



2014 Malcolm Baldrige National Quality Award Application

If you love where you live, it matters where you bank.

2300 55th Street | Boulder, CO 80301 | elevationscu.com | 800.429.7626

Table of Contents

Eligibility Forms
Organizational Chart
Form A-1
Glossary of Terms

Organizational Profile	i
P.1 Organizational Description	i
P.2 Organizational Situation	iii
Category 1 Leadership	1
1.1 Senior Leadership	1
1.2 Governance and Societal Responsibilities	4
Category 2 Strategic Planning	8
2.1 Strategy Development	8
2.2 Strategy Implementation	10
Category 3 Customer Focus	13
3.1 Voice of the Customer	13
3.2 Customer Engagement	15
Category 4 Measurement, Analysis, and Knowledge Management	18
4.1 Measurement, Analysis, and Improvement of Organizational Performance	18
4.2 Knowledge Management, Information, and Information Technology	21
Category 5 Workforce Focus	24
5.1 Workforce Environment	24
5.2 Workforce Engagement	27
Category 6 Operations Focus	30
6.1 Work Processes	30
6.2 Operational Effectiveness	32
Category 7 Results	34
7.1 Product and Process Results	34
7.2 Customer-Focused Results	39
7.3 Workforce-Focused Results	41
7.4 Leadership and Governance Results	45
7.5 Financial and Market Results	47

Glossary of Terms & Abbreviations

A

ADKAR - Awareness, Desire, Knowledge, Ability, Reinforcement

ALCO – Asset Liability Committee

AML – USA Patriot Act Anti-Money Laundering program

AOS – Available On-Site (or via document request)

APR – Annual Percentage Rate

ARCU - Advanced Reporting for Credit Unions

ATM – Automatic Teller Machine

ATS – Applicant Tracking System

B

BABOK – Business Analysis Body of Knowledge

BCP – Business Continuity Plan

BHAG – Big Hairy Audacious Goal

BITe – Business Intelligence Team

Board – Board of Directors

BOD - Board of Directors

BPM – Business Process Management

BSA – Bank Secrecy Act

C

CBAP – Certified Business Analyst Program

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CHRO – Chief Human Resources Officer

ChTB – Change the Business (RTB – Run the Business)

CRM – Customer Relationship Management – Software application called Synapsys which allows robust tracking and reporting of customer information.

CS - Cornerstone Advisors

CTB - Connect the Business

CU – Credit Union

CUNA – Credit Union National Association

CWR - Custom Work Request

D

DFS – Department of Financial Services

DPA - Decide, Plan, and Align

E

EEOC – Equal Employment Opportunity Commission

ERM - Enterprise Risk Management

EPEx – Enterprise Performance Excellence

eVision – An online program allowing investors to make their own investment decisions

F

FINRA - Financial Industry Regulatory Agency

FTE – Full-time employee

FTP Data Exchanges – File Transfer Protocol is a secure file transfer system

H

HVAC – Heating, Ventilation, Air Conditioning

I

IDS – Intrusion Detection System

IRS - Internal Revenue Service

ISP – Internet Service Provider

IT – Information Systems

K

KPI – Key Performance Indicator

L

LEARN - Listen, Empathize, Acknowledge, React, Notify

LT – Leadership Team

M

Maxxar – Vendor providing our automated Call 24 banking system

MLG – Member Loyalty Group

MRM - Member Relationship Management

MT - ModernThink

MVV - Mission, Vision, Values

MXT - Member Experience Team

N

NCUA – National Credit Union Administration

NCUSIF – National Credit Union Shared Insurance Fund

NEO – New Employee Orientation

NPS – Net Promoter Score

O

OGO – Ongoing Operations

Operational Rhythm – See Figure 1.1-2

OSHA - Occupational Safety and Health Association

P

PFI – Primary Financial Institution

PMBOK – Project Management Body of Knowledge

PMP – Project Management Professional

PPH - Products per Household

PROFITstar® – Financial budgeting and forecasting software

R

RCA - Root Cause Analysis

RCFY - RealityCheck for Youth

RFG – Raddon Financial Group

RMPEx - Rocky Mountain Performance Excellence

ROA – Return on Assets

ROAA - Return on Average Assets

ROAE - Return on Average Equity

ROC - Risk Oversight Committee

ROE - Return on Equity

ROI – Return on Investment

ROMI - Return on Marketing Investment

RTB – Run the Business (ChTB – Change the Business)

S

SEG – Select Employee Group

SHRM – Society for Human Resource Management

SIPOC – Suppliers, Inputs, high-level Process steps, Outputs, and Customers

SL – Senior Leaders; Chiefs and Senior VPs

SMART – Specific, measureable, attainable, relevant, and timely

SME – Subject Matter Expert

SPHR – Senior Professional in Human Resources

SOAR – Social Opportunities and Recognition

SPP – Strategic Planning Process

SVP – Senior Vice President

SWOT – Strengths, Weaknesses, Opportunities and Threats

T

TAG – Thanks, Appreciation and Gratitude

TLC – The Leadership Challenge

TNA - Training Needs Assessment

U

U of C - University of Colorado

V

VOC – Voice of the customer

VOM - Voice of the Member

VP – Vice President

VPN – Virtual Private Network

VTO – Volunteer Time Off

Organizational Profile

P.1 Organizational Description

Elevations is a member owned, not for profit credit union serving Boulder, Broomfield, Larimer, and Adams Counties – our field of membership. Founded in 1952 with 12 members and less than \$100 in assets as the U of C Federal Credit Union, we have undergone a name change, become a community chartered credit union, expanded the field of membership, and grown to over \$1.3 billion in assets, serving over 100,000 members.

Since adoption of the Baldrige *Criteria for Performance Excellence* five years ago, we have experienced 35% membership growth, increased assets 53% and deposits 51%, increased consumer loan production 189% and equity 97%, and improved workforce engagement from 68% to 77%. Elevations is currently the #1 credit union provider of mortgages in Colorado, the #2 provider of financial literacy, and was voted the top social media credit union program. Most importantly, we have increased our market leader position in member loyalty.

P.1a Organizational Environment

P.1a(1) Product Offerings We provide a wide range of financial products and services, including everything from basic checking and savings accounts to a wide array of lending products. These include auto loans, student loans, mortgages, home equity line of credit, business loans, and credit cards. Additionally, our team of financial advisors helps members create comprehensive financial plans with investments, retirement planning, income strategies, wealth transfer planning, and insurance. Our delivery mechanisms are designed to allow members to bank the way they live, with availability anytime, anywhere. We call our delivery channels *Click, Talk, Walk*. *Click* includes remote delivery options of online and mobile banking; *Talk* references our extended-hours call center; and *Walk* represents traditional brick and mortar branches.

We offer market-competitive products and services providing solutions through each life cycle segment. We build our product portfolio to meet the needs of, and produce overall value to the membership. Building long-term relationships starts by becoming a member's Primary Financial Institution (PFI) for their checking and basic savings. These stable, low-cost funding sources provide beneficial lending rates other competitors find difficult to replicate.

P.1a(2) Vision and Mission Our mission, vision, core values, and BHAG are shown in **Figure P.1-1**.

Figure P.1-1 Mission, Vision, Values and BHAG	
Mission	
We provide solutions for a better life.	
Vision	
* We dominate the market while elevating the success of our members. * We change the way consumers and businesses bank. * We are known for the good work we do in the community. * We are sought out as the preferred employer.	
Core Values	
Integrity; Respect; Passion; Creativity; Excellence	
Big Hairy Audacious Goal (BHAG)	
We will win the Malcolm Baldrige National Quality Award	

Achieving our vision is contingent upon decisions and actions benefitting both the membership and community. We leverage our core competencies of *Membership First* and *Operational Excellence* to move toward achievement of our Vision. Our investments in achieving our BHAG ensure our core competencies and resulting competitive advantage are sustainable.

Figure P.1-2 Core Competencies	
Membership First	Sustainability - mutual success; members win, membership wins
	Loyalty - depth and tenure of PFI relationships; solutions not products
	Consultative - we listen, we care, we offer solutions that benefit
	Trust - derived from local focus to act in the best interest of the membership and community
	Transparency - what you see is what you get, nothing hidden and no surprises
Operational Excellence	A focus on getting better every day through the holistic application of the Baldrige framework.

Our mission, vision, values, and core competencies translate into a market differentiating value proposition to our membership and workforce.

Figure P.1-3 Value Propositions	
Value Proposition to the Membership	
We build long term relationships and deep mutual trust with our members by acting in the best interest of our membership and community.	
Value Proposition to the Elevations Workforce	
The best place you have ever worked.	

P.1a(3) Workforce Profile Elevations employs approximately 325 people with workforce demographics reflecting the membership we serve. Our culture is defined by energetic, talented, and savvy individuals who live our values, believe in professional authenticity and craftsmanship, invest in the sustainability of the community, and have fun doing it.

Elevations has a highly educated work force, with 65% holding Bachelor's or Master's degrees. One hundred percent of Vice Presidents and above have completed Bachelor's degrees or higher, with 30% achieving Master's degrees. Certification and/or registrations are required for lending and wealth management positions. Many of our team members are highly credentialed beyond the requirements of job descriptions with industry-specific certifications in Human Resources, Information Technology, Finance, Accounting, Business Analysis, and Project Management as examples.

We believe in a "Team Elevations" philosophy in which we all serve the membership. Our workforce segmentation recognizes we each play a different role in our service to the membership. Member Connecting teams (those in the *Click, Talk, Walk* channels), interact directly with our membership. They are supported by Member Enabling teams in areas such as Human Resources, Account Servicing and Payments, Compliance and Risk Oversight, Facilities, and Information Technology. Our workforce is supported by our volunteer Board of Directors (Board), and Supervisory Committee. Elevations has no organized bargaining units, nor specialized health and safety requirements.

Figure P.1-4 Workforce Segmentation			
Role	Member Connecting	Member Enabling	Total
Management	23	39	19%
Exempt	24	40	20%
Non-Exempt	131	69	61%
Total	55%	45%	100%
Average Age & Tenure	Status	Gender/Ethnicity	
Avg. age 39, 44%>40; Avg. 4.7 years of service	Part-Time: 12% Contract: 0%	Female: 65% Hispanic: 10%	

Differentiating Elevations in a commodity-based service industry through a relationship-centric value proposition is fundamental to our relevancy and sustainability in the communities we serve. Bringing this member value proposition to life requires a workforce that derives value from acting in the best interest of the membership and community while providing solutions for a better life. Our overarching element of engagement and determination of culture fit is the drive and desire to help others. Annually we confirm workforce satisfaction and engagement elements. Additionally, we have created a Total Compensation Philosophy which purposefully positions us higher than our competition in total pay and benefits.

Figure P.1-5 Workforce Engagement Drivers
Purposeful Work Contributing to Elevations success Clear expectations of manager Committed colleagues Learning and growth opportunities

P.1a(4) Assets Elevations service delivery is focused around providing convenient choices for members, excellent on-line and mobile banking, and outstanding people available in branches or by phone. We currently have 10 physical branches, 25 branded ATMs, and our corporate office houses our phone center and the bulk of our business operations teams. Key technologies include our core processing system, customer relationship management, scanning, loan origination systems, loss mitigation, online and mobile banking, data warehouse, as well as supporting infrastructure and enterprise productivity applications such as SharePoint. Elevations also participates in Shared Branching with other credit unions, which supplements our branching network by allowing our membership to access their accounts throughout the country at over 28,000 no-fee ATM locations, and receive in-person service from 4,100 participating host credit unions identified as Credit Union Service Centers.

P.1a(5) Regulatory Requirements Elevations operates under the supervision of the National Credit Union Administration (NCUA) and the State of Colorado Department of Regulatory Agencies. NCUA is an independent federal agency that supervises and charters federal credit unions and insures the deposits of our members through the National Credit Union Share Insurance Fund (NCUSIF). State and national legislation establish financial standards to which all credit unions must adhere to protect the health of the institution, safeguard member deposits, and ensure the fair and equitable treatment of consumers in their financial transactions. The regulatory burden for credit unions has dramatically increased in recent years with its resultant cost implications forcing many smaller credit unions to close. Elevations devotes approximately 600 staff hours to support our annual on-site regulatory examination

period. This is in addition to countless supplementary activities we are required to perform throughout our daily operations which require investments in process design, enabling technology, staff training, and internally-sponsored audit activities. (Figure P.1-6) Results available in Item 7.4.

Elevations actively participates in advocacy groups including Credit Union National Association (CUNA) and Mountain West Credit Union Association. Ensuring our membership has a voice when regulatory requirements are proposed is critical, given their design often has unintended implementation consequences for smaller credit unions versus large national banks.

Figure P.1-6 Core Regulatory Requirements
Core Regulatory Requirements
Truth in Savings Act (Reg DD) Electronic Fund Transfer Act (Reg E) Expedited Funds Availability Act (Reg CC) Home Mortgage Disclosure Act (Reg C) Equal Credit Opportunity Act (Reg B) Truth in Lending Act (Reg Z) Fair Credit Reporting Act Bank Secrecy Act (BSA) USA Patriot Act Anti-Money Laundering program (AML) Financial Privacy Requirements of the Gramm-Leach-Bliley Act
Regulatory Agencies
National Credit Union Administration (NCUA) Colorado Department of Financial Services Financial Industry Regulatory Agency (FINRA) IRS; EEOC; OSHA

P.1b Organizational Relationships

P.1b(1) Organizational Structure Elevations is a financial cooperative owned equally by each member, regardless of their investment or borrowings. The membership democratically elects directors to represent their interests. Directors have staggered terms up to a maximum of three four-year terms (twelve years in total). By regulation and statutory law, the directors appoint a Supervisory Committee to oversee the internal audit and financial reporting functions and ensure the activities of the Board are in compliance with laws and regulations. The Board oversees change management through a committee structure for policy changes (Governance) and elections (Nominating). The Board hires its sole employee, the President/CEO, who is then responsible to the Board to develop and execute the organization's mission. The CEO employs his executive team, as depicted in the organization chart. The CEO's executive team attends all Board meetings and strategic planning sessions. The VP of Corporate Risk manages Internal Audit and has a reporting relationship with the Supervisory Committee and the CFO. The CFO serves as the Chief Risk Officer, attends all Supervisory Committee meetings, and oversees Board-directed oversight committees including Asset/Liability and Risk Oversight.

P.1b(2) Customers and Stakeholders As a community chartered credit union, Elevations' current field of membership, as approved by the Colorado Department of Financial Services, allows us to serve businesses and individuals who work or live in Boulder, Broomfield, Larimer and Adams Counties. Once membership is approved, it is retained for the life of the relationship. We seek those who find value in trusted consultative solutions provided in the

best interests of the membership and community. We are not for those whose focus is obtaining the lowest price possible on individual products. Our approach is solution-centric, straightforward, focused on building relationships, doing the right thing, and getting better at it every day.

While we differentiate through relationship, we understand our customer groups have key threshold requirements or value drivers we must meet or exceed before our unique value proposition can be considered.

Figure P.1-7 Key Stakeholder Requirements	
Member (Customer) Requirements:	
Threshold – aligned with Operational Excellence Core Competency	* Prompt service * Inquiry/problem resolved timely * Quality service & support * Easy to conduct business
Differentiation – aligned with Membership First Core Competency	* Personally engaged - Trust * Feel like a valued member - Loyalty * Delivers value - Consultative * Act in best interest - Sustainability, Transparency
Community Requirements	
• Reputation as a fiscally sound, good corporate citizen • Proactive volunteer and community (financial) reinvestment	
Regulatory Requirements	
• Accurate financial records • Appropriate risk assessment and mitigation • Proactive compliance with regulations	

P.1b(3) Suppliers and Partners Our suppliers and partners can be categorized into the following groups: third-party service providers; consultants/professionals; facilities services; IT services; or product suppliers.

Figure P.1-8 Suppliers and Partners			
	Role in Work Systems	Role in Innovation & Competitiveness	Examples
Service Providers	Hosted applications; product servicing; bulk printing	Product or service capabilities / efficiencies	Loan Origination Systems; Mortgage Servicing
Consultants	Performance improvement	Best practice sharing and implementation	Cornerstone; Legal Counsel
Facility Services	Design; construction; maintenance	Branding; energy efficiencies	EHS Design; Lee Architects
IT Services	Subject matter expertise; training	New technologies; deployment	Jack Henry; CU Tech
Product Suppliers	Delivery of supplies	New product capabilities; cost effectiveness	Computer hardware; office supplies
Key Relationship Selection Requirements			
• Strong financial condition and transparency • Proactive compliance with regulations • Appropriate risk assessments and risk mitigation • Sound reputation, locally and/or nationally • Competitive pricing and value			
Communication Mechanisms			
• Vendor management process; contracting process • Electronic data interchange; Virtual Private Network; phone; email • Remote and on-site engagements			

P.2 Organizational Situation

P.2a Competitive Environment

P.2a(1) Competitive Positioning Elevations, by asset size, is the largest locally-based credit union serving our field of membership, and the third largest headquartered in Colorado. In terms of deposit market share, Elevations is third in the markets we serve behind only Wells Fargo and JP Morgan Chase. We consider these large national and regional banks to be our primary competitors due to their market share in our communities. (Figure 7.5-11)

Elevations differentiates itself from its competitors by defining a unique Business Model and reaffirming the Model annually as part of our Strategic Planning Process. The Business Model positions us to deliver on the requirements of our targeted member segments in a manner unique to our competitors and true to our Value Proposition. We actively listen, expertly counsel, and appropriately partner to maximize value to our membership and the communities we live in. We leverage our brand with proactive and innovative marketing.

P.2a(2) Competitive Changes By design, compared to other financial institution charters and non-bank financial institutions, credit unions operate under far stricter regulation, which supports the unique exemption from federal and state income taxes. The tax exemption is an advantage, yet it brings limitations that must constantly be managed. Consumer sentiment, e.g., Occupy Wall Street and Bank Transfer Day, has positively impacted credit unions by highlighting our traditional focus on keeping the benefit of our member owners at our core. Changing regulations such as the Dodd-Frank Act, which introduced the Consumer Financial Protection Bureau, may also introduce competitive opportunities. This federal agency is tasked with protecting the interests of consumers from anti-consumer practices in the banking industry. Further, federal and state credit union regulators have lessened some of the restrictions inherent in the credit union charter that now allow credit unions to more easily expand their field of membership. Historically, this has been one of the largest competitive disadvantages of the credit union charter. Additionally, regulators support pending laws enabling credit unions to be far more competitive in our business lending practices, more than doubling our current capacity, and providing supplemental sources of capital to help foster the growth of credit unions.

P.2a(3) Comparative Data The financial services industry requires great regulatory transparency. This provides us with a number of reliable sources for comparative data. All banks and credit unions prepare a quarterly call report, which captures a large amount of financial data and is available online. Elevations subscribes to a service that accumulates these financial data and presents it in a usable format. Other industry resources for comparative information include surveys such as Raddon CEO Strategies, Cornerstone Operations Survey, competitor rate and fee tracking, specific sales volume on products such as mortgages and wealth management, and Member Loyalty Group Net Promoter Score (NPS). Outside the industry we obtain comparative and competitive data on a number of fronts including workforce engagement and customer engagement. The majority of these data are historical and outcome-related in nature. It is much more difficult to find real-time or in-process measurement data against which we can compare ourselves.

P.2b Strategic Context

Key strategic advantages are a market that values local craftsmanship and commitment over price; a commitment to invest in the journey of our BHAG and capabilities of our people to sustain effective service differentiation with efficiencies difficult for competitors to duplicate; and a strong, positively perceived brand. Key challenges continue to be shrinking operating margins brought by increasing regulatory burdens, rapid changes in complex delivery channel technologies, and competition from non-traditional sources. Furthermore, the inability to leverage external capital sources (because of regulatory restrictions) may impair our ability to leverage advantages or mitigate challenges.

P.2c Performance Improvement System

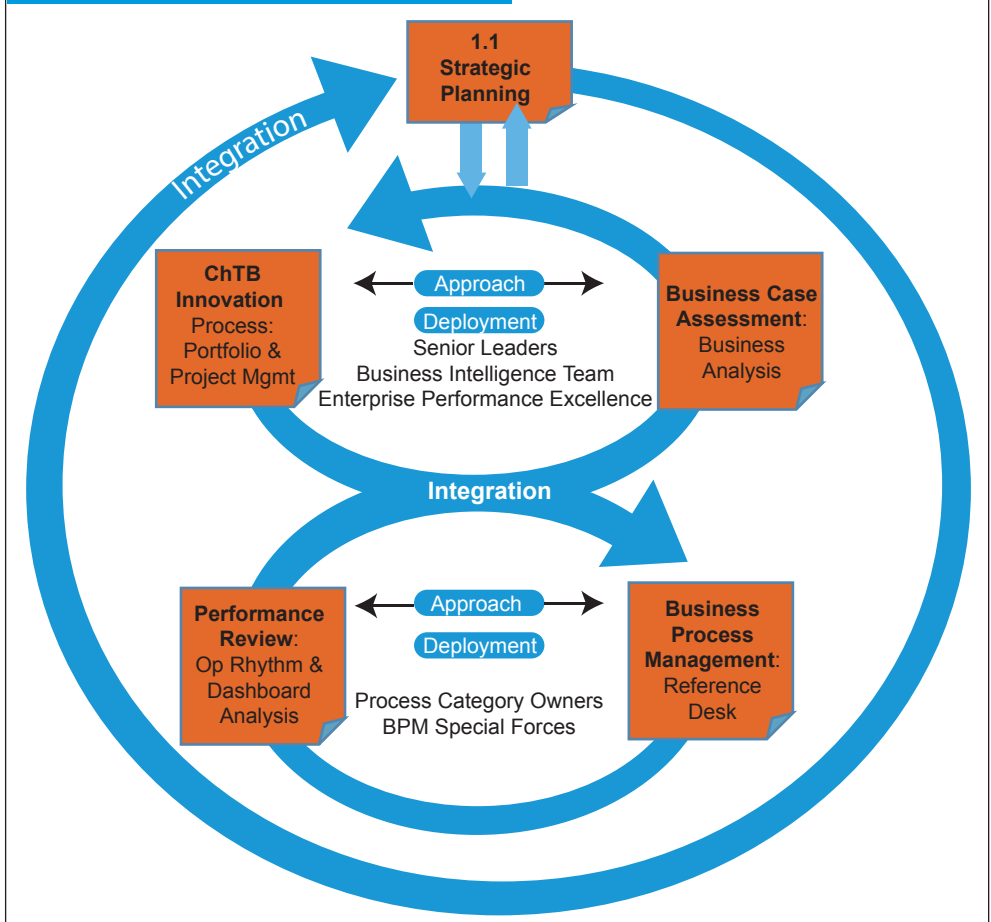
Elevations' overarching framework for improvement is the *Baldrige Criteria for Performance Excellence* as manifested in the BHAG and supported by core values *Creativity* and *Excellence*, and core competency *Operational Excellence*. The Criteria for Performance Excellence create a sustainable, results-oriented model from which the annual application and examination process ensures organizational learning through evaluation and improvement. Deployment of the BHAG is captured in the Leadership Process *1.5 Ensure Organizational Learning* with supporting approaches managed and deployed in the *10.0 Manage Enterprise Improvement* process category by the Enterprise Performance Excellence (EPEX) department and Business Intelligence Team (BITE).

Figure P.2-1 Key Strategic Challenges and Advantages

Advantages
• A market that values relationship over price • A strong brand favorably recognized • A commitment to invest in the BHAG and people capabilities
Challenges
• Shrinking operating margins • Rapid changes in complex delivery channel technologies • Competition from non-traditional sources

The Elevations Performance Improvement System is shown in **Figure P.2-2**. Key elements deployed within the overarching performance improvement system include: the Strategic Planning Process (2.1); *ChTB Innovation Process* of Portfolio and Project Management (6.2d); Business Case Assessment and Analysis [4.1c(3)]; Business Process Management (BPM) (6.1); and Performance Review through the *Operational Rhythm* (1.1b, 4.1). **These elements are executed not as a sequential process, but rather as an integrated group of processes – represented by the figure eight graphic.**

Figure P.2-2 Performance Improvement System



Through the SPP, Senior Leaders (SL) define objectives and performance targets and articulate the Elevations' strategic direction through semi-annually facilitated SPP meetings, and monthly Board of Directors, Pricing Committee, Risk Oversight Committee, and Asset Liability Committee meetings. Significant *ChTB Innovation* may be identified as part of the SPP. *ChTB* projects require Business Cases to support intelligent risk taking, and rigorous portfolio and project management tools are executed to ensure success of chartered initiatives. The *ChTB Innovation Process* is administered by EPEX and BITE. The *ChTB Innovation Process* includes business analysis based on the Business Analysis Body of Knowledge (BABOK) to identify root cause, establish requirements, and propose improvement solutions in a business case; formal phase gate review, prioritization, resource allocation, and monitoring through portfolio management. Project implementation is managed using the Project Management Institute's Project Management Body Knowledge (PMBOK). Through the systematic *Operational Rhythm*, leaders evaluate operational performance results and identify both RTB and *ChTB* opportunities for improvement. The *Operational Rhythm* is a sequence of integrated monthly forums with defined objectives, participants, measurements, analysis, and aligned outputs managed by BITE and EPEX to ensure effective evaluation of performance and execution of approved and prioritized improvement initiatives within the *ChTB* Organizational Initiatives Portfolio. All improvement initiatives utilize project management disciplines appropriate to the scope of the improvement initiative. Leaders evaluate progress on improvement initiatives through the various review forums

Figure P.2-3 Enterprise Process Map

Enterprise Process Map

BPM Process Maturity as of Feb 2014: Design = NA, Develop = 84, Deploy = 74, Monitor = 103; Cycles of Learning = 22 Re-Designed



in the *Operational Rhythm*. Analysis, action plans, project implementation status, and performance forecasts are shared with SL to confirm alignment with strategic intent and, as needed, receive approval for recommendations and resource alignment.

The Elevations Performance Improvement System incorporates improvement and ongoing management of key processes. The *Enterprise Process Map* (Figure P.2-3) defines the overall architecture of Elevations' work system. SL are assigned ownership of process categories within the work system and are accountable for delegated ownership of supporting work process. Designation of ownership confirms leadership responsibility for evaluation and improvement and ensures a systems perspective toward the evaluation of recommendations. Leaders who initiate changes to individual pieces of the work system must attain stakeholder approval from other owners affected by the proposed changes. Performance improvement to the work system processes is accomplished through the Elevations' BPM methodology, administered within IBM BlueworksLive by trained BPM Special Forces representatives who are assigned to represent each *Enterprise Process Map* Category. Outputs from BPM are deployed to the member facing and enabling team members through *Reference Desk* (4.2a).

Continuous improvement of RTB operations is an expectation of all process owners. Process owners leverage

BPM methodology as the primary approach by which work system processes are evaluated and improved. Formalized knowledge management processes are deployed to ensure organizational learning from evaluation and improvement is captured, published, and maintained in the form of knowledge assets accessible to the workforce through the *Reference Desk*.

The *Reference Desk*, *Operational Rhythm*, and BITE Dashboards are SharePoint sites accessed via Elevations Intranet. *Reference Desk* uses meta-data tags on all published knowledge assets to ensure workforce access through intuitive navigation. The *Operational Rhythm* SharePoint site serves as an aggregator or portal from which team members can see an interactive calendar listing all meetings, as well as links to drill-down SharePoint sites for each recurring meeting within the *Operational Rhythm*. All agendas, notes, and associated analysis are housed on these sites to serve as a point of one-stop shopping to foster transparency, accelerate communication, improve consistency of messaging, and capture learning. Furthermore, the *Operational Rhythm* site links to the BITE Dashboards site which houses cascaded dashboards for each process category within the *Enterprise Process Map*. Dashboards contain color-coded monthly performance updates, trended charting with accompanying variance analysis, action plan capture, and forecasted performance.

Figure P.2-4 Elevations Reference Desk

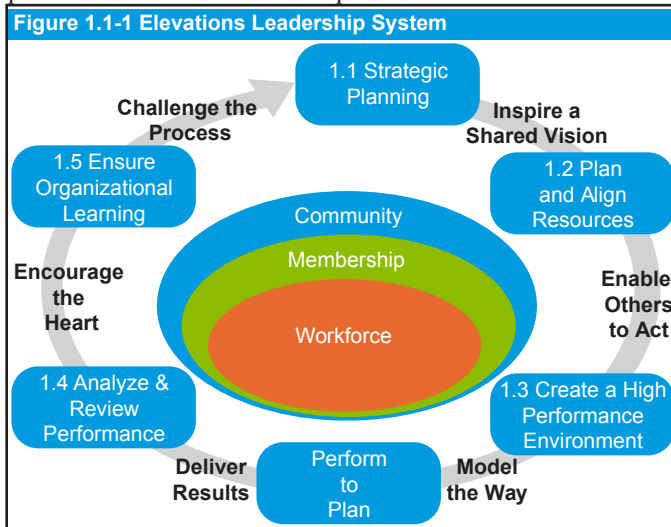
The screenshot shows the Elevations CU Reference Desk website. On the left, there is a sidebar with a search filter section titled "Reference Desk Views" containing options: "Modified in Last 7 Days", "By Document Type", "By Member Type", "By Process Category", and "By Topic or Product". Below this is a stack of colorful books with a small figure sitting on top. The main content area has a large heading "Welcome to the Elevations CU Reference Desk" followed by a sub-header "The Reference Desk site is the central repository for knowledge assets of the Credit Union." Below this is a section "I Want To..." with two columns of links:

Account Setup/Maintenance	Lending
Open a Consumer Account	Initiate a Consumer Loan
Open a Business Account	Perform Loan Maintenance
Process Inactive/Dormant Accounts	Closing a Loan
Close an Account	Special Accounts
Provide Cross Account Access	Open/Maintain a Custodial Account

1 Leadership

1.1 Senior Leadership

1.1a The center of the Elevations *Leadership System* reflects the integration of community, membership, and workforce. Acting in the best interest of the membership and community is inherent as the individuals in our workforce are also members and part of the communities we serve. The outside ring of the *Leadership System* reflects the alignment of key leadership processes with behavioral competencies our leaders model.



1.1a(1) SL set, reaffirm, and deploy the *Business Foundation*, during Step 2 of the **1.1 Strategic Planning Process (SPP)** (Figure 2.1). Elements of the *Business Foundation* include ① Vision & Values, ② Member & Workforce Value Propositions, ③ Core Competencies & BHAG, ④ Key Performance Guidelines, ⑤ Business Model, and ⑥ Community Focus, Regulatory Advocacy, and Volunteer & Management Succession.

In a 2011 cycle of refinement, SL formally codified our Member Value Proposition and refined Core Competencies in response to feedback from the 2010 RMPEX examination. In 2013, in response to feedback from our annual workforce engagement survey, the *Workforce Value Proposition* was also codified.

While our Vision is stated in the present tense, it actually represents our desired destination. We continually assess progress in executing the strategic plan to ensure we are on target to achieve our Vision. In addition, through *1.5 Ensure Organizational Learning*, we review organizational lessons learned, and in Step ① of the *1.1 SPP* perform internal and external environmental scans to confirm the Vision and supporting components of the *Business Foundation* are in alignment. When confirmed, our Mission, Vision, and Values (MVV) are presented to the entire *Leadership Team* for comment, submitted to the *Board* for approval, and ultimately deployed to the organization through *1.2 Plan and Align Resources* in the form of an annual Business Plan. Additionally, in *1.3 Create a High Performance Environment* we integrate the MVV into individual team member performance plans, which we call *SuccessFactors*.

Core Values are the foundation of our culture. Key leadership attributes have also been defined and integrated into the *Leadership System* to reflect balance between “*What*” results are expected and “*How*” leaders are expected to conduct themselves to achieve the results. Leadership attributes define the responsibilities of SL to ensure the

Elevations’ organizational culture is kept alive, grows, thrives, and honors the *Workforce Value Proposition to be the best place you have ever worked* (Item 5.2).

Living each attribute is a responsibility of every Elevations leader and integrated into their *SuccessFactors* evaluation. As an example, leadership demonstrates the *Model the Way* attribute through participation in our mentor program, volunteer activities in the community, and completing the Leadership Challenge training and assessment course. As with every team member at Elevations, 25% of an individual’s performance evaluation is based upon demonstration of the Core Values. Leadership attributes serve as complementary behavioral expectations to the Core Values in this assessment.

