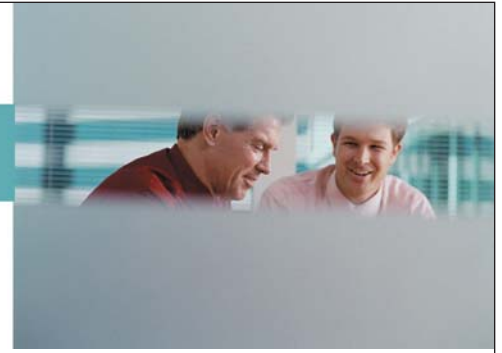


client focus



Lean Focus Prompts Sterling Savings Bank to Adopt Teller Capture

Business Challenge

In 2005, Sterling Savings Bank, a subsidiary of Sterling Financial Corporation (NASDAQ:STSA), was already running state-of-the-art check processing, doing Check 21 imaging from their central sites and starting to implement a lean operation. But state-of-the-art check processing meant having to "touch the check twice," a big lean no-no according to Kade Peterson, senior vice president of Sterling Savings Bank. "The lean experts that toured our bank were flabbergasted that we were touching the check twice. Even though our streamlined system made us industry leaders and put us ahead of other financial institutions that touch a check 10 or 20 times, if we were going to be a lean operation, we had to find a way to touch the check once."

Geography also added to Sterling's business challenge. With headquarters in Spokane, Washington, and 178 full-service branch operations throughout Washington, Idaho, Oregon, Montana and northern California, Sterling serves the entire Pacific Northwest. The downside to being in the Pacific Time Zone was that in order to meet the midnight Check 21 processing deadline at the Federal Reserve Bank, checks had to be couriered or flown from branches to their five central

sites that did the Check 21 imaging and processing. This was an expensive and time-consuming process that required early, same-day business cut-offs in their rural branches.

Technology Solution

Sterling looked into Branch Capture, which Peterson said "is one way some banks have eliminated the time and expense of couriering or flying checks to a central processing center. But putting a check scanner on the back counter in a branch where tellers would process and batch checks, scan them, transfer them and deal with 'day two' adjustments would not bring us closer to

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achieving single-item flow." Sterling decided they needed to create an end-to-end teller capture model.

"Other banks had implemented some pieces, we had implemented some pieces, but no one had a complete end-to-end teller capture model," Peterson explained. "We identified our vendors and, since we are an Open



Sterling Savings Bank opened for business in April 1983 with 13 employees. Now, the Washington state-chartered commercial bank employs 2,700 people at 178 depository branches spanning Washington, Idaho, Oregon, Montana and California, and has assets of almost \$13 billion. Sterling's growth came about because of the warm, personal approach to customers they call Hometown Helpful.

www.sterlingsavingsbank.com



"Clearing checks throughout the day as opposed to batch processing and clearing them at midnight is a huge savings for us."

Kade Peterson, senior vice president
Sterling Savings Bank
Spokane, WA

Solutions TotalPlus® client, we asked Open Solutions to manage the project and perform the integration service at the teller level."

Now, teller capture technology allows Sterling tellers to capture checks in real time at the point of presentment using a scanner at each window instead of the single scanner used in branch capture. The time they used to spend entering information on their computer while the customer waited, they now spend engaging with the customer while the scanner does the work. And while the initial spend for teller capture was high, the return on investment was higher.

Result

The business model Sterling had developed to predict its return on investment for teller capture showed anticipated payback in 18 months. Sterling achieved full payback in only 14 months. Peterson explained, "Even with the expense of having a scanner for each teller, the model for teller capture was 10 times better than the model for branch capture." In the first year of implementing teller capture, Sterling nearly recouped their investment by eliminating four of their five check processing centers. Savings were realized in software, elimination of check sorters with their high maintenance costs, personnel, servers, telecommunications and utilities.

Reductions in central item processing expenses and transportation costs were significant additional savings that

Sterling had not fully factored into the original teller capture business model, making their overall ROI even greater. "Clearing checks throughout the day as opposed to batch processing and clearing them at midnight is a huge savings for us," said Peterson. "The Federal Reserve bases their pricing on east coast timing, which starts before we open up in the morning and gets more expensive throughout the day. The end result is that a check the Federal Reserve processes for us at noon only costs half as much as one they process at midnight. So intraday check processing has given us a big payback. Another payback we are just starting to fully realize is our transportation costs. Teller capture allowed us to trim our air and ground courier services from daily, sometimes multiple daily couriers at certain branches, to twice a week, which is largely interoffice mail now."

Sterling Savings Bank's efficiency analysis of teller capture showed that anything less than nine items took the same amount of time or less to process than before. To maintain efficiency standards, Sterling deployed teller capture with a hybrid back-counter system that had a faster scanner for deposits with more than nine items.

Behind the scenes workflow that involved CAR (Courtesy Amount Read), LAR (Legal Amount Read) and image quality analysis has moved up front to the teller level, saving time and money in the back office. "Plus," Peterson added, "our customers benefit from instant teller balancing and the rural areas can offer same day business until the branch closes. Before we implemented teller capture, rural branch customers would have to get to the bank about three hours earlier than it closed if they wanted checks processed that same day; otherwise it had to go to next day business."

Sterling Savings Bank measures its worth through customer satisfaction. With more than \$12.9 billion in assets and more than 25,000 small to medium-sized businesses and 175,000 retail account customers throughout the Pacific Northwest, it successfully addressed a complex challenge with a simple, open solution.

If you want more information on teller capture or branch capture, please contact your account manager.



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