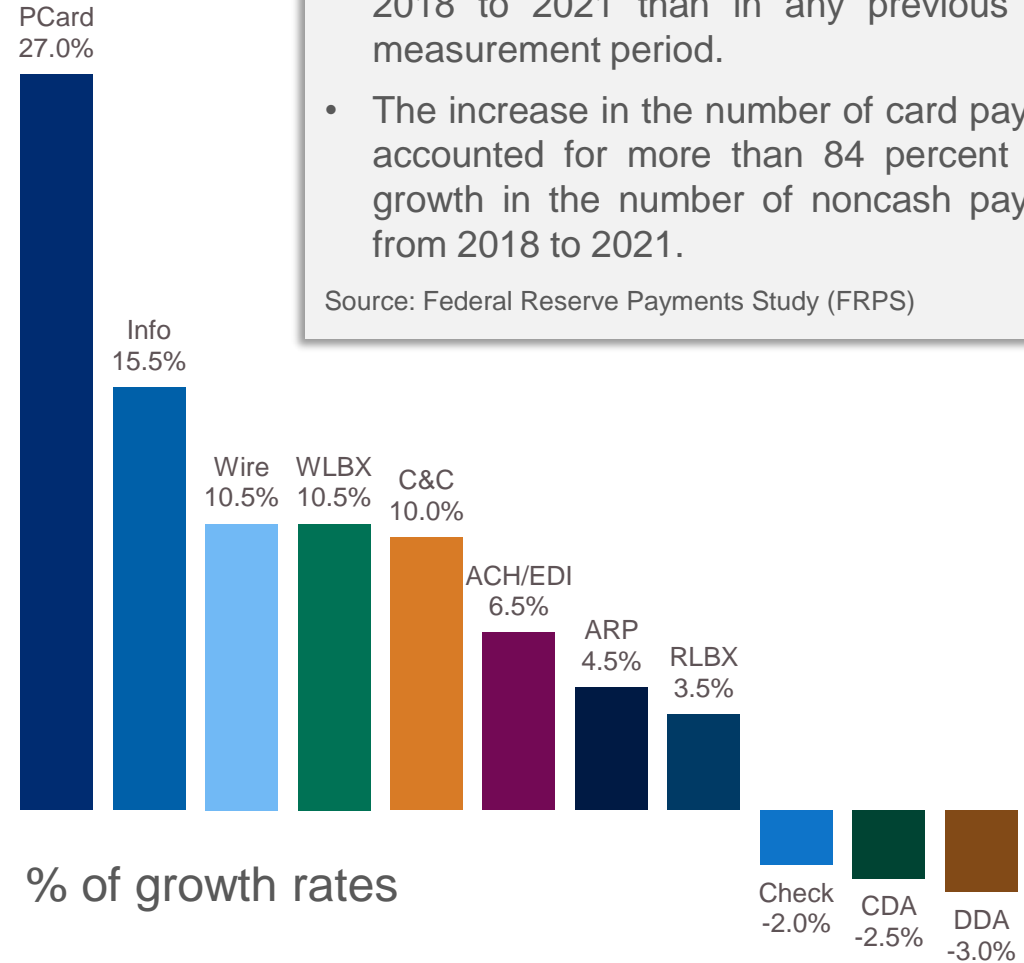
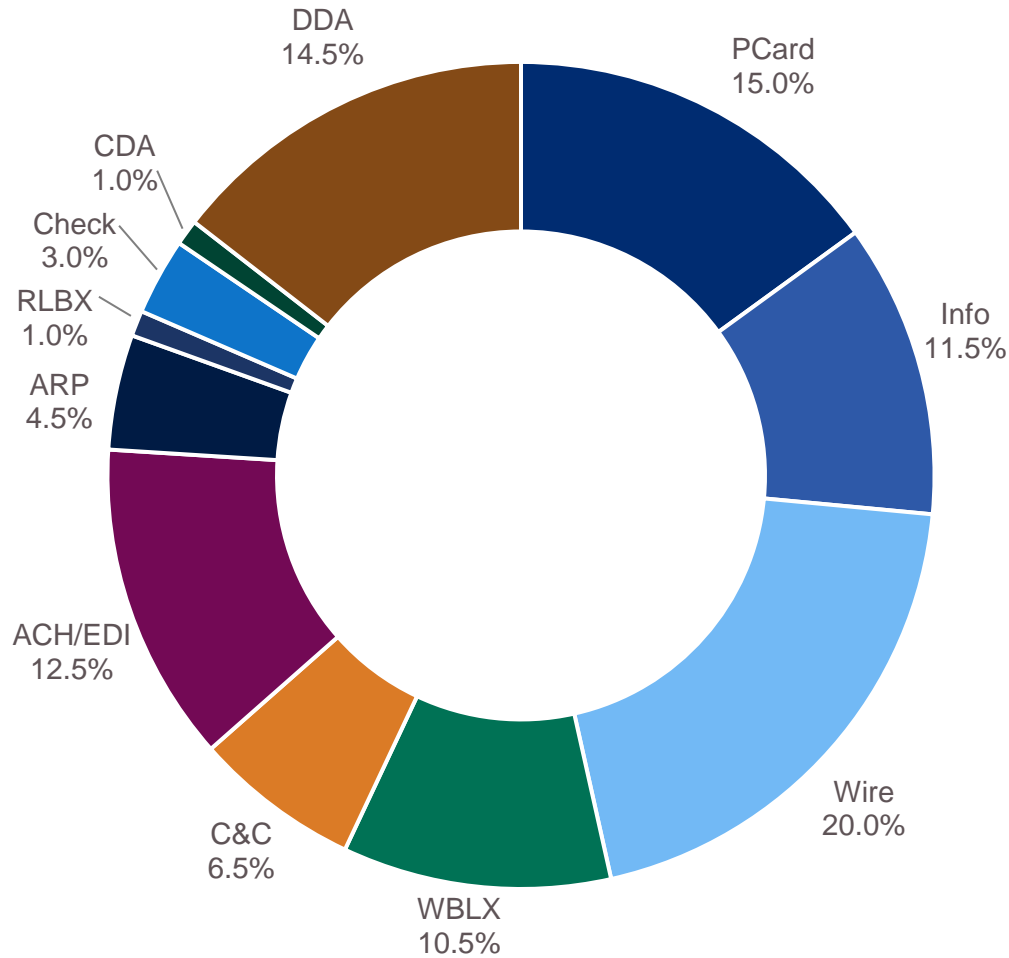