SL also ensure our values are integrated into our vendor management process. Each supplier and partner has an assigned Elevations relationship manager. When a relationship is established with a new vendor, we communicate our Core Values and expectations of them within the context of the specific service being provided. Any partner relationship involving interaction with our membership includes standard contract termination language that leverages our Core Values of *Integrity* as it relates to protecting member data and *Excellence* as it relates to exceeding the service expectations of our members.

1.1a(2) SL demonstrate their commitment to legal and ethical behavior by living the *Model the Way* leadership attribute, by modeling our value of *Integrity*, and by ensuring accountability for legal and ethical behavior by all. SL are personally committed to promoting an organizational environment that requires and results in legal and ethical behavior. Our commitment to acting in the best interest of our membership and community demands we have a culture of *Integrity* which honors doing the right thing at all times. SL evaluate Elevations’ ethical and legal culture at least annually during *1.1 Strategic Planning*, Step (1) *Assess & Understand*. This evaluation leverages analysis from the workforce engagement survey, member feedback, community perceptions, regulatory compliance, and internal and external brand perception and performance. Legal and ethical approaches are systematically and fully deployed to all team members through Code of Conduct education incorporated into the New Employee Orientation (NEO) process and through annual training updates. SL participate in NEO to support delivered messages, and champion annual training communications specific to ethical behavior. All team members are trained on the importance of keeping member information safe and secure through practices designed to ensure safe storage of confidential/protected data. The People Department communicates the accessibility of our third party hotline, *MySafeWorkplace*, at least semi-annually, and a link to it resides on the front page of our intranet.

1.1a(3) Sustainability is a core tenet of our organization. Our brand message is, “*If you love where you live, it matters where you bank.*” Unlike large national banks that operate over broad and diverse areas, our membership and workforce come solely from the communities we serve. Our actions must be beneficial and add value to our membership and community in order to sustain our own continued success. This manifests itself in many ways, particularly our Value Proposition, “*...acting in the best interest of our membership and community.*” SL also recognize that sustainable organizations require increased rigor and discipline as they grow in scope and complexity

and face increasingly strong competitors. In 2009, Elevations adopted the *Baldrige Criteria for Performance Excellence* as our organizational performance management framework. Our CEO championed and our *Board* supported adoption of our Big Hairy Audacious Goal (BHAG). Every year since adoption, Elevations' processes have matured, and operational alignment and integration have improved as evidenced by improving performance in annual cycles of application and examination through the regional Baldrige program. We were proud in 2013 to be only the fourth organization ever recognized with the Peak Award by the Rocky Mountain Performance Excellence program.

Environment of Achievement and Learning: The *Leadership System* aligns key 1.0 *Lead the Enterprise* processes to create a systems focus on achievement of mission, improvement of performance and leadership, and a focus on learning. In particular, 1.5 *Ensure Organizational Learning* leverages the evaluation and improvement of processes through Business Process Management (BPM) and Change the Business (ChTB) Innovation (6.2d) which are part of our overall performance improvement system (P.2c) and embedded into the *Operational Rhythm*. The annual Baldrige application and examination bring a results-focused systematic evaluation to every facet of our organization. Noteworthy cycles of learning, either initiated by exam OFIs, or leveraged as identified strengths, include the 2012 formation of the BPM Special Forces team to accelerate cycles of best practice learning, an addition of a knowledge management analyst to the EPEX team to capitalize on the benefits of knowledge asset governance, 2013 refinement of the *Operational Rhythm* to leverage full deployment of process category owner dashboards, increased alignment of dashboard measurements to the value proposition, and continued evolution of benchmark sources and selection.

Culture of Customer Engagement: *Membership First* complemented by *Operational Excellence* form our foundational core competency differentiators in successfully delivering the Member Value Proposition. Focusing the workforce culture on consistently delivering a positive experience for our membership in order to drive engagement and loyalty is critical to our success. As such, measures of member experience are integrated into individual performance reviews, incentives, and merit increases. Member experience measures are prominent in the *Operational Rhythm* and also serve as key performance hurdles for organizational incentives administered through our annual *Stakeholders Plan* [5.1a(3)]. With measurement also comes process design. The key requirements or value drivers of member engagement [P.1b(2)] determine the design of our key processes [6.1a(1)]. Senior leadership made significant investments to enhance our culture of customer engagement in late 2013 by designing a significantly more robust member facing workforce training program. The program now extends over the course of four weeks, includes experiential learning within a classroom designed to mimic an actual branch environment, includes weekly product and knowledge assessments, as well as a final certification exam and demonstration of applied learning. In addition to new employees, this program is being deployed to all existing member facing staff for recertification.

Innovation, Intelligent Risk Taking, and Agility: SL take intelligent risks by assessing business cases against weighted evaluation criteria that balance benefit, cost, and risk as detailed

in [4.1c(3)]. Continuous improvement of RTB operations is a fundamental expectation of our leaders who serve as process owners. Additionally, our leaders are challenged to seek innovative ideas to ChTB. Core Values of *Excellence and Creativity*, supported by boundaries provided by the *Business Foundation Key Performance Guidelines* [2.1a(1)] foster an environment of intelligent risk taking and agile decision making. Through deployment of the performance improvement system, (P.2c) SL work with teams to evaluate and identify internal as well as external examples of high performance, capture best practices, and propose recommendations. The monthly *Operational Rhythm* (1.1b) provides forums for evaluation and recommendation of innovative ideas with support from EPEX to capture the analysis and BITE to validate performance projections (4.1c3) in business cases. The *ChTB Innovation Process* explained in (6.2d) provides a systematic portfolio and project management methodology to ensure timely approval, prioritization, resource allocation, and managed implementation of Innovation. The IT Steering Committee, a subset of the Decide, Plan, & Align meeting within the *Operational Rhythm*, provides a similar forum for seeking approval and prioritization of technology-centric projects of limited scope requiring expenditure of Information Technology resources.

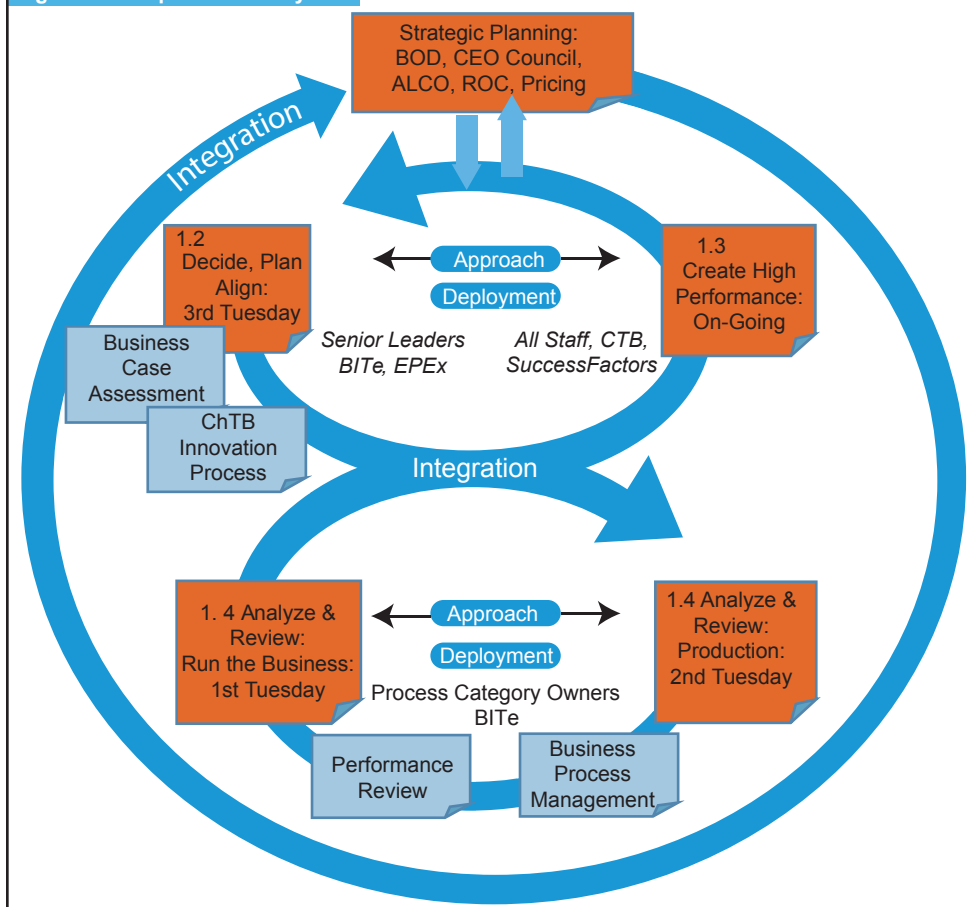
Leadership Development and Succession Planning: Succession planning at Elevations is focused on developing talent in the pipeline to be prepared for planned as well as unplanned opportunities. It is an ongoing process of preparation that is aligned with our strategic planning practices. SL actively participate in succession planning by creating and updating success profiles for all mission-critical positions. These profiles include specific competencies required for each role. Using a customized succession planning tool, candidates are identified, and each senior leader works with potential successors to mentor the candidate's development. Our SL help to develop future organizational leaders by serving as instructors in leadership development classes and through informal and formal mentoring. Additionally, candidates participate in Connect the Business (CTB) meetings which focus on developing leadership skills.

A 2012 cycle of learning initiated through SPP Step (10) *Evaluate and Improve Process*, identified a need for a more rigorous succession planning process. As a result, we utilized an external facilitator, and have now 1) Established a succession planning committee to vet and confirm Elevations' succession planning strategy, tactics, roles and competencies; 2) Identified future-state organizational structure and roles that align with our business strategy; 3) Extracted required competencies that are now included in revised competency models; and 4) Developed a succession planning tool to analyze/measure talent, integrate into our existing performance management system, and roll out changes.

1.1b Communication & Performance

Elevations *Operational Rhythm* is the primary approach for how SL align, integrate, deploy, and initiate cycles of learning to ensure a sustainable organization. First developed in 2010, the *Operational Rhythm*

Figure 1.1-2 Operational Rhythm



well as team member coaching. The Internal Communications Team supports SL in effective deployment of communications through execution of the Internal Communication Process – Step (1) Audience needs are understood; (2) Messages developed; (3) Content designed; (4) Appropriate channel(s) selected (including use of social media); (5) Communication delivered; and (6) Effectiveness of communications evaluated. All member-facing communications also leverage this process.

As a member-owned cooperative, Elevations' SL have a unique obligation to balance the needs of individual members with the good of the membership as a whole. Annually, the entire membership is invited to a formalized meeting conducted to facilitate access to the SL. Here, the state of the credit union is presented, and an open town hall forum is conducted with no topic considered out of bounds. Leadership communicates and engages with members on an ongoing basis through formal and informal channels including email, letters,

has been through multiple cycles of evaluation and refinement with the latest being the development and deployment of the Decide, Plan, and Align forum in 2013.

1.1b(1) Leadership communicates and engages the workforce through multiple approaches aligned and integrated through the *Operational Rhythm*. The outer ring of the *Operational Rhythm* reflects the inputs provided by the Strategic Planning Process. The figure eight reflects the execution and operationalization of the strategic plan.

- *Strategic Planning* forums and outputs focus on financial sustainability outcomes and continued alignment with our strategic plans. These forums include the *Board* (BOD), *CEO Council*, *Asset Liability Committee* (ALCO), *Risk Oversight Committee* (ROC), *Pricing Committee*.
- *Decide, Plan & Align* forums include *Decide, Plan & Align* (DPA) and the *IT Steering Committee*. These forums focus on the primary organizational outcome results and provide SL the opportunity to act upon improvement recommendations.
- *Create High Performance* forums encourage frank two-way dialogue regarding key performance measures, confirm understanding of key decisions, recognize high performance, and accelerate organizational and individual learning. These forums include: *All Staff*, *Connect the Business* (CTB), *eCommunications*, *Training*, *SuccessFactors*, etc.
- *Analyze & Review* forums focus on in-process metrics of key work and support processes with outputs designed to explain performance variances and capture improvement recommendations. These forums include *RTB*, *Production*, *Process Category Owner* and *Department* meetings, as

statement notices, the corporate website, press releases and social media. We use social media to engage with members and non-members via ongoing posts on Facebook, Twitter and Google+. Content for these posts includes financial education, news in the community, and upcoming events, as well as alerts and critical announcements, such as interruption of service due to weather or other reasons when necessary. Today we use a single generic voice that represents both leadership and departments, and will strategically roll out additional voices on select social media (e.g. CEO, People, Governmental Affairs, Community Development, Technology, etc.) and a corporate blog in 2014. More detail about our overall social media strategy is included in **Category 3**. Informally, the SL are committed to attending community events that are frequented by the membership and/or sponsored by the credit union to make themselves available for comments and questions. This style of networking allows the leadership to informally survey representatives of the membership that may not choose to comment in a more visible forum or take the time to fill out a formal survey or write a letter. Membership correspondence addressed to the senior leadership is typically answered directly through telephone or in writing, and sometimes results in an in-person visit, depending on the situation. The objective of all member communication is to validate the concerns of individuals, build long-term relationships, and foster deep mutual trust while acting in the best interest of the membership. Leadership has committed to increasing transparency and deployment of information to all levels of the organization through quarterly "All Staff" meetings. During these meetings,

Figure 1.1-3 Communication Channels and Forums			
Channels and Forums	Freq	Audience	2-Way
State of the Credit Union ^M	A	All, M	Yes
Annual Report ^M	A	All	No
All Staff ^S	Q	All	Yes
Connect the Business	Q	L	Yes
Board of Directors Meeting & eVision	M	B, SL	Yes
Decide, Plan, & Align	M	SL	Yes
Production Meeting	M	L	Yes
Run the Business	M	P	Yes
IT Steering Committee	M	C, SVP/IT	Yes
Asset Liability Committee (ALCO); Risk Oversight Committee (ROC); Pricing Committee	M	SL	Yes
CEO Council	W	CEO, D	Yes
SuccessFactors Individual Performer Meetings	W/Q	All	Yes
Functional Area Meetings (Branch & Department)	W	All	Yes
Anniversary Breakfasts	M	All	Yes
SOAR Events	Q	All	Yes
Leader Thank You Cards	O	All	Yes
Senior Leader Rounding	O	All	Yes
Elevations eComm ^S :			
• CEO Communications	M	All	Yes
• Elevations Matters	W	All	No
• Elevations Communications ^M	AN	All	Yes
• Connect the Business	AN	L	No
• Information Technology	AN	All	No
Intranet (<i>Reference Desk</i>) ^S	AN	All	No
SharePoint Collaboration Sites	AN	AN	Yes
Internet ^{M, S}	AN	All	No
Elevations Blog and Vlog^{M, S} : 2014 Roll-out of CEO, Financial Literacy, Foundation, & Community Expert “Voices”			
Social Media Workforce Marketing^{M, S} : 2014 Roll-out of “Culture Book” and trained Workforce “Voices”			
A - Annual, Q - Quarterly, M - Monthly, W - Weekly, AN - As Needed SL - Senior Leaders, B - BOD, L - Leaders, P - Process Owners, C- Chiefs, D - Directs, M - Member, ^M Membership Included / ^S Social Media Leveraged			

SL share a wide variety of information on improvement efforts, status of operational objectives, detailed financial performance information, and have fun recognizing and celebrating our people. Recognition and celebration are given special emphasis as they are especially aligned with Core Values of *Passion*, *Creative*, and *Excellence*. Gerry Agnes, the CEO, also shares the monthly *Board* Report through the “CEO Communications” email channel with an open invitation for questions or comments. SL leverage informal rounding opportunities, as well as formal *Operational Rhythm* meetings and social events such as summer cookouts to periodically visit branch and department locations in order to personally interact with team members and learn about workforce engagement. SL also lead or participate in regular All-Staff and Connect the Business meetings designed to increase transparency and deploy information to all levels of the organization. These meetings regularly demonstrate SL commitment to the Core Values.

SL personally participate in several reward and recognition programs created to reinforce high performance. They

nominate candidates for our Mile High Performers Award, promote our *Stakeholders Plan*, recognize top performers in the CEO’s monthly *Board* report and at quarterly All-Staff meetings, give spot bonuses, send home handwritten congratulatory notes to team members, participate in monthly service anniversary breakfasts, and actively engage in Social Opportunities and Recognition (SOAR) program activities such as cookouts, baseball games, bowling, and movie nights which include Elevations team members and their families.

1.1b(2) SL create a focus on action through deployment of *Measurement, Analysis, and Improvement* processes (**Item 4.1**) within the *Operational Rhythm*. The *Operational Rhythm* creates accountability for process owners and leaders to explain performance variances through analysis of in-process leading indicator metrics to improve our understanding and ability to forecast key measure outcomes (**Items 4.1 and 6.1**). Process owners and their teams must perform analysis and recommend actions to leverage positive variances and mitigate negative. Senior leadership is then accountable for intelligent risk taking as they analyze the risk to act or not to act upon these recommendations through the *Operational Rhythm*. Leaders define priorities for improvement and Innovation and deploy those through the performance improvement system (**Item P.2c**). In determining which actions to pursue, leaders ensure the recommend initiatives, captured in business cases with weighted assessment criteria as explained in (**Item 4.1c3**), balance value among all stakeholders, and are in alignment with the Strategic Planning Process (**Item 2.1**).

1.2 Governance & Social Responsibilities

1.2a Organizational Governance

1.2a(1) Strong corporate governance starts at the top with our volunteer Board of Directors and independent Supervisory Committee to ensure we are acting in the best interest of our membership to provide a relevant and sustainable Business Model. Through the *1.1 Strategic Planning* process and *Operational Rhythm*, data are gathered from regulators, auditors, legal and other strategic partners, and trade associations to ensure achievement of key aspects of regulatory and legal compliance requirements. Members and staff provide input into decision-making via robust loyalty, satisfaction and engagement surveys.

Based on feedback from stakeholders, SL determined the need for more timely, comprehensive and systematic processes to ensure the best decisions are made for our Membership. In 2012, based on this process, a cycle of learning  led to a change in our organizational structure with new positions of Chief Product Officer, VP of Member Experience and SVP Governmental and Student Affairs. Further, a 2013 cycle of learning  demonstrated the need for a more comprehensive evaluation of our risk program. Through continuous monitoring of performance results and subsequent improvements, the CFO and team developed a holistic risk management program that is considered a best practice by our regulatory agencies. At the request of our regulatory agencies, Elevations presents training on risk management programs to field examiners and credit union leaders.

1.2a(2) We systematically evaluate the performance of our SL. Annually, the *Board* formally evaluates the CEO’s performance against the following three criteria: (1) Relationship, (2) Organizational Results, and (3) Special

Figure 1.2-1 Regulatory and Legal Compliance Approaches

	Approach/Deployment
Accountability for Leadership Actions	- Regular review of performance in the Operational Rhythm - Board involvement in performance review - ALCO and ROC oversee enterprise-wide risk management - Senior leadership annual performance goals with oversight by CEO to ensure alignment with Strat Plan - Management is accountable to independent program of internal, external and regulatory audits/examinations
Fiscal Accountability	- Board approves management's annual budget - Monthly, management approves actual spending to ensure alignment with approved budget - Stakeholder's system promotes fiscal accountability - CFO reports financial results to Board and regulators - Supervisory Committee oversees annual financial audit by external accounting firm and advises the Board - Board oversees management's progress to achieve financial goals according to annual budget and SPP - Internal audits are used for proactive compliance and to evaluate and improve governance processes
Transparency	- Financial/operating results regularly reported to All Staff - Enterprise 'Dashboard' key ratios/metrics reported monthly to Board and company-wide communication - Monthly 'Connect the Business' meetings with all leaders cascading company-wide reports - Weekly and monthly senior leadership meetings within the framework of the Operational Rhythm - Operations procedures through centralized database - Company Policy approved by Board and accessible to all Board members as well as centralized database - Annually Board reviews/approves each of its Policies - The Board and Supervisory Committee report to the - - - Membership at Annual Membership meetings, and written reports are available on our website and lobbies.
Independence and Effectiveness of Audits	- Supervisory Committee oversees independent program of internal and external audit and selects/retains auditor - Regulators meets with Supervisory Committee members and Committee monitors the results of regulatory exams - Audit results are directly reported to the Supervisory Committee including detailed findings and corrective action - Monthly, Supervisory Committee reports to Board - A rating system is used to grade audit results and trending and tracking reports identify patterns of deterioration - All audits rated below a threshold are ordered to receive a follow-up audit in three to six months with a comparison report to the Supervisory Committee - All high and moderate risk findings are tracked for mitigation, re-tested, and escalated to the Supervisory committee if response is insufficient
Protection of Stakeholder Interests	- CEO reports to Board - Volunteer Board drawn from credit union membership and service is limited to four, three-year terms - Supervisory Committee drawn from credit union membership to ensure the safety and soundness - Board and Supervisory Committee members participate in external training designed to enhance effectiveness - Credit Union is subject to regulatory oversight and examination by NCUA and Colorado DFS

Projects. In the first area, the *Board* evaluates the CEO's relationship with the *Board* including his transparency and communication with them. In the second criteria, the *Board* evaluates Elevations' overall performance against our *Stakeholders Plan*, an organization-wide incentive system for the workforce that provides bonuses for exceeding defined goals. Finally the *Board* assesses the CEO's performance in executing special projects identified during the *Strategic Planning Process*, e.g., opening new branches or completing a merger.

Each *Board* member independently evaluates our CEO, and results are compiled by the Chair and Vice Chair of the

Board who convey the evaluation. Annually, the CEO evaluates each direct report's performance based upon accomplishment of shared goals for organizational performance and individual performance goals. Progress of goals is monitored and thoroughly discussed throughout the year between the CEO and each senior leader during the evaluation process. The results of these reviews are contained in each individual's *SuccessFactors* plan, and are then aligned throughout the organization, with the same process cascaded to each level. The ongoing review and assessment of our *SuccessFactors* plans ensures the attainment of our goals and makes appropriate linkages to our overall performance evaluation, merit pay, and utilization in succession planning. Our executive compensation process mirrors that of the entire organization. Each year, we analyze compensation (base and incentive) and benefits using benchmark data. These data are linked to compa-ratio and performance score as the starting point for merit increases to ensure consistency across the organization. This process, along with our *Total Rewards Philosophy* of meeting or exceeding market pay, ensures we remain competitive [5.1b(2)].

The *Board* performs periodic self-assessments of each *Board* member. An external executive coach skilled in *Board* governance issues also provides consultation and assessments of the *Board's* performance. The executive coach's assessment evaluates each member's individual performance as well as overall group performance. Performance results are evaluated and used to systematically improve and change processes to improve *Board* performance. Elevations invests in a variety of development opportunities for both SL and *Board*. Development for the *Board* starts with new member orientation and ongoing education with development activities accomplished through robust utilization of the educational programs, formal education at *Board* retreats, and attendance at local educational opportunities such as the Mountain West Credit Union Association, Credit Union National Association, and Credit Union Executive Society. Development for SL starts with our succession planning process and leads to a discussion of career aspirations and recent performance during the performance evaluation process as assessed in *SuccessFactors*. Development opportunities tied to competencies within each success profile are created and captured within the Career Development plan of *SuccessFactors*. Developmental activities can include training and conference attendance, group book studies, and leadership opportunities.

The *Leadership System* is refined by the Senior leader champions of each process within the *Leadership System*. These leaders are responsible for following the BPM methodology that includes the 'Monitor & Improve' phase (6.1). The CEO, Gerry Agnes, seeks *Board* feedback annually on 1.1 SPP with the most recent initiated review process resulting in a cycle of learning to refine our ability to measure accomplishment of the strategic objective goals through the more detailed annual Business Plan 1.2. Processes 1.2 Plan & Align Resources and 1.4 Analyze & Review Performance, championed by EPEX and BITE respectively, leveraged Baldrige review feedback in 2013 to work with the Chiefs to refine the *Operational Rhythm* by which both these processes are deployed. The champion of 1.3 Create High Performance Environment, the Chief HR Officer, leveraged 2013 Baldrige review feedback to further deploy formal succession planning to additional levels of the organization. 1.5

Ensure Organizational Learning, championed by Gerry Agnes through the BHAG, provides an overall organizational cycle of learning through our continued maturation gained as a result of the annual application, examination, and feedback process.

1.2b Legal & Ethical Behavior

1.2b(1) Elevations is dedicated to the spirit of the credit union movement that was created to address adverse impacts of the banking industry on society. Maximizing value for the cooperative rather than maximizing profit is a core tenet and a natural filter for consideration of societal impact. Despite the altruistic intentions of the industry, the reality of banking in the world today requires scrutiny and monitoring to anticipate and respond to unintended consequences of our decisions. The following are examples of how Elevations manages our obligations to society and the membership itself.

Management is responsible for monitoring the external environment, including social media, by scanning for both industry and non-industry news items that indicate adverse impacts or concerns related to both existing offerings and operations of the credit union or ideas under consideration. The touch points in our *Operational Rhythm* allow for discussion of emerging issues, and our disciplined approach to product and service development [Item 3.2a(1)] creates a proactive forum for identification and collaboration on risks and societal and membership impact.

Identified consumer risks are managed by creating regular consumer education opportunities for the entire public to address common literacy gaps including effective use of credit, managing checking accounts and money, financial planning, and identity theft awareness. Additionally, on-demand services are available to our membership, such as our ‘Reality Check-Up’, which performs a review of a member’s financial goals and plans to achieve them and a free credit counseling service that is paid for by Elevations.

New products and services are developed under a disciplined project management structure that includes a risk assessment and documentation of the control environment. Identified risks are addressed by avoiding risk factors, mitigating through control activities, accepting the level of risk, or transferring the risk through insurance.

Major changes to services or strategy are developed under the project management discipline to ensure appropriate stakeholders and experts are identified and consulted. The Marketing Department is consulted on any change that may impact the membership to identify and address concerns. Marketing solicits experiences from other institutions and conducts focus groups to gain perspective.

Environmental impact of Elevations’ operations is a key concern of our membership and communities. Elevations has responded to this responsibility through several channels including a major initiative to reduce paper use by implementing electronic documents in both the production and back office areas, issuing electronic devices to the Board and Senior Management to reduce the printing of large oversight meeting packages, and implementing energy use reduction initiatives including monitoring and measurement by the Facilities Department. Additionally, Elevations promotes and finances affordable loans for installing energy efficient and alternative energy devices in homes and businesses.

Elevations is committed to meeting and surpassing legal

and regulatory requirements through constant scanning of the environment for compliance and regulatory changes. The Compliance Department utilizes a Service Agreement to define responsibilities and meets regularly with business owners to communicate and monitor the implementation of changes. A risk based heat map evaluates both the consequence of non-compliance and the level of commitment that is required by the credit union to meet standards (Item 6.2b). This heat map is used to communicate priority to the ROC to align strategic initiatives. Internal and co-sourced audits and quality control reviews are utilized to test for compliance of regulations intended to protect consumers from such threats as loss of information privacy, unfair lending, and abusive overdraft fees. All compliance related findings are reported to the Compliance Department for tracking and evaluation of process deficiencies. The Compliance findings are evaluated based on the heat map criteria noted above to gauge severity of performance issues and prioritize mitigation efforts. The key process for addressing risks associated with existing operations includes a measured risk assessment of the entire enterprise to identify the inherent risk of each business process and a follow-up residual risk assessment that evaluates the strength of the control environment. The ROC monitors risk assessment scoring. If scoring falls outside tolerance ranges, a risk reduction plan is created and implemented.

Figure 1.2-2 Promoting Ethical Behavior

Hiring
- 100% background checks - Behavioral based interview questions focused on ethical situations - 100% Code of Conduct review and signature
Education: Reinforce Core Values
On-going training to reinforce recognition and awareness of ethical compliance requirements in the workplace, examples include: Unfair Lending Practices; Customer Identification Program; Bank Secrecy Act; check kiting; record falsification; member data breaches
Ongoing Monitoring
- Anonymous hotline: MySafeWorkplace - Dual controls for handling sensitive materials - Ethical expectations standard in partner and supplier contracts - Enterprise Risk Mgmt compliance monitoring & audits - People Department led investigation, response and learning from breaches
Reward and Recognition
- Performance Reviews: 25% of merit rating based on core values - Leaders Model the Way and recognize those who exemplify core values through their actions
Annual Review of Business Practices/Identify Cycles of Learning
Annual review of process, policies, supporting activities, and results

1.2b(2) Elevations promotes and ensures ethical behavior in all interactions through the process steps and supporting activities identified in, *Promoting Ethical Behavior*, (Figure 1.2-2). Our core value *Integrity* is defined as, “We build trust through honest and ethical transactions” and is placed on every team member’s badge. Performance reviews place 25% of the overall assessment score on demonstration of core values.

When breaches of ethical conduct do occur, the People Department leadership coordinates the investigation, response, review, and remediation activities. Actions range from education reinforcement, policy review or modification, to disciplinary action up to and including termination. Success of our ability to promote and ensure ethical behavior is monitored by tracking

the number of ethical breaches [Item 7.4a(4)] we have as well as our membership's perception of how well we have acted in the best interest of their needs and the community [Item 7.5a(2)].

1.2c Societal Responsibilities & Support of Key Communities

1.2c(1) Providing the community with access to unbiased financial education, ranging from rudimentary financial literacy to complex long-term financial planning, is the right thing to do. Our education initiatives provide a strong differentiator in the market place, support our brand, build member loyalty, and create thriving members that in turn allow Elevations to thrive. Each year Elevations deploys a broad array of free classes that are open to the public. Consistent with the theme *Lifelong Learning through Elevations Credit Union*, we create a holistic life-stage based program that allows us to meet the needs of our communities, build loyalty, and position the credit union as the trusted resource within the communities we serve. We produce a program that begins with primary students and continues through post-graduation. Working with our SVP of Governmental and Student Affairs we deliver three key initiatives: *RealityCheck* for Students (K-12); *RealityCheck* at CU Boulder; and *RealityCheck* Lifelong Learning. Additionally, we integrate a new member incentive with tangible goals around new member acquisition, product adoption, and Wealth Management referrals.

