"Who Moved My Bank"

How Data is the Key to Navigating the Maze

Applying the Concepts Outlined in the Spencer Johnson book
"Who Moved MY Cheese?"

June 2018

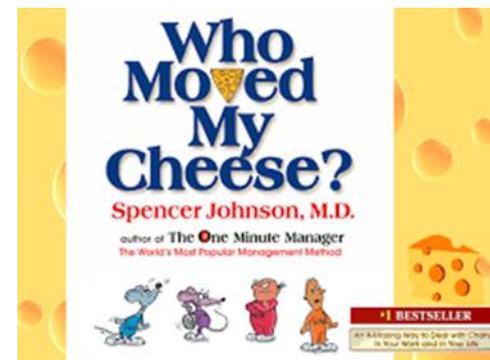Independent Bankers Association of New York State

Lending Conference

Dean P. Giglio
Managing Director
CEIS Review Inc.
dgiglio@ceisreview.com
212-967-7380

independent
BANKERS ASSOCIATION™
of New York State, Inc.

Who Moved My Cheese?
Spencer Johnson, M.D.
author of The One Minute Manager
The World's Most Popular Management Method
#1 BESTSELLER

About CEIS Review Inc.

➢Independent consulting firm serving lending institutions regarding loan portfolios since 1989

➢Experience providing the following services:

- o Loan Review Programs

- o Due Diligence

- o Loan Loss Reserve Methodology Validation or Refinement

- o Loan Portfolio Stress Testing

- o Consulting
  Process Reviews
  Loan Policy Review and Development
  Loan and Credit Seminars

Dean P Giglio Bio

- ❑ 36 years Commercial Banking

- ❑ Formal Credit Trained

- ❑ Relationship Banking/Senior Banker: Middle Market, Specialized Industries (D&J), Textile and Apparel, Small/Medium Cap BB+ >, Large Cap Investment Grade.

- o Senior Risk Data Leader; PD/LGD, Auto Decisioning, Reserve Modeling

- ❑ NatWest USA, ABNAmro, GE Capital

- ❑ CEIS Review:Co-Leader - CRE/C&I Stress Testing

5

Two Questions You Might Be Asking Yourself:

1. Why Talk About Data Using This Parable?

2. Why am I Giving This Presentation

The story's essential theme is dealing with "Change". My inspiration was that I've talked to many Senior Bankers, Executives and CEOs that wish things were back to a more "simpler time". My response to that is, "it is a simpler time".

Do you mean before the Internet?

When we used white out on proposal applications to fix a typo?

When we hand spread our financials in pencil and rubber erasers?

When a presentation like this one was done on a typewriter?

When we walked three miles to school, up a hill, without shoes?

Change is happening Faster Now than Ever, and For the Better provided we Accept,

Change, Adapt.

4

Why Me?

o I came into banking just as Banks began to introduce ATM's, automated teller machines. I, being a kid at the time, thought that was great while the existing employees frowned and bemoaned the changes as frivolous and temporary.

o Then, as I gained experience, I became resentful as I felt they were making changes to piss me off and thought, "I can do it just as well and just as fast if you stopped changing things and LET ME DO MY JOB!" Just a reminder, I worked for ABN AMRO for 17 years (Old School), They upgraded MSWord and PPT but that was about it.

o Then, I started at GE Capital and that is where at age 44 I embraced change because that was their culture: "Move, innovate, or die". I did not care for the last one, that was not for me, so I got educated and ultimately left my comfortable SCO and began to find ways to blend old/new

o **At CEIS our goal is to find ways to help you with change.**

Lessons of "Who Moved My Cheese"

Maze: Process
Cheese: Happiness

If you want to find the cheese you have to accept that you wont be able to unless you make changes and - adapt to the current state and- adopt a plan to stay ready in the future.

Lessons from 'Who Moved My Cheese?'

Change Happens.
They keep moving the cheese.

Anticipate Change.
Get ready for the cheese to move.

Monitor Change.
Smell the cheese often so you know when it is getting old.

Adapt To Change Quickly.
The quicker you let go of old cheese, the sooner you can enjoy new cheese.

Change.
Move with the cheese.

Enjoy Change.
Savor the adventure and enjoy the taste of new cheese.

Be Ready To Change Quickly.
And enjoy it again and again.

Move With The Cheese And Enjoy It.

Who Are You? Sniff? Scurry? Hem? Haw?
Vanilla Skills

You don't have to all at once but select the one that most resembles you, and start there.

6

Define Yourself

1) Instinctive: "See it do it"

2) Instinctive: "Change is change" – Reactive"

3) Learned Deliberate: Follows change in calculated manner – "What's in it for me?"

4) Learned Deliberate: Change is full of potential problems – "Why do I want more problems?"

Pick Two: one from "Instinct" and one from "Deliberate".