■ Top 5   ■ Next 15   ■ Peers 2 & 3

Source: EY 39th Annual Cash Management Services Survey: 2022 participant report

# Revenue Mix: Product Breakout

% of revenue per product



- The value of card payments grew faster from 2018 to 2021 than in any previous FRPS measurement period.
- The increase in the number of card payments accounted for more than 84 percent of the growth in the number of noncash payments from 2018 to 2021.

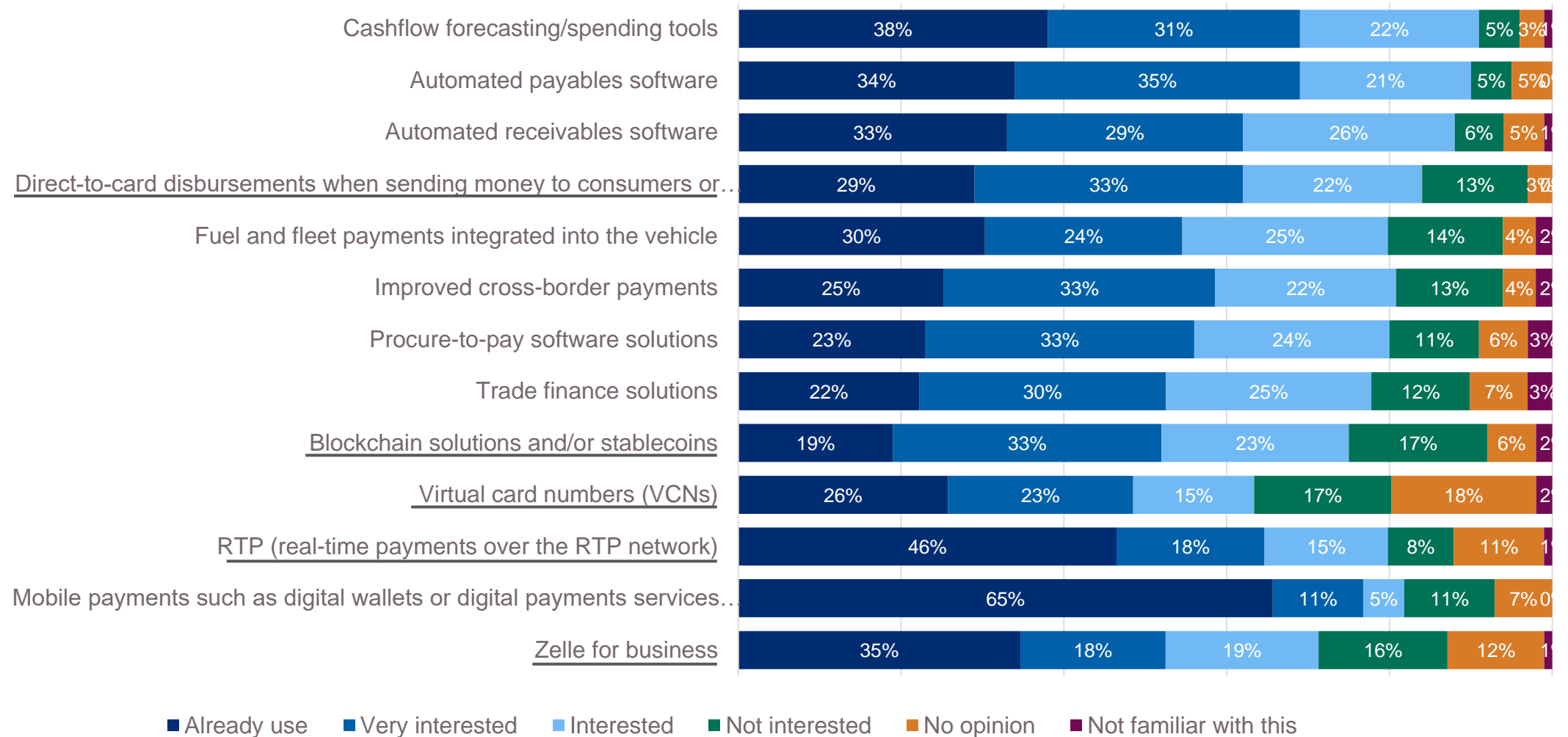
Source: Federal Reserve Payments Study (FRPS)