Figure 1.2-3 Green Initiatives

- Providing compost and recycle bins in all offices and public areas
- Upgrading to efficient HVAC and lighting equipment
- Lowering water controls for irrigation systems, including drought tolerant landscape design
- Using green/environmentally friendly cleaning products
- Creating marketing material made of recycled paper products
- Purchasing recycled paper and recycling all shredded documents
- Implementing new processes and procedures that emphasize the use of digitized communication vs. printed material
- Monitoring our carbon footprint, receiving and analyzing regular reporting measuring our energy and utility use.
- Providing a Green Loan Discount of .25% APR off a loan if you buy a hybrid vehicle or upgrade your home for green living
- Subscribing to a renewable energy service provider to reduce dependency on fossil fuels
- Providing Energy Loans on behalf of Boulder County and Denver - Energy Smart Programs

Elevations prides itself in being a *green* company, having taken the step to adopt a Board-approved Green Policy Statement. We deploy a systematic approach to being green, using improved technologies to decrease energy consumption and carbon output. As a result of these efforts, Elevations has been recognized both locally and nationally as a leader in green Innovation. [7.4a(5)]

1.2c(2) Based on our vision, Elevations places a high value on supporting our key communities through the Elevations Foundation. A comprehensive community needs audit is conducted every two years to ensure resources are being used wisely and to validate funding meets our granting policies. To complete the community audit, the Foundation engages community leaders, local government entities such as Health and Human Services, United Way, and city and county budget offices. We solicit input from agencies within all of Elevations' market areas enabling us to present recommendations identifying areas with significant funding gaps to the Foundation. Elevations Foundation requires periodic reporting on program progress and resource

distribution. The most recent audit conducted in 2012 identified three focused giving areas: **Early Childhood Development, Mental Health, and Environmental Education.**

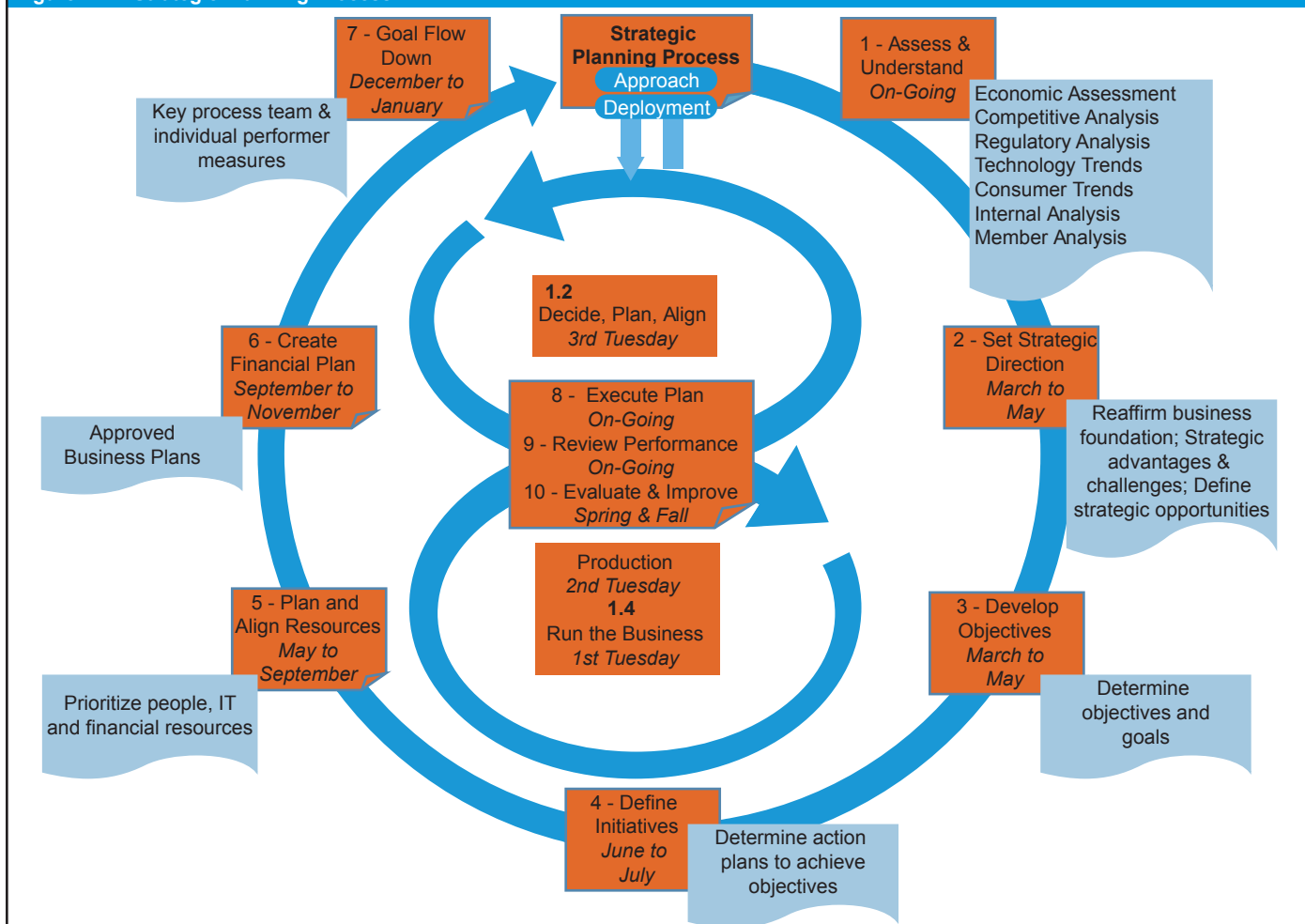
In addition to the three focused-giving areas outlined above, Elevations Foundation has made a substantial commitment to scholarship for higher education. We work in conjunction with the University of Colorado at Boulder Office of Financial Aid, utilizing many of their processes, standardized forms and underwriting guidelines. All of the scholarships provided through the Foundation are granted, in part, based on a needs component and are awarded to graduating high school seniors within the market that Elevations Credit Union serves. Assessment criteria (AOS) are used to determine award recipients.

We engage our workforce in support of communities by providing each staff member 16 hours of annual paid volunteer time off (VTO). This program allows staff to pursue volunteer opportunities consistent with Elevations' goal of *being known for the good work we do in the community* by supporting organizations and projects that interest them. Furthermore, Elevations encourages SL to pursue community boards and commissions as representatives of the credit union.

Over the past three years, recognition in the form of awards from our community and the credit union industry has tripled. This recognition adds relevance to the good work we do in our communities. Elevations has been voted "Best Financial Institution," "Best Bank," and "Best Mortgage Company" in our service areas. Industry organizations recognized us for financial literacy efforts, outstanding marketing and branding, the Pioneer Award for our Green Building initiatives, our work on the University of Colorado campus during Rush, and more. In addition, two of our Board members were honored for the great work they do for credit unions.

Two of our most recent and meaningful community activities included response to floods within our area and desperate financial needs of a local humane society. Within days of devastating floods hitting our communities, we created a flood relief fund to provide critical relief dollars to local aid agencies. Over the course of 12 days, we received over \$250,000 in donations, coupled these with a \$100,000 challenge grant, and provided a \$350,000 distribution to Foothills United Way, Boulder County Community Services and United Way of Larimer County. Funds were collected and disbursed within 18 days of the area being declared a disaster emergency. Furthermore, realizing how many of our members were struggling to recover from the disaster, we re-directed our loss mitigation department into a flood assistance hotline to help direct our members to relief organizations as well as advise on payment deferment options and loan assistance. We also offered "Preparing For and Care For Self in Times of Crisis" seminar by a licensed psychologist which gave participants an opportunity to express their own thoughts and feelings about the community crisis, and effective methods to assess and manage their own stress reactions. In another example of rapid response, Elevations quickly mobilized troops to raise funds for the Longmont Humane Society, which was facing foreclosure. Our staff and community rallied to provide nearly \$63,000 within 30 days to meet a key loan payment on the Longmont Facility and enable them to continue to provide services.

Figure 2.1-1 Strategic Planning Process



2 Strategic Planning

2.1 Strategy Development

2.1a(1) One of Elevations' strengths is consistently developing a sound, long-term strategy and creating a competitive advantage by converting strategic intent into value-added action. Through a defined, systematic process, we actively involve multiple stakeholders to develop a plan designed to meet and exceed the evolving expectations of key stakeholders. The *1.1 Strategic Planning Process* (SPP) has evolved over a number of years from a simple planning framework involving only SL and the *Board* to the current process involving multiple stakeholders. Today, the *Board*, SL and key partners are actively involved from assessment, development and planning, to deployment, measurement, and evaluation.

We use a rolling five-year horizon to recognize the longer-term qualitative components of our vision and a rolling three-year horizon to forecast key quantitative performance guidelines. We develop shorter-term Business Plans and an annual fiscal budget plan. We recognize we must remain agile to respond and execute in a changing environment. As a result, SL and the *Board* have clearly articulated the *Business Foundation* [1.1a(1)]. The *Business Foundation* defines how we serve member needs and create sustainable value while operating within *Key Performance Guidelines* (Figure 4.1-3) and in alignment with our Business Model.

Examples of SPP cycles of learning include:

- In 2013, as a result of Step (1) *Assess & Understand*,

we recognized that we needed additional resources to ensure information was translated into timely and actionable learning. A Customer Dynamics team was formed with dedicated customer and market insights analysts to operationalize learning by actively partnering with *Click, Talk, Walk leadership teams* and the VP of Member Experience.

- In 2012, a formal risk assessment was added as part of the analysis performed during Step (2) *Set Strategic Direction*. An output of this analysis is the addition and on-going monitoring of the Risk Index, a formal Board approved index of operational, credit, and market risk indicators.
- As a result of feedback provided during our 2010 RMPEX application process regarding the need to codify our core competencies, SL engaged in a discovery process leveraging our mission and values to define those capabilities we felt were unique, difficult to duplicate, and represented our areas of greatest expertise. We formally placed the review of core competencies within the SPP in Step (2). Our 2012 RMPEX examination accelerated a second cycle of learning resulting in definition of our member and, in 2013, our Value Propositions to team members.

2.1a(2) Seeking innovative strategic opportunities is a key part of Step (1) *Assess & Understand*, and ultimately results in an output we call our "Today/Tomorrow Matrix" where we imagine a different future for our membership. Recognizing

Figure 2.1-2 Strategic Planning Process Steps - Approach Detail and Deployment
(1) Assess & Understand
<i>On-going:</i> A comprehensive environmental assessment of key factors, includes a SWOT analysis as input to Step (2) Deployment: External Subject Matter Experts; Board; Senior Leaders; Cross-Functional Workforce Groups; Vendors/Suppliers
(2) Set Strategic Direction
<i>March to May:</i> Assess & Understand outputs are reconciled against our five-year Strategic Vision to confirm our Strategic Opportunities, Advantages and Challenges. We then review and, if necessary, refine any of the components within our <i>Business Foundation</i> Deployment: External Facilitator; External Subject Matter Experts; Board; Senior Leaders; Cross-Functional Workforce Groups
(3) Develop Strategic Objectives and Targets
<i>March to May:</i> Set the Strategic Objectives and establish targets for each. Ensure Strategic Objectives leverage our advantages, address all challenges, and capitalize on our core competencies Deployment: External Facilitator; External Subject Matter Experts; Board; Senior Leaders; Cross-Functional Workforce Groups
(4) Define Initiatives and Targets
<i>June to July:</i> Senior leaders identify ChTB Organizational Initiatives and RTB operational goals designed to achieve the targets set for each of the Strategic Objectives Deployment: Senior Leaders; Cross-Functional Workforce Groups
(5) Plan and Align Resources
<i>May to September:</i> SL identify and prioritize resources (both human and financial) required to accomplish the determined actions. Deployment: Senior Leaders; Cross-Functional Workforce Groups; Vendors/Suppliers
(6) Create Financial Plan
<i>September to November:</i> Annual capital and expense budgeting process completed with formal approval from the Board Deployment: Senior Leaders; Cross-Functional Workforce Groups; Vendors/Suppliers
(7) Goal Flow Down
<i>December to January:</i> The defined RTB operational targets and ChTB initiatives are integrated into process category business plans, the overall Business Plan, and ultimately individual team member <i>SuccessFactors</i> performance plans Deployment: Senior Leaders; Workforce; Vendors/Suppliers
(8) Execute Plan
January to December: Execution of the plan.
(9) Review Performance & (10) Evaluate and Improve the Process
<i>Monthly:</i> per Operational Rhythm Deployment: Senior Leaders, BiTE, EPEX <i>Spring & October:</i> Formal Board Planning Conference review of 1) execution of the strategic plan; and 2) effectiveness of the SPP Deployment: Senior Leaders; Board

the difficulty of outside-the-box thinking unencumbered by current conditions, we challenge leadership and the *Board* by leveraging industry thought leaders, controversial authors, and even off-site conferences dedicated to Innovation. Recent examples include: a presentation from an industry thought leader on payments systems transitioning to non-traditional players such as Square and Google who are developing “electronic wallets”; a book study from author Brett King, “*Bank 3.0*,” which advocates the demise of traditional brick and mortar branches; and a week-long off-site *Board* planning session with senior leadership at the 2013 THINK Conference which brought together visionary business leaders from throughout the business world. Input from these sources is evaluated as part of Step (2) of the SPP,

and SL identify strategic opportunities. Current key strategic opportunities include: **INTENTIONALLY DELETED**. Determining which of these will be taken as an intelligent risk is addressed through the *ChTB Innovation process*, (6.2d).

2.1a(3) Elevations captures a variety of key inputs to ensure our strategic planning is fact-based (**Figure 2.1-3**).

Strategic Challenges & Advantages: We affirm our core competencies, strategic advantages and challenges in Step 2 *Set Strategic Direction*. We reconcile the SWOT analysis against the Strategic Vision through a “Today/Tomorrow Matrix” of key quantitative performance targets and supporting qualitative strategic components (AOS) to envision how Elevations will look five years into the future as we strive to realize our vision. The reconciliation of the SWOT analysis with our *Business Foundation*, performed during the formal *Board* Planning Conferences in the spring and October, produces our strategic opportunities, challenges and advantages, and, as part of our review of the *Business Foundation*, reaffirms or refines our current and identifies the potential need for new core competencies.

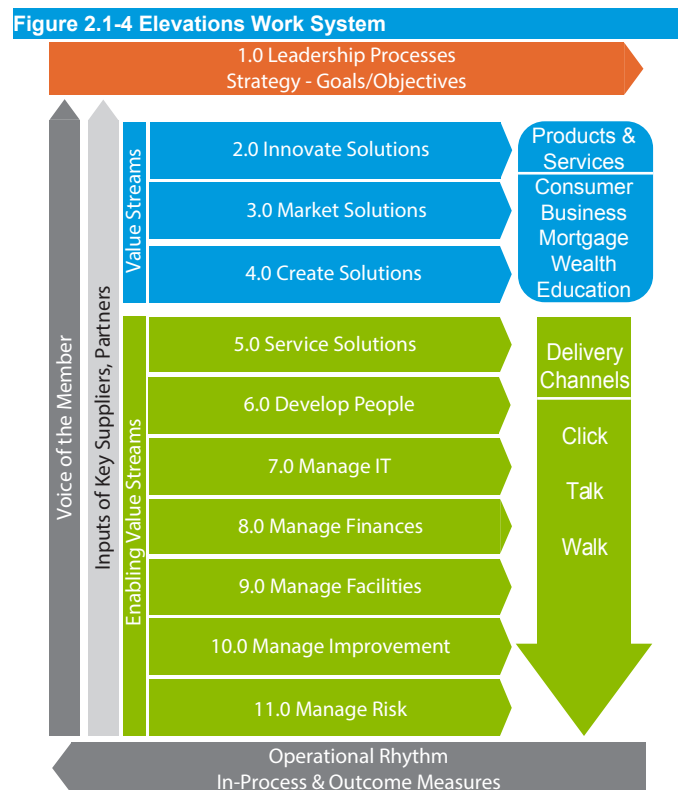
Sustainability: Taking nothing for granted, multiple “what if” scenarios are considered around competitor threats, technological change, regulatory mandates, reputation and brand risk, economic cycles, workforce issues, and changing consumer trends. These “what if” scenarios help shape eventual selection and design of the strategic plan outputs. Furthermore, a Risk Appetite Statement has been approved by the *Board* to define the amount of risk the credit union is willing to take in order to meet desired financial performance. A risk metric and stress test of the organization’s ability to withstand adverse market conditions are measured and reported at each strategic planning session in addition to the reward measure of Return on Equity (ROE). Forecasts are created based on these strategic planning scenarios to evaluate the risk of decisions. Scenarios are not considered if they are outside the boundaries of the Risk Appetite. Lastly, as part of this process, as well as throughout the year within the *Operational Rhythm*, interest rate and asset liquidity shocks are modeled to ensure continued financial sustainability should significant changes occur in external market conditions.

Blind Spots: Potential blind spots are mitigated by utilizing a wide range of comprehensive environmental assessments and synthesis of analysis from a number of expert advisors. Given the criticality of this analysis, we engage the expert assistance of an external consultancy, Cornerstone Advisors, to facilitate the discovery process with our key stakeholders and selected expert advisors. After review by the *Board* and *SLs*, the resulting deliverables are documented in the Strategic Plan as the Summary of the Internal and External Environment and serve as inputs into the SWOT analysis.

Ability to Execute: Achieving stretch RTB continuous improvement operational goals and ChTB Innovation targets challenges our existing organizational capacity and capabilities. Step (5) *Plan and Align Resources* is leveraged to address the people, process, and technology implications, and Step (6) *Create Financial Plan* identifies capital and expense financial implications necessary to successfully execute the plan. When internal capacity and capabilities are not adequate to successfully implement the strategy, SL re-evaluate and as necessary reprioritize strategies, elect to use external resources, or build needed capabilities.

Figure 2.1-3 SPP Assess & Understand Key Elements	
Key Element	Assess & Understand Analysis Inputs
Organizational Sustainability	• Brand Assessment • Governance • Achievement of Strategic Vision • MBNQA Application and Examination • Regulatory Performance Ratings
Ability to Execute Plan	• Organizational Performance • Achievement of Organizational Initiatives • Risk Management
Workforce Culture	• Colorado Best Companies to Work • Total Rewards Benchmark Data
Membership Analysis	• NPS Satmetrix / Member Loyalty Group • RFG CEO Strategies Report • RFG Integrator of Market Consumer Information File; Experian Quest Reports; Census and Geographic Data; CUNA Data; various Psychographic Data • Effectiveness of Lead Products & Channels
Economic Assessment	• Cornerstone Advisors External Scan • Regional and National Economists • RFG semi-annual CEO Strategies • Report of key financial comparative data • Peer Financial Comparative Analysis
Demographic / Consumer Behavioral Trends	• RFG annual CEO Survey of Member Perceptions • Filene Reports • Changes in Lead Products & Delivery Channels • Bancography Research
Industry Assessment	• Cornerstone Research • Raddon • CUNA Conferences • Trade publications
Competitive Analysis	• National – Cornerstone Research • Local – Market Watch Research Group • Peer Analysis
Technology Trends	• Cornerstone Research • Key Technology Partners
Regulatory Assessment	• Department of Financial Services • National Credit Union Administration • Outside Audit Counsel • Outside Legal Counsel

2.1a(4) Elevations' Work System is designed around the SIPOC architecture used in our BPM methodology, [6.1a(1)]: *Suppliers* provide *Inputs* from which Elevations' *Processes* produce *Outputs* designed to meet the requirements of our *Customers*. The 1.0 *Lead the Enterprise* processes, specifically 1.1 *Strategic Planning*, defines how we make decisions about the design of the Work Systems. In Step (4) *Define Initiatives and Targets*, SL and process owners evaluate ChTB Organizational Initiatives and RTB operational goals against baseline performance to determine where new design or Innovation is needed. These decisions determine key work and support processes within the Work System. Work Systems leveraging core competencies or those that can be managed more effectively and efficiently are kept internal; all other Work Systems are evaluated as potential partner-provided services based upon the partner's own unique core competencies. For example, recent evaluations determined partner-provided software as a service solution was more cost effective than traditional in-house development and maintenance. All Work Systems, in-house or partner-provided, are monitored to ensure member requirements are being met or exceeded. [6.1a(1)]



The need for future core competencies is addressed in Step (2) *Set Strategic Direction* of the SPP. Results from our work system evaluation during Step (4) *Define Initiatives and Targets* provide important information in the subsequent year's SPP to help identify where we do not currently have a needed core competency. As a result of this process, we revised our core competencies in 2012, retaining *Membership First* with additional clarification of the attributes by which we differentiate this competency from other competitors, and formalized our maturation initiated by the BHAG into our second core competency, *Operational Excellence*.

2.1b(1) Our five interconnected Strategic Objectives for 2013-2018, timetable for accomplishing these, and our most important goals are shown in (Figure 2.2-1).

2.1b(2) In Step 3 *Develop Strategic Objectives and Targets*, we identify strategic opportunities, determine how to leverage our strategic advantages and address strategic challenges, capitalize on our core competencies, and balance the needs of key stakeholders through an analysis to ensure alignment and integration of the Strategic Objectives. Given financial services are a commodity business, opportunities are aggressively pursued to innovate our Business Model, specifically the delivery, service, and marketing components. By setting aggressive strategic objective goals tied to market performance and benchmarks, we ensure Innovation and adaptation are initiated to address shifts in market and competitor conditions. Balancing short and longer-term challenges and opportunities is accomplished by adhering to our *Key Performance Guidelines*, as we build the portfolio of ChTB Organizational Initiatives and set RTB operational goals to achieve the Strategic Objective short and long-term targets.

2.2 Strategy Implementation

2.2a Action Plan Development & Deployment

2.2a(1) Action plans are developed in SPP Step 4 *Define Initiatives and Targets*. SL develop the following year's ChTB

Innovation Portfolio (long term action plans) and set RTB operational goals with corresponding short-term action plans. Development of the ChTB Innovation Portfolio includes current year and carry-over initiatives spanning multiple years. Initiatives are sponsored by an SL Champion and assigned a Start Up status in the ChTB portfolio. Preliminary business analysis is accomplished in Start Up and captured in a business case to facilitate review by SLs. Should the initiative warrant further review, as assessed by a weighted criteria analysis (4.1c(3)), it is moved to a Plan status where a business case is expanded into a full Project Implementation Plan by key stakeholders and subject matter experts (SMEs). The Project Implementation Plan, which now includes a more robust estimate of implementation costs as well as updated post-implementation return on investment, is assessed and a recommendation is made for approval, prioritization, and an Implement status in the ChTB Portfolio. Based on complexity and scope, tools such as a project charter, stakeholder analysis, work breakdown schedule, project schedule, resource allocation, communication management plan, and risk mitigation plan are used. Examples of key planned changes include: **INTENTIONALLY DELETED.**

2.2a(2) ChTB action plans are deployed by assigned Champions who charter teams of SMEs coordinated by an EPEX project manager. Based upon PMBOK, project managers have a defined process and tool-set they apply to each initiative. The tool-set consists of business case translation into a formal document of requirements, statement of work, project plan, initial project schedule and supporting definition of communication, risk mitigation, resource monitoring, and control plans. Project teams include external partners/suppliers as appropriate. Once a project team completely implements an initiative, the team will perform RTB Acceptance to formally transition the ChTB initiative into RTB operational status. As a result of the SPP, the initiative will be aligned with team and unit measures, organizational and department budgets, and ultimately individual *SuccessFactors* performance plans. RTB action plans are owned by the respective process category owners who are responsible for deployment to their team members.

Sustaining results is the responsibility of the process owner who benefits from the improvement, as well as the Champion of the initiative. Sustaining outcomes of initiatives starts with determining clear root causes to be addressed and forecasting expected post-implementation improvement. Comprehensive capital and expense budget forecasting assesses risk and appropriately sets budget variance tolerances or acceptable ranges of performance over the life cycle of the initiative. This performance monitoring is facilitated through our automated budgeting and forecasting tool, PROFITstar®, which links to our general ledger system to provide balance sheet, income statement, and key ratios for incorporation in the monthly *Operational Rhythm* (4.1a,b,c). Lessons learned are captured through 1.5 *Ensure Organizational Learning*. Additionally, we review the status of the ChTB portfolio as well as the performance of previously implemented initiatives during Step (9) *Review Performance* of the SPP. We use this opportunity to also challenge whether the process is effective, Step 10 *Evaluate and Improve Process*.

2.2a(3) During SPP Step 5 *Plan and Align Resources*

capacity planning of internal workforce and alignment of key partner resources determines the implementation schedule of prioritized initiatives. Resources are allocated with priority to a) regulatory initiatives, b) their RTB operational goals, and c) elective ChTB initiatives. We set financial capital and expense budgets as well as revenue and efficiency targets in Step 6 *Create Financial Plan*.

2.2a(4) Delivering on our member and *Workforce Value Propositions* requires our people to move beyond a service oriented culture to one of engagement and experience resulting in members attaining the optimal portfolio of solutions best matched to their unique needs. Developing this capability includes layered learning applied through multiple training, coaching, and support sessions, structured incentive compensation, formal mentoring, and ongoing monitoring throughout the organization to include individual contributor results within *SuccessFactors*. An additional key workforce capability action plan includes continued deployment of our competency-based *Leadership Development Model* (AOS). The model differentiates between the four levels of leadership competencies required within the organization and provides associated training, mentoring, and learning activities for each competency. Specific plans are addressed in the Create High Performance Culture portion of the SPP (**Figure 2.2-1**).

2.2a(5) Key performance measures and projections are shown in **Figure 2.2-1**. Our measurement system reinforces organizational alignment and addresses all key deployment areas and stakeholders by integrating the five result areas of the Baldrige Framework (**Items 7.1 - 7.5**), as described in **Category 4**. Furthermore, alignment is enhanced through the definition of our *Key Performance Guidelines* annually in the SPP.

2.2a(6) Modification of initiatives is conducted through the performance analysis, review, and improvement process described in **Items 4.1a,b,c**. Modifications are identified and approved in the monthly Decide, Plan, & Align and IT Steering Committee meetings. Modifications of limited scope are addressed by process owners directly through the application of BPM (6.1a). Modifications of larger scope are addressed through the *ChTB Innovation Process* (6.2d). Revised performance measurements are determined by the Business Intelligence Team (BITE) (4.1a(4)). Deployment of changes is addressed by affected Champions, process owners, and the 1.9 *Internal Communication* process, leveraging communication channels and forums within the *Operational Rhythm*.

2.2b Projection of performance on key action plan measures is shown in **Figure 2.2-1**. Roll-up performance projections, including market share, along with comparative data are captured within the Strategic Plan and annual Business Plan. Comparisons indicate our performance is at or above peers and competitors in most cases. Where performance is lagging, action plans are developed, prioritized, resourced, and implemented in alignment with our defined framework of *Key Performance Guidelines*.

Figure 2.2-1 Strategic Objectives, Goals, Key Changes, Action Plans, and Performance Projections					
Vision: (V1) Dominate the market while elevating success of members; (V2) Change the way members bank; (V3) Known for good work in community; (V4) Sought out as best place to work Core Competencies: (MF) Membership First; (OE) Operational Excellence Strategic Advantages: (A1) Relationship over price; (A2) BHAG and Workforce commitment; (A3) Strong Brand Strategic Challenges: (C-1) Margins; (C2) Technology; (C3) Non-traditional competition					
Strategic Objectives	3 to 5 Year Goals	Linkages	Key ChTB Initiatives, RTB Action Plans	Performance Measures, Projections & Stretch Benchmark Goals	
Diversifying Revenue	Enhance ability to generate earnings across variety of economic cycles by diversifying revenue sources, emphasizing activities which create long-term member relationships and provide acceptable risk adjusted returns.	V1 MF, OE A1, A3 C1, C3			
Elevate Excellence & Member Loyalty	Deliver ever-improving value to our membership through a systematic framework of organizational alignment and process improvement.	V1, V4 MF, OE A2 C2, C3			
Innovate Delivery Channels	Innovate service delivery channels.	V2 MF, OE A2 C2, C3			
Create High Performance Culture	Create an outstanding approach to People management	V3, V4 OE A2			
Partnership Opportunities	Perpetuate brand and franchise into adjacent and existing markets	A1, A3 MF, OE A3			

INTENTIONALLY LEFT BLANK

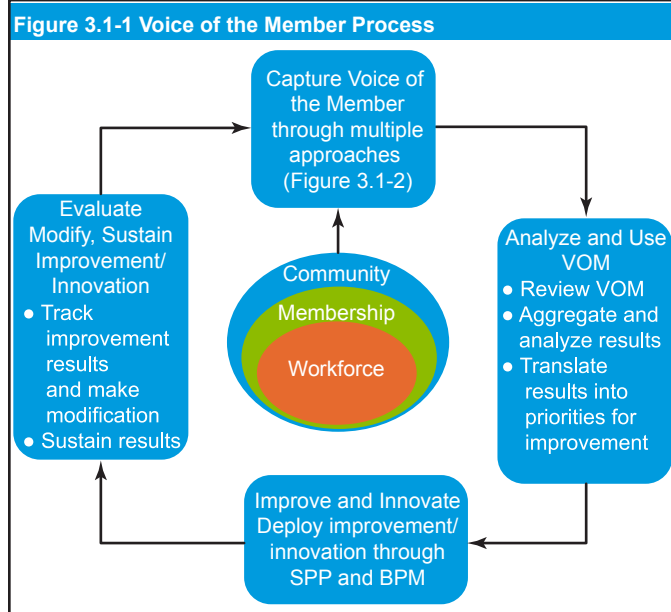
INTENTIONALLY LEFT BLANK

3 Customer Focus

3.1 Voice of the Customer

3.1a Customer Listening

3.1a(1) Elevations listens to and learns from our members and uses this information to build strong relationships through the systematic approach shown in **Figure 3.1-1**.



We listen to and learn from our members through both formal and informal approaches over the life cycle of the member as shown in **Figure 3.1-2**. These mechanisms include Net Promoter System (NPS), annual Raddon survey, social media, member comment cards, focus groups, one-on-one interviews, crowd sourcing through our online and social media channels, and member profiling. The Net Promoter System is the primary approach by which we receive actionable information from our members. We survey our members with relationship and transaction surveys. The entire membership, regardless of activity level, is randomly selected to form a relationship survey sample.

Figure 3.1-2 Member Listening and Learning Approaches						
Listening and Learning Mechanisms	Member Life Cycle					
	A	C	N	S	A	
Focus Groups	X	X	X	X	X	
New Member Questionnaire (NPS)			X			
New Product Questionnaire (NPS)			X	X	X	
Click Services Transaction Survey (NPS)			X	X	X	
Walk Transaction Survey (NPS)			X	X	X	
Talk Transaction Survey (NPS)			X	X	X	
Brand Awareness Survey	X	X	X			
Raddon Member survey			X	X	X	
Comment Cards			X	X	X	
Profile Interviews		X	X			
Phone Surveys			X	X	X	
Member Experience Service eEvent			X	X	X	
Seminar Feedback	X	X				
Community Events Feedback	X	X				
PNT Marketing Study	X	X				
A=Aware; C=Considering; N=Neutral; S=Satisfied, A=Advocate						

The second, a transaction survey, selects a sample from those who have recently interacted with the credit union. Supported

by the Customer Dynamics Team and the VP of Member Experience, SL and process owners aggregate, categorize, and analyze member responses to identify engagement drivers and assess performance. All survey data are available to Elevations Team Members through a web-based application, *Satmetrix NPS* reporting, and analysis is shared in the *Operational Rhythm*. For example, each branch can see its specific transaction surveys and segment results and responses to individual branch team members. This provides individual performers with the ability to view their own feedback. Leaders also utilize this feedback to quickly follow up with the member and aid in satisfying any unmet needs, if necessary.

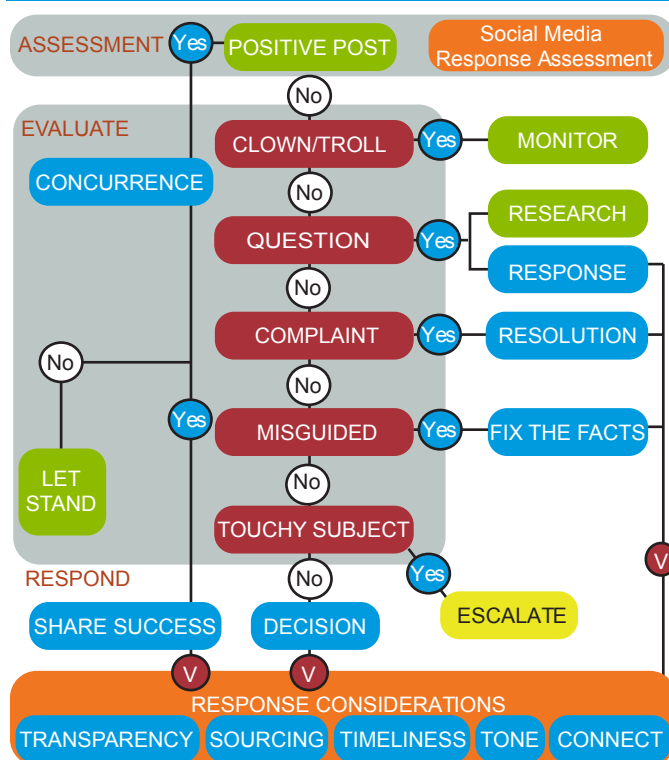
Through *4.0 Create Solutions, Delivering World Class Experiences* process (**Figure 3.2-5**), Financial Service Representatives, or *Elevations' Guides*, using interviews discover and capture members financial needs and information. These conversations enable us to better understand our member's financial situation and goals. Information from these interviews is retained in our Member Relationship Management (MRM) system ensuring the member can be served expertly by any Financial Guide.

While we capture VOM through traditional channels, we also focus on social media listening methods. We realize Elevations cannot control the crowd through the very public social media environment; however, we can build advocacy and influence messages through our systematic social media strategy. In Step (1), we build a community. In 2012 we built our initial community and worked in Step (2) to educate the community. In doing so, we increased our Facebook fans from a few hundred to almost 10,000. In 2013 we focused on increasing engagement, Step (3). Our success on social media is measured by *The Financial Brand*, a company providing marketing insight for financial institutions. *The Financial Brand* created the Power 100, a comprehensive ranking system for the social media activity of banks and credit unions around the world. The ranking is based on the size of a financial institution's community and its engagement and online activity on various social media sites including Facebook, Twitter and YouTube. This enables us to measure ourselves in comparison to market competitors (**7.1**).

