



# THE KAFAFIAN GROUP INC.

...helping banks perform better™



Fourth Quarter 2011

Volume 3 Issue 4

## TKG Perspective

### Watch for Us

#### Teaching/Speaking Engagements

**Idaho Bankers Association**  
**ICBA 2012 Management & Director's Leadership Conference**  
 The Grove Hotel  
 Boise, ID **January 23 & 24**  
*Measuring and Managing Bank Performance*

**Financial Managers Society**  
**Philadelphia Chapter**  
 The Radnor Hotel  
 St. Davids, PA **February 8**  
*CEO Forum*

**American Bankers Association**  
**School of Bank Marketing and Management**  
 Southern Methodist University  
 Dallas, TX **May 15-22**  
*Product and Customer Profitability Profitability and Strategic Issues*

**Pennsylvania Bankers Association**  
**PBA School of Banking**  
 Penn State University  
 State College, PA **June 4-8**  
*Strategic Decision Making & Organizational Structure*

**AMIFs**  
**AMIFs Institute**  
 Washington University  
 St. Louis, MO **July 15-20**  
*Organizational, Branch, Product and Customer Profitability*

**Pennsylvania Bankers Association**  
**PBA Advanced School of Banking**  
 Penn State University  
 State College, PA **July 15-20**  
*How Do Banks Make Money?*

#### 2011-2012 Conferences & Conventions

**AMIFs**  
**Annual Convention**  
 Ritz-Carlton Hotel  
 Phoenix, AZ **April 25-27**

**Pennsylvania Bankers Association**  
**Annual Convention**  
 Fairmont Scottsdale Princess  
 Scottsdale, AZ **May 16-19**

**New Jersey Bankers Association**  
**108<sup>th</sup> Annual Convention**  
 Charleston Place Hotel  
 Charleston, SC **May 30-June 3**

**Maryland Bankers Association**  
**116<sup>th</sup> Annual Convention**  
 The Sanctuary at Kiawah Island  
 Kiawah Island, SC **June 3-6**

### Hard to Believe it's Been 10 Years!

By Robert E. Kafafian, President & Chief Executive Officer

On November 1, 2011, The Kafafian Group ("TKG") celebrated its **10 Year Anniversary** as an independent company. But actually, our history goes back to the early 1980's.

#### TKG HISTORY

The seeds of TKG were planted at First National State Bank of New Jersey ("FNSB") in the late 1970's. FNSB was eventually merged into First Fidelity...First Union...Wachovia...Wells Fargo. Bob Prothero, ("Bob P") a former Peat, Marwick, Mitchell & Co. Partner ("PMM", now "KPMG"), and at the time CFO of FNSB, was a mentor to Bob Kafafian ("Bob K"), Bob Sanders ("Bob S"), and Dick Ciolli.

Bob P was one of the most forward thinking and capable consultants in the United States, having managed the bank consulting practice for PMM. He developed the first Trust profitability accounting system, was instrumental in the way credit cards are validated and processed today, and began developing and implementing bank-wide management accounting systems in the mid-1970's. He is the father of our profitability measurement service bureau that flourishes to this day. Bob P was preaching about funds transfer pricing, cost and capital assignment, and organizational, line-of-business, branch, product, officer, customer and relationship profitability long before most bankers even thought that such measurement was possible.

In 1982, Bob P started "The Q Group" ("QGI"), a bank consulting firm along with Bob K and Dick Ciolli. QGI served banks in the northeast and mid-Atlantic region for 10 years until Bob P's retirement in 1992. At that time QGI was merged into Hopper Soliday & Co. ("HSC") in Lancaster, Pennsylvania. During our tenure at HSC, Bob K ran the Investment Banking and Consulting Services Divisions. HSC was eventually merged into Tucker Anthony in early 1999 and the combined Company was merged into Royal Bank of Canada ("RBC") in September of 2001.