Source: EY 39th Annual Cash Management Services Survey: 2022 participant report

# Payments Mix

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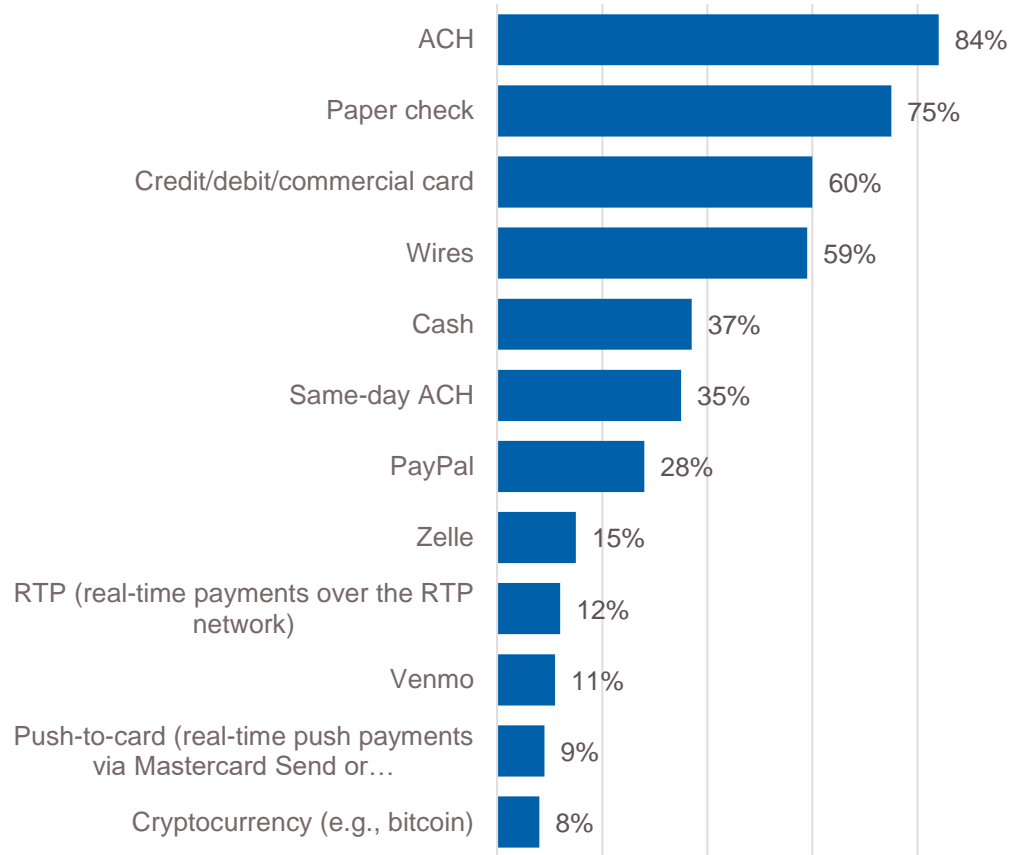
# Payments Mix: New Additions to the Industry



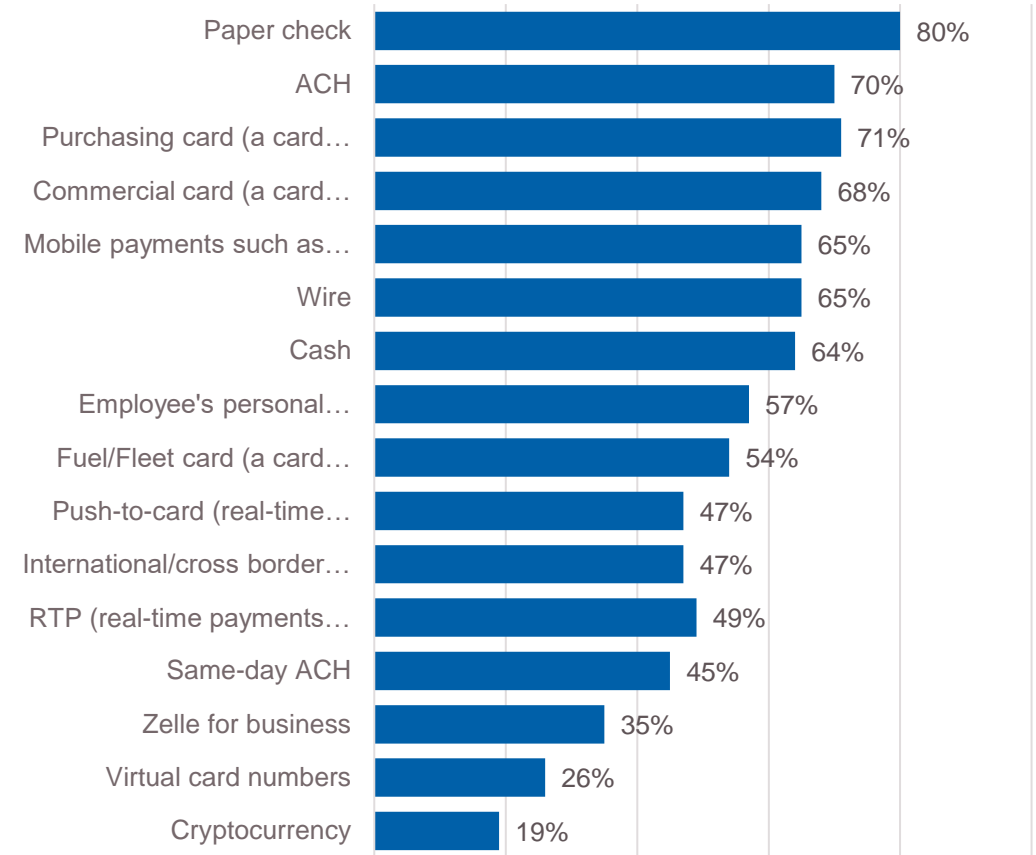
Source: Aite-Novarica Group Survey of 300 U.S. Businesses Q2 2022

