



vision to value

**S1**

GIVING YOU ONE VIEW

Northstar Financial Group Partners with S1 for Online Banking and Networking Guidance

Northstar Financial Group, Inc. (NFGI), a multi-bank holding company located in the Thumb Area of Michigan, provides full service banking through its two wholly owned denovo banks in Michigan and one affiliated denovo bank in Florida. Together the institutions have assets of just under \$200 million. Due to its size and relatively recent entrance into the market, NFGI required a partner with a strong skill set to implement its Internet banking solution and manage a complicated communications network. Committed to providing relationship banking as well as high tech tools to allow its customers to choose the way they bank, NFGI partnered with S1 to provide online banking solutions and network its locations.

Solid Solutions Support Long-Term Success

The IBS Retail Banking System (IBS) was first deployed at Northstar Bank in February 2001, with a second implementation at Seaway Community Bank in December 2001 and a third at Mainstreet Community Bank of Florida in October 2003. NFGI also offers S1 IBS Cash Management, bill pay and online check image review. In less than three years, the combined institutions accumulated nearly \$200 million in assets and more than 1,100 IBS customers, which represents approximately 23 percent of all direct deposit accounts (DDA). In addition, 32 percent of IBS customers use bill pay. NFGI considers S1 IBS as a key component in its rapid growth and success as well as being instrumental in increasing operational efficiencies.

Because of the holding company's diverse customer base, NFGI business plans involve offering everything from low-tech options to state-of-the-art, high-tech solutions. "The easy-to-use S1 Internet Banking System allows us to provide a delivery channel with more self-service transactions to satisfy everyone, from our tech-savvy customers to our novice Internet users," said Brian Hagle, Chief Information Officer at Northstar Financial Group. "The S1 solutions continue to help us increase overall efficiency as well as customer satisfaction."



Benefits:

- Exceeded 1,100 online customers within the first three years
- Achieved significant efficiencies and cost-savings utilizing S1's networking capabilities to meet growth demands
- Aggregating customer information allows NFGI to present a one-screen view of each customer's relationships

Networking Solutions Key to Growth

Due to its size, geographic disbursement of its customer base, and relatively recent entrance into the market, NFGI needed assistance networking its locations and handling communication design and implementation. Based on the depth of knowledge within S1's Professional Services team, the holding company chose S1 to manage this complicated process. The company has grown from one building to seven locations in just three years. Connectivity between the offices has been configured and supported by a team of S1 networking experts. "S1 helped us design and implement a multi-layer, multiple firewall configuration that enables us to ensure the safety, reliability and integrity of our systems and customer information," said Hagle.

Each time a new building was brought online, S1 Professional Services reviewed the configuration, redesigned for the expansion, ordered and configured the equipment and walked the banks' staff through the installation, providing management and guidance along the way. "S1 is a diligent partner in our expansion endeavors," said Hagle.

"For a small organization we are doing quite a few exciting things involving telecom," said Hagle. S1 helped NFGI implement a secure virtual private network (VPN) that allows technical support people and small offices to communicate with the data center in a secure and cost-effective fashion. In addition, the organization uses Voice-over-IP (VoIP), the transmission of telephone calls over a data network, to communicate with its Florida bank to help save on long distance expenses and provide real-time communication with its computer systems located in Michigan. "With S1's help, now all locations have desk-to-desk dialing capability that is routed through Cisco equipment provided by S1," said Hagle.

"A financial institution today cannot afford to ignore the Internet as a delivery channel and as a customer acquisition mechanism. We feel that our growth numbers and customer subscription to the S1 solution support this theory."

- Brian Hagle
Chief Information Officer
Northstar Financial Group, Inc.

Making Customer Satisfaction a Priority

While it is hard to determine customer loyalty for an institution that is only three years old, NFGI's business plan, which calls for meeting all customer needs, makes it clear that customers are the priority. Solutions from S1 have allowed the organization to grow while presenting high-tech products for customers.

Northstar Bank was the first bank in its area to offer any type of Internet banking. Almost immediately upon the introduction of the S1 Internet Banking Solution, several professionals and small companies in the area migrated their accounts to NSB. Since then, NFGI continues to steadily increase IBS users and transaction volumes by an average of 10 percent every month at each of the three institutions. Customers have provided positive feedback on the ease of use, intuitive screens and 24-hour availability and account access.

Revenue Opportunities and Cost Savings

Generating revenue was not the primary motivation behind offering Internet banking; however, it does serve as a tool in the acquisition of new customers, a clear revenue generator, and as a means to cost savings. NFGI made the decision to offer Internet banking as a free customer benefit. "We felt that this offering was as important as having tellers available to the customer. We do not charge for tellers, therefore we felt that we should not charge for IBS," said Hagle. While two of the three banks do charge for bill pay, the charge is more of a cost offset than a revenue generator. Cash management customers are charged a nominal monthly fee.



NFGI also realized significant cost savings since partnering with S1, such as fewer calls to customer service representatives, customers handling more self-service transactions and lower check volumes. In addition, Hagle said the S1 Professional Services team saved the organization a great deal of money by offering communications gear and implementation services at very aggressive prices. Specifically, the VPN and Voice-over-IP suggestions have provided significant results. With two small offices, each with three or less employees, everyone needs to have access to the institution's core systems and networks. "Without the VPN solution, we would be spending hundreds of dollars more per office per month, or possibly having an inadequately supported office. Neither is a great alternative for a banking company," said Hagle.

Hosting the IBS solutions in-house at NFGI allowed for further cost savings. Telecom solutions are extremely expensive in rural areas, and running a frame connection to a data center halfway across the country was not a viable alternative. By hosting the IBS in-house, the three institutions easily connect to NFGI's image and host platforms and in a much more cost-effective manner. Since it already had a connection to the Internet for other business purposes, NFGI was able to use the outbound connection for inbound IBS traffic.

Aggregating Relationships for Multi-Channel Marketing

Marketing is an important part of NFGI's strategy, and S1 solutions allow the organization to market products across multiple delivery channels. The business plans of all of the affiliated organizations rely on being able to service customers no matter their level of technical savvy or interpersonal requirements - the institutions serve a varied customer base that includes rural areas. Every new customer receives an overview of the institution's products. Each customer is offered IBS and ATM/debit cards, and is introduced to telephone banking and teller services. On average, at least one in four new customers selects the Internet as their primary delivery channel.

Since the bank's primary market is rural, it has several large agri-business customers as well as small "mom and pop" businesses and several light, multi-corporation manufacturing companies. The S1 Internet Banking Solution allows NFGI to offer a one-screen view of each customer's relationship. It is not uncommon for individuals to have multiple personal accounts, children's accounts and several business-related interests, according to Hagle. "With the S1 solutions we are able to aggregate those relationships into one screen that requires only one user ID to allow the customer to easily manage his or her business relationship with us," he added.

Northstar Financial Group continues to look at new ways to capitalize on its success with S1 solutions and toward adding new solutions to continue to improve its customer relationships.

S1 Corporation (Nasdaq: SONE) is a leading global provider of enterprise software solutions for more than 4,000 banks, credit unions and insurance providers around the world. Comprising applications that address virtually every market segment and delivery channel, S1 solutions help integrate and optimize an institution's entire front office, resulting in increased operational efficiencies, revenue opportunities, and overall customer satisfaction. S1 is the only provider with the proven experience, breadth of products, and financial strength to empower financial services companies' enterprise strategies.

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