In addition to building a social media community, we must also monitor what is being said about Elevations in these channels to ensure we manage the message and ultimately build advocacy. The on-going ability to capitalize on our social media strategy is executed through our Social Media Response Assessment and Response Process (**Figure 3.1-3**). Through this process, we monitor online tools including SocialOomph, Google Alerts and Yelp. These reporting tools let us know almost everything being said about Elevations online. This enables us to better understand our member's and prospective member's needs.

3.1a(2) In addition to social media, we also listen to potential customers through *3.0 Market Solutions, Perform Market Analysis* Process. Through this process we: Step (1) review business needs; Step (2) analyze available market research; Step (3) perform gap analysis to determine if additional secondary research is necessary; Step (4) source secondary research as appropriate; and Step (5) perform primary research. Primary research includes surveys of members and

Figure 3.1-3 Social Media Response Assessment



potential members (customers of our competitors), followed with focus groups to clarify and understand survey responses. Finally, if more information is still needed, we will conduct Step (6) one-on-one interviews to better understand needs.

Requirements of customers of competitors are elicited through our annual brand survey and supplemented as needed with focus groups. We employ vendor partners to assist us with an annual brand survey of the marketplace which allows us to gauge awareness of the marketplace to the Elevations brand, an understanding of how loyal customers of our competitors are to their financial institution, and what their likelihood and reasons for leaving their current financial institutions are. We supplement this annual survey as needed with focus groups. Our most recent focus group studies were done in preparation for our entry into a new market. Our vendor partners were leveraged to help us understand the unique needs of the market and the propensity for customers to consider a switch to Elevations as their financial institution upon entry.

Response rates of former customers to voice of the customer survey tools have proven disappointing. As a cycle of learning, to capture better and more actionable data, we have trained Click, Talk, Walk guides to attempt to retain the member relationship at the point a member chooses to end his/her membership. The results of the interaction are recorded in the MRM tool Synapsys. An additional cycle of learning was the addition of the VP of Member Experience who meets individually with guides and reviews this information, aggregates the data, and identifies actions. Furthermore, the customer insights analyst is able to cross-check previously submitted NPS surveys to members who have ended their memberships. This information is combined with that gained by the VP of Member Experience to clarify analysis and recommendations.

3.1b Customer Satisfaction & Engagement

3.1b(1) We determine customer satisfaction and

engagement (or member loyalty) through NPS. NPS is considered the premier product not only to evaluate satisfaction and engagement, but also to truly build loyalty. These relationship and transaction surveys are tailored to five types of transactions and channels: 1) new product, 2) new member, 3) remote services, 4) branch, and 5) call center. As part of the NPS surveys, members are asked to rank their satisfaction on a scale of 0-10. This overarching question is followed with a series of questions that enable Elevations to better understand the drivers to recommend. In addition to measuring satisfaction, we look to ensure engagement through our NPS surveys by determining the likelihood to recommend our credit union. In addition to NPS, we also utilize the annual Raddon Member Survey to evaluate and compare performance in delivering value to our members. Through this survey we determine and benchmark critical information including the percentage of membership that consider us their Primary Financial Institution (PFI) and our Products per Household (PPH). Finally, we review our members' credit to ensure we are increasing our depth of relationship as evidenced by our loan share of wallet. These are benchmarked by industry enabling us to compare to our direct competitors, as well as other industries to ensure we are providing proper satisfaction levels. All NPS measures are segmented by survey type and life stage, (Figure 3.2-2). In addition we collect data to understand results by age, education level, income and geographic location. This helps us to further segment and build understanding.

3.1b(2) Each year, through the Member Loyalty Group (our NPS benchmark vendor), we obtain the NPS scores for all participating banks and financial institutions (such as Chase, Citigroup, Wells Fargo, etc.). Additionally, we obtain the annual JD Powers and Associates member satisfaction findings. These results allow us to benchmark our member's overall satisfaction and engagement against our direct competition. Additionally, in order to obtain information on our customers' satisfaction relative to their satisfaction with our competitors in our direct service areas, we integrate likelihood to recommend questions modeled after our NPS surveys into our brand awareness surveys. Additional information on local competitors is collected through a variety of mechanisms, including local media; competitor web sites, advertisements, and press releases; and visits to competitor facilities by staff and SL. Elevations also reviews and researches best practices both within and external to the financial services industry to understand best practices in providing world-class customer services. Participation in regional and national conferences and reviewing approaches from Baldrige Award recipients also allows us to learn. We systematically use these comparative data to identify opportunities for improvement and as key inputs into the SPP.

3.1b(3) Member dissatisfaction is monitored, through all our listening channels. Members are considered dissatisfied if they rate their satisfaction in the lower two boxes (0-1) of the NPS survey. Additionally, we capture, resolve, and track member complaints as another measure of dissatisfaction. Click, Talk, Walk leadership, coordinated by the VP of Member Experience, are trained to respond to dissatisfied members to achieve service recovery as well as gather information necessary to identify root cause issues requiring resolution. The NPS *Satmetrix Xperience* dashboard alerts leaders to dissatisfied members, identified as detractors. Detractors are

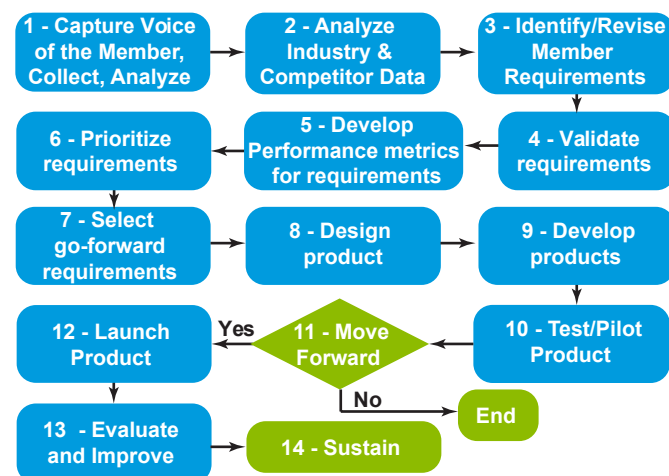
contacted with results from the encounter captured within the dashboard. The VP of Member Experience monitors reports to confirm detractors have been called and is able to review response information, along with the customer insights analyst, to identify root cause issues requiring remediation.

3.2 Customer Engagement

3.2a Product Offerings & Customer Support

3.2a(1) We identify member market requirements for new product offerings and services through the *2.0 Innovate Products and Services* Process. This is outlined in **Figure 3.2-1**:

Figure 3.2-1 Innovate Products and Services



In Steps (1), (2) and (3) we gather member, market, industry, and competitor data and analyze these data to define and understand member requirements. Data come from the process described in [3.1a(2)], using sources such as competitor websites, industry publications, seminars and consultants. Once requirements are determined, they are validated in Step (4) through the use of member data and metrics. In Step (5) performance indicators for the requirements are defined by using internal and external data. In Step (6) we prioritize requirements through a member's value assessment. After selecting which requirements will be included in Step (7), the design of the product begins in Step (8) where the Chief Product Officer works with a product team to design and in Step (9) develop the product. The product team is comprised of team members from IT, Marketing, Compliance, Finance, EPEX, Operations, Sales, the Business Unit of the product (for example Mortgages), and other areas as needed depending on the product. In Step (10), testing and piloting of the product scheduled to address any feedback and incorporate it into the design of the product. Based upon the results of the pilot/test, in Step (11), the decision is made to go forward with full implementation or to stop. If the decision is made to go forward, in Step (12), the product is launched, according to the business unit's sales plan, with frequent check-ins to assess the launch and make any changes as necessary. Performance on product measurements are assessed and improvements made in Step (13) as members begin using the product with transition of ownership passed from the project team to the respective process owners. On-going measurement, analysis, and improvement are executed in Step (14) through the *Operational Rhythm* and Business Process Management to ensure sustained success of the product.

3.2a(2) We provide multiple options to our members to seek information and support through our *Click* (on-line and

mobile banking), *Talk* (telephone or secure email), or *Walk* (traditional branches) channels. Our analysis of historical and current transaction volumes in each of the three channels, coupled with trends and future forecasts shows the relative importance of these channels is changing. Member feedback led us to upgrade our online banking functionality in 2012 and to begin offering mobile banking in 2013. While particular member segments may prefer certain channels for a specific transaction, members typically utilize most, if not all, available channels over the course of their relationship with us. In fact, offering additional and more functional channels for members often serves not to reduce their use of other channels, but to increase their overall interactions and engagement with us and, in the long run, solidifies their relationship with the credit union. The *Click* channel offers customer support on a 24/7/365 basis. This access is available via our online banking, mobile web banking, text banking and mobile banking applications (for iPhones and Android devices). Members are able to perform routine deposit account transactions, submit secure messages for service actions, and both members and potential members can research product features and benefits, apply for loans and deposit accounts, and perform many other activities. The *Talk* channel (also referred to as our contact center) offers access to highly trained team members for all of the same activities, with the added benefit of an iterative conversation with a guide who can resolve problems and provide consultative advice. The *Walk* channel includes our branch locations, ATM machines, ATM's owned by other credit unions participating in the CO-OP Network, and the CO-OP network of other credit union branches where our members can perform routine account transactions via a practice known as Shared Branching. While we do not find it necessary to design different support requirements for different customer groups or segments, the breadth of our channel offerings allows for each member to tailor support. Members can choose to access services or support from us in the manner they deem most appropriate. We also offer support for our membership through community events, seminars and financial literacy [7.4a(5)].

3.2a(3) Through the Elevations Business Model we have defined target members as: those who find value in a high-touch experience offering consultative solutions. Our efforts are directed at acquiring members for whom we are their primary financial institution. We segment our members and potential members as business or consumers. We further segment our consumer market by life stage; followed by an analysis of psychographic information used to develop personas within each segment; and finally, we modify our voice of the member approaches as appropriate to the personas within each of the segments to better understand current and future needs for each member segment (**Figure 3.2-2**).

We accomplish this segmentation through three processes. First, we execute process *3.0 Market Solutions, Perform Brand Analysis* conducted annually. Through this process, we collect data that helps us understand our current brand relevancy in the marketplace using our segmentation methodologies. Once we have ensured our brand is relevant, this information feeds into *3.0 Market Solutions, Perform Market Analysis* Process. Through this process we determine when and where consumers are looking to switch financial institutions. These data help us not only recognize when to market to and attract potential

members, but also helps us understand when our members are potentially considering ending their relationship with Elevations. To determine this we conduct surveys and focus groups. One focus group method asks members and potential members to find a new financial institution and document the process. Afterward, we conduct one-on-one interviews to identify our strengths and weaknesses in comparison to competitors. The information attained through this research allows us to validate our segmentation strategy. After confirming segmentation, we build personas based on *Mosaic Lifestyle Portraits* that help us to understand the diversity of individuals within each of these segments. This helps us to serve the individuals within each market, better identify their product needs and also identify emerging personas within our market or future markets.

Figure 3.2-2 Member Segmentation Process



3.2b Building Customer Relationships

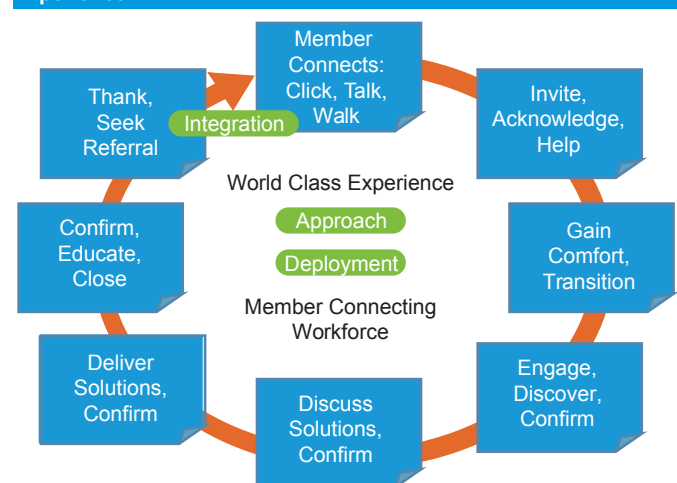
3.2b(1) Elevations focuses on the membership and community as stated in our Member Value Proposition and as defined in the business model, *Target Customers*. Our efforts are directed at acquiring members for whom we will become the Primary Financial Institution (PFI). Our target members recognize the value we offer is in the professional advice, community reinvestment, and long-term benefits of the relationship rather than offering the lowest price possible on individual products. In addition to our consultative approach, we increase engagement by offering convenient account access. Members can access their accounts via *Click* through online or mobile banking; via *Talk* through our telephone contact center; and via *Walk* in branches, at ATMs, and throughout the CO-OP ATM and shared branching network. In addition to multiple access points, we have increased engagement through our rebranding and new website launch in 2012. Additionally, we have an annual marketing calendar targeting different members with the right products and services for their current life stages. We measure our market share and use leading indicators to ensure our marketing efforts are effective. For all product or service promotion or campaigns we measure Return on Marketing Investment (ROMI). This gives us an ongoing idea of how we are doing throughout the year. On an annual basis we also conduct a brand awareness survey as part of our annual *3.0 Market Solution, Perform Brand Analysis*. This helps us to comprehend members' and prospective members' unaided awareness about the credit union as well as where we stand in the marketplace in comparison to our competitors.

In a 2013 cycle of refinement, we defined Member Relationship Management Standards that are used to recruit, hire, and train our member-facing workforce (**Figure 3.2-3**). These expectations and aptitudes are the minimum competencies member-facing team members must possess when providing service and ultimately solutions for our members. These principles are accompanied by performance measurements that hold team members accountable to providing solutions and world class experience for our members.

Figure 3.2-3 Member Relationship Management Standards	
Expectations & Aptitude	Performance Measurements
- Making people smile - Being empathetic - Being detail-oriented - Love to find members solutions; Problem solvers	- Act in best interest (NPS) - Personally engaged (NPS) - Member felt valued (NPS) - Quality service/Prompt (NPS) - Quarterly skills recertification - Cross-Sell; Pull Through

Additionally, in a 2013 cycle of learning initiated by our Workforce Engagement survey process (**5.2**) and NPS analysis, SL defined an opportunity for improvement to better train our team members to ensure their success in engaging our members to assess needs and consistently deliver a world class experience. Expanded training and deployment of our *4.0 Create Solutions, Delivering World Class Experience* Process, (**Figure 3.2-4**), has cultivated an environment enabling team members to better consult and provide world class experiences to actively support and engage our members. An example of principles highlighted in this training are included in **Figure 3.2-5**, *Principles of the Elevations Way*. Also, rooted within the *World Class Experience* Process, is supporting training on the AID, Inc.® methodology,

Figure 3.2-4 4.0 Create Solutions, Delivering World Class Experience



called *Integrity Selling®*. This seminar coaches our team to Engage Members in Conversation, Discover Needs, and Agree Options Meet Needs. Through our use of the Approach, Interview, Demonstrate, Validate, Negotiate and Close methodology, we are better prepared to provide solutions that align with the needs of our members. By ensuring we are providing appropriate solutions, we lay the foundation to continue building lifetime relationships with our members and increase our current member retention and engagement levels.

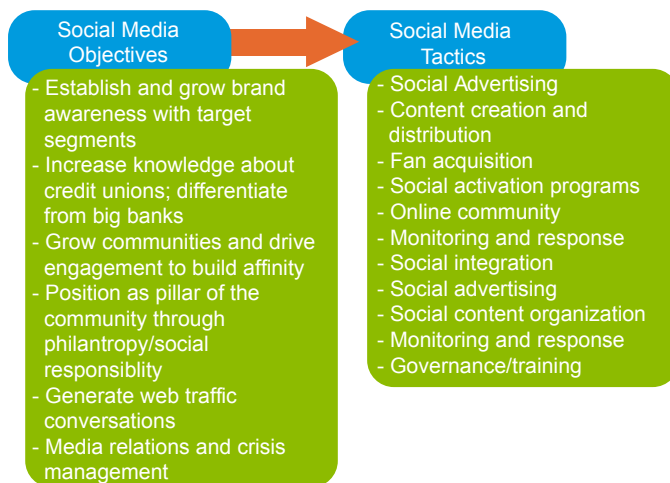
Figure 3.2-5 Principles of “The Elevations Way”

- **Respect** meet them at the door or phone with a real and genuine **SMILE**
- **Relationship** is paramount; **Integrity**, only the right solutions at the right time; we refer them to competitors if our solutions aren't right
- **Creative, Passion** outside the box “**WoW**” **solutions and service** are encouraged! Dinner on us; we can mail that for you; we can call your agent
- **Team** thinking; no matter our role, we drop everything to help each other deliver “WoW” experiences
- **Fix** it for the member, then **FIX** it so it doesn't happen again; cycles of learning **Excellence**

We also create engagement through our emerging social media channels. One of the building blocks of our strategy (Figure 3.2-6) is to create engaging content that will help enhance relationships with our members, the communities we represent and our business partners. The process to develop this engaging content begins with bi-annual strategy sessions. Working with our third party social media agency, we review social media trends, analyze which content is the most impactful, and develop plans for the next half of the year. Each month, the Marketing Department builds a social media calendar (including Elevations and community-based events and seminars, financial education, videos, sweepstakes, SEG current events, historic notes of interest, helpful tips about resources we offer, etc.). This calendar is reviewed by our third party social media agency to continually guide us and keep us abreast of current algorithms that will enable us to get the most visibility and engagement from our posts.

We route the monthly social media calendar (AOS) to all affected departments throughout the organization. This routing acts not only as an opportunity for teams to provide additional relationship building content to the social calendar, but also assists in internally communicating upcoming social media messaging so our member-facing team members can further

Figure 3.2-6 Social Media Strategy



engage with our members on these topics. Once a post is made, we monitor its performance and interact with responses in a timely manner as they come in, with the goal of building a conversation around a topic or providing feedback to inquiries (utilizing various stakeholders' expertise in some cases). Once a quarter, we review performance metrics and conduct competitive analysis to get new ideas for engaging content trends (AOS).

3.2b(2) Member complaints may be received through

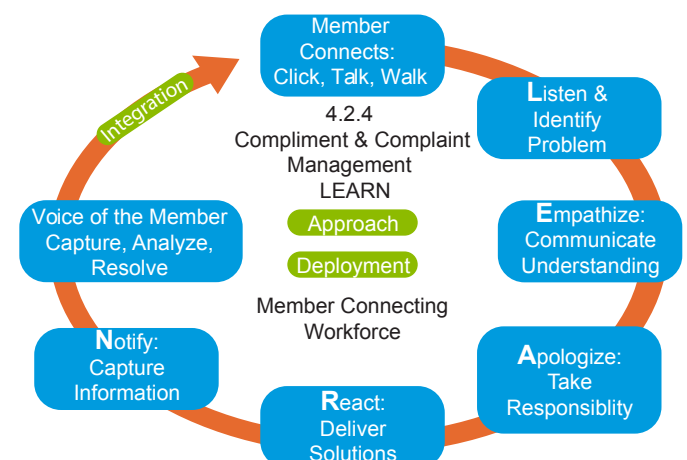
any of our channels or through our NPS survey tool. Through a 2012 cycle of learning initiated from NPS analysis, we created a new position, Vice President of Member Experience, to ensure we are able to lead a change initiative to increase our overall member loyalty. Through a 2013 cycle of learning initiated by NPS analysis and workforce engagement surveys, we recognized the need to bring together a team of people who could represent our members inside the organization, contribute to building a pro-member culture, monitor our problem resolution efficacy, generate solutions affecting NPS growth and member satisfaction, and ultimately monitor implementation of agreed solutions. The Member Experience Team (MXT) was formed and includes cross functional team members from across the organization. Through the establishment of our MXT team, we have developed and deployed our *4.0 Create Solutions, Respond to Service Feedback* process to empower Team Elevations staff to effectively manage all service feedback.

Complaints resolution is managed through the LEARN Process (Figure 3.2-7). We empower our team members to address issues exercising LEARN at the point of contact, escalating to leadership only when they are unable to resolve the issue.

Our goal is to restore member confidence and also to use complaint information to drive improvement in our processes. In order to achieve this learning, we capture member complaints in our centralized MRM system, as we realize this is a crucial step to identifying systemic issues. Monthly complaint comments are aggregated, categorized and the most significant issues are prioritized by the MXT team to ensure appropriate action is taken not only to resolve the initial issue, but also to learn from the data to improve systemic issues. Positive comments are also evaluated to ensure we are actively listening to the voice of our member.

We believe it is important to demonstrate to our membership we value their feedback, and most importantly act upon it. We have deployed a *It Matters What You Think* communication to our membership to let them know of member-initiated changes. Examples of change initiated by members include: expanded call center hours, mobile remote deposit check capture, reduced fee schedule, and simplified notifications for travel to prevent credit card blockages.

Figure 3.2-7 Complaint Management Process - LEARN



4 Measurement, Analysis, & Knowledge Management

4.1 Measurement, Analysis, & Improvement of Organizational Performance

Elevations sets key measurement performance targets, analyzes results, and determines improvement initiatives through the *1.1 Strategic Planning Process (SPP)*; *1.2 Plan & Align (DPA)*; *1.4 Analyze & Review Performance (Production & RTB)* leadership processes deployed through the *Operational Rhythm*, (**Figure 4.1-1**). The *Operational Rhythm* ensures disciplined analysis of variances, timely development of recommendations, and prompt decisions to revise forecasted targets and/or implement initiatives to leverage strengths or mitigate Opportunities for Improvement (OFIs).

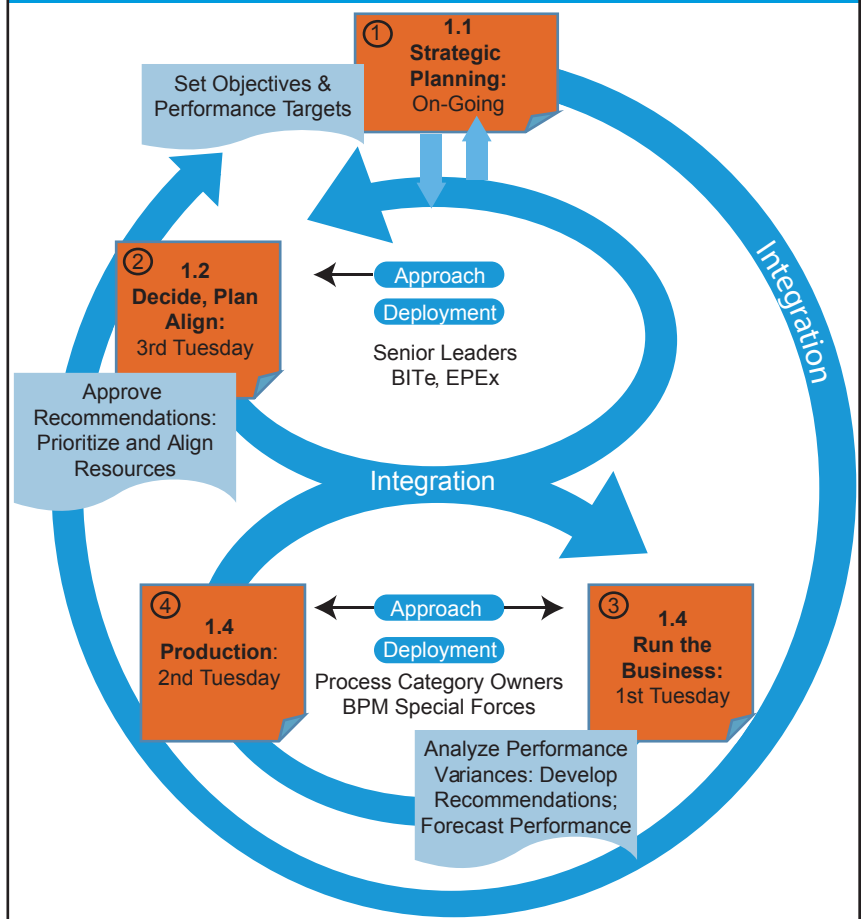
In Step (1), through the *1.1 SPP*, leaders define objectives and performance targets and establish on-going assessment of strategic direction through; semi-annual facilitated SPP meetings, and monthly meetings of the *Board Pricing Committee*, *Risk Oversight Committee*, and *Asset Liability Committee* meetings. In Step (2), aligned with the strategic direction provided in Step (1) senior leaders (SL) evaluate operational performance results and the status of organizational initiatives. Decisions on operational RTB action plans, ChTB organizational initiatives, and resource alignment are determined and communicated to process category owners for implementation. Step (3), RTB is a forum for all process category owners to confirm that work systems are optimized. Step (4), Production is a forum for value stream owners to ensure Elevations' products and services are performing to target forecasts. Analysis, action plans, project implementation status, and performance forecasts are passed back to SL to confirm alignment with strategic intent, and as needed, receive approval of recommendations and resource alignment, Step (2).

4.1a Performance Measurement

4.1a(1) Elevations' key measures fall into three primary categories -- Workforce Engagement, Member Health, and Financial Sustainability. An engaged and productive workforce produces satisfied and loyal members who provide repeat and referral relationships necessary to achieve financially sustainable outcomes.

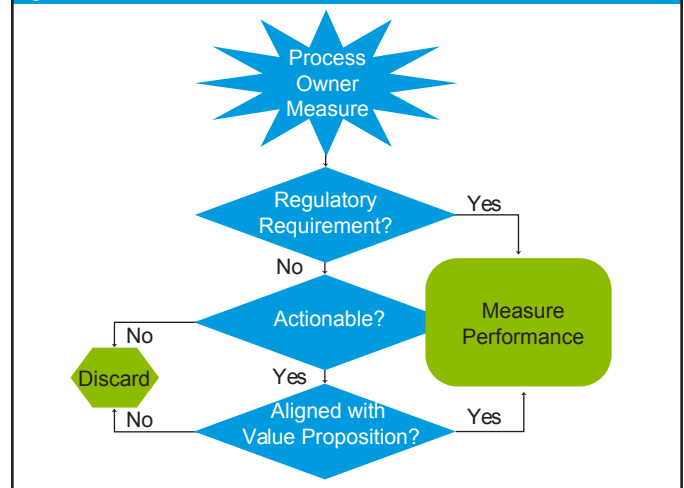
Select, Align & Integrate: Our measurement selection process is administered by the Business Intelligence Team, (BITE). Ultimately, all selected measures must pass the criteria of "Does this measure help us better assess our ability to deliver on the Value Proposition by meeting key stakeholder requirements?" [**P.1b(2)**]. Measures must exceed the standard of merely entertaining a curiosity, (what we call *Infotainment*), rather they must actually create knowledge that initiates cycles of learning. Process owners partner with BITE to determine how the measure will be integrated into the *Operational Rhythm*. The measurement selection process is a component of the Business Process Management (BPM) methodology and culminates in the Measurement & Monitoring phase (**6.1**).

Figure 4.1-1 Operational Rhythm



Performance measures are aligned with key work and support processes (**6.1**). The majority of product and process measures, member focused measures, and financial and market measures are reviewed daily by individual performers and process owners with formal updates monthly within the *Operational Rhythm*.

Figure 4.1-2 Measures Selection Process



The BITE team reflects a 2012 cycle of learning initiated from previous RMPEX feedback that noted Elevations as rich in data; however, analysis and resulting recommendations were not always aligned and integrated across work systems. The BITE was chartered to combine the efforts of analysts across the organization, with support EPEX and IT. By leveraging a cross-functional team of analysts, a more robust systems-focused approach to analysis and organizational learning was deployed.

Figure 4.1-3 Key Performance Measures, Comparative Data, Review Forums			
Key Measures: Performance Analysis and Review			
<u>Workforce Engagement</u> Engagement Scores (>64%)*; Workforce Productivity Measures Volunteer Time		<u>Member Health</u> Satmetrix Net Promoter Score (> 54%)*; Likelihood to Recommend Overall Satisfaction Member and Loan Growth & Market Share	<u>Financial Sustainability</u> Return on Equity (5-15%)* Efficiency Ratio (< 74%)* Enterprise Risk (Moderate)* Capital (8-10%)*
Comparative Data Source Selection Hierarchy: (1) in-market competitors; (2) similar business model; (3) best practice			
ModernThink Best of Colorado Employers; Mountain States Employers Council; Society of Human Resource Management; Baldrige Winners		Member Loyalty Group; Raddon Financial Group; Cornerstone; Bancography	SNL; Raddon Financial Group; Cornerstone
Forum	Participants	Analysis (Measures)	Outputs
Run the Business	All Process Category Owners	Key Work (Value Stream) and Support (Enabling) In-Process Metrics	Variance analysis; Forecasts; Recommendations
Production Meeting	SVP Lending; Value Stream Process Category Owners	Value Stream Outcomes and Key Product and Work Process Metrics; outputs from RTB and Production forums	Variance analysis; Forecasts; Recommendations
Decide, Plan, & Align Meeting	SL	Outputs from RTB and Production Forums	Confirmation of analysis and forecasts; Adjusted targets; Approved & prioritized recommendations; Aligned resources
IT Steering Committee	SL	Significant Key Work and Support In-Process Measure	Confirmation of Analysis; Approved Recommendations
Board of Directors	Board and SL	Aggregated analysis and performance forecast	Forward looking confirmation of planned strategic activity
Connect the Business	Leaders	All Staff pre-view and Deep Dive Learning; Leadership Development	Learning; Preparation to cascade information
All Staff	All Staff; Membership and Partners as appropriate	Value Proposition Performance Executive Report; Transparent drill-down capability to any dashboard and supporting analysis	Communication of decisions; clarity of action; Meaningful performance results
* Key Performance Guidelines			

Feedback from SL and process owners identified an opportunity to create more discipline in analyzing and reviewing recommendations from the organization's key performance measures within the *Operational Rhythm*. In response to this need, as a cycle of learning in 2013,  we grouped key measures into three overarching categories, aligned supporting process owner dashboards, and improved integration of *1.4 Analyze and Review Performance* outputs with the overall *Operational Rhythm*. This has improved the quality of process owner recommendations, and ensured timely presentation to and review by SL to improve the clarity and consistency in communicating performance outcomes.

Collect: Elevations uses a number of systems to serve its members and collect data. The core banking system and its ancillary systems (collectively referred to as Symitar), contain a vast amount of transactional and relationship data. Additional systems include financial analysis systems, member feedback systems (Satmetrix), and a Member Relationship Management (MRM) system (Synapsys). Members of BITE access these systems to capture the real-time and historical data needed to monitor and analyze performance. Data from external parties are also collected and leveraged. In a 2013 cycle of learning , BITE deployed a data warehouse, Advanced Reporting for Credit Unions (ARCU), to process owners and SLs. Through ARCU, BITE supports process owners and SLs in accessing real-time performance information.

4.1a(2) At all levels of organizational performance,

benchmarks are used by process owners and SLs to set performance targets and drive improvement through comparative analysis within the *Operational Rhythm*. The selection of benchmarks is initiated within the SPP process Step (3) *Develop Strategic Objectives and Targets*, with BITE responsible for identifying appropriate peer groups for comparison. Our selection hierarchy sets a preference for comparison against in-market competitors. Unfortunately, our primary bank competitors release limited market specific data. Given credit unions across the country are more willing to share performance data, our secondary source for benchmark comparisons are those credit unions with similar business models. Finally, we also seek best practice organizations with benchmarks applicable to the evaluation of our key work systems. Where possible, we strive to compare ourselves to leaders not only within the financial services industry, but those throughout commerce. An example of such is the comparison of Elevations with world leading loyalty brands such as USAA, when considering NPS scores, or identified Colorado Best Employers when considering workforce engagement. Examples of key comparative data sources include:

- Raddon Financial Group (RFG) analyzes data on 350+ participating credit unions across the US. Benchmark segmentation is possible by asset size and region.
- Cornerstone (CS) works with credit unions and banks to establish benchmarks for in-process operational metrics. Survey data are available every other year.

- SNL Financial (SNL) is a financial information firm that provides relevant corporate, financial, and market data. SNL consolidates data allowing for creation of peer groups and analysis based on information publicly available. The SNL benchmark peer group is comprised of credit unions with similar business models.
- Member Loyalty Group (MLG) represents our aspirational Benchmark group and analyzes data on a group of approximately 30 participating credit unions sharing *Satmetrix* NPS results quarterly. (National Bank NPS benchmarks are available annually and purchased directly from *Satmetrix*.) MLG was chosen as our aspirational benchmark as it represents the highest performing practitioners of Net Promoter Score (NPS). Even though this group is comprised of many credit unions serving more homogeneous memberships than Elevations, e.g., fire fighters, military, etc., we believe it represents the world class service targets we aspire to achieve.