# Payments Mix: New Additions to the Industry

Q. Which of the following payments methods does your company use to disburse/make payments today?  
(Base: 213 mid and large companies)



Q. Has your organization made any payments using the following tools in the past 12 months?  
(N=300)

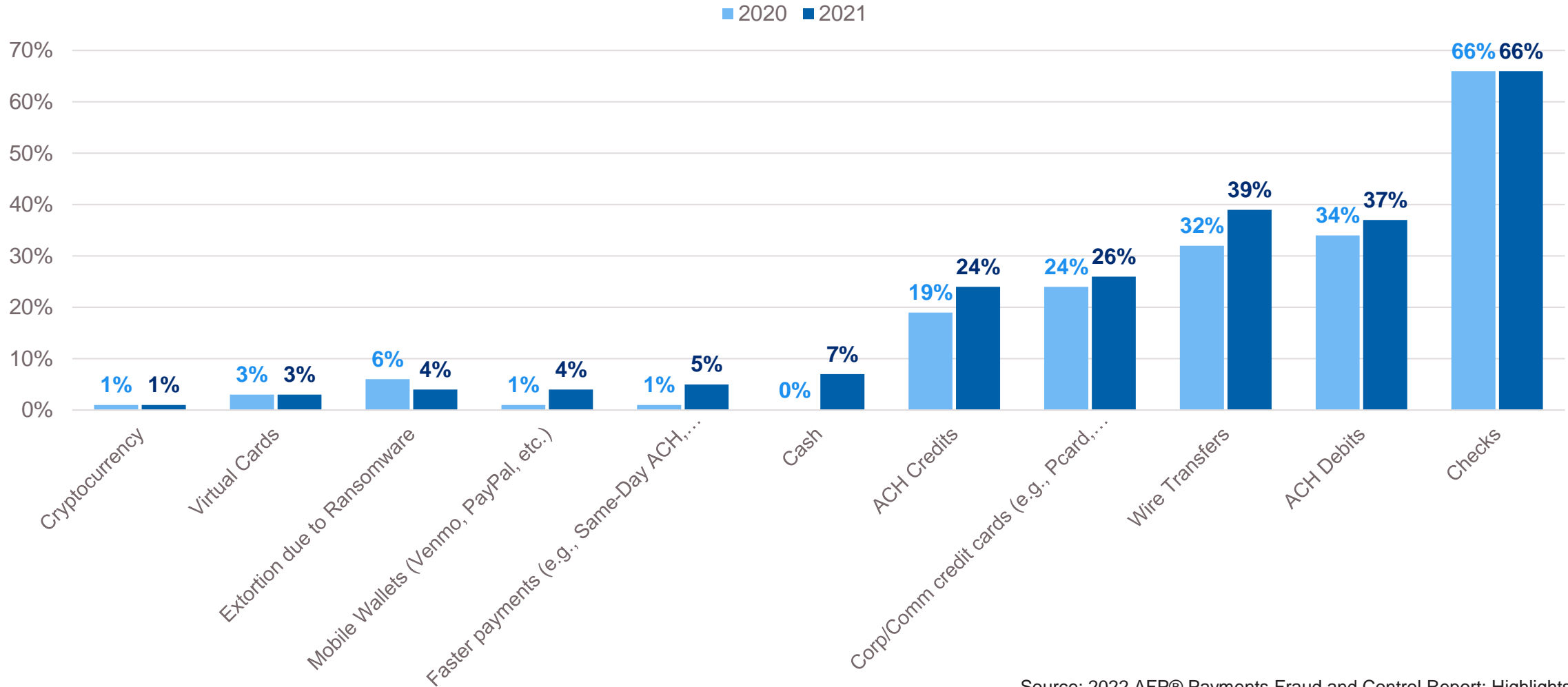


Source: Aite-Novarica Group Survey of 213 U.S. based midsize and large businesses, February 2021

Source: Aite-Novarica Group Survey of 300 U.S. Businesses Q2 2022

# Payment Methods Subject to Attempted/Actual Payments Fraud

(Percent of Organizations)



Source: 2022 AFP® Payments Fraud and Control Report: Highlights

# Payments Mix: The Move Away from Paper

- Account Reconciliation, Lockbox, Controlled Disbursement, Check Clearing: low drivers of fee revenue with estimated decreases moving forward
  - Certain client sectors are still allowing these payment products to hold strong
  - While volume is decreasing, there's still a need for the products but maybe in a new model
- Real-time payments becoming “the norm” and are a top 10 trend according to Aite Novarica
- 36/44 respondents in EY CMS either have an integrated payables solution already or will in the next year (technology enhancement away from paper payments)

Estimated changes in revenue contribution between 2020 and 2021

	US Dollars in Millions	Percentage of Total
Purchasing Cards	\$587	38.00%
Wire Transfers	\$334	21.50%
Information Reporting	\$281	18.00%
Wholesale Lockbox	\$192	12.50%
ACH / EDI	\$147	9.50%
Coin and Currency	\$109	7.00%
Account Reconciliation	\$33	2.00%
Retail Lockbox	\$7	0.50%
Controlled Disbursement	-\$6	-0.50%
Check Clearing	-\$18	-1.00%
DDA	-\$116	-7.50%
<b>Total Gain</b>	<b>\$1,550</b>	<b>100%</b>