Define Yourself

1,3 – "See it do it": If you picked this, you are a 3 and a "Producer". You use data to help you get the job done faster. Fast = Success

2,3 – "Change is change" Reactive: If you picked this, you are a 3 and an "Innovator". You use data to help make decisions that are reasonable, supportable, consistent. Consistency = Success

4 – "Change is full of potential problems" Learned Deliberate: If you picked this, I'm sorry. Sadly you might be a Dinosaur. **You need a more comprehensive presentation than I can provide.**

Picturing the Maze
Process Map

# When someone says SOP or Process Map What comes to mind?
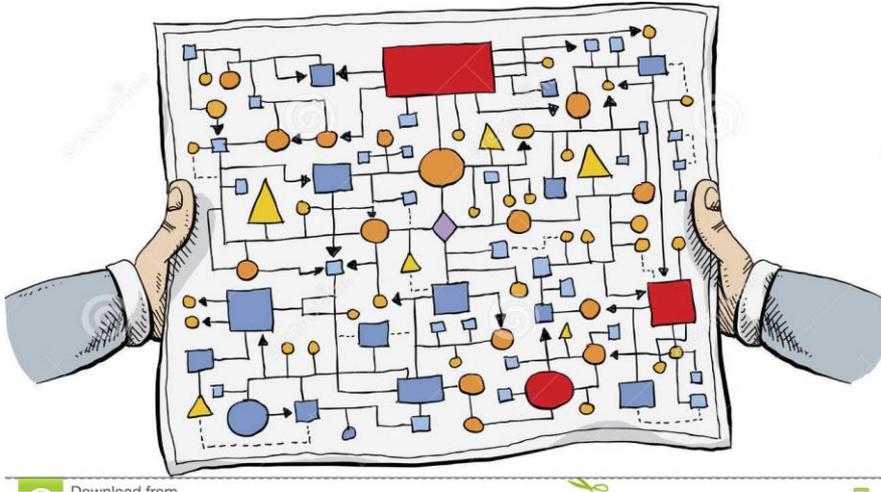
Why is it so complicated?
Can't it be simpler?
Are these really the steps that go into that action?

Data warehouse overview

This is how it looks to someone that has embraced the knowledge

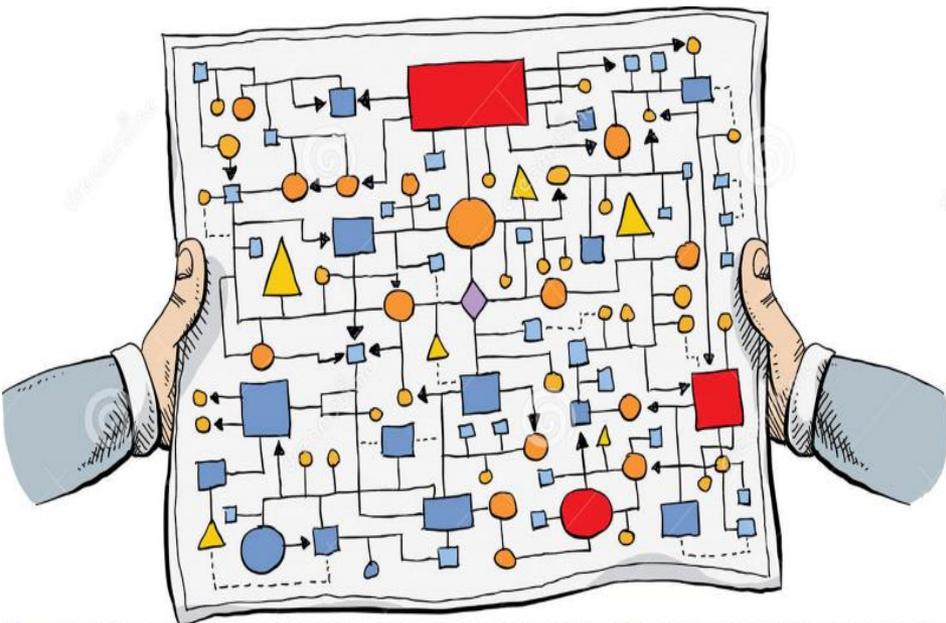Process maps are data pathways that direct the flow and ensure the outcome is accurate.
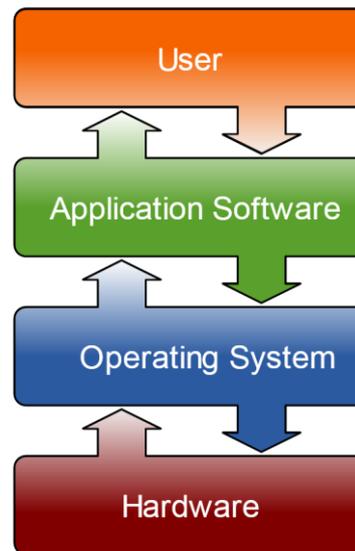