4.1a(3) We select and use member health measures based on alignment with the *Value Proposition* and member requirements [P1b.(2)]. Providing value to our members is paramount to our purpose, therefore we select measures that provide the clearest picture of what our members deem important. The primary means by which feedback is captured is through Net Promoter System (NPS) surveys. NPS methodology ensures a statistically significant number of members using each available channel are surveyed on a monthly basis, enabling segmented results. Beyond the engagement question measuring members' willingness to recommend Elevations to friends and family, these surveys also assess what our members consider most valuable in a financial institution, and how Elevations is meeting those needs. NPS data are accessible real-time to SLs, process owners, and member-facing individual performers through the *Satmetrix* Systems on-line portal with drill-down and segmentation analysis capabilities. This powerful feedback, along with other VOC information (Item 3.1), including a rich and growing forum of members following us through social media, is analyzed by process owners, SLs, and BITE with results shared organizationally. Given the criticality of turning this data into actionable information, additional customer and market insights analysts have been deployed to support the Customer Dynamics team. This team partners with the VP of Member Experience to ensure the voice of the member is appropriately shaping organizational performance improvement and Innovation recommendations.

4.1a(4) BITE is charged with improving the organization's ability to understand and forecast performance. This requires on-going analysis to determine if current in-process metrics are effectively serving as leading indicators of outcome results. Measures are validated monthly within the *Operational Rhythm* through the criteria of the *Measurement Selection Process*, (Figure 4.1-2). If a measure does not show causal or corollary effect in explaining outcome results, or lead to improved fact-based decision making, it is eliminated as an *Infotainment* measure. This responsiveness is assured by aligning the key organizational performance metrics with the contributing key work and support processes. Further, as unexpected internal organizational or external environmental changes are encountered, the effects are realized in degraded ability to understand and predict outcome

results, which initiates analysis of the measurement system by the BITE team who make changes in measures as needed.

4.1b Performance Analysis and Review

The *Operational Rhythm* sets the forum, participants, and timing (Figure 4.1-3) for the analysis and review of organizational performance. Analysis of key measures, assessments of performance relative to goals, and responses to changing challenges are outputs of the 1.2 *Decide, Plan & Align*, and 1.4 *Analyze & Review Performance Processes*, respectively.

During the course of the monthly *Operational Rhythm*, a BITE representative is assigned to partner with each process owner to assist in the maturation of analysis and review capabilities. Analysis entails comparing actual performance to historical (through trending), forecasted targets, and comparative benchmarks. Performance and analysis outcomes are published on the Intranet leveraging a BITE administered collaboration SharePoint site. Each process category owner has a designated space to house respective performance dashboard and variance analysis. Because BITE provides consistent templates to capture analysis, process owners can easily review results across all process categories. BITE and EPEX harvest resulting analysis, performance forecasts, and recommendations for innovative or continuous improvement and present to SL for their review, and as appropriate, approval, within the *Operational Rhythm*. A formal report is published monthly for All Staff and the Board summarizing overall organizational performance (AOS).

4.1c Performance Improvement

4.1c(1) High performing operations are identified through analysis of actual performance to target, peer, and comparative benchmarks. Individual performers in similar roles are stack ranked against the median, with top performers recognized and debriefed to determine potential best practices for adoption by those in similar roles. Operations with peer comparison groups, such as branches, are stack ranked against each other to identify top performing areas. Forums within the *Operational Rhythm* foster healthy competition and recognition for those showing *Passion* and *Creativity* in their pursuit of *Excellence*. Operational areas often post performance results in common areas highlighting best practice performance and supporting practices. These are further shared in 1.3 *Create a High Performance Culture* reward and recognition forums such as All Staff and Connect the Business meetings.

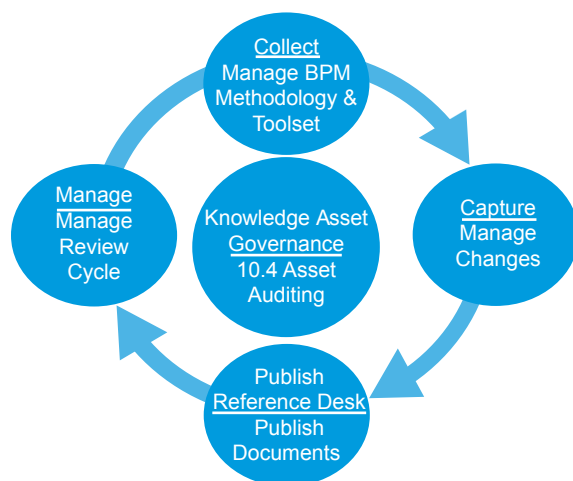
4.1c(2) During Step (2) *Set Strategic Direction* of the SPP, key performance projections are set in the 'Today/Tomorrow Matrix'. These projections are aligned with the strategic objective goals and their supporting initiatives. Targets are set based on competitive and comparative benchmarks to measure progress (Figure 2.2-1). The three-year targets set within the strategic plan are then translated into an annual Business Plan and budget to reflect appropriate target expectations for process owners within their *SuccessFactors* performance plans. The PROFITstar® model, used for budgeting and forecasting, captures expected performance in terms of the financial and product based metrics. As actual-to-target variances are analyzed, PROFITstar® is used to reforecast targets. Key measurements that are not financial or product based, (such as member feedback or workforce engagement), are forecasted using historical trends adjusted for planned benefits of any organizational initiatives.

4.1c(3) Where continuous improvement performance review findings are not complex or large in scope, the process owner, in alignment with senior leadership, is empowered to design and deploy improvements to their operations through the Business Process Management (BPM) methodology, [Item 6.1a(1)]. Where recommendations are larger in scope, have increased complexity, or benefit from formal coordination of cross-functional resources, a business case is presented for senior leadership review and approval, *1.2 Plan and Align Resources, Decide, Plan & Align* (DPA). All business cases are managed through the *ChTB Innovation process* as explained in (6.2d). Initiatives requiring expenditure of Information Technology resources are submitted to the IT Steering Committee, a subset of DPA. SL evaluate business cases using a weighted value assessment of the following criteria: *Member Impact; Workforce Engagement; Return on Investment (Revenue/ Cost/ Efficiency); Risk; Complexity (Scope/Quality)*. Prioritization, scheduling, resource allocations, and deployment are determined based on relative assessments of value, time constraints, resource and vendor availability, and potential synergies with other initiatives within the portfolio. Outcomes of DPA meetings, are deployed to work group and functional-level operations throughout the organization via: 1) the Chiefs communicating to their direct reports within their own functional area *Operational Rhythm* meetings; 2) DPA meeting notes, including updates to the ChTB Portfolio, available on the *Operational Rhythm* SharePoint site; 3) organizational initiative Champions, Team Leads, and Project Managers communicating updates to their project teams; and 4) confirmation of understanding and ability to implement in the RTB and Production forums following DPA within the overall organizational *Operational Rhythm*. Portfolio decisions are communicated to affected suppliers, partners, and collaborators by the Champions, Team Leads, Vendor Relationship Owner, and Project Managers.

4.2 Knowledge, Information, & Technology

4.2a Organizational Knowledge

Figure 4.2-1 Knowledge Management



4.2a(1) The collection of knowledge, transfer to workforce and key stakeholders, and use in Innovation and strategic planning are codified in the Business Process Management (BPM) methodology, through the collect, capture, publish, and manage processes within the overall knowledge asset governance process. Knowledge assets, defined as, “Validated

information belonging to the organization and used as a fundamental resource to effectively serve the membership” are published in a central content repository on the Intranet called *Reference Desk*. Governance ensures truth, and the *Reference Desk* provides a single source. The deployment of knowledge management governance and *Reference Desk* represented a 2012 cycle of learning  initiated from workforce feedback and RMPEX confirmation.

Knowledge assets are generated from deployed processes and validated through the *10.4 Manage Knowledge Asset Changes* process prior to publication. All knowledge assets published to *Reference Desk* are placed on a review cycle based on volatility of content, regulatory impacts, frequency of use, and whether the knowledge asset is member facing. The need for this review cycle was identified as much of the existing information was found to be inaccurate or out of date. This was a cycle of learning  and resulted in the deployment of the *10.4 Manage Knowledge Asset Review Cycle* in which timely review of published knowledge assets is now completed by process owners.

Transfer of relevant knowledge from and to customers, suppliers, partners, and collaborators also occurs through application of the BPM methodology. The methodology ensures identification of process suppliers, the linked inputting and outputting processes or activities, and process customers. The methodology also ensures impacted stakeholders are given the opportunity to provide input in the process design. Any changes to processes or knowledge assets generated from deployed processes are also shared with key stakeholders.

Best practices are shared and implemented through a designated team of individuals, BPM Special Forces, who are trained in the BPM methodology and related toolset. A Special Forces representative is assigned to each category on the *Enterprise Process Map* and serves as the point of contact for cascading information to and from EPEX and to and from other process owners and stakeholders. Special Forces meets monthly to discuss knowledge management related topics including process development best practices, process deployment status, and monitoring results. Furthermore, the *Operational Rhythm* and aligned communication forums, enable structured storytelling of identified best practices to ensure awareness and adoption [Item 4.1c(1)]. In these forums, Bright Spots, (examples of excellence in performance), is a recurring agenda item used to recognize and reward those whose *Creativity* and *Excellence* have uncovered innovative ways to deliver greater value to our membership. For example, the *Click, Talk, Walk Leadership Team* meets every Wednesday with recurring agenda items to share best practices in employee and member engagement, as well as *Operational Excellence*. They gather these examples, as well as share them, within their own branch and department weekly meetings and morning line-ups. Other areas have created physical dashboards on their walls where they post questions or capture analysis with sticky notes and then use these visuals to confirm capture and discuss application of best practices during their team meetings.

The status of enterprise process development is reported on a monthly basis using the *10.4 Knowledge Asset Auditing* and *10.4 Monitor Knowledge Asset Status* processes. A knowledge asset status report is an output of these processes and provided to SL and process owners through the

Operational Rhythm. EPEX manages the BPM methodology and toolset referenced above through the related *10.4 Manage BPM Methodology and Toolset* process. This process ensures Elevations stays current and aligned with industry best practices while meeting the needs of the organization.

In a 2013 cycle of learning  initiated by process owners in the Monitor & Improve phase of BPM, BITE, with the assistance of EPEX, Knowledge Management, BPM Special Forces, and other key stakeholders, began an initiative to leverage business definitions captured as a result of BPM to ensure corresponding metrics are correctly and consistently applied. As BITE prepares, analyzes, and presents reports, as well as filters, assigns, reviews and approves all new report requests, all reports used for organizational decision-making receive an official BITE stamp of approval before distribution to ensure the accuracy of the data, as well as alignment with organizational objectives.

4.2a(2) *1.5 Organizational Learning* is built upon the foundation of our core values of *Excellence* and *Creativity*; and our application of the *Baldrige Criteria for Performance Excellence* to how we run our business. The Enterprise Process Map provides a results-oriented, cause-effect, cross process link to ensure a systems perspective in our learning approaches. Deployment of our BPM methodology ensures processes are designed to address stakeholder requirements; complete disciplined evaluation of work system performance within the Operational Rhythm; and transfer of best practices. *Organizational learning* is further embedded into our operations through the publication of governed knowledge assets to *Reference Desk*. For example, individuals can access *Reference Desk* and search for information based on the following meta-data: type of activity; department; document type; member type; process category; topic or product; procedure; policy; or free form text search. In addition, *Reference Desk* presents knowledge assets to the user in context. As an example, a Desk Level Procedure for a specific activity will also include the swim-lane flowchart depicting how the referenced activity integrates with preceding and subsequent activities within its respective process; confirm who performs the activities; provide requirements of the inputs/outputs; and identify enabling technologies/ systems. *Personal Learning* includes formal classroom as well as on the job training, and leverage the *Reference Desk*. *SuccessFactors* personal development plans are utilized to identify learning objectives, supporting resources, and track progress of learning capture and application, as described in **Item 5.2c**.

4.2b Data, Information, and Information Technology

4.2b(1) In a 2013 cycle of learning,  Elevations established an IT Steering Committee which provides guidance and strategic alignment for Elevations' technologies. To foster closer collaboration between business lines and IT, a new team of systems analysts supports each individual business line regarding technology and application enhancements. The IT steering process ensures the technology team works on the right things, in the right order, with the right resources, producing the right results. A monthly IT steering reporting package is delivered to all of Elevations' leadership to provide transparency into IT operations. Elevations puts strong emphasis on the security and confidentiality of our members'

data and has fully deployed approaches to address the data and information properties outlines in **Figure 4.2-2**.

Figure 4.2-2 Data and Information Properties	
Property	How Property is Ensured
Accuracy	Field validation. Restricted screens. Exception reporting. Data entry validation.
Integrity	Daily balancing of transactions at multiple levels, internal and external audits, exception reporting. BITE oversees data and business definitions. Controlled execution of data modifications through central scheduling system. Data validation checks. Separation of concerns between development, testing, and production.
Reliability	Business process classification based on criticality. Disaster Recovery and Business Continuity Plans. Redundant critical systems at separate hot site location. Nightly system and data backups with offsite backup tape storage. Replicated critical systems with high-availability. Dual ISPs, dual UPS, generator backup
Timeliness	24/7 access to information through multiple channels such as online banking, mobile banking and voice response system. Real-time member transactions. System response time and availability measured and monitored.
Security	Security committee oversight. Firewall and antivirus software. Separated public and private networks. Intrusion detection systems. Third party security assessments. Quarterly physical and system penetration tests. Security policies. Role-based data and system access. Network monitoring. Multifactor physical access security to data center.
Confidentiality	Security committee formed to oversee and ensure security and confidentiality of member data. Encryption of external email messages. Encryption of electronic data exchange. Non-disclosure agreements with suppliers and partners. Procedures for transmission of sensitive information.

4.2b(2) Elevations manages a variety of technologies and systems in a coordinated effort to supply the membership, staff, vendors, and partners with relevant information. Through a multifaceted approach to make data and information available to the appropriate stakeholders.

Elevations' membership accesses its information via a variety of remote channels including the Intuit online banking application, the Maxxar voice response system, or the Elevations website. Access is also provided to Elevations' membership through applications such as LoansPQ to apply for new loans, or XpressAccounts to open a new account. In 2012, voice of the member analysis showed members expressing the need for expanded mobile banking capabilities. In a 2013 cycle of refinement,  Elevations addressed this need with a modern mobile banking app, including remote deposit capture and user-friendly account access.

Elevations' staff uses the Intranet along with ancillary applications and IT performance management monitoring tools to perform their daily work. Our staff can interact with information through applications such as MeridianLink, Synapsys, and Episys to perform member transactions, use a searchable repository, *Reference Desk*, to find knowledge assets,

access reports to see performance data, and use the Intranet to find organizational and people-related information.

Selected vendors and partners are provided direct and secured connectivity into the core systems through certified connectors, or participate in secured data exchanges. Where possible, they interact with Elevations' data sources real-time. Secured and encrypted FTP data exchanges and scheduled jobs and processes allow for streamlined and efficient automation of business processes.

4.2b(3) System reliability is addressed through duplication of infrastructure components such as firewalls, domain controllers, routers, switches, and phone system. Active monitoring of system performance and utilization allows for immediate resolution of bottlenecks. All changes to the core systems complete a rigid deployment process from development to testing, change control, deployment, and monitoring. Hardware and software reliability is ensured through real-time performance monitoring. IT staff is notified immediately when a hardware or software becomes unavailable or unresponsive and takes immediate action.

System security is addressed at the physical and virtual levels. Access to sensitive hardware system areas such as the data center is secured via keypads and personalized access badges to authorized individuals. Internet access is secured with a firewall, anti-virus software, and Internet content filtering. Third party security companies perform external security penetration tests multiple times per year and internal security assessments are conducted on a regular basis to keep up to date with the most recent security threats. All critical systems run on regular patch maintenance cycles. Member access to information is secured through member passwords and multifactor authentication.

System friendliness is addressed through the IT business planning process, the system life cycle, and member feedback process. When selecting new hardware or software, Elevations utilizes a vigorous vendor selection process and works with impacted business units and IT to ensure business and functional requirements are met. In addition, any new software or hardware acquisition includes vendor management processes as well as Security Committee processes to ensure viable long-term partnerships with third party vendors. IT conducts an internal IT customer service survey as part of its SWOT analysis to identify gaps and opportunities in IT's hardware, software, and service offering.

As part of the IT *Operational Rhythm*, systems analysts and business line leaders collaborate on maximizing the return on Elevations' technology investments. Member feedback from sources such as NPS or social media is evaluated for valuable ideas which can translate into newly proposed initiatives. In a 2013 cycle of learning,  prompted from project close out feedback in 2012, an opportunity presented itself to use iPads and mobile stations during the most recent Student Rush, to *change the way Elevations' consumers bank*.

4.2b(4) Elevations has a comprehensive approach to ensure data availability in emergencies. Continued availability of hardware and software systems, as well as data and information, is a key business driver for Elevations and resulted in the formation of the Business Continuity Plan (BCP) committee which is responsible for the Business Continuity Planning Process, **Figure 4.2-3**.

To ensure a successful BCP, Elevations encapsulates the following best practice areas into our enterprise BCP:

- Incident Response Program
- Disaster Recovery Program
- Business Continuity Program
- Data and Business Resiliency
- Business Resumption

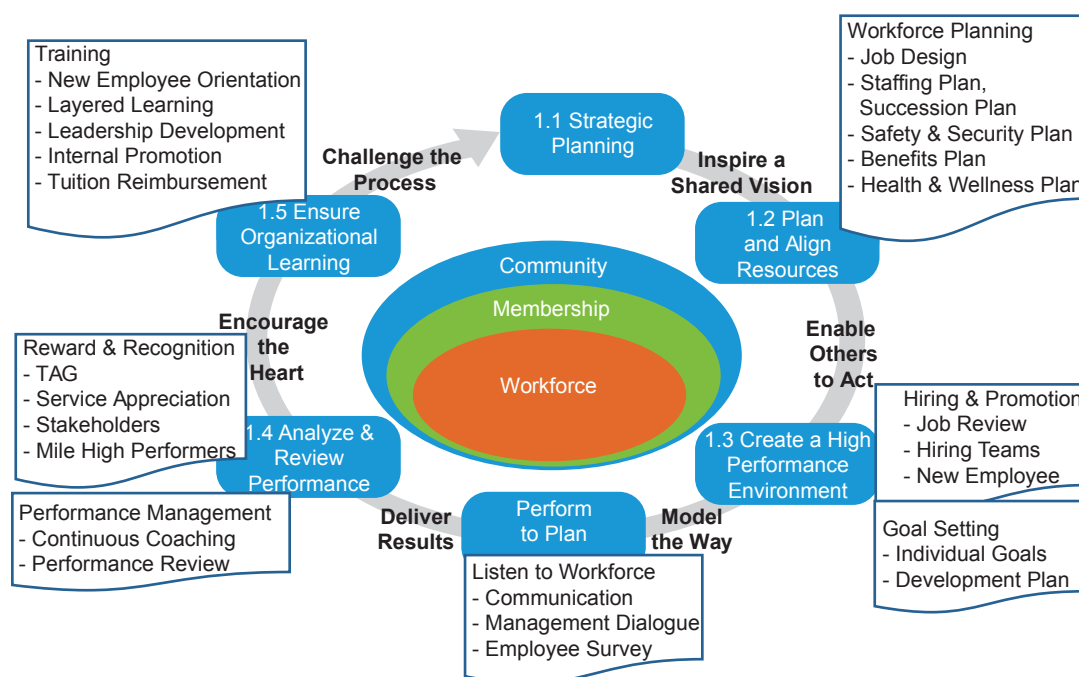
Elevations hosts most of its data systems in-house and partnered with Ongoing Operations for their hot site services. Infrastructure redundancy includes dual internet connectivity; dual connectivity to the ISP using routers and switches; dual security control points such as firewall, IDS, anti-virus, and anti-spam; dual communication systems such as the phone system, email, and website. Redundancy is also applied to backup restoration, remote connectivity, and secures VPN connectivity to critical vendors.

Data replications minimize data losses of critical systems in case of a disaster and include redundant member transaction data, system configurations, front line transaction systems, the website, trial balances, as well as application servers. To prepare staff for a potential disaster, Elevations conducts multiple disaster recovery tests per year introducing additional complexity during each test. Disaster Recovery tests are performed at the branches to verify business availability to the hot site and test the existing recovery procedures.

Figure 4.2-3 Business Continuity Planning Process



Figure 5.1-1 Workforce Management System



Process (Figure 5.1-2). Through the SPP leaders evaluate workforce needs to achieve short- and long-term objectives. This becomes input into operational workforce planning. Over a 12-month horizon, we review the current employee state and forecast a future state. To bridge the gap between the two, we develop annual recruitment and training plans.

In Step (1) of the *Manage Workforce Capability and Capacity* process, the HR team evaluates current workforce composition by assessing skills, competencies, production

and engagement levels. In Step (2), they determine the future state by reviewing annual business plans, evaluating changes in member needs, technological changes, and assessing needed, new capabilities. In Step (3), the HR team defines capacity needs by assessing amount of work, types of roles needed to accomplish work, number of people required in each role and assesses knowledge, skills, abilities, and specific competencies needed to determine capability requirements. In Step (4), we assess capacity against benchmarks to evaluate if targets are consistent with best performers in the industry. Adjustments are made as appropriate to enable operational efficiencies. In Step (5), HR reviews internal and external factors such as local employment factors, and internal turnover to refine the forecast. In Step (6), the strategies are developed to achieve desired levels of organizational capability and capacity and deployed in Step (7). Progress is systematically reviewed through the *Operational Rhythm* in Step (8), and adjustments are made. As part of the annual Baldrige Assessment, the HR team evaluates and improves the Manage Workforce Capability and Capacity approach. For example, in 2013 as we started to staff for our new Branch 2.0 model, we identified new competencies. We implemented DDI's Card Sort Analyst and Targeted Selection Programs to recruit and select candidates based on competencies, increasing employee success.

5.1a(2) Elevations' leaders understand the key to delivering on the *Member Value Proposition* begins with recruiting, hiring, and retaining the most service-oriented, technically skilled workforce. Through the process reflected in Figure 5.1-3, Elevations systematically recruits, hires, places and retains new members to the workforce. We utilize an Applicant Tracking System (ATS) that provides a single view of current vacancies and automates each approval step within the recruitment process. This creates efficiencies, meets compliance requirements, and reduces overall time to fill. The approval process ensures only budgeted positions are posted. Unbudgeted positions must

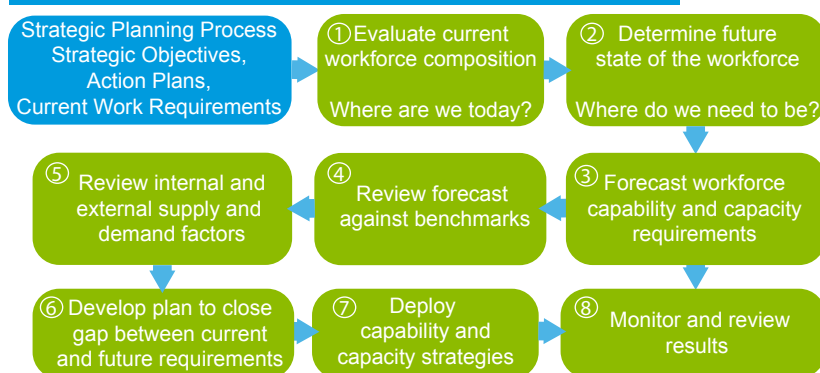
5 Workforce Focus

5.1 Workforce Environment

5.1a Workforce Capability and Capacity

The Elevations' *Leadership System* (Figure 1.1-1) provides the framework for the Workforce Management System (Figure 5.1-1). These two systems integrate leadership responsibilities with HR processes to support a culture that delivers on the *Workforce Value Proposition*. As part of the SPP (Figure 2.1-1), leaders develop workforce plans and strategies to support execution of Elevations strategic objectives. Leveraging 1.3 *Create a High Performance Environment*, we recruit and hire employees (Figure 5.1-3) and enable workforce goal setting and promotion. Leaders at all levels actively listen to the workforce through multiple approaches (Figure 1.1-3) and use these data to drive improvements to increase workforce satisfaction and engagement. Leaders systematically evaluate performance (Figure 5.2-2), provide continuous coaching, and recognize and reward performance. We ensure workforce capabilities to deliver on our *Workforce Value Proposition* through tailored learning and development as shown in Figure 5.2-4.

Figure 5.1-2 Manage Workforce Capability and Capacity



5.1a(1) Leaders assess workforce capacity and capability by executing the Manage Workforce Capability and Capacity

Figure 5.1-3 Recruit, Select, On-Board Employees

Manage Staffing Requisitions	Recruit and Source Candidates	Screen and Select Candidates	Process New Hires	On-Board New Team Members	Retain New Team Members	Evaluate and Improve Hiring Process
- Hiring Manager submits jobs to the Applicant Tracking System (ATS)	- In-house recruiters review job descriptions for required capabilities - Recruiters tailor interview questions to specific job to ensure right person - Candidates are notified of openings through online job sites, Elevations external website, job fairs, and employee referrals.	- Recruiters screen resumes - Recruiters interview candidates to determine qualifications and competency strengths prior to passing on to hiring manager - Hiring manager notifies recruiter of candidates chosen for interview - Hiring managers and their team conduct interviews - Hiring manager notifies recruiter of hiring decision	- Selected candidates receive pre-employment verifications including background and credit histories - Recruiters extend offer to qualified candidates	- New employees attend New Employee Orientation and Technical/Service Training. Once individual moves to the department they are assigned "go to" partners to acclimate them to Elevations.	- Retain team members through coaching development, reward and recognition, Elevations culture	- Conduct annual review/improvement through Baldrige assessment

be submitted and approved through the Add to Staff process.

It is our goal to deliver a Wow experience from recruitment to final placement. Hiring the right people begins with transparency about our MVV to provide candidates the opportunity to confirm their personal values and goals are aligned with those of Elevations. We leverage behavioral interviewing and competency assessments to ensure culture and values match. To ensure our workforce reflects the diversity of the communities we serve, we consider diversity in a holistic sense. Diversity for us is more than race and gender but also includes age, job type, education levels and experience. We recruit from our community and ensure workforce demographics align with our Affirmative Action process. We actively participate in Veteran job fairs, and the Colorado University Diversity job fair that focus on minorities. In addition, we post on Hispanicjobs.com and Asianjobs.com to attract highly qualified diversity candidates.

5.1a(3) Elevations organizes and manages the workforce around the Enterprise Process Map (**Figure P.2-3**) through the Work System (**Figure 2.1-4**). Leveraging the core competency of *Operational Excellence*, the management of workflow is accomplished through the disciplined execution of BPM with policies, procedures, and protocols captured and made available through the *Reference Desk*. To leverage the core competency of *Membership First* and to support the key processes of the organization, a culture of open communication, collaboration, and empowerment is fostered through continuing education and training that begins on the first day with Elevations and through accountability linked to measurement of performance. Value chain processes relating to products and services are executed primarily through our front office Retail Operations and Member Contact Center staff. Enabling processes, primarily organized into our back-office departments, provide support to member-facing employees who are delivering products and services to our membership.

We leverage both *Membership First* and *Operational Excellence* to manage our workforce to reinforce a member and business focus. We hire, train, and develop team members with the capabilities needed to serve our members and to accomplish our strategic objectives. The performance management approach (**Figure 5.2-1**) is driven from the Strategic Planning Process

(**Figure 2.1-1**) and we link member service through our all staff *Stakeholder Incentive Program*, and achievement of our business goals for every team member through *SuccessFactors*. Our high-performance work culture provides coaching, goals, training and development to enable individual performers to meet and exceed performance expectations. We evaluate performance throughout the year through one-on-one sessions and a formal annual performance review process at year-end. In the event a team member is not meeting our performance expectations, the People Department is contacted to begin a progressive counseling process. As strategic and business objectives evolve, we reassess our workforce condition and develop the necessary workforce plans needed to accomplish the new objectives through the process shown in **Figure 5.1-2**.

5.1a(4) We prepare our workforce for changing capability and capacity needs through transparency, planning, and disciplined execution of action plans. Through Step (5), of the SPP, leaders align resources, including people, to ensure the ability to execute on strategic objectives that may include entry into new markets, addition of products or services, or development of additional branches. Through the Manage Capability and Capacity Process [**5.1a(2)**] the VP of HR considers not only the future requirements defined in the SPP, but also internal conditions to develop the comprehensive forecast.

Throughout history, Elevations has avoided large-scale, forced layoffs in the workforce through disciplined execution of this systematic approach. Workforce needs are evaluated during the SPP to ensure capacity to meet RTB operational targets, as well as, any new capabilities necessary to implement ChTB organizational initiatives. As an example, the multi-year development and launch of business services required new capabilities, as well as, phased increases in capacity to address planned volume growth. With an increase of member usage of our Click and Talk channels, we were able to deploy resources from our Walk channel (branches) into our Contact Center. When mortgage sales declined, we deployed resources toward increasing business/commercial lending.

We prepare and manage periods of workforce growth through our Manage Capability and Capacity Process [**5.1a(1)**]. Unplanned, non-sequential, and fluctuating capacity needs

are mitigated through increasing hours of part-time positions and moving floating multi-role qualified staff to high-need areas. When specific point-in time-capabilities are required, consultants or contractors are utilized to supplement in-house expertise. While Elevations has not experienced the need for significant reductions in force, smaller scale reduction in workforce is accomplished through attrition and alternative placement of people in growth areas whenever possible. If all internal options are exhausted, market competitive severance and outplacement services are employed to transition people to opportunities outside Elevations.

Evaluation of 2012 RMPEX feedback helped initiate a cycle of learning in our management of workforce needs. On-going RTB stabilization from a significant 2011 Core Conversion ChTB initiative prompted the need for a more formalized approach to workforce-centric change management. A cross-functional team employed the Business Process Management methodology to design, deploy, and monitor a formal process built upon the Change Management Model, ADKAR methodology: Awareness; Desire; Knowledge; Ability; Reinforcement. (Full Process Description AOS)

5.1b Workforce Climate

5.1b(1) Elevations' primary safety and security vulnerabilities include fraud and robbery. Fraud prevention and member privacy training are conducted at NEO and annually thereafter. In 2013, leaders implemented software to address training inconsistencies in on-line training. This software tests staff and tracks training participation rates. Training impact is evaluated based upon test results and internal audit results.

To address robbery threats, we support the staff with both physical security installations and through prevention and preparedness training. Unfortunately, we had the opportunity to observe our robbery protocols in action twice in the last five years. Both incidents were investigated and with input from the victim tellers the theft-prevention program was refined. In order to determine robbery threat levels and the effectiveness of training, we monitor and compare state-wide bank and credit union robbery statistics. To ensure staff is able to act in emergency situations, CPR & First Aid training is offered semiannually by an American Red Cross facilitator who certifies participants that successfully complete the training. All departments have a certified team member that serves on the Emergency Response Team.

With our workforce's health and well-being in mind, Elevations offers a number of ways to assess and improve wellness. We offer an onsite weight/workout room that is available during and after business hours. We also partner with local health clubs and recreation centers to offer discounted services in the local community. Elevations partners with CIGNA and local health officials to offer free annual on-site flu shots and biometrics screening, both of which are also open to family members. In 2013, a wellness initiative was introduced that included health seminars, promoting EAP seminar webcasts, and encouraging individuals to participate in sponsored athletic events, such as the softball team and the *Bolder Boulder*. We address ergonomic issues by providing team member's access to a trained representative who will conduct an assessment and make ergonomic adjustments to an individual's workspace. We provide wheelchair accessible parking, automatic doors and other conveniences in all locations

in compliance with the Americans with Disabilities Act. Indoor Air Quality is managed utilizing automated HVAC systems providing sufficient fresh air to all locations in compliance with the Environmental Protection Agency requirements.