Source: EY 39th Annual Cash Management Services Survey: 2022 participant report

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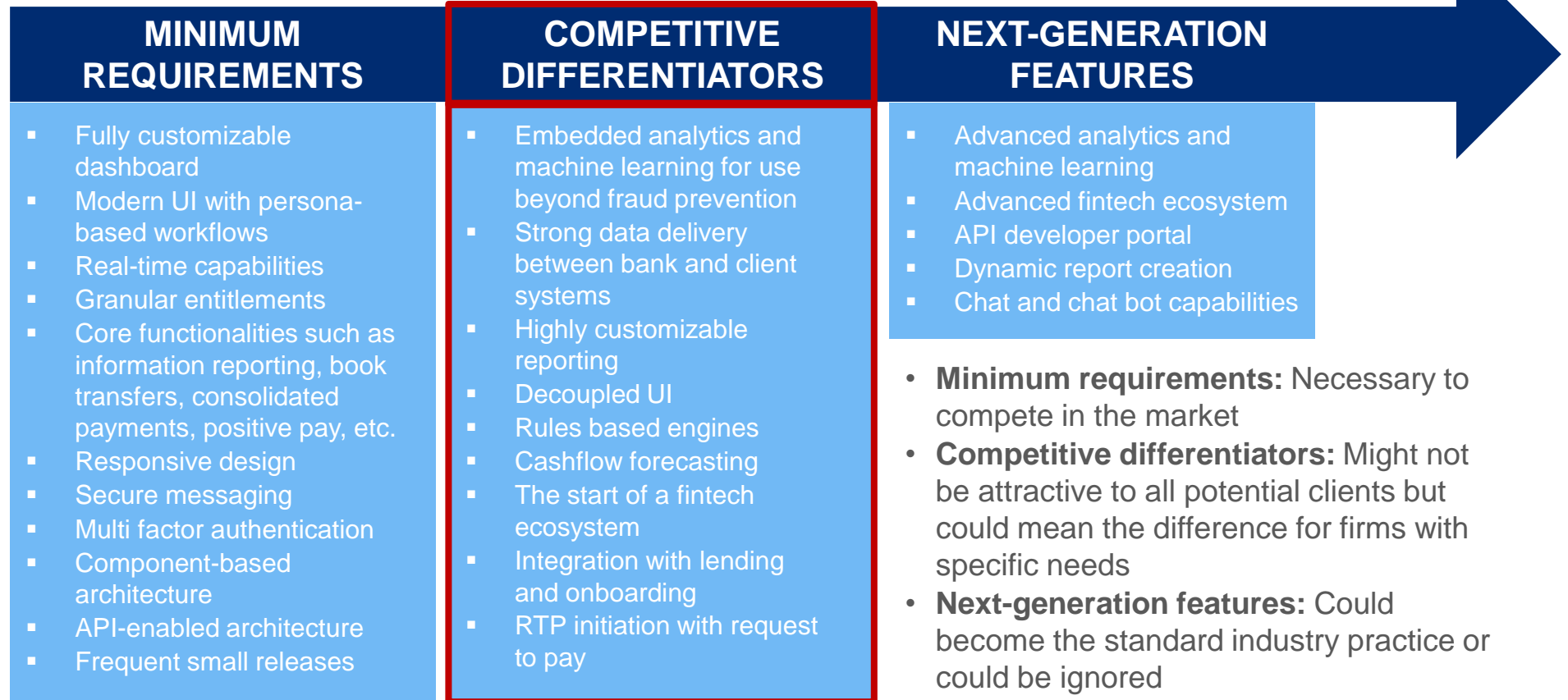
- The value of core noncash payments in the United States grew faster from 2018 to 2021 than in any previous FRPS measurement period since 2000.
- The increase in the value of ACH transfers accounted for more than 90 percent of the rise in noncash payments value from 2018 to 2021.
- The number of ATM cash withdrawals dropped substantially from 2018 to 2021.
- The average value of check payments increased substantially to \$2,430 in 2021.

Source: Federal Reserve Payments Study (FRPS)