The basic architecture of a data warehouse
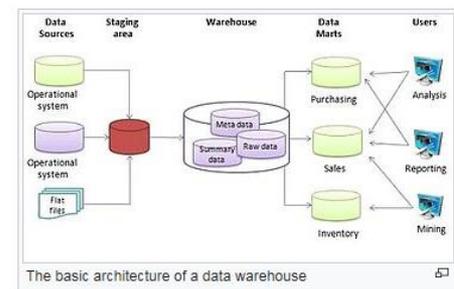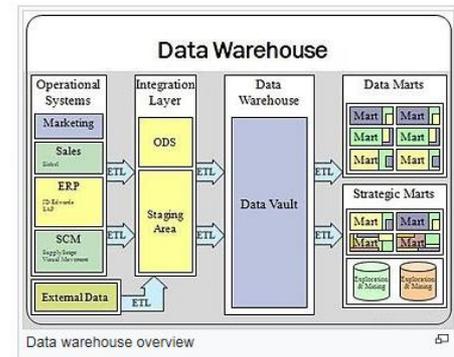
Who Likes to read Process Maps?

Data people Love Process Maps

We see this:

They see this:

Why? Because they identify "Order, Accuracy, Reliability" You should too!

Going Into The Maze
The Data Conundrum
I have so much data I don't know where to start or how to determine what's important

No matter who you are, you have apprehension (fear) when you first start a project, no matter how big or how small. It's not the same as a scary movie or fear that your favorite team might lose, because while they are important, the outcome of these circumstances are beyond your control.

Project Fear is manifested in the form of Doubt. Doubt about:

Getting started	Finishing	Getting the correct results
Correct data	Decision options	Repeatable results
Accuracy	Time	… And on and on

Two questions:
1. What would you do if you weren't afraid?
2. What do you need to move beyond the fear?

Is All Fear Bad? No, but fear can be the roadblock to change needed for Success.
Finding the "Cheese" – What makes you happy.

11

Going Into The Maze
The Data Conundrum
I have so much data. I don't know where to start? What's Important?

Plan it out and keep it small. Like the smart people say, "Having no plan is a plan to fail."

Data is emotionless and if you find something you don't like and why, remove it, the data doesn't feel any pain. Data identification and validation is something everyone can do. Even data you're not likely to use should be "cleaned".

Data is created, so it has origins. Make sure the origins have well defined processes. Keeping data clean is essential as no one wants to repeat the cleaning process continually, because that's a loop that never ends (getting lost in the maze).

Data is the foundation of all successful "Change". The better the data the more successful the Change outcome will become.

Like any foundation, it can only be as good as the parts that make it up.

12

Every Maze is different, but Similar

- Similarities (Instinct)
  - Beginning / End
  - Inputs/outputs
  - Multiple steps in proper sequence
  - Every step builds upon the prior step
  - Repeatable outcomes

- Dissimilarities (Learned/Discerning)
  - Goal Based
  - Few or Multiple steps
  - Simple or Complex
  - Fixed or Variable
  - Choices

There is no right way to build the maze, but the maze has to get you to your Goal or "Cheese".

13

Data is yesterday's facts but sometimes the facts don't add up the way you expect or want them to.

How Many of you agree with this?

If so many agree, why is this? Data Quality.

It's so much easier to write the formula than to get the best data and enough of it to make a reasoned outcome.

Data is the foundation, and you don't need Quants to tell you that!

If you or your organization is struggling with this you're not alone.
Big Data is Good Business!

14

Management Leaders are tired of hearing DATA, DATA, DATA, DATA

Common refrains:

"I don't need this, as we don't do things that way!"
"The Old Ways still work and don't need to Change!"
"Models Don't Know What We Know!"

But ask them about Ecommerce, Auto-decisioning, Consumer POS credit. And their responses that have changed over the years were:

10-15+ years	What is that?
5-8+ years	It is a flash in the pan
Now	Wish I did it earlier

Evaluate; Recognize; Decide; Action is never too late to change!

15

CEIS Review was founded by bankers for bankers in 1989. We are well known and highly respected by our Clients and industry for our capabilities.

As you can imagine, these activities use and generate data; now we are examining ways this can help our Clients, actively engaging with them to review how this data may be used to supplement (gap closure) in terms of specific data to address market changes from regulatory requirements (CECL) or internal modeling.

What Is Your "Cheese?"
Maybe we can help you find it!

16

Consulting Services To The Financial Community

ABOUT CEIS REVIEW

CEIS Review is an independently owned consulting firm serving Commercial Lending Institutions.

Engagements: Loan Review, ALLL Methodology Validations or Advisement, Loan Portfolio Stress Testing, Portfolio Acquisition Review (Due Diligence), and Loan and Credit Seminars.

(888) 967-7380
info@ceisreview.com
www.ceisreview.com