

For Immediate Release

Strategic Expense Management in the US Banking Industry

Report published by Oliver Wyman and Celent

NEW YORK, NY, April 11, 2008 – Revenues in the US banking industry will decline by approximately 2% in 2008. With pressure from rising credit losses and an emphasis on squeezing out additional efficiencies and reducing costs, US banks are expected to cut their annual non-interest expenses by 10%, or US\$30 billion, by 2009, and eliminate up to 200,000 positions.

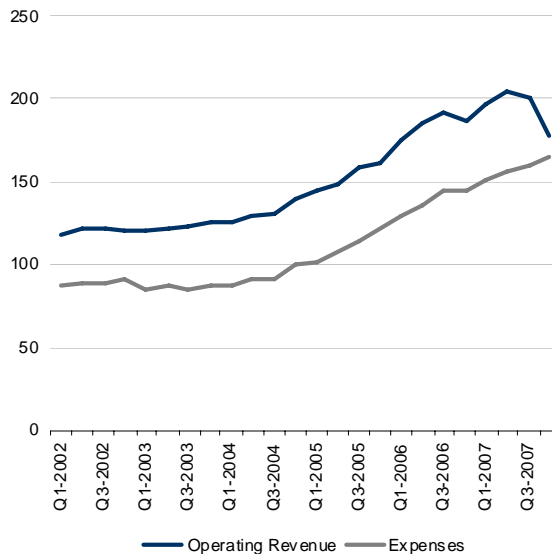
In a new report, *Strategic Expense Management in the US Banking Industry*, Celent and Oliver Wyman examine the state of the financial services market and banks' ability to reduce their costs for short-term demands without sacrificing long-term growth.

To maintain their profit margins, US banks will have to cut their operating costs by over 15%. This will include significant headcount reductions. Celent and Oliver Wyman expect to see the US banking industry shed approximately 150,000 to 200,000 jobs in the next 12 to 18 months.

Expenses Rise, While Revenues Decline

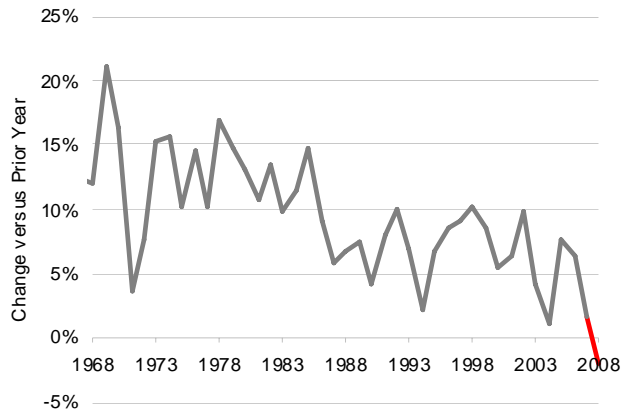
The study shows that expenses at banks have risen since the end of 2006, even as revenue fell.

Quarterly Revenues and Costs (US\$ Billions) in US Banking



Source: FDIC, Celent analysis Note: 2007 includes write-downs.

Revenue Growth in the US Banking Industry



Source: FDIC, Celent analysis Note: 2007 includes write-downs

Given that revenues for the industry have fallen, while expenses have increased for the past two quarters, it is clear that significant adjustments are going to have to be made in the near future to sustain banks' profits," said George Morris, Partner at Oliver Wyman.

Strategic Expense Management Required

Reducing headcount offers only a quick fix for the banking industry. Banks need to design and deliver strategic expense management programs that can sustain long-term results. Unfortunately, historical actions are far from encouraging. An analysis of financial institutions that have introduced large cost cutting programs in recent years suggests that most of these programs fail to deliver results in the short term. While it may be too soon to tell, it appears these initiatives will actually worsen the situation in the medium term. Most frequently, headcount is reduced, but existing inefficient workflows are left intact. Too often banks do not address the underlying cost drivers, and expenses are simply moved around or deferred rather than eliminated.

"Cost cutting programs can be both tedious and daunting," notes Octavio Marenzi, head of Celent. "However, experience has shown that banks can readily reduce their non-interest expenses by 5%. Higher cost savings of up to 10% are reasonable targets to set, while in some cases, savings as high as 15 or 20% are attainable, without jeopardizing future growth opportunities."

In this report, Celent and Oliver Wyman outline the framework for a successful strategic expense management program and hone in on the three primary drivers of cost: organization, process design, and sourcing. Understanding these drivers is crucial to any solid cost management program, and each driver must be properly evaluated in the context of what is needed to win the customer and talent markets.

About Oliver Wyman:

With more than 2,500 professionals in over 40 cities around the globe, Oliver Wyman is the leading management consultancy that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit www.oliverwyman.com.

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About Celent:

Celent is a research and advisory firm dedicated to helping financial institutions formulate comprehensive business and technology strategies. Celent publishes reports identifying trends and best practices in financial services technology and conducts consulting engagements for financial institutions looking to use technology to enhance existing business processes or launch new business strategies. With a team of internationally experienced analysts, Celent is uniquely positioned to offer strategic advice and market insights on a global basis.

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