At that time, the world was in turmoil, reeling from the devastation of 9/11. In October, 2001, Bob K and eight other employees negotiated the purchase of the Consulting Services Division from RBC and

TKG was born, effectively a reincarnation of QGI. We are forever indebted to TKG's "Plank Owners" (Jeff Marsico, our resident Navy veteran, arranged for the original employees/shareholders of TKG to receive an authentic Navy "Plank Owner" certificate, which signifies the first crew of a newly commissioned ship): Bob Kafafian, Jeff Marsico, Bob Sanders, Cindy Miller, Kelly Smith, Todd Sassaman, Sharon Lorman, and Steve Murray who have helped make TKG what it is, along with all of the other employees who have since joined us and are with us today.

#### TKG TODAY

Throughout the years we have worked with almost 400 financial institutions in over 40 states. We have built our staff almost exclusively with former bankers who have significant and diversified experiences in the industry. Each of our five lines of business has grown and we remain committed to offering a focused list of services where we believe we can tie our expertise to our clients' and the market's needs. Our five lines of business are as follows:

1. **Performance Measurement and Profitability Outsourcing** – Profitability Service Bureau, Funds Transfer Pricing, Cost and Capital Assignment, Risk Adjusted Return on Capital, Profitability Implementation Consulting, Profitability System Audits, Profitability Peer Group and Results Analysis, Performance Measurement Reporting
2. **Strategic and Business Planning** – Strategic and Capital Planning, Start-up (De Novo) Business Plans, Retreat Facilitation
3. **Regulatory Assistance** – Management Studies; Strategic, Capital and Profit Plans; Project Management
4. **Profit/Process Improvement** – Whole Bank Operational Analysis, Departmental Studies, Contract Negotiations, Vendor Analysis
5. **Investment Banking Advisory Services** – Whole Bank M&A, Branch Purchase or Sale, Fee-Based Line-of-Business Purchase or Sale, Valuation Analysis

A full listing of products and services can be found on our website.

## **TKG STAFF**

Listed below are our senior staff members and their areas of expertise. For a full listing of staff and biographies please see our website.

**Robert E. Kafafian, President & CEO** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement, Investment Banking Advisory Services

**Jeffrey P. Marsico, EVP** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement, Investment Banking Advisory Services

**George W. Millward, Managing Director** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement, Investment Banking Advisory Services

**Richard A. Pollard, Managing Director** – Resident Episcopal Priest, Legal, Lending, and Regulatory Assistance

**Robert J. Sanders, Managing Director** - Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement

**Richard G. Ciolli, SVP** - Performance Measurement and Profitability Outsourcing, Profit/Process Improvement

**Cynthia L. Miller, SVP** - Performance Measurement and Profitability Outsourcing

**Kelly C. Smith, SVP** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement

**B. Lars Swanson, SVP** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement

**Kathleen Furlong, VP** - Performance Measurement and Profitability Outsourcing

**Sharon J. Lorman, VP**- Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement, Investment Banking Advisory Services

**Stephen S. Murray, VP** - Performance Measurement and Profitability Outsourcing

**Jill A. Pursell, VP** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement, Investment Banking Advisory Services

**Todd R. Sassaman, VP** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Regulatory Assistance, Profit/Process Improvement, Investment Banking Advisory Services

**Maria A. Kachmar, Consultant** - Performance Measurement and Profitability Outsourcing, Administration

**Andrew S. Rietz, Consultant** - Performance Measurement and Profitability Outsourcing, Strategic and Business Planning, Investment Banking Advisory Services

## **WE GIVE THANKS**

We are truly grateful to all of our clients, associates, business partners, and friends for all you have individually and collectively contributed to make this anniversary possible. Without you, none of this could have occurred. And while we greatly value all of our business relationships, we value you more as friends and cherish the personal relationships we have enjoyed for so many years. *We extend a heartfelt THANK YOU to all of you.*

And finally, at this holiday time, we wish you and your family God's richest blessings of health, forgiveness, love, joy, peace, trust, hope, patience, humility and balance in your life. And may the joy of this holiday season extend to everyday of your life.



TKG, as part of our consulting and advisory engagements, frequently evaluates our industry, its trends, successes, and challenges. We are pleased to share our thoughts with you, our valued clients and friends, in the form of this periodic newsletter. If you would like to discuss anything further, or learn more about our performance measurement, strategic planning, profit/process improvement, regulatory assistance or financial advisory services, please call us at (973) 299-0300 or visit us at [www.kafafiangroup.com](http://www.kafafiangroup.com).