Figure 5.1-4 Measures of Health, Security, Accessibility		
Factor	Performance Measure	Cat 7 Result
Health	Worker's Compensation	7.3-10
	Health Benefits Cost	7.3-13
Security	Robberies per Institution	7.3-8
	Security Audit Results - Critical	7.3-9

5.1b(2) Elevations Total Rewards Philosophy, as stated in the Team Elevations Handbook, is *"To ensure total compensation and benefits separately meet or exceed the prevailing market to support a highly motivated and skilled workforce."* We formally analyze compensation and benefit data to ensure competitiveness. This analysis includes formal surveys of our workforce; participation in and review of local market employer surveys; validation with national surveys adjusted for area wage differentials; and enlistment of benefit broker partner expertise. We use this information to modify our benefits. For example, feedback from 2012 resulted in doubling the tuition reimbursement and volunteer time off programs, as well as expanding the number of health clubs where individuals can receive a corporate discount. We consistently score high on the workforce survey compensation and benefit question clusters (**Item 7.3a**). To ensure our workforce is aware of and takes advantage of their benefits, we have defined the process for administering benefit enrollments and changes, complete with a satisfaction survey. We not only educate through a thorough benefits orientation, but have also created a comprehensive list of benefit information on our *Company Info* page in our HRIS system and communicate through the twice-weekly *Elevations Matters* email. We pride ourselves in providing strong benefits to our organization tailored to the unique needs of our diverse workforce and results reflect this, (**Figure 5.1-5**).

Figure 5.1-5 Workforce Benefits	
Vendor Discounts	Automotive Avenues, Verizon, Dell, Microsoft, Eldora Ski Area, VPI Pet Insurance, Dog City Dog Daycare, and supplemented public bus transportation passes
Flexible Benefits	- Medical (HMO and HDHP), dental and vision - Life insurance - AD/D, STD, and LTD - Flexible Spending Accounts
Paid-Time Off	- 11 Paid Holidays - 4 weeks paid leave - Maternity and Paternity Leave and pay
Miscellaneous	- Volunteer time off to serve at non-profit organizations of choice in the communities we serve. - 401(k) with up to 4% employer match - Financial planning - Mortgage/auto Loan Discounts - Tax preparation for individuals with less than \$75K in income - Tuition Reimbursement - Health Club Discounts

A variety of policies exist to provide greater workforce flexibility such as job sharing, 30 hour weeks with benefits, and telecommuting. For example, two mortgage processors work from home 50% of the time. This allows them increased focus

on quality without the disruptions that may occur in the office.

5.2 Workforce Engagement

5.2a Workforce Performance

5.2a(1) Elevations determines the key elements that affect workforce engagement primarily through the annual workforce survey. Factors of engagement are validated through a variety of formal and informal communication mechanisms (**Figure 1.1-3**). Elevations' uses a well-researched survey that leverages Gallup research on factors of engagement and defines specific questions to measure engagement. We evaluate Elevations' performance in each of these individual elements, utilizing the annual ModernThink, Best Companies to Work for in Colorado Survey. This survey enables us to assess results by department, job role, tenure, age, and gender to enable us to determine the factors for different workforce groups and segments. Understanding these factors is critical to delivering on our *Workforce Value Proposition*.

5.2a(2) Through execution of *EPM 1.3 Create High Performance Workforce*, Elevations fosters an organizational culture of open communication, engagement, and high performance. Through this approach, the HR organization conducts research of best-in-class companies through workforce engagement survey data, compensation surveys, Net Promoter Scores, Cornerstone benchmark data and through the Mountain States Employer Council. These data are used to evaluate approaches within Elevations to create a high performance culture, and to determine if gaps exist between Elevations and best-in-class organizations. Action plans are developed to close gaps. As necessary, improvements are piloted and once proven, action plans are fully deployed. Leaders measure and monitor results to ensure that desired improvements were achieved and sustained and we celebrate. Celebration reflects learning from past engagement surveys that indicated Elevations was focused on driving improvement but did not always celebrate accomplishments. Leaders now ensure that as an organization we reflect, recognize, and celebrate our achievements as a learning organization dedicated to getting better every day.

Figure 5.2-1 Value Proposition to the Elevations Workforce

Elevations' Promise: To be the best place you have ever worked.

- **Winning Team** - You will be part of a winning team.
- **Worthwhile Work** - We will ensure that you are engaged in worthwhile work every day, delivering value to our membership and community.
- **Empowerment** - We will empower you to make decisions every day that help our members and membership.
- **Build Careers** - We will increase the marketability of each and every one of our people by investing in YOU through training, education, development and coaching.
- **Servant Leadership** - You are our #1 asset. YOU make the difference for our membership. YOU make us great. We will support you by listening, communicating and organizational transparency.

Expectations of Team Members

- **Behavior Matters** - We expect you to be committed to the belief that YOUR behavior matters. We do this by living our core values, working together as a team, and keeping our members, membership and community in mind every day.
- **100/0** - We expect 100% effort and zero excuses.
- **Flexibility** - We expect you to be flexible and fluid.
- **Work Life Fit** - We expect you to work to live, not live to work.
- **Learn** - We expect you to dedicate yourself to continually learn and get better at your craft every day.

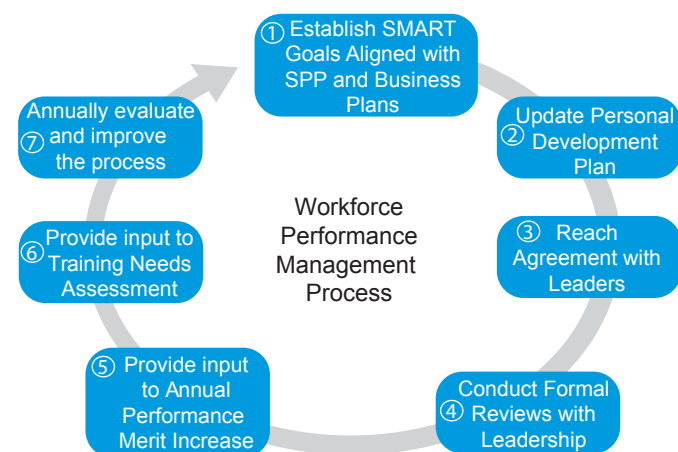
The development and deployment of the Workforce Value

Proposition in 2013 was a significant improvement in clearly articulating the culture that leaders are committed to providing and in setting expectation for high performance for each team member. The Value Proposition is shown in **Figure 5.2-1**.

Leaders ensure a culture of open communication through the disciplined execution of the variety of approaches demonstrated in **Figure 1.1-3**. Communication through face-to-face *Operational Rhythm* meeting structure is supplemented with print and electronic media. SL at Elevations are both approachable and accessible and encourage open, two-way communication. Elevations makes the promise to team members that they will be part of a winning team. We ensure team members are engaged in worthwhile work and are empowered to make decisions. We increase their marketability by investing in training, education, coaching, and provide ongoing support by listening, communicating and ensuring transparency. In return, Elevations asks for the workforce's commitment to our core values, 100% effort, flexibility, work/life balance and a continuous desire to learn and improve.

The Elevations team-based culture leverages the diverse ideas, cultures, and thinking of the workforce through the various approaches that start in the hiring process. Recruiters and hiring managers share the Elevations MVV with potential team members to ensure their personal values and goals align to our MVV. Behavioral interviewing and competency assessments enable culture and value matches. These tools enable us to attract the right candidates from the start to ensure we continue to foster our *Membership First* culture. Our culture and commitment to diversity is reinforced during NEO and through communication of our *Member and Workforce Value Propositions*. Training is provided through a course called Valuing Differences the focuses on the importance of diversity to achieve high performance. The People Department provides all workgroups facilitated Myers-Briggs, DiSC and other personality assessments, along with workgroup analysis and coaching sessions, to understand how to leverage diversity of thinking, ideas, and cultures. Finally, we leverage diversity through our many cross-functional teams. One example is our 401(k) committee, where we specifically select various levels and department members. Another example is our Project Teams, where we include leaders and impacted team members to make decisions on process changes.

Figure 5.2-2 Workforce Management Process



5.2a(3) Our performance management process is shown in **Figure 5.2-2**.

In Step (1), goals are captured in the *SuccessFactors* performance management tool and are used as the basis for performance management. Goals are written in SMART (Specific, Measureable, Attainable, Relevant, and Timely) format to enable appropriate tracking and measurement. Tasks are created under each goal to provide a roadmap and additional definition for team members to follow to ensure goal attainment. Team members are encouraged to set aggressive goals and are supported in intelligent risk taking. Goals are labeled as public in the *SuccessFactors* tool to enable everyone to view goals from the CEO to the mailroom. This promotes transparency and common purpose. In Step (2), everyone has the opportunity to develop competencies for multiple job levels. Using an assessment and validation output from their leaders, each person creates a personal development plan linked to the targeted developmental competencies. Progress on the development goals is discussed throughout the year but does not impact an individual's formal performance score. Each team member works with his/her *leadership team* to achieve consensus on goals for the year in Step (3). Leaders meet with their people throughout the year in Step (4) to discuss progress made toward the goals and make adjustments to goals or development plans as appropriate. In Step (5), a final assessment is made of goal achievement. Performance on goals accounts for 75% of the performance feedback score, with achievement of core values accounting for 25%. In Step (6) a final score is calculated and used as a factor in determining the merit increases. In Step (7), learning opportunities are identified, documented and provided as an input into the Training Needs Assessment process. Through the annual Baldrige assessment, this process is evaluated and improved. Elevations' Total Rewards Philosophy ensures compensation and benefits separately meet or exceed prevailing market standards to support a highly motivated and skilled work force, and encourage Innovation and intelligent risk taking. Incentive programs are in place at the enterprise, functional, and individual level where clear ties between performance and revenue exist (such as sales commission opportunities for positions directly providing member solutions). All employees participate in *Capital Stakeholder Incentive Pay* that is awarded quarterly based upon organizational performance. Each program ensures service expectations and encompasses a risk threshold to ensure asset and relationship protection. All compensation and benefit programs are formally reviewed at least annually to ensure market competitiveness.

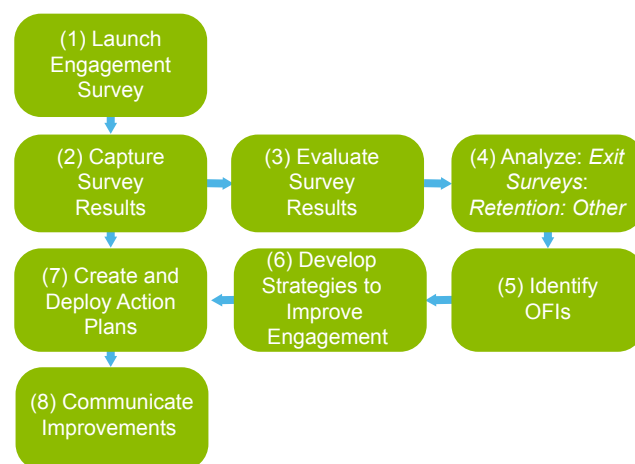
Elevations understands recognition is hugely important for workforce satisfaction, but also that it needs to be tailored to the individual. Managers and supervisors are strongly encouraged to have their team members complete a form on our Intranet entitled, "*How I want to be recognized*". Information from this form enables the manager to understand the individual's preference for recognition. In addition to recognition tailored to each individual, we have several organization-wide programs. In 2012 our Mile High Performers program was initiated in response to staff feedback that business operations team members wanted more opportunities for recognition. This program provides peer recognition of team members who have accomplished milestones, contributed to the success

of the organization and exemplify one (or more) of our core values. Other recognition programs include the TAG (Thanks, Appreciation, and Gratitude) program where colleagues can TAG team members through our on-line tool, and Bright Spots a standard agenda item at our monthly Connect the Business Meetings. In 2013 we identified a need to increase cross department service, and developed a new cross-department recognition program that enables all team members to recognize others in a different department or branch. The requesting individual is provided the gift so they may personally deliver the gift to the recognized team member.

5.2b Assessment of Workforce Engagement

5.2b(1) Workforce engagement and satisfaction are assessed through multiple formal and informal approaches, including the Colorado Best Companies survey, exit interview data, unscheduled absenteeism, retention/turnover analysis, *Stakeholders* success, core earnings, revenue by FTE, absence of ethical breeches, and *SuccessFactors* performance score results. Performance is analyzed across workgroups and demographic segments. Satisfaction and engagement data are systematically selected and used as shown in **Figure 5.2-3**. ModernThink Colorado Best Companies annual survey is Elevations primary tool for assessing satisfaction and engagement. This survey captures information on questions identified by the Gallup organization as key indicators of workforce engagement. Survey data can be segmented by department, job type, and demographics such as tenure, gender, or ethnicity to allow for comprehensive assessment. Fully segmented results from the 2014 Colorado Best Companies survey are AOS. SLs also evaluate other key elements such as absenteeism, exit interviews, workforce retention and productivity on an ongoing basis to identify opportunities and use the information to drive improvements.

Figure 5.2-3 Engagement Survey, Analysis, and Planning Process



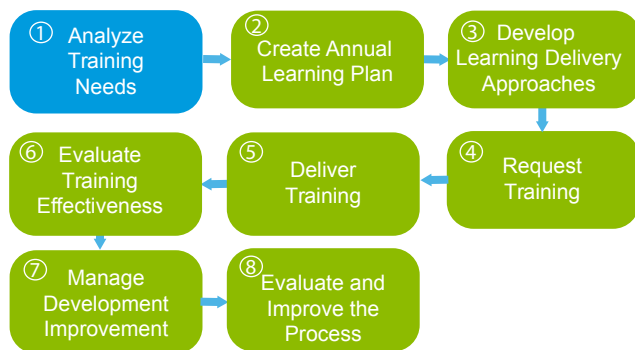
5.2b(2) Workforce engagement results are analyzed to determine correlations between business results and engagement/satisfaction findings. This analysis is shared with leaders and team members and used to develop organization-wide and department-specific action plans. Improvement targets are developed and results monitored through the annual survey process and through quarterly mini department surveys.

5.2c Workforce and Leader Development

5.2c(1) Elevations conducts an annual Training Needs Assessment (TNA) using organizational data sources (strategic objectives, business plans, surveys, focus groups, interviews,

and stakeholder input) to determine organizational learning gaps and future needs. Once training needs are identified, the Training Team executes the Manage Learning and Development Process (Figure 5.2-4) to provide solutions to short- and long-term needs of the business. The entire process is evaluated annually and improved as needed. For example, in 2012 the training team determined that the annual TNA was not sufficient to meet rapidly changing business needs. In response to this feedback in 2013, the Training Team implemented a quarterly analysis to better address needs. Based upon the 2013 TNA, we launched a new retail training plan to meet the needs of our employees. The 4-week training program was piloted in December, 2013 with great success. The new program incorporates modular coursework to better meet our organizations diverse training needs and incorporates behavioral role play, rotational learning, weekly progress assessments, and branch shadowing to offer a wide variety of learning methods and enhance the learner's retention. We created enhanced coursework in the areas of: Core Systems Training, Sales, Lending, Business Service, Ethics, Sexual Harassment Awareness and Diversity Training, and Organizational Support Structure. We assess learner retention in two different exam formats, both through a behavioral role play exam as well as a comprehensive knowledge exam. Test results are tracked and feedback is given to the managers for further coaching. In addition to the retail training plan we launched a new variable incentive plan to increase focus on consumer productions.

Figure 5.2-4 Manage Learning and Development Process



Training Needs are also assessed through the career coaching process in *SuccessFactors* where team members and managers are able to identify capability gaps. These needs become inputs to the TNA, and the Training Team analyzes the data for trends. Data captured through the TNA provides input to the *Manage Learning and Development Process* (Figure 5.2-4) where in Step (2), an Annual Learning Plan is developed. In Step (3), the Training Team identifies the delivery mechanism that could be classroom training, mentoring, computer based learning, books, etc. All team members who wish to pursue development through academic channels are eligible for education reimbursement at accredited institutions. Results from Competency Assessments can be linked to individual development plans and learning activities in *SuccessFactors*, which include internal and external professional development opportunities. Elevations provides a comprehensive training curriculum for all staff including: job-specific courses, BPM training, Facilitator training, PEAK Learning sessions, Valuing Differences, Security Awareness, Integrity Selling, World-Class Service, Robbery training, Security Training, CPR and

First Aid, Valuing Differences, Crucial Conversations, Crucial Confrontations, and Crucial Accountability. Leadership training includes: New Leader Orientation, New Leader Assimilation, the Leadership Challenge, and Myers-Briggs type indicator.

The foundation of training in NEO is that all staff attend (Temps, Interns, and certain contractors), where our culture and values are shared. Ethics and the ethical business practices are supported by the value of *Integrity*, which is woven into all training. Training on service standards leverages *Membership First* and introduces the focus on the member in NEO and NET. To reinforce the culture and experience of on-boarding, each new team member is paired with a buddy when transitioning a new position in the branch. In addition to buddies, team members receive ongoing coaching and feedback from managers. We ensure knowledge capture from retiring or departing team members through documented procedures and cross training initiatives. For example, we have one primary payroll person but two other team members will process payroll once a year to ensure they demonstrate proficiency.

5.2c(2) Surveys and assessments are used by trainers to analyze training effectiveness and to assist trainers with the development of efficient designs for learning. Trainers administer skills assessments following technical training. Elevations leaders participate in pre- and post- 360 Leadership Practices Inventory assessments, which facilitators use to measure the effectiveness of leadership training. We track Member Facing team member productivity following consultative sales training, as well as NPS scores pre- and post-training. [7.3a(4)]. Training effectiveness data are used to improve training content or delivery.

5.2c(3) We manage effective career progression for our entire workforce through several methods: Mentor Program; *SuccessFactors* system which has goal planning, career coaching/development and annual performance system; shadowing; and professional development with external and internal training. During performance review, we ask team members, “*What are your career aspirations?*” Annually, team members and managers work together to develop goals. Progress toward these goals is updated throughout the year to ensure success and growth. Feedback from the 2012 engagement survey determined the need to implement a more formal and consistent process of Career Development. In 2013, we implemented changes based on that feedback which resulted in a launch of a dedicated form for establishing career goals and putting action steps into our *SuccessFactors* system for tracking and a requirement for a quarterly meeting between the team member and manager during which managers and team members work together to develop competencies to ensure progression. All individuals have access to the competency library in *SuccessFactors* which is populated with over 200 activities designed to increase competency. This allows us to do succession planning with all levels. We manage effective succession planning across all career paths through our Leadership Development Model (AOS); the model matches competencies with each job level including leadership positions. Based on consultative feedback, we discovered a more rigorous succession planning process was needed. In 2014, we significantly improved Succession Planning for SL by engaging an external expert.

6 Operations Focus

6.1 Work Processes

Figure 6.1-1 Business Process Management Methodology

Step One: Design	Step Two: Develop	Step Three: Deploy & Stabilize	Step Four: Monitor and Improve
Validate Enterprise Process Map	Identify input/output processes	Determine how and what to measure	Review and stabilize Metrics
Establish Core Process Team	Establish flowchart team	Identify measures (Figure 4.1-3)	Determine Frequency
Introduce Team to BPM	Build flowchart	Beta Test process / refine	Capture/Report Metrics
Build SIPOC – Determine Objective Determine Key Stakeholders Determine Key Inputs and Outputs Document High Level Milestones/steps Determine Process Requirements Determine Metrics/Measures	Identify and Remediate gaps or issues Validate flowchart with stakeholders Obtain Approval of Champion	Deploy process	Determine if Performance Improvement is Needed Document expected impact of improvement including impact to stakeholders
Validate SIPOC w/ Stakeholders	Establish Work Plan – Implementation, training, procedures, ADKAR, communication Review/clear Red Boxes		Refine process or measurements following BPM methodology

6.1a(1) Elevations designs, manages, improves and innovates processes to meet key stakeholder requirements through Business Process Management (BPM), an enterprise-wide methodology (Figure 6.1-1). BPM was implemented in 2010, and has gone through multiple cycles of refinement with improved maturity each year as confirmed through annual Baldrige assessments. The Enterprise Performance Excellence (EPEX) department, as a center of excellence, is responsible for administering, training, and applying cycles of learning to the methodology. For example, 2012 , we recognized the opportunity to accelerate adoption of BPM to drive improved results across the work system, and established a trained team of Special Forces super users representing all categories in the Enterprise Process Map (EPM). Each Special Forces completes BPM training and attends monthly meetings to share best practice cycles of learning, seeks assistance with encountered barriers, identifies synergies in cross-functional efforts, offers mentorship to newer members, and celebrates successes. Special Forces provide the first point of expert assistance for process owners, with EPEX available for consultation as needed.

Design: Trained process owners, with Special Forces assistance, use a hosted process mapping application, IBM BlueworksLive, to design work processes. During Design process owners build a SIPOC identifying the process objective, Suppliers, Inputs, Process, Outputs, and Customers, as well as the objective and requirements with corresponding performance metrics and linking processes identified.

Develop: Once key stakeholders validate the Design, we move to the Develop step. In this step, process owners build a swim-lane flowchart, document Desk Level Procedures including a review by knowledge management governance, create a plan to implement, and confirm approval of stakeholders. Process owners also identify enabling technology and capture how stakeholders interact with technology by including a system swimlane in their flowcharts.

Deploy: In this step, process owners confirm measurement methods, beta-test to confirm requirements are successfully met, apply cycles of refinement as

necessary, and finally perform a full roll-out to all affected stakeholders. Process owners submit knowledge assets to the governance process for publication in Reference Desk.

Monitor and Improve: Once processes are stabilized, managers track performance using dashboards. When reporting indicates performance gaps or opportunities exist, managers work with process owners to systematically improve or innovate the process using BPM. Process owners and stakeholders use root cause analysis to determine sources of their identified issues. This could include performance of the team, enabling technology not performing to expectations, or process design flaws. Improvement teams document the expected impact of the improvement, and review expectations with stakeholders. Implementation is accomplished by following the BPM steps of Design, Develop, Deploy, and Monitor & Improve. When improvement is needed quickly, we implement change in an agile manner by following the methodology in a condensed timeframe. For example, we incorporated a new document scanning technology to an existing process within one business week.

EPEX Administration: EPEX tracks progress in process design and management in an enterprise-wide repository called the BPM Tracker, as well as through activity audit reports within IBM Blueworks (AOS). EPEX shares progress reports with process owners, Special Forces, and SL. EPEX supports all development with a robust toolset including a BPM Process Manual, training curriculum, best practice samples of process design deliverables, templates, reporting and qualitative audits, and real-time best practice sharing through recurring meetings and one-on-one rounding with process owners.

6.1a(2) We determine key product requirements through our customer listening and customer engagement processes described in (3.1a) and [3.2a(1)]. We prioritize requirements based on membership value driver analysis performed in the NPS quarterly surveys from the Member Loyalty Group and the annual Raddon survey. Once customer product, service, and delivery requirements have been confirmed, they are passed through the EPM 2.0 *Innovate and Design Products and Services* process with emphasis on alignment to the *Member Value Proposition*. Key work and support processes are designed

Figure 6.1-2 Key Work Processes		
Process Requirements	Process Measures	Category 7
Key Work Processes (Value Stream)		
1.1 Perform Strategic Planning		
- Organizational Alignment - Strengths, Weaknesses, Opportunities and Threats are evaluated - Strategic Objectives are risk assessed and compliant - Performance Goals aligned with Strategic Objectives - Fiscally sound Performance Goals - Performance Goals align with good corporate citizenship - Planning is accurate - Timely Strategic Planning	- Return on equity - Efficiency ratio - Planned to actual performance - Member and loan growth & market share - Accuracy of performance forecasts - Regulatory rating - Accuracy of SWOT - Plan is complete on-time	7.4a(1,2,3,4) 7.5a(1) 7.4b
1.2 Decide, Plan, and Align		
- Org. Initiatives are approved, aligned and prioritized on a timely basis - Org. Initiatives are tracked and financially accurate - Org. Initiatives are risk assessed and proper mitigation is executed - Org. Initiatives are compliant with regulations - Org. Initiatives are fiscally sound - Org. Initiatives are in alignment	- Effectiveness of action plans - Workforce productivity - Budget, scope, resources - Value Stream process metrics - Accuracy of performance forecasts - Performance of Key Measures	7.3a(1) 7.4b 7.5a(1)
1.4 Analyze and Review Performance		
- Performance Goals are measured and monitored - Monitor/Manage effectiveness of Enterprise Dashboards - Ensure Action Plans are timely & aligned with Strategic Objectives and Goals	- Performance variance - Effectiveness of Action Plans - Accuracy of performance forecasts	7.1a(1) 7.1b(1) 7.5a(1)
10.2.1 Manage Portfolio/Projects		
- Manage Strategic Initiatives for scope, resources and cost weekly - Team members engaged (understand work) - Project and portfolio are aligned with performance goals - Discipline to the portfolio process	- Accuracy of portfolio - Scope, resource and budget variance - Documented change request - Project team check in and close-out survey	7.3a(3) 7.4 7.4b
Key Support Processes (Enabling Value Stream)		
3.5.2 Manage Member Feedback		
- Member survey feedback provided to service providers is relevant & timely - Feedback loop with member is timely and responsive - Feedback is collected and managed using standard, defined NPS descriptions - Feedback aggregation is standardized ensuring quality and accuracy	- Members move from Detractor to Promoter - Time to Resolve - NPS - Reduced dissatisfied feedback by issue	7.2a(1,2) 7.3a(3)
4.2.1 Deliver World Class Experience		
- Service provider personally engaged - Members feel valued - Member receives value - Member perceives provider acts in their best interest - Easy to conduct business - Prompt service - Inquiry/problem resolved timely	- NPS Agreement Question (R) - Products per household (Raddon) - Percent of incomplete paperwork - Workforce Engagement scores - NPS Overall Satisfaction - Synapsys Cross-Sell - Pull-Through	7.2a(1,2,3) 7.3a(3) 7.1a 7.1b(1)
5.1, 5.7 Deliver Consumer Loans		
- Loan application is complete and accurate - Provider personally engaged - Act in best interest - Easy to conduct business - Accurate, on-time closing - UW stipulations are met	- Turn time - Pull through - NPS new product satisfaction - NPS Overall Likelihood to recommend - Number accounts opened/closed - Product by count	7.1a 7.1b(1)
5.4 Deliver Mortgage Loans		
- MLO acts in member's best interest - Easy to conduct business - Accurate, on-time closing - Loan is accurate and complete - Processed and moved to closing within agreed timeframe	- Turn time - Pull through \$ by Loan Officer \$ by Market - Referrals	7.1a 7.1b(1) 7.1b(2) 7.5a(2)
10.3, 10.4 Manage Knowledge Assets		
- All requests must be approved for publishing or a solution path identified - All requesters receive consistent and transparent response to requests - All knowledge assets must have governance approval prior to publishing	- Number of validated assets - Number of assets by stage - Number of assets past review date	7.1b(1) 7.4a(2)
7.2.2 Deliver Technology Solutions		
- Objectives and requirements defined by Stakeholders prior to development - Minimized revisions to requirements and solution design - Minimized member disruption - Project progress regularly communicated to requestor	- Number of revisions to original request - Percent of post-implementation issues - Percent of milestones completed on time - Percent of on-time communication	7.1b(1) 7.1b(2)

to meet these requirements using BPM. Process requirements are defined in the first step of BPM Design methodology. Key work (value stream) and key support (enabling) processes, key requirements, and metrics are listed in **Figure 6.1-2**.

6.1b(1) Process Owners ensure the day-to-day operation of their processes are meeting key requirements as part of the Monitor & Improve phase of BPM. We actively reference the EPM to ensure alignment and integration of inputs and outputs between the key support processes, key work processes, and ultimate delivery of value to our members. Key measures, aligned with key requirements, are listed in **Figure 6.1-2**. Measures, (including both in-process and outcome metrics), are monitored and are essential in managing organizational performance. The *Operational Rhythm* ensures in-process metrics are aggregated, analyzed, recommendations proposed, and action taken should performance be outside targeted performance bands.

6.1b(2) Elevations' key support processes are listed in **Figure 6.1-2**. During Step (4) *Define Initiatives & Targets* of the Strategic Planning Process, key support processes are identified as those most important to successfully executing our strategic plan. Every year key processes are evaluated in alignment with SPP using BPM. This provides the opportunity for Elevations to leverage key processes related to strategic challenges or advantages. While many are consistently identified as key, (such as those directly supporting our product design, delivery, and customer engagement value-creation), others change year-to-year based on need. For example, the *Branch 2.0* initiative has placed increased focus on *4.0 Create Solutions* processes to address a new branch service delivery model and the increased capabilities required of the people working in this model.

6.1b(3) Improving process performance and reducing variability are accomplished through application of the performance improvement system described in **Item P.2c**. Process owners evaluate and improve performance through Step (4) *Monitor & Improve*, as described in **Item P.1a**. Process performance is evaluated through the Operational Rhythm and substantive Innovation initiatives are managed through the *ChTB Innovation process* described in **Item 6.2d**. Through BPM training and use of the methodology, process owners are fully equipped to innovate and continuously improve their processes. The principles of Lean Sigma are built into the Elevations's BPM Methodology which is user friendly and applied by process owners immediately when working on their respective processes. This ease of entry allows process owners a real-time approach as they continuously improve their processes. As a result, they perform real-world requirement gathering, root cause analysis and focus on eliminating inefficiencies. When robust analysis is required, EPEX supports process owners using BABOK recommended analysis and problem solving tools such as process flow analysis, constraint mapping or Lean Six Sigma tools including RCA. The EPEX senior business analyst is CBAP certified in facilitating problem solving. This allows us to bring formal tool sets to problems as appropriate. Process owners and Special Forces are able to handle daily continuous improvement efforts (basic triage and care), while EPEX provides support for complex issues.

6.2 Operational Effectiveness

6.2a Overall costs of work system operations are forecasted

in annual financial plans, monitored through monthly analysis of actual to target performance variances, and controlled through decisions within the Operational Rhythm which aligns outcome metrics such as efficiency ratio and Return on Equity (ROE) with process owner metrics such as cycle time and rework. Step (6) *Create Financial Plan* of the SPP sets financial expectations which provide targets and reporting at the process owner level. Balance between efficiency in cost control and effectiveness in delivering member value is achieved through our *Key Performance Guidelines* which set performance levels designed to optimize the balance between workforce engagement, member health, and financial sustainability measures. As an example, the consumer lending end-to-end process was redesigned to reduce cycle time, increase pull-through of applications to funding, reduce errors and increase productivity. Engaging the BPM Methodology, the Consumer Lending team completely redesigned their processes. At the end of 2013, consumer loans processed per month had increased from an average of 483 to 659, with the same number of staff. Cycle time was decreased by more than 50%. Centralized underwriting realized similar results improving approval rates by 10%, increasing loans per underwriter from 175 per month to 300, and providing previously unattainable measurements in turn time and individual performance measures.

6.2b We select external suppliers or partners only after confirming the work system requirements are not within our core competencies and ensuring the supplier or partner can perform them more efficiently. Supplier selection, management, and performance monitoring are the responsibilities of the assigned relationship owner as determined through the formal vendor management process. Vendor management continues throughout the life cycle of each significant third-party relationship. Step (1), evaluate a third-party service provider long-term strategic and current business plans. Step (2),

Figure 6.2-1 Vendor Criticality Rating and Risk Segmentation

Highest Importance/ Materiality to Strategy: ① Vendors most important. Without consistent, quality performance from these vendors' products and services, the Credit Union will be at high risk. Replacing this category of vendor may be costly or lengthy, or both. Interruption of service involves significant reputation risk. Review Annually	Moderate to Low Importance / Not Material to Strategy: ④ Vendors may not be costly and provide a service of <u>relatively low importance</u>. While vendor's services are important, it is not critical to serving our members. Vendors in this category can be replaced fairly easily. Interruption of service involves very little reputation risk. Frequency at Management Discretion
③ Vendors of <u>medium importance</u>. Without consistent quality performance from these vendor's products and services, the Credit Union may face a moderate risk. Replacing this category of vendor would involve some time and be of moderate to low cost. Interruption of service involves moderate to low reputation risk Review every 12-24 months	⑤ Vendors may not be costly and provide a service that, if interrupted without notice, <u>would have little direct impact on members or the services provided to them</u>. Vendors in this category are very easily replaced. Interruption of services would not put reputation at risk. Review Not Required
⑥ Regardless of amount, vendors who <u>do not provide goods or services</u> to the Credit Union but receive funds for a specific reason, including but not limited to: charitable contributions, sponsorships, memberships, government fees and taxes, special events, etc.	

prepare a documented risk assessment of a wide variety of risk factors (AOS). Step (3), establish by clear contract the scope and services, performance requirements and standards, confidentiality and security of data, deadlines and terms, use of and responsibility for subcontractors, indemnification, default, and termination rights and dispute resolution. Legal counsel review and support are required by Board policy for critical vendors and high-cost third-party relationships. Step (4) the relationship owner assesses performance on an ongoing basis with frequency determined by the vendor's assigned risk rating as determined in *11.3.3 Vendor Due Diligence* process. Step (5), the Vendor Criticality Rating is reviewed annually or more frequently if the vendor's business or service relationship is undergoing change. Performance assessments are conducted by the vendor relationship owner through ongoing monitoring of service quality, financial condition and control environment audits. Contract and policy compliance is monitored using the Service Level Agreements of the contract. With the integration of these services into processes, key process owners are continuously monitoring their operational performance metrics to ensure requirements are successfully met.

