

## PRESS RELEASE

**Mid-Size Banks Engaged in Commodity Slug-Fest, New Benchmarking Study Claims**

SCOTTSDALE, Ariz. /April 24, 2006/ – Mid-size banks are demonstrating a slight rise in productivity in administrative and operations functions but no real breakout performance improvements, according to a newly released study by Cornerstone Advisors, Inc. of Scottsdale, Arizona.

Total industry earnings came in around \$136 billion in 2005 with a solid 1.30% ROA – not bad, according to *The Cornerstone Report: Benchmarks and Best Practices for Mid-Size Banks 2005*. “Unfortunately, the mood in the industry is hardly that of bankers dancing in a conga line,” the report says. “It’s more of apprehension mixed with a bit of exhaustion.” *The Cornerstone Report* maintains that bankers are in a slug-fest, a “gloves-off, toe-to-toe round of competition in which every competitor seems to be coming with the same set of products, pricing and capabilities.” The report likens this “undesirable place in competitive strategy” to what GE CEO Jeff Immelt calls “commodity hell.”

*The Cornerstone Report: Benchmarks and Best Practices for Mid-Size Banks 2005* draws on extensive data submitted by more than 60 banks and thrifts with assets ranging from just under \$2 billion to \$30 billion.

According to the study, automated industry practices are somewhat responsible for boosting productivity in bank departments, but much of this increase is slow and evolutionary in nature. For example:

- Fee income per retail checking account has risen from \$165 per year in 2003 to \$200 in 2005, primarily due to growth in debit card and NSF income.
- Mortgage underwriting productivity has improved with continued adoption of tools from Fannie Mae and Freddie Mac. Underwriters now review 80 applications per month vs. 62 in 2003.
- The number of loans serviced per back-office service full-time equivalent (FTE) has improved in the commercial, consumer and mortgage loan functions, aided somewhat by tools such as imaging and automated interfaces.
- The productivity of trust departments has increased as assets under management per trust FTE jumped to \$35 million from half that figure in 2003, primarily because of a recovery in the U.S. equity markets.
- Administrative areas such as finance, payroll, purchasing and marketing have all shown slight improvements in their productivity figures.

- Core systems technology spending appears to be getting more efficient. Core spending as a percentage of total assets dropped from .077% in 2003 to .068% in 2005.

*The Cornerstone Report* includes the *Cornerstone Scorecard*®, a comprehensive tool that banks can use to compare themselves against peers and high performers in more than 200 key measurement areas. “Through this detailed comparison, a bank can identify the dollar value benefit of achieving peer median performance in underperforming areas,” said Scott Sommer, president and CEO of Cornerstone Advisors.

Presented in *The Cornerstone Report* are 150 best practices to help banks adopt a strategy for success that follows two parallel and equally important paths: the path of operational excellence, and the path of strategic differentiation. “Only a true strategic positioning that differentiates a bank in the eyes of its customers will deliver what the shareholders and employees really want: high performing value creation,” the report states.

*The Cornerstone Report: Benchmarks and Best Practices for Mid-Size Banks 2005* is available for \$575 on Cornerstone’s Web site: <http://www.crnstone.com>.



**About Cornerstone Advisors:**

Cornerstone Advisors, Inc. specializes in integrating best practices strategy, technology, and process improvement for banks and credit unions. Cornerstone’s advisory services include: Best Practice Banking, Strategic Planning, Technology Assessment and Planning, Data Processing System Selection, Industry Research and Education. In addition to *The Cornerstone Report*, Cornerstone publishes *GonzoBanker* ([www.gonzobanker.com](http://www.gonzobanker.com)), an electronic industry newsletter distributed each week to nearly 10,000 subscribers.

**CONTACT:**

Cate Pitts, Manager of Marketing and Communications  
 Scott Sommer, President and CEO  
**Cornerstone Advisors, Inc.**  
 Phone: 480-423-2030  
 Contact Form: <http://www.crnstone.com/contact.htm>  
 Website: <http://www.crnstone.com/>

# # #