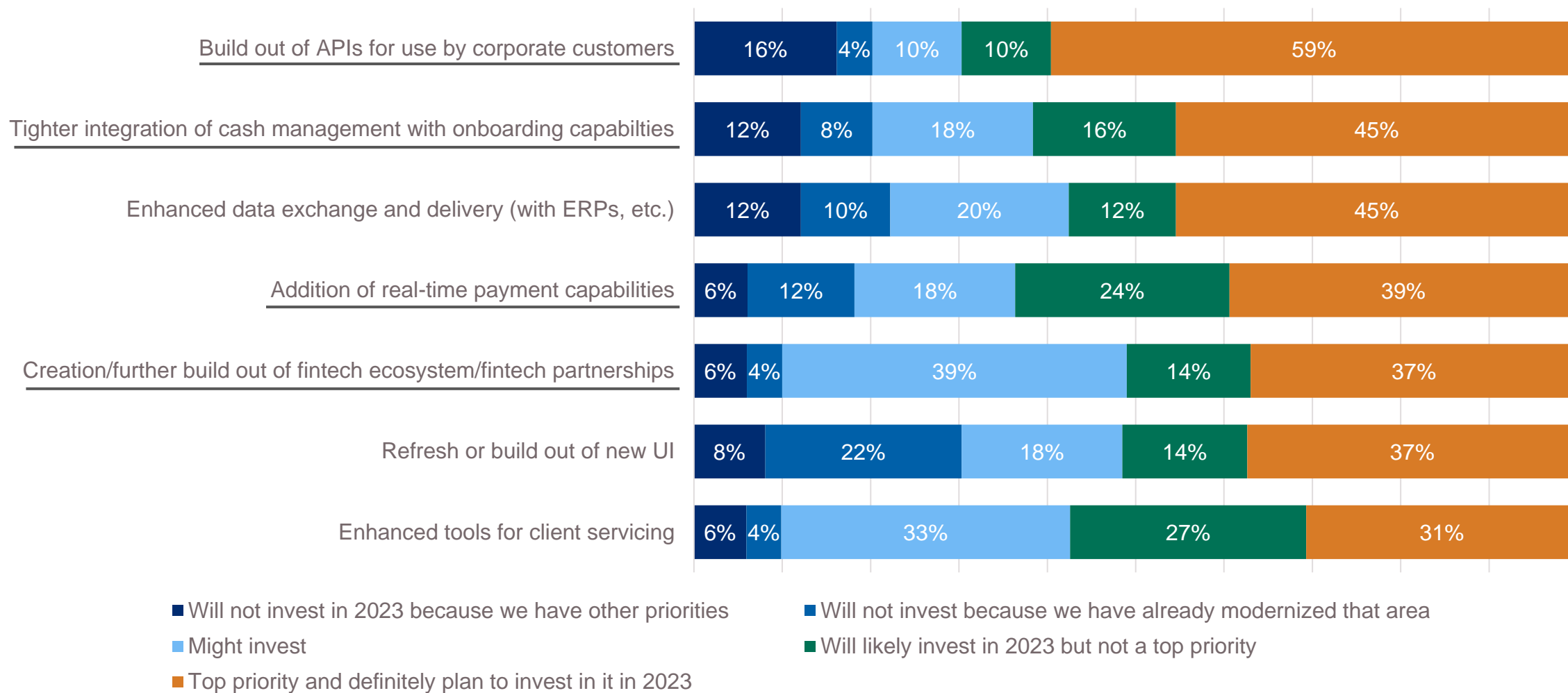
# Differentiation is no longer just about functionality

Differentiation is no longer just about functionality



Source: Aite-Novarica Group

# How much of a priority are each of the following for your bank for 2023?



Source: Survey of Aite-Novarica's Corporate Banking Executive Council Members, Q3 2022

# APIs

EY Survey, of 42 Responses:



18 respondents use APIs for customers

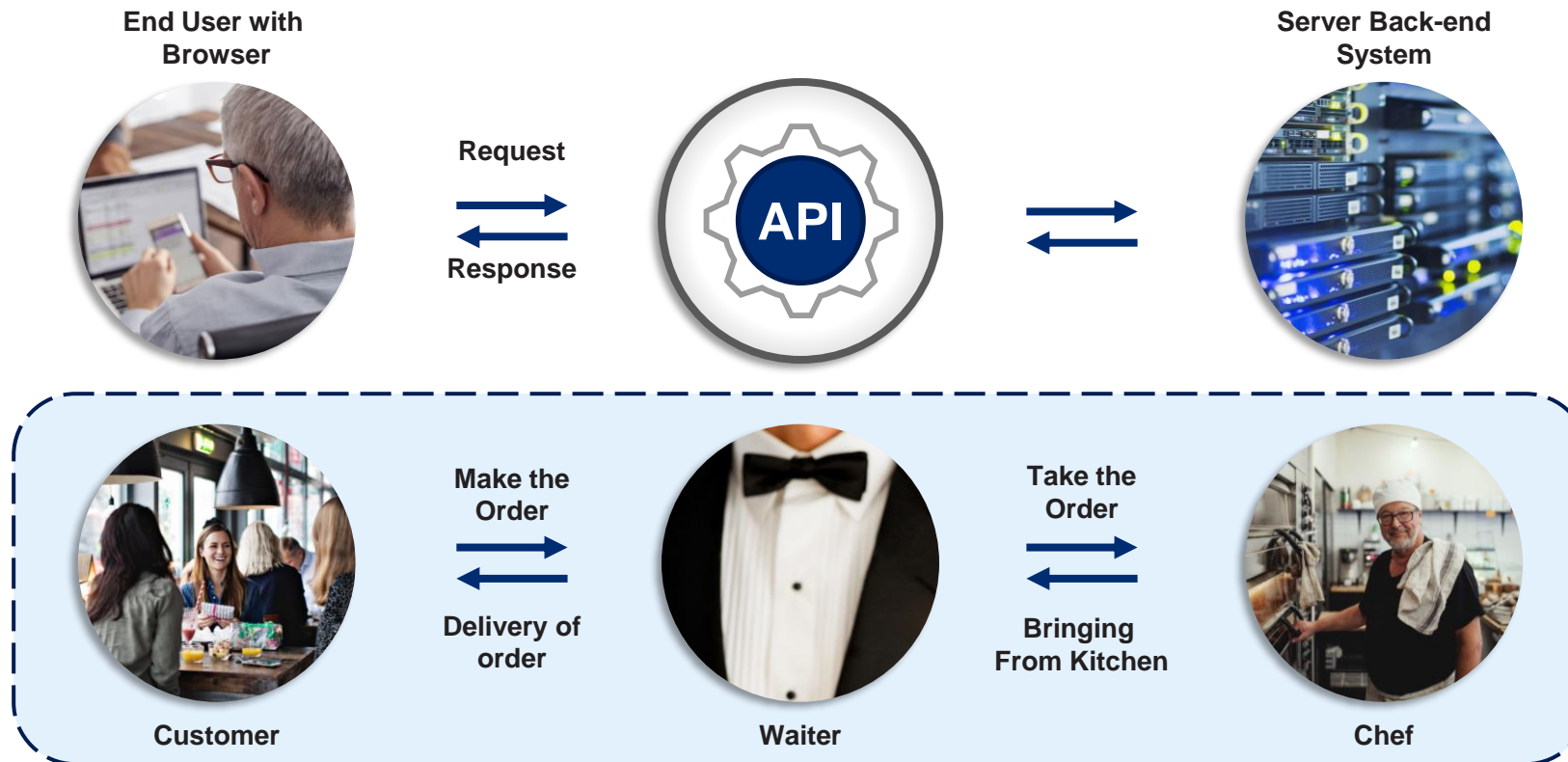


12 plan to in the next year



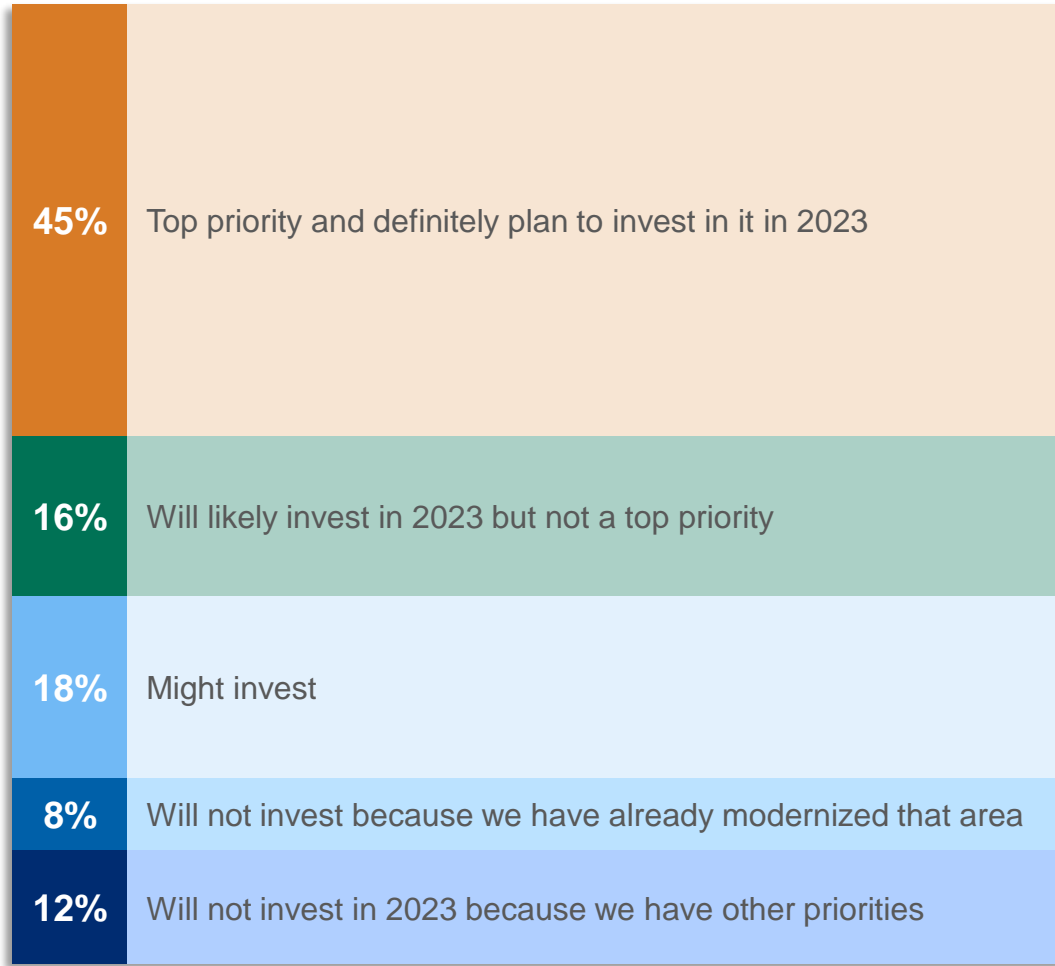
12 have no near-term

Source: EY 39th Annual Cash Management Services Survey: 2022 participant report



# Focus on Onboarding

Tighter integration of cash management with onboarding capabilities



Source: Survey of Aite-Novarica's Corporate Banking Executive Council Members, Q3 2022

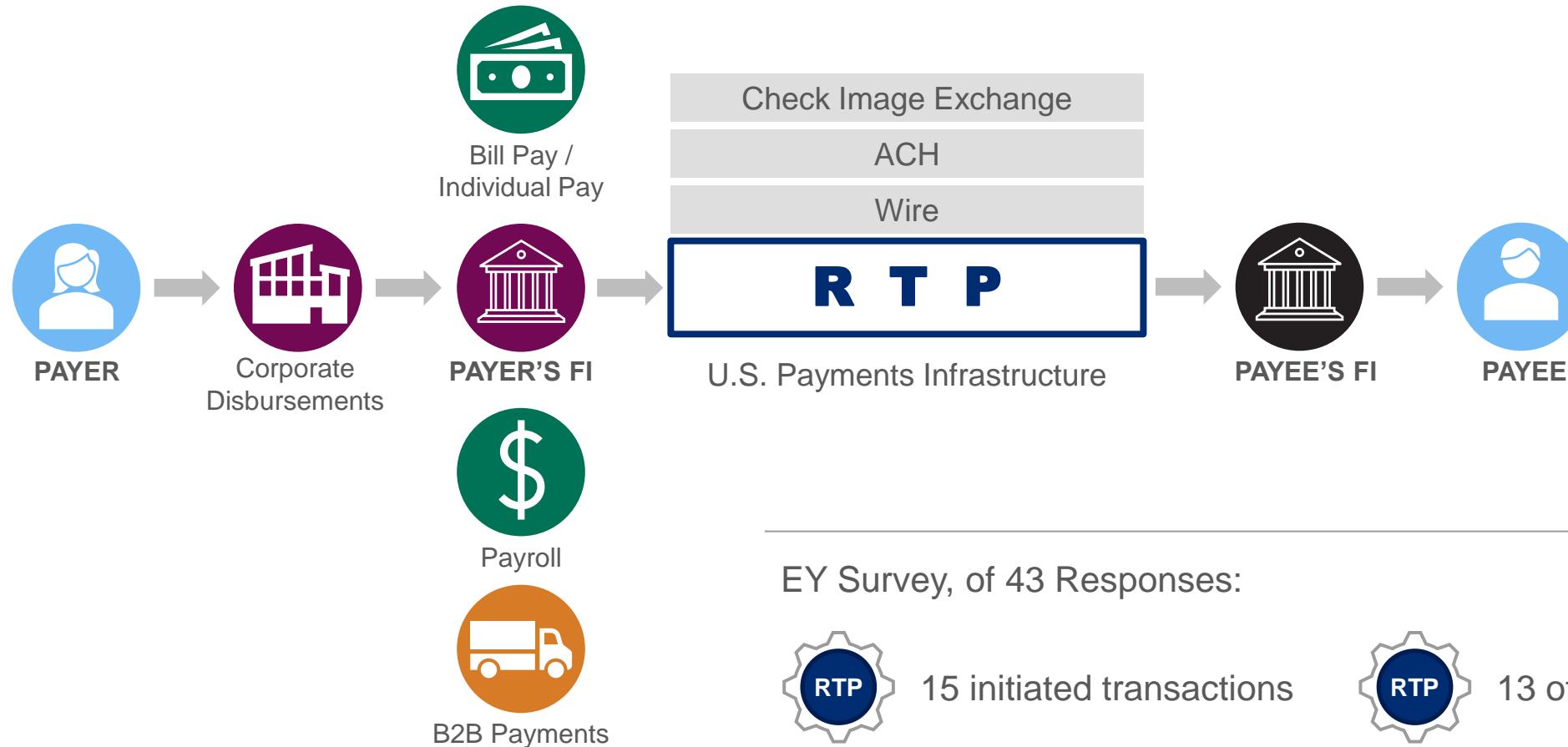
Portion of cash management personnel assigned to functional areas

	Peer 1	Peer 2	Peer 3	All banks
Sales	34%	43%	43%	36%
Product management	17%	22%	16%	17%
Customer service	39%	32%	38%	38%
All others	10%	3%	3%	9%

Source: EY 39th Annual Cash Management Services Survey: 2022 participant report



# Real-Time Payments



EY Survey, of 43 Responses:



15 initiated transactions



13 of 15 were Peer 1

Source: Survey of Aite-Novarica's Corporate Banking Executive Council Members, Q3 2022

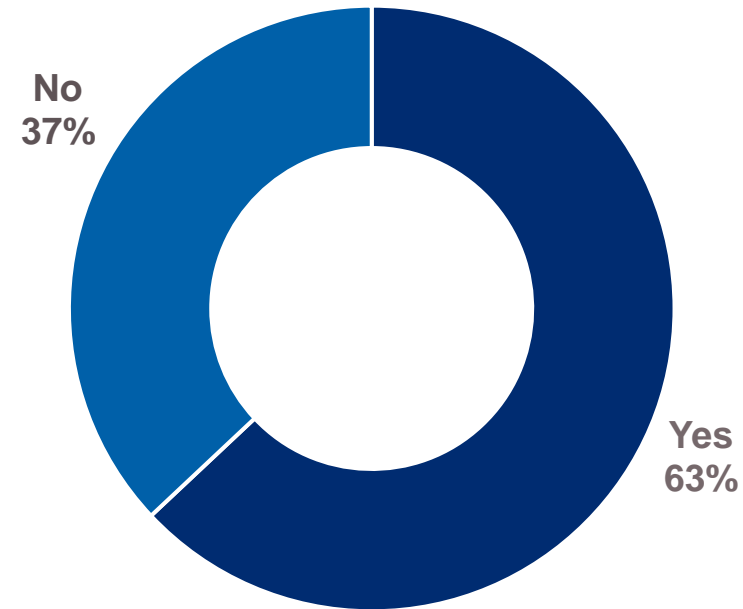
# FinTech: Partners or Frenemies?

Average rank assigned to various roles FinTech firms can play

	Peer 1	Peers 2 and 3
Vendors	2.4	1.9
Partners	2.3	2.0
Customers	2.3	3.2
Competitors	3.0	2.9

Source: EY 39th Annual Cash Management Services Survey: 2022 participant report

Does your organization currently work with any fintech firms directly for cash management or payment services? (N=300)



- Payment functionality is a huge market opportunity for FinTechs to out-sell banks
- Banks that are not competing well with the value-added and robust payment functionality need to focus on partnerships and integration

Source: Aite-Novarica Group Survey of 300 U.S. Businesses Q2 2022

# Questions?

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# Thank you

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