6.2c Safety and Emergency Preparedness

6.2c(1) Elevations ensures safety and security through a variety of approaches. We require badges for secure entry at all locations and have alarmed all buildings against intrusion. Every team member participates in robbery training drills during NEO and annually thereafter to ensure he/she is prepared to safely handle such a situation. Monitored surveillance cameras are present at all locations and panic buttons are present in all cash handling locations. At our branches, team members follow a specific daily open and close procedure to ensure team member safety and minimize the risk of robbery. Each location conducts fire drills to ensure team readiness. These drills are measured for total time to evacuate. In the case of an emergency, we have a designated call list that outlines key persons for affected personnel to contact in order to ensure appropriate action is taken quickly and effectively. Additionally, the bi-weekly *Elevations Matters* newsletter contains periodic safety, security tips, and reminders.

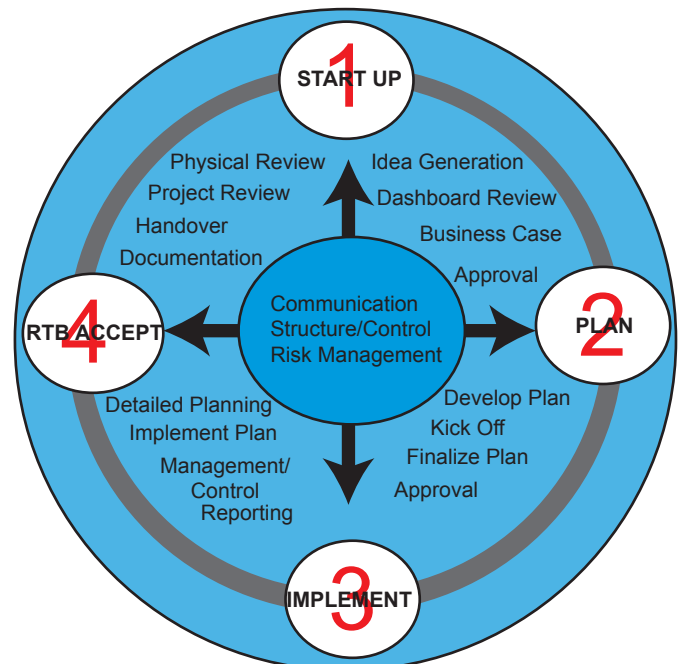
6.2c(2) Elevations has a comprehensive approach to ensure work system and workplace preparedness for emergencies. We have a Business Continuity Plan (BCP) committee responsible for our Incident Response Plan process. Prevention, mitigation, and continuity of operations are included in the BCP Plan, which leverage the following processes: Incident Response, Disaster Recovery Business Continuity, Data and Business Resiliency, and Business Resumption. Process detail is AOS. Examples of activities coordinated by the BCP includes, business impact analysis, table-top testing of disaster preparedness, bi-annual emergency evacuation drills, and annual work system fail over tests. BCP approaches are full deployed to all sites.

6.2d Innovation Management

We use disciplined project management tools through the *ChTB Innovation Process* administered by EPEX and BITE. Innovation initiatives are sponsored by a senior leader designated as Champion and captured in a business case in Step (1) *Start Up*. Approval to move to Step (2) *Plan* requires approval by SL in the Decide, Plan and Align meeting. EPEX assists Champions with business analysis support and BITE validates performance forecasts of ROI. Approval to move to

Step (2) *Plan* includes prioritization within the portfolio of all current Innovation initiatives, assignment of an EPEX project manager, designation of a Team Lead, allocation of cross-functional project team resources, and a target date for Project Plan completion. The Team Lead, supported by the project manager and team, confirm requirements of the initiative, validate the business plan, and build a project schedule with supporting resource, communication, risk, change management, and budget plans as appropriate. The Champion presents the full Project Plan to *1.2 Decide, Plan, Align* with an explanation of any variances from the original business case. Approval to move to Step (3) *Implement*, results in execution of the Project Plan with on-going monitoring within the Operational Rhythm to confirm planned to actual performance against three constraints: scope, budget, and resources. Project monitoring includes both a review of each initiative and the entire Innovation portfolio. The resulting analysis produces milestone variances, resource capacity utilization, and overall schedule impacts for each initiative. Project and portfolio analysis is facilitated by the EPEX department's certified business analyst (CBAP) and project managers (PMP) who work with assigned Champions and Team Leads on each initiative. Initiatives can be terminated at any point during the review of the portfolio based upon current or forecasted performance. Once the project team completes implementation activities, formal approval is confirmed in Step (4) RTB Acceptance. This step confirms the initiative is fully operational. The project team performs project close-out activities, including the capture of lessons learned. Additionally, the team conducts performance evaluations of each team member to include in his or her personal *SuccessFactors*. Outputs of the *ChTB Innovation process* include monthly ChTB Portfolio reports presented within the Operational Rhythm (AOS). Each project receives a weekly status recap showing the status of project tasks (Complete, In-Process, Behind, Not Started), a trend of behind tasks, and a status of project tasks segmented by each team member to help highlight any resource constraints.

Figure 6.2-2 Innovation Process

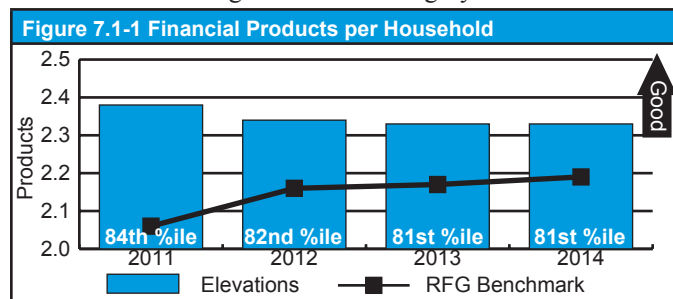


7 Results

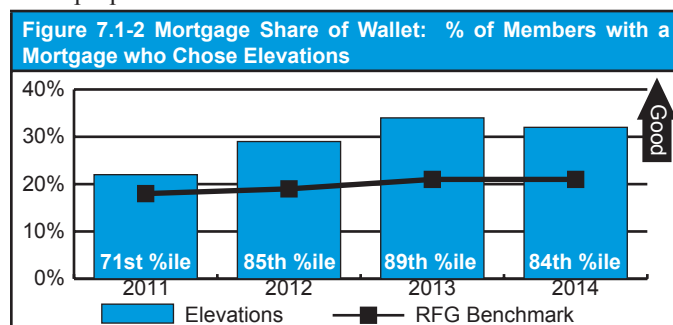
7.1 Product and Process Results

7.1a Customer-Focused Product and Process Results

Refer to [Item 4.1a\(2\)](#) for description of key comparable resources used throughout Results category.

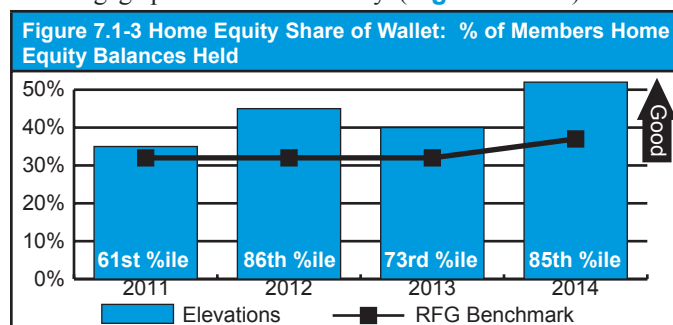


Products per household, an assessment of depth of relationship with Elevations, reflects performance significantly exceeding benchmark. Results in 2012 reflect an influx of single-product households gained through a merger. Since that time this metric has stabilized. Our performance remains in the 81st percentile among credit unions reflecting delivery on the value proposition.



The percentage of members with a mortgage who chose Elevations is well above the 75th percentile and climbing. Providing solutions to fulfill home ownership dreams is at the core of our relationship-based value proposition. Credit unions are not typically considered by most consumers as the primary source for a mortgage, however Elevations has changed that perception within its markets by developing a mortgage team with deep connections within the local realtor industry and by leveraging the loyalty of our current membership.

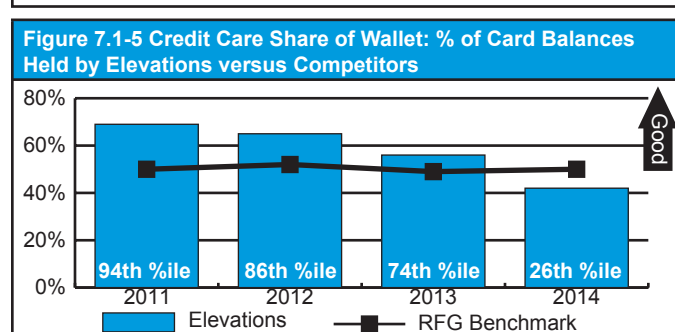
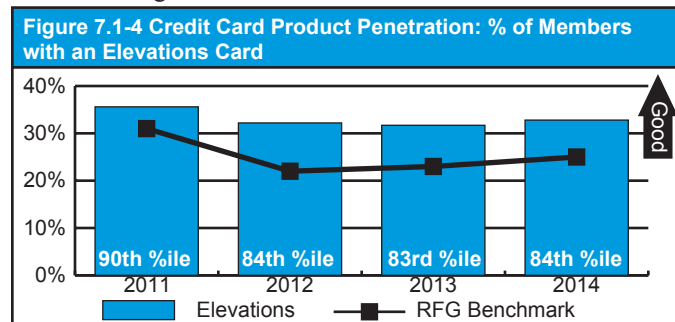
In 2014 there was a decrease in mortgage share of wallet. This was, in part, due to market conditions. Elevations still remains the #1 mortgage lender in Boulder County. As of July 2014, we were producing 22.6% more mortgage loans than the #2 mortgage provider in the county. ([Figure 7.5-13](#)).



Elevations has a favorable three-year trend exceeding benchmark in Home Equity Share of Wallet. 2013 reflects an overall cooling in the refinance market relative to 2012.

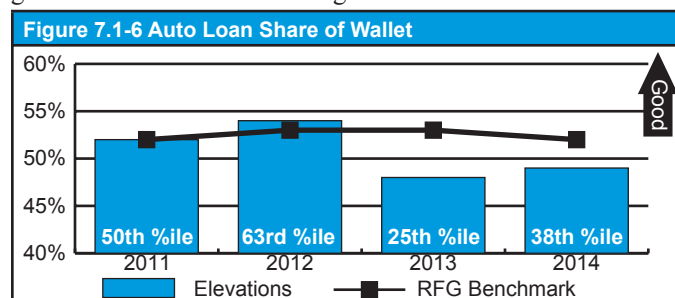
In an improving real estate environment in 2014, this product

offering became a more attractive solution to consumers. In addition, as our mortgage product mix shifts more heavily toward purchases, it has seen a significant increase in concurrent second mortgages.

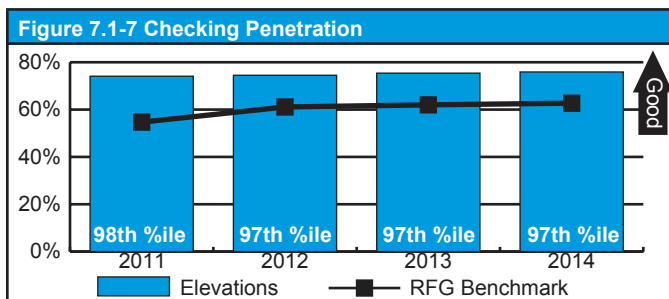


While Elevations exceeds benchmarks in both credit card penetration and share of wallet, the negative trend has initiated a ChTB organizational initiative to refresh our credit card portfolio. A new card design, pricing, and rewards program will be implemented in 2014 to reverse this trend.

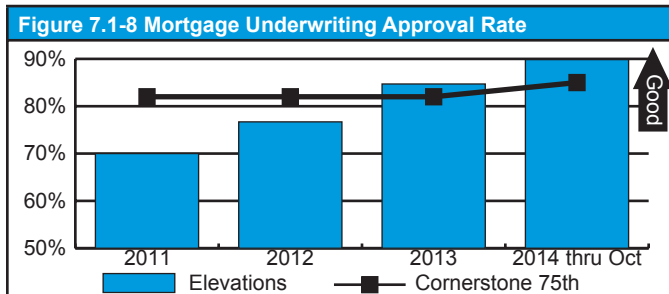
While credit card penetration in terms of card balances has fallen, transaction volumes remain higher than our competitors, according to Experian data. In 2014, a new card program was developed to build balances and transactions, and, because of the upcoming changes, we stopped actively promoting the product. The refreshed card products were rolled out on September 23rd growth in both of the following metrics occurred as a result.



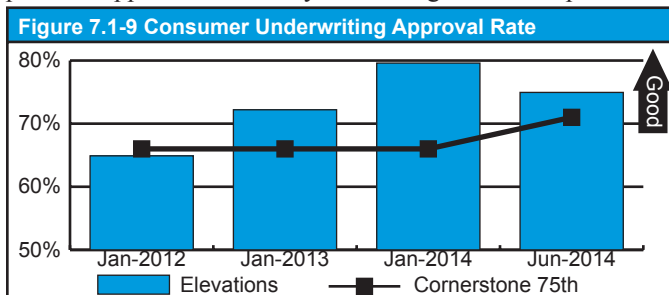
Auto loan share of wallet decreased significantly in 2013 when compared to other credit unions. Competitors within the market aggressively pricing autos and some within the benchmark group favor business models whereby auto loans are secured at the dealership through an indirect relationship with the purchaser. While Elevations still believes in the direct relationship with our member, as a result of these findings a ChTB initiative was launched to replace our indirect vendor and hire a dedicated relationship manager focused on developing in-market relationships with local dealers. Thanks in large part to the ChTB initiative launched in 2014, the unfavorable trend has reversed in 2014 as shown in the improvement from the 25th to the 38th percentile.



In alignment with the value proposition, our depth of relationship in checking performance significantly surpasses the benchmark group. Checking is a key indicator of Primary Financial Institution (PFI) status. Over the last few years, we have increased checking penetration from 75.9% and has sustained performance in the 97th percentile of credit unions.

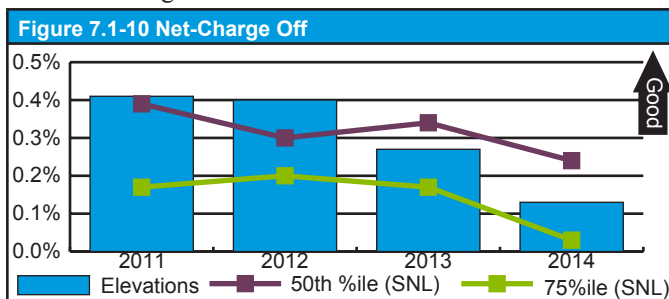


Underwriting approval rate is a measure of member value in Elevations' ability to provide solutions to identified needs. Our process improvements have resulted in core mortgage product approvals currently exceeding the 75th percentile.



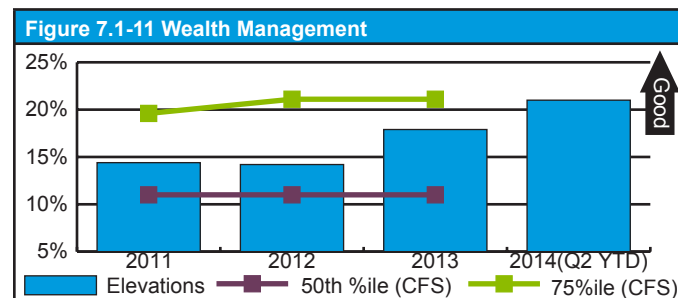
Consumer approvals currently exceed the Cornerstone 75th percentile benchmark, with a favorable three-year trend. Data points reflect January snapshots of each trended year. Approval by month and by product (AOS).

Since our record high approval rate in January 2014, we have maintained approval rates above the Cornerstone 75th percentile. Some fluctuation in monthly results is to be expected due to product mix, promotional campaigns, and credit tier mix. Monthly approval rates in 2014 have varied from a low of 70.56% to a high of 79.62%.

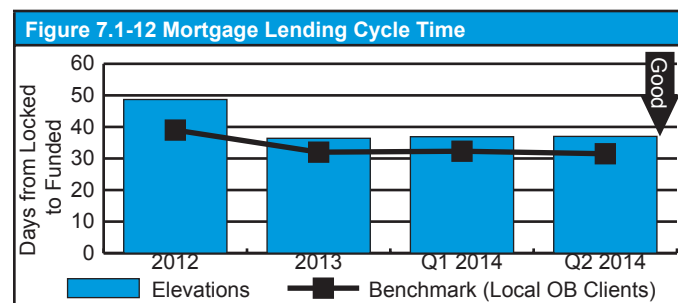


Our net charge-off ratio, the number of loans members do not

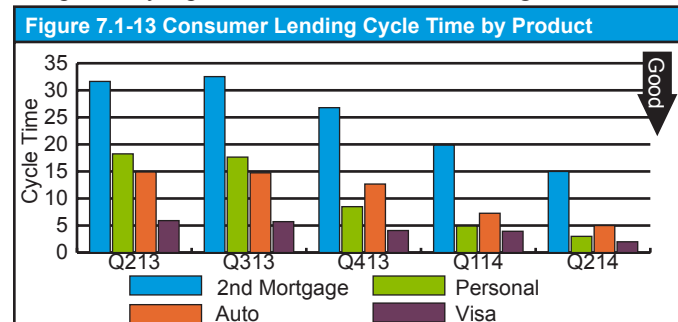
pay, is lower than benchmark. This favorable trend represents strength of relationship with our members. We do not want to fall below the 75th percentile as this would indicate the portfolio is too risk-adverse.



Wealth Management services are a key product to our membership, signaling a deep relationship and level of trust by the member. Growth in Wealth Management reflects an increased level of member loyalty and diversification of revenue for the organization. As shown, there is significant growth, a strong favorable trend, and solid performance relative to other credit unions offering similar services. Since January 2012 our sales volume ranking has improved from #23 to #11 out of 200 benchmarked credit unions and banks. Assets under management as a percent of total credit union assets has grown to 21%.

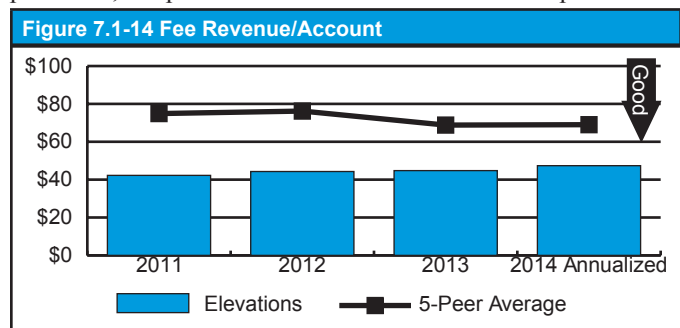


The benchmark is derived from a supplier servicing other similar sized institutions. As the #1 mortgage provider in Boulder and Broomfield Counties, servicing a higher volume of loan applications than other institutions, Elevations is trending favorably at or below benchmark for the amount of time it takes to close a mortgage. We have maintained cycle times close to benchmark despite transitioning from heavy refinance volumes to primarily purchases which take longer to fund.

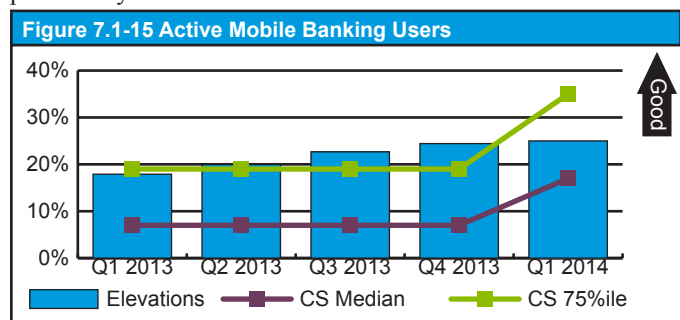


Even with increasing volumes across all consumer lending products, cycle times (receipt of application to time of funding) have improved each of the last four quarters. A key component of the overall cycle time is time spent in underwriting. With volumes increasing in 2013 from approximately 100 loans per underwriter per month to 300, average underwriting turn times never exceeded the 60-minute internal service level

agreement. An external benchmark for consumer cycle time is not yet available. Cycle times continue to improve as we refine processes, despite an increase in consumer loan production.



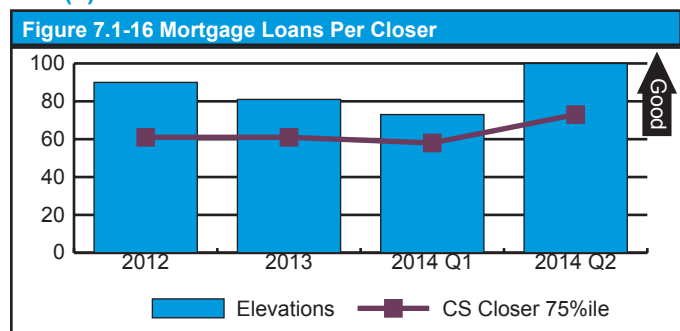
While fees are necessary to offset the services they represent, we not only have fewer fees than our competitors, but also have lower overall fees per account (5 Peer Average: Bank of America, First National of Nebraska, JPMorgan Chase, U.S. Bancorp, and Wells Fargo). These results demonstrate alignment with our value proposition of acting in the best interest of our community and membership. Achieving these results is not through a liberal fee refund philosophy, rather we strive to help educate our membership in avoiding these fees proactively.



2013 represented our first full year of mobile banking after introducing it to our membership in 2012. Our rapid growth has quickly passed the Cornerstone median. Elevations mobile app has continued to rate at a 4.5 out of 5 in both the Android and iTunes APP stores; higher than peers and industry leaders. In 2013 members of our remote delivery team visited each branch to educate member questions on value and functionality, resulting in both an increase in adoption and excitement with this new product. In 2014 we received updated benchmarks. The median increased from 7% to 17%. Despite the large increase in the benchmark, ECU continued to significantly outperform the median with 25% active users.

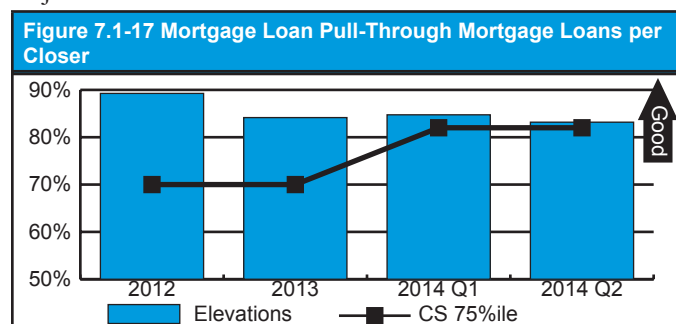
7.1b Work Process Effectiveness Results

7.1b(1)

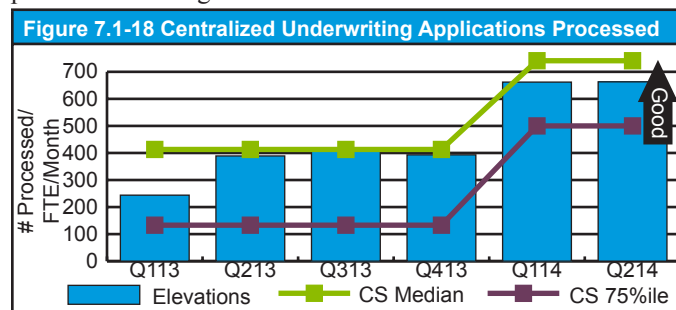


Mortgage closers are the backbone of the mortgage

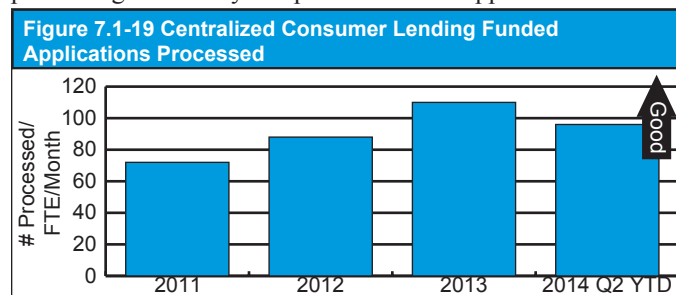
production process. Refinance volume peaked in 2012 and early 2013, causing the closer workload to far exceed historical peer benchmarks and sustainable levels. Through process improvements, as well as decreases in mortgage volume, Mortgage Loans per Closer increased back to 2011 & 2012 levels due to department efficiencies. These efficiencies allowed for one FTE to be removed (through attrition), which was the major driver of the increase.



Moving a member through the mortgage process, from application through to closing, is an extended and time-consuming progression that requires top-notch service and continuous contact with the member. Mortgage pull-through rates continue to exceed the 75th percentile, signifying an engaged mortgage sales force helping members pass through a complex mortgage process with limited fallout. In the 2nd quarter, 2014, our pull-through rate decreased slightly as our product mix changed.

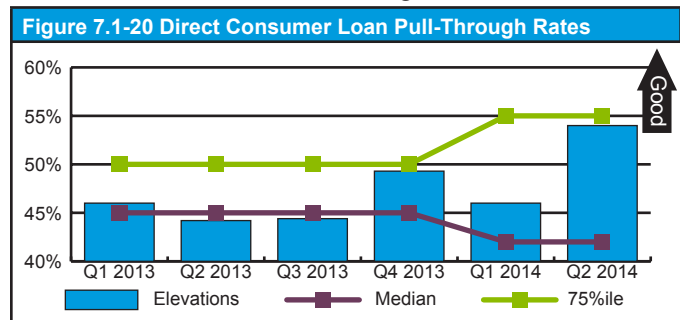


As a result of BPM process improvements started in late 2012, the centralized underwriting team was able to increase approval rates by 10% monitor turn-time and ultimately beat service level agreements. During the same timeframe, loans processed per underwriter increased from 175 to over 600 loans per month. Through the 2nd quarter, we maintained our processing efficiency despite increased application volume.

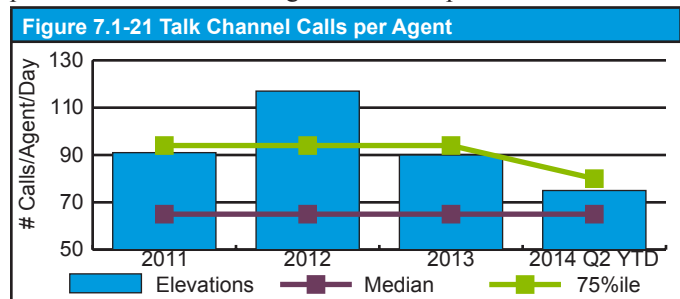


Lending services operations were centralized in 2011 through a ChTB Organizational Initiative to gain greater efficiencies. After stabilization and the full implementation of our centralized team, significant efficiencies were gained. The team continues to actively implement additional cycles of learning to handle increased volumes of applications with the

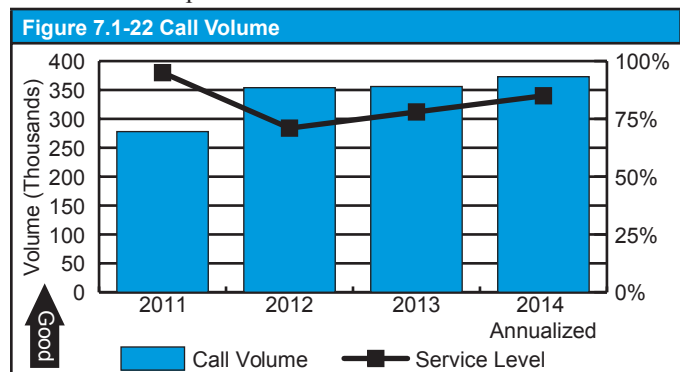
same number of team members. No external benchmark has yet been found given different credit union business models for addressing loan processing. We expect 2014 results to be near 2013 levels as we fund a higher volume of loans.



Direct consumer loan pull-through rates are approaching the 75th percentile. Pull-through represents our ability to successfully help a member pass through the entire lending process without dropping out due to length of process time, underwriting denials, or taking competitor offers. System and process stabilization during 2012 made reported data unreliable.

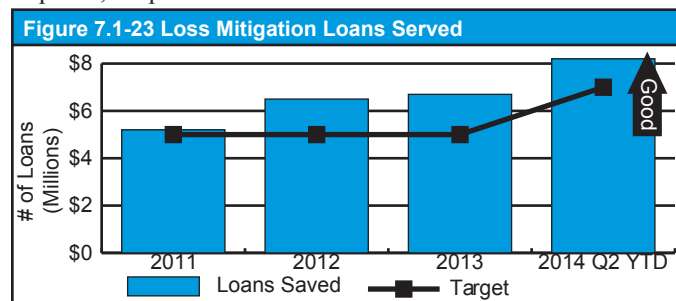


Calls Per Agent Per Day is targeted to stay between the benchmark median and 75th percentile. We believe this range reflects a productive call center above median, yet recognizes our desire to have a high-touch service reflective of our value proposition, thus below the 75th percentile. In 2012, call volume spiked due to high merger activity (detailed call center statistics, segmentation, and trending AOS). In 2014, we increased our call center staffing to improve the level of member service provided.

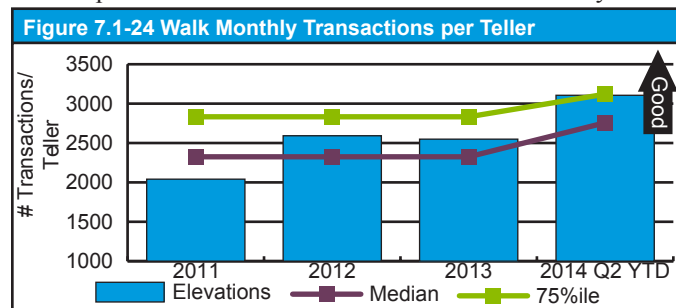


Service level reflects the goal of answering 80% of calls within 30 seconds or less. Service levels have shown a positive trend while handling increased call volumes each year. This positive trend can be directly correlated to defining and deploying process 5.2 *Manage Phone Queue* priorities to the Talk workforce which ensures standardization of identified best practices and consistent execution. We have created a best in class benchmark based upon peer comparisons and industry best practices. Elevations call center service level has continued to

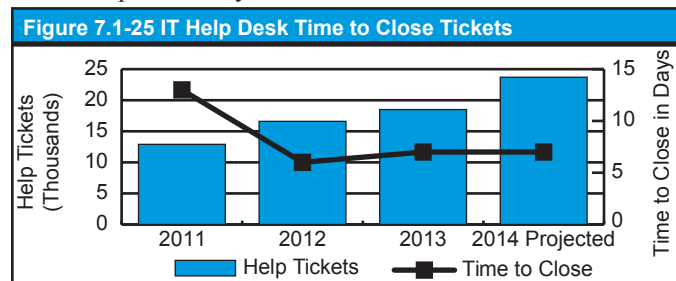
improve, despite an increased call volume.



Loss mitigation has similar metrics as the call center. Loans saved is a dollar measurement of delinquent loans becoming current. Strong relationships built by the loss mitigation team results in improved promises kept, which translates to increased loans saved and ultimately fewer loan write-offs. Loans saved increased in 2014 due to a change in calculations and to increased efficiencies. Previously, this metric was calculated on a quarterly basis which did not capture true loans saved because members had the ability to go current then delinquent in a three month span. This metric is now calculated on a monthly basis.

