

## MEMORANDUM

To: Our Valued Customers

From: Ed Pace, Senior Vice President, Sheshunoff Information Services, Inc.

Subject: Highlights

---

We publish a new edition of *the Strategic Planning Guidance* manual in February each year for customers who do their planning in the spring; then we repeat the process in August for customers who do their planning in the fall. This memorandum outlines what is in our spring 2008 edition.

**Manual Changes:** We are making the following changes to the manual:

- **Performance Improvement Guidance.** We rewrote our chapters devoted to performance improvements guidance. Specifically, in revised Chapters 1, 2, 3 and 3A we lay out a path which can lead to improved bank performance.
- **Multi-Peer Group Analysis.** A new and improved sample report was placed in Chapter 2. You should immediately send for a copy of this report on your bank.
- **Regulatory Compliance Issues.** As a part of this update package, we have prepared new regulatory compliance discussion materials for your consideration. It is hard to imagine a strategic planning session in which regulatory compliance is not a major topic. Our regulatory compliance discussion papers can be found in Chapter 9.
- **Strategic Management.** At the end of the first chapter there is a paper that explains how a bank might be managed strategically. Strategic planning is an important component of strategic management. In this paper we specify and explain the other components. Strategic management is an achievable and desirable way to manage a bank.
- **Risk Management.** We made several significant changes to our model risk management system. (See Chapter 7.)
- **Out-Sourcing Compliance.** We made several significant changes inside Chapter 8 and we also made minor corrections to Chapter 8's model out-sourcing contract.

### PERFORMANCE IMPROVEMENTS

The manual is called *Strategic Planning Guidance* but the name may be misleading for the manual's primary goal is to help your bank significantly improve its performance. How we help with performance improvements is best explained through a brief summary of the book's contents. The manual consists of 22 chapters organized behind nine tabs:

1. **The Path to Improvements.** Chapter 1 is devoted exclusively to performance improvement and tells you how to use this manual to improve your bank in a number of different ways.
2. **Financial Performance Improvements.** The manual contains two chapters dedicated to profit improvements. Chapter 2 gives specific guidance on how to improve financial performance through

the use of a multi-peer group comparative performance analysis report. Chapter 3 consists of more than a dozen ideas on how you might improve bank performance.

3. **Strategic Planning Discussion Papers.** Chapter 4 consists of 13 discussion papers, each addressing a topic of potential interest to a strategic planning team.
4. **Regulatory Discussion Papers.** In this section, there are chapters on (1) risk management, (2) a model risk management system, (3) whether compliance should be outsourced, and (4) several regulatory hot topic discussion papers.
5. **Technology Discussion Papers.** The chapter behind this tab discusses how to prepare a technology plan and there is a chapter that discusses how to manage technology development.
6. **Marketing Discussion Papers.** Marketing topics discussed include (1) marketing management, (2) organizing for sales, (3) branding, (4) cross-selling, (5) call programs, and (6) effective advertising.
7. **HR Management Discussion Papers.** Discussion papers in this section include (1) changing the corporate culture, (2) a model high-quality-service guidance paper, (3) how to set goals and objectives for employees, (4) how to motivate employees, and (5) salary administration.
8. **Strategic Planning Guidance Papers.** In this section, the manual gives you step-by-step directions for developing a strategic plan from scratch. The manual also contains a model strategic plan and there are three additional models on the CD.
9. **Financial Planning.** This is an independent section of the manual that guides the reader through the steps necessary to prepare practical financial and capital planning documents. This section is built around Microsoft Excel spreadsheets that are on the CD. The idea is for you to choose the financial planning system that best fits; then use your numbers and our spreadsheets to prepare a financial and capital plan. Chapter 23 (on the CD only) contains a practical budgeting system.

**The CD:** The CD that comes with each packet of updating material is a major component of your subscription service. Here is a summary of material contained in folders on the CD:

1. **Planning Support Papers:**

- a. **CEO's Guide to Strategic Planning.** This is a six-page guidance paper that explains the steps a CEO should take to insure the success of this year's strategic planning effort.
  - b. **Coordinator's Guide.** This document contains instructions for the person the CEO designates as planning coordinator for this year's strategic planning effort.
  - c. **Moderator's Guide.** Similarly, this document contains instructions for the person who will moderate your strategic planning sessions.
  - d. **Schedule.** The schedule lists those things that need to happen and when each should happen.
2. **Model Plans.** There are four model strategic plans and a model financial plan on the CD.
  3. **The Manual.** The words printed in the *Strategic Planning Guidance* manual are also contained in a CD folder titled The Manual. In this folder, there is a separate Microsoft Word file for each chapter. Thus any chapter can be accessed, saved under a new name and then serve as a template.
  4. **Strategic Planning Discussion Papers.** Contained within this folder are discussion papers on over a dozen topics that potentially have strategic importance.
  5. **Excel Files.** This folder contains Excel spreadsheets that work in conjunction with Excel formatted models that appear in the manual and on the CD.

6. **Bankruptcy.** This folder contains 12 papers explaining techniques for minimizing bankruptcy losses. These papers supplement a chapter in your manual on how to minimize bankruptcy losses.
7. **Problem Loan Management.** This folder contains 12 papers on how problem loans should be managed as they progress through various stages of deterioration and recovery.