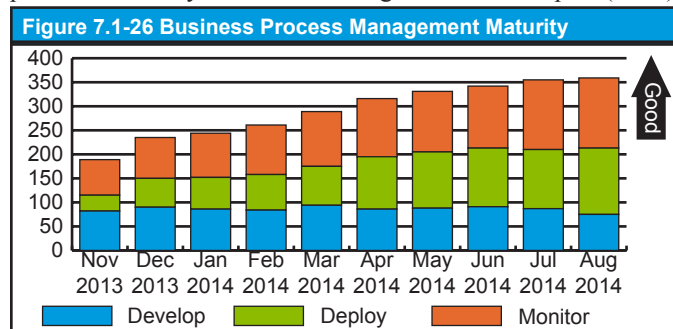


Monthly transaction per teller in the “Walk” channel is a measure of efficiency, targeted to exceed Cornerstone median and remain below the 75th percentile to reflect our focus on high-touch conversations in alignment with our value proposition. The positive trend from 2011 to 2012 reflected our implementation of improved technology used by the tellers. Decreases in 2013 reflect our successful efforts to transition more transactions to “Click” channel or “smart” ATMs in the “Walk” channel. Our implementation of the Branch 2.0 model will address how we adjust to providing effective service to “Walk” channel members with a greater focus on consultative conversations versus transaction processing. In 2014, we began using FMSI to assist in efficiency tracking and teller scheduling. We believe that change, along with a more accurate measurement of actual teller FTE in each branch, has led to the increased productivity levels.

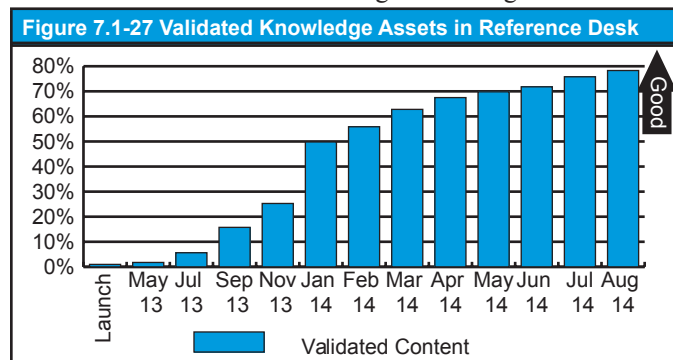


Help Tickets represents the sum of submitted requests for IT assistance. Time to Close represents the average number of business days to close a ticket. Detailed results of IT service performance, with segmented results for type of request are

provided monthly in the IT Steering Committee Report (AOS).



Enterprise process maturity is measured by the number of processes progressing through the Business Process Management (BPM) methodology. Due to the dynamic nature of the “Design” phase, collapsing or expanding the number of processes, this measurement only shows processes which have passed the “Design” phase. Business Process Management remains a focus on all teams throughout the organization.



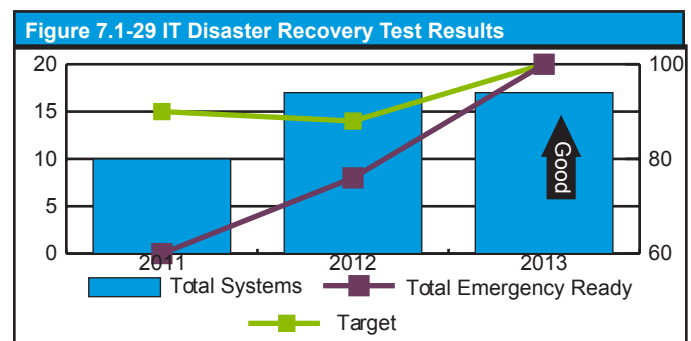
Knowledge asset governance was introduced in early 2013 with the early roll-out of Reference Desk. All knowledge assets have been identified, tagged with meta-data, and assigned a review schedule to move through the governance process to receive the “Validated” classification. By August, 2014, we have increased percentage of validated knowledge assets to 78.3%.

7.1b(2) The most likely scenarios of disaster or emergency stem from threats of robbery, weather, or unpredictable medical need. Key indicators of the effectiveness of our preparations are shown in the charts below.

Figure 7.1-28 Emergency Incident Resolution

	2009	2010	2011	2012	2013	2014
Employee	1	1	2	2	4	3
Member	3	0	2	1	2	2
Pass	4	1	4	3	6	5
Fail	0	0	0	0	0	0

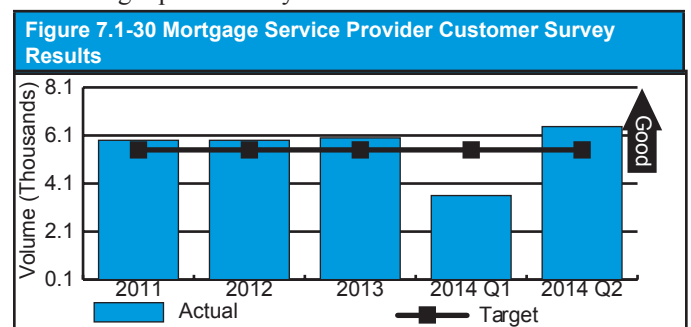
To ensure staff are able to act in emergency situations, all departments have a certified employee that serves as part of the Emergency Response Team. These team members meet to analyze incidents, discuss threats, and schedule safety drills. The effectiveness of the program is measured by grading actual emergency incidents for “pass” or “fail” based on a trained checklist of expectations for incident response including examination of a preventable condition. Despite an increase in the number of emergency incidents, the incidents continue to be handled appropriately as indicated by the pass percentage. No industry comparison data is available.



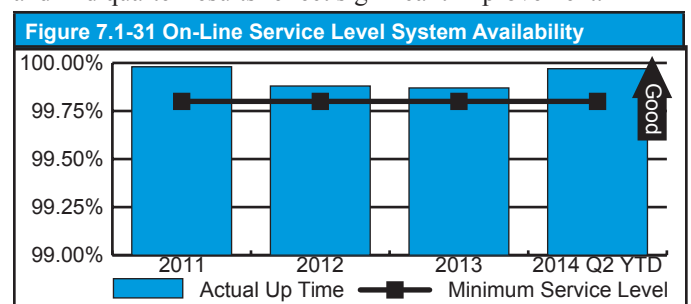
Data security and processing is a critical function and expected to be in a high state of readiness for emergency disruption at all times. Systems are tested for emergency preparedness at least annually. The chart reflects the ability to recover critical systems in an off-site environment.

7.1c Supply-Chain Management Results

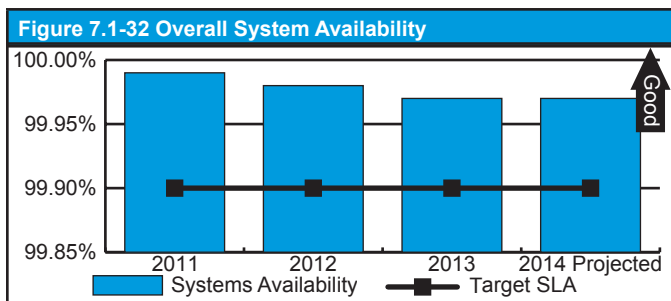
Business owners are required to monitor vendor relationships and hold them accountable for service level agreements. The following charts are examples of various monitoring reports for key vendors.



Dovenmuehle Mortgage, Inc. (DMI) is Elevations’ mortgage sub-servicing partner. Surveys are sent to members with a mortgage serviced by DMI to assess satisfaction on a 1-7 scale. Considering that we have over 8,000 members, with mortgages totaling almost \$2 billion (including those loans sold to the secondary market but still serviced by Elevations), it is critical that we understand the service levels being provided by this partner. While the upward trend has been minor over these past three years, the score remains above our contractual service level agreement (Target). February survey results were poor. The DMI relationship was moved to the Operations department and 2nd quarter results reflect significant improvement.



Our critical vendor, Intuit, partners with Elevations to provide crucial online banking services. Member expectations of availability of this service are high. Downtime must be well managed to mitigate reputation risk. Uptime is measured and trended to evaluate the vendor against their contracted service level agreement to monitor performance. Intuit exceeds the minimum service level.

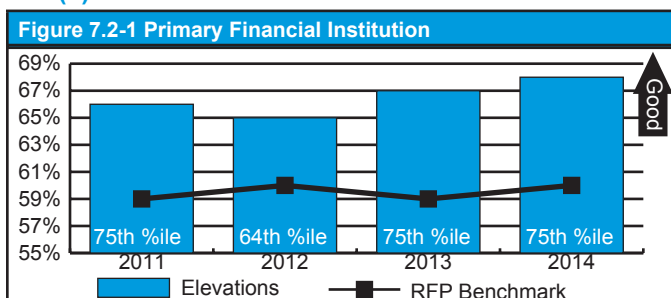


Overall systems availability starts with the outage to resolution. This includes all systems defined in the technology stack excluding desktop, as well as the availability of Elevations' infrastructure vendors: CenturyLink, MHO, Savvis, OGO. System availability is captured in hours and consists of the sum of all potential system availability minus any unplanned downtime.

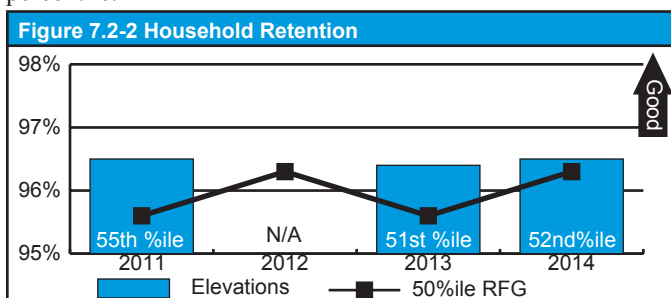
7.2 Customer-Focused Results

7.2a Customer-Focused Results

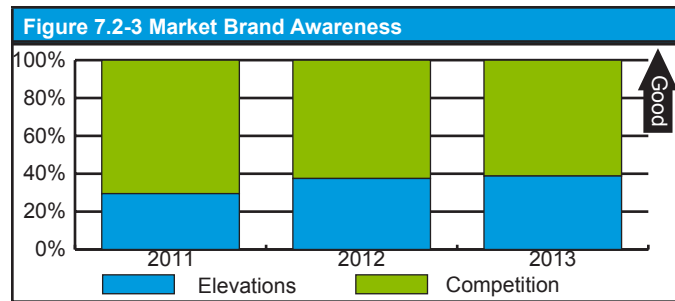
7.2a(1) Customer Satisfaction



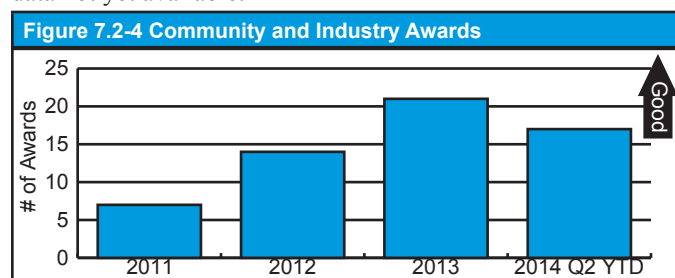
Elevations holds PFI relationships, the core deposit savings and checking accounts, at a rate better than 75% of all comparable credit unions. This key indicator of customer satisfaction aligns with our relationship-driven value proposition and provides a competitive advantage in our ability to leverage these low cost funds. In 2014, ECU improved the percentage of members considering us their PFI to 68%, remaining in the 75th percentile.



Our favorable trend, exceeding benchmark, in Household retention reflects a rate of dissatisfaction lower than 60% of comparable credit unions. Satisfaction relative to in-market competitors is reflected in successful market share growth [7.5a(2)] placing us behind only Wells Fargo and Chase in deposits. In 2014, ECU increased household retention to 96.5%, exceeding the benchmark. This trend should continue as the organization focuses on the member loyalty program. ECU is also currently working on implementing a branching strategy, which will better serve members that live in ancillary markets.



When assessing in-market financial brand awareness, Elevations continues to confirm our strong brand is a strategic advantage. In addition to Elevations-initiated survey outcomes, we are consistently recognized as a strong brand by external entities relative to our in-market competition. For example, in 2013, we received Best Financial Institution (Boulder County; Boulder Weekly), Best Bank (Colorado Daily; Time Call), and Best Mortgage Company (Colorado Daily) recognition. 2014 data not yet available.

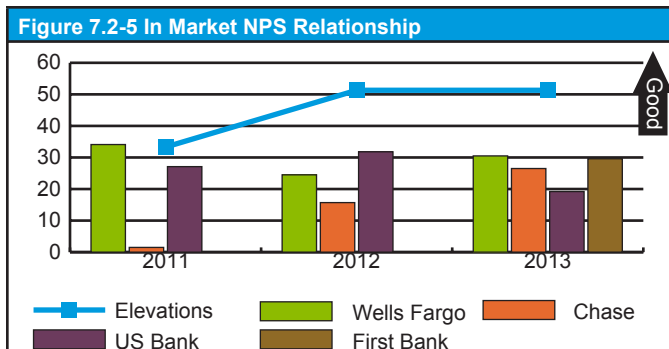


Over the past three years, recognition in the form of awards from our community and industry has tripled. This recognition reflects our focus of acting in the best interest of our community and membership. In addition to in-market recognition, examples of industry recognition below reflect strong community satisfaction and engagement with our approaches and deployment.

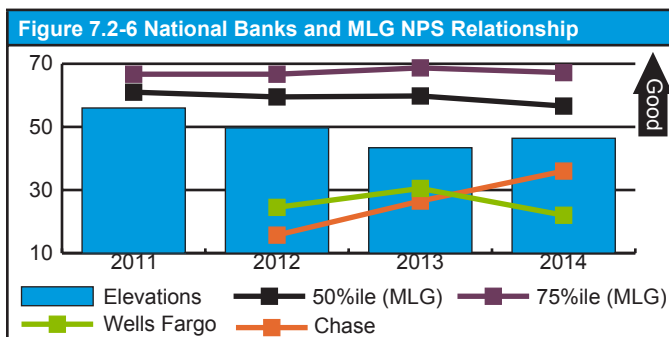
- CUNA Diamond Awards: Best Segmented Marketing, Brand, Social Media, Radio, Financial Literacy
- CUES Golden Mirror Awards: Best Segmented Marketing, Public Relations, TV, Radio
- Marketing Association of Credit Unions Gold Award: University of Colorado Student Rush, Social Media, Brand Rollout, Website Redesign
- The Financial Brand: Recognized as one of the '50 Most Spectacular Website Designs in Banking'

7.2a(2) Customer Engagement

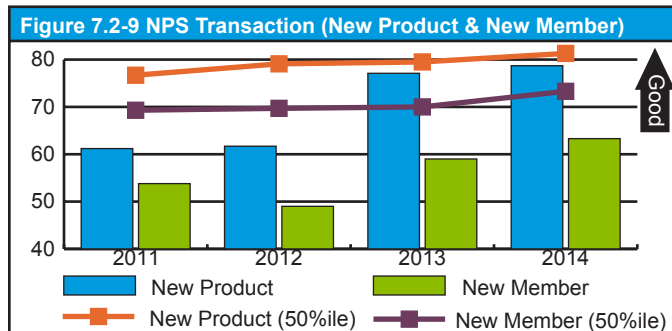
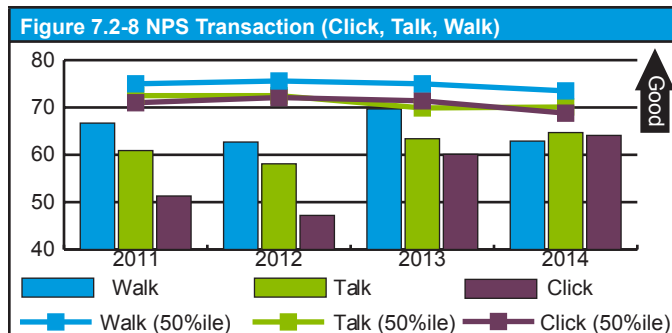
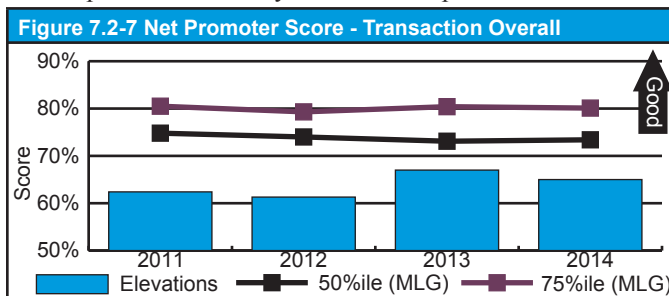
Our primary measurement for customer engagement is Net Promoter Score (NPS), a measurement of engagement as assessed through member loyalty. There are two forms of Net Promoter loyalty surveys: Relationship and Transaction. NPS Relationship surveys the entire membership regardless of their level of activity. NPS Transaction is an aggregate score of five types of transaction surveys triggered from recent activity: Branch (Walk), Call Center (Talk), Remote Services (Click), New Member (First Impression), and New Product (Credit and Deposit Product Solutions).



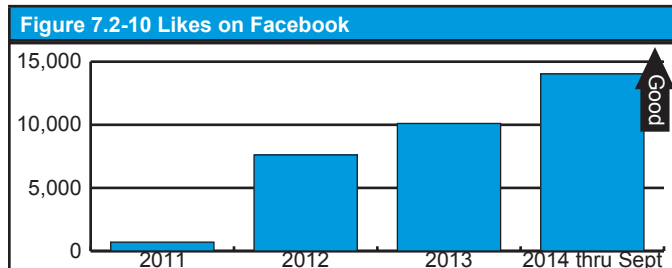
NPS loyalty scores, obtained through in-market brand awareness surveys, confirm Elevations strategic advantage relative to our in-market competitors. 2014 data not yet available.



NPS loyalty scores, obtained through surveys of only our membership as compared to National Bank NPS scores as well as MLG Aspirational Benchmarks, demonstrate Elevations still exceeding National Banks; however, with a negative overall trend. This outcome, while not desired, was expected. In November of 2011 we converted to a new core banking system which had reached end of life, implemented a new on-line banking system with improved functionality, and in early 2012 completed a merger. As predicted through benchmark analysis of other credit unions who had made similar investments, we too saw our NPS results drop as a result of change fatigue in our membership and workforce. Rather than spreading out the impact of this change over multiple years, we made the strategic decision to invest heavily in our infrastructure and accelerate delivery of needed functionality to our workforce and an improved experience to our membership. Recognizing NPS Relationship is a lagging indicator of NPS Transaction, our improved Transaction scores in 2013 have now translated to improving Relationship scores in 2014, thus reversing the trend. While Chase experienced improved performance, ECU still outperforms Chase by more than 10 points.



NPS Transaction loyalty scores show favorable three-year trends in all five segments. According to MLG, the largest one year improvement in NPS Transaction for a credit union has been 8 points. Elevations achieved a 5.7 increase from December 2012 to December 2013, demonstrating our ability to effectively mitigate the effects of extensive organizational change and begin to realize the benefits it brought. Given NPS Transaction is a leading indicator, the improvement reflects those members who have recently 'transacted' with Elevations, we are witnessing NPS Relationship follow in a favorable trend.



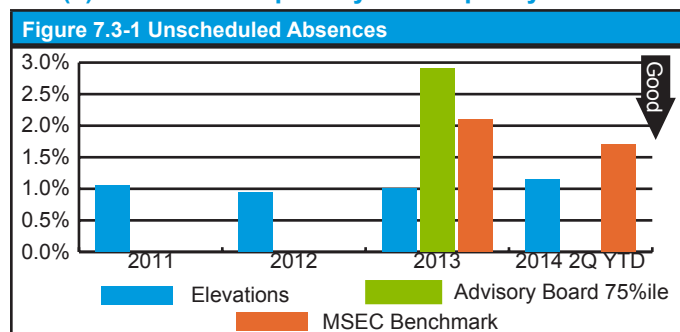
Facebook "likes" equate to nearly 1/10th of our membership, which is a high percentage in comparison to other credit unions. Over the past few years, ECU has grown Facebook "likes" and now have over 14,000 likes. 2014 experienced an increase of almost 4,000 likes. According to The Financial Brand, Elevations ranks 16th in the world in social media among credit unions. To put this in perspective, Elevations isn't in the top 100 credit unions in the nation based on asset size. ECU also has the 11th most watched YouTube videos and is 29th most liked on Facebook.

Figure 7.2-11 Social Media Usage

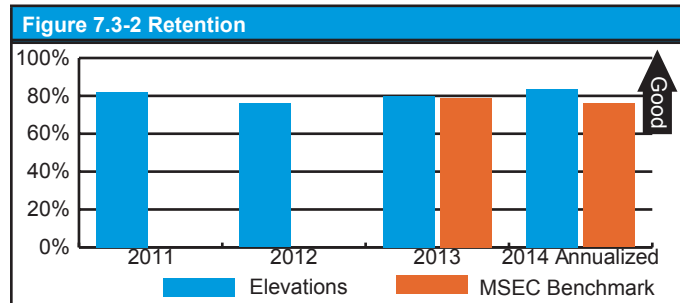
Social Media Outlet	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14
Power 100 - All Credit Unions	55th	20th	20th	16th	16th
Facebook - 100 Most Liked CUs	26th	30th	37th	27th	29th
Twitter - Top 100 Followed CUs	64th	67th	52nd	58th	62nd
YouTube - Hottest Bank and CU	52nd	37th	81st	58th	88th
YouTube Most Watched CU	5th	6th	11th	11th	11th

7.3 Workforce Focused Results

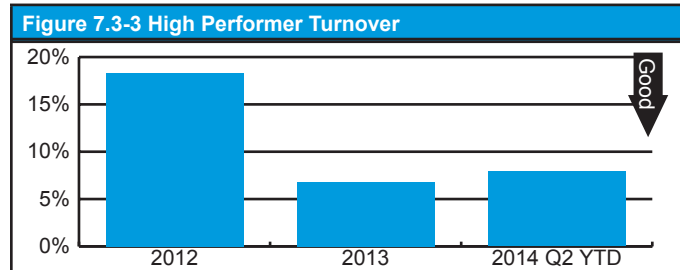
7.3a(1) Workforce Capability and Capacity



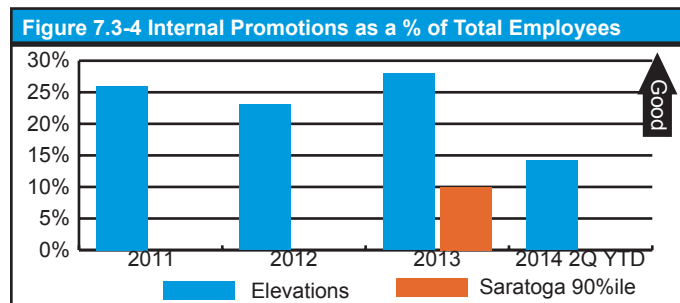
Unscheduled absences negatively impact Elevations' ability to provide member service. Additionally, they are often an indicator of workforce dissatisfaction. Elevations has maintained consistently low levels of unscheduled absences, significantly outperforming the Advisory Board's 75th percentile.



Retaining highly-skilled employees is key to delivery on the *Member Value Proposition*. We are currently outperforming the MSEC benchmark and performance reflects a favorable three-year trend.

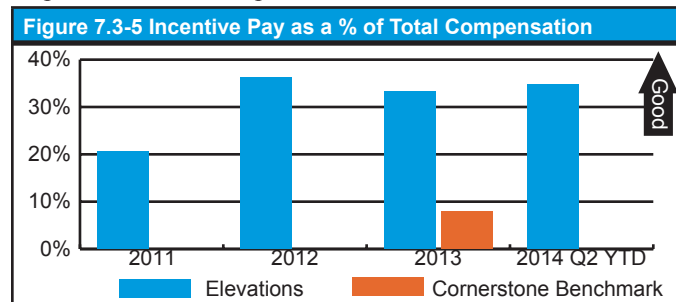


Since implementing the *Employee Value Proposition*, Elevations has experienced significant improvement in retaining high-performers, reducing turnover by 63% in this important metric.

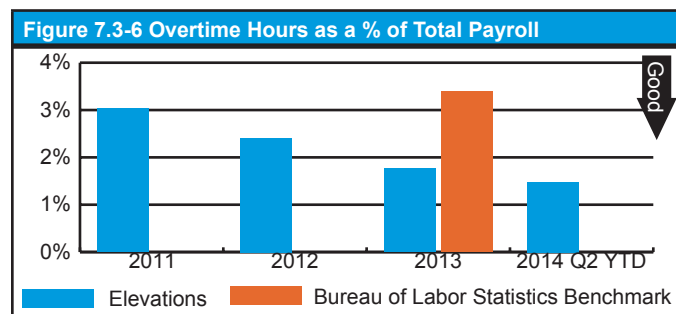


Learning and growth opportunities are a key driver of workforce engagement (Figure P.1-5). Elevations has had a positive trend and is far exceeding the Saratoga 90th percentile. By mid-year 2014 we had already surpassed the 90th percentile benchmark. We anticipate year-end number to be approximately 18%, a decline for 2013. We attribute this decline from moving

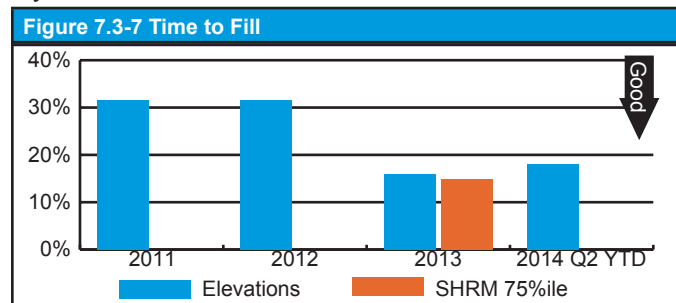
our most prevalent roles (Teller and Guides) from a multiple level format to two levels. (i.e. Teller 1,2,3,4 moved to Teller and Senior Teller). Flattening these levels allowed us to focus on performance-based promotions with less focus on tenure.



We pay for performance rewarding employees for contributing to Elevations' success, another key driver of workforce engagement (Figure P.1-5). We have experienced a positive trend and are significantly outperforming the Cornerstone benchmark.



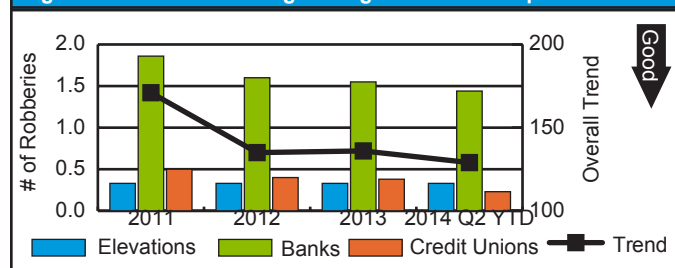
Our improvement in overtime hours as a % of total payroll is evidence of the success of our capability and capacity planning. Overtime hours at Elevations is currently half of the Bureau of Labor Statistics benchmark and reflects a favorable 4-year trend.



Over the past three years, through process improvement, we have cut time to fill number of days almost in half, nearing the SHRM 75th percentile. This improvement enables the HR team to meet the requirements of our internal customers. This year we launched Targeted Selection, which is a behavioral interviewing that looks at all 'Targets' of success - knowledge, skills, experience, competencies and motivational fit. It not only teaches what to look for in a candidate, but also how to manage an interview to ensure the hiring managers are getting to the best data from the candidates so they can make the best hiring decision. In January (time of launch), time to fill spiked (January, 2014 average was 40 days) as the organization learned the new process. Since then, we have brought down the time to fill to 18 days and expect this average to continue.

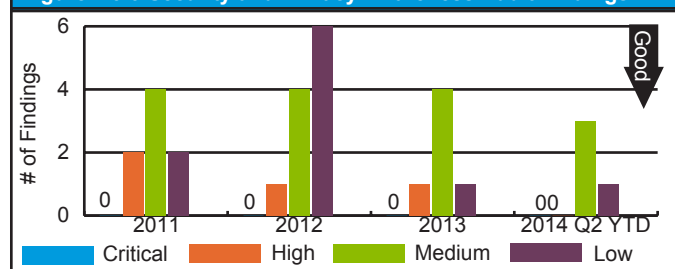
7.3a(2) Workforce Climate

Figure 7.3-8 3-Year Rolling Average of Robberies per Institution



Elevations' biggest safety threat to our workforce are robberies. We have only had one robbery in the past three years, outperforming both banks and credit unions.

Figure 7.3-9 Security and Privacy Awareness Audit Findings



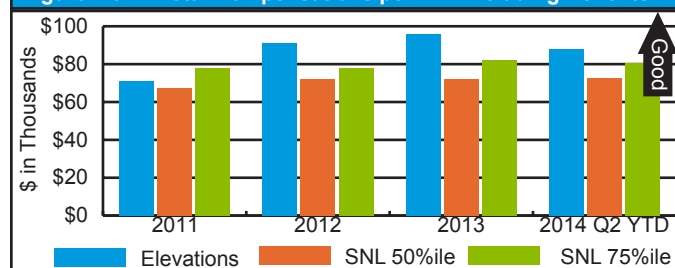
Security effectiveness is measured by trending annual audit findings. Results are categorized by threat level. Training and awareness have resulted in steadily declining trends in audit findings.

Figure 7.3-10 Organizational Workers Compensation

Data Point	2011	2012	2013	2014
# of Claims	4	10	4	8
\$ Amount of Claims	\$2,115	\$10,637	\$3,648	\$15,635

Elevations monitors injury levels, benefit expenditures, and benefits satisfaction levels as key indicators of workforce climate. Safety and ergonomics coaching ensure optimal wellness throughout the organization. Reflective of our commitment to safety, both the number of workers compensation claims and dollar severity have improved significantly from 2012. This year we have seen an unexpected and unexplained surge in workers compensation notifications. Most were employee imposed (i.e. trips while walking with no safety hazards, spilt hot beverage, employee hit head on counter/desk when coming up from picking something off the ground).

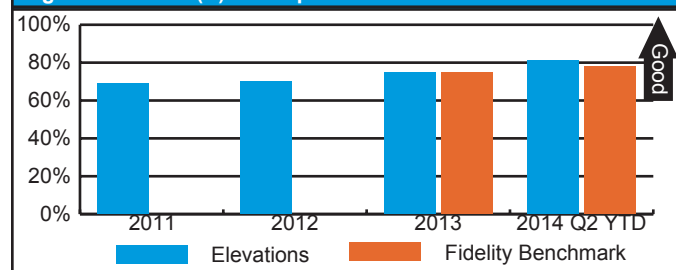
Figure 7.3-11 Total Compensations per FTE including Benefits



While compensation is not a key driver of engagement, if employees do not feel adequately compensated, this may lead to dissatisfaction and loss of engagement. Additionally, to recruit and retain high-performers, Elevations is committed to competitive compensation. Compensation levels have increased each of the last three years with Elevations currently exceeding the SNL 75th percentile, consistent with our compensation

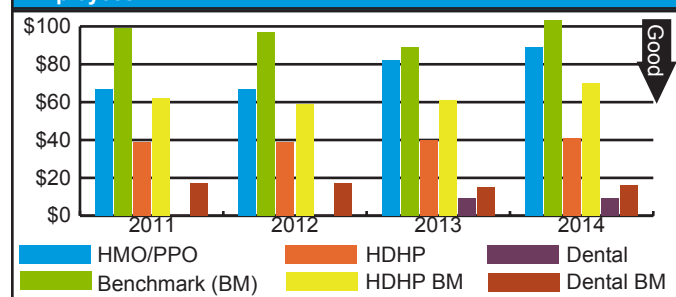
philosophy. Compensation levels have decreased in 2014, however they still exceed the SNL 75th percentile, consistent with our compensation philosophy. The recent decrease was caused by lower commission payouts (due to decreased mortgage production) and some internal departures/reorganization.

Figure 7.3-12 401(K) Participation



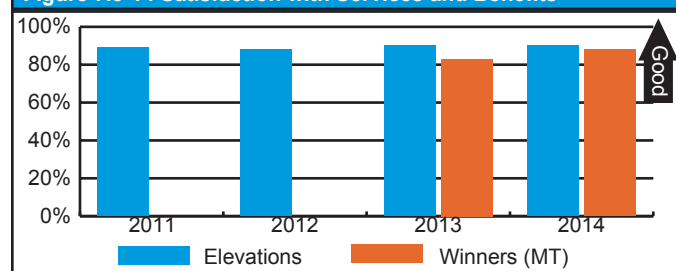
Elevations offers a generous compensation package, including the opportunity to participate in a 401(K) retirement plan. Participation levels have increased each of the last three years with Elevations currently at the Fidelity benchmark. Participation reflects a favorable four-year trend.

Figure 7.3-13 Average Monthly Health Benefit Cost to Employees



Rising healthcare costs are a significant concern for workers throughout this country. Elevations provides the employee with choices for types of healthcare and has been successful in keeping rates at competitive levels. While employee cost has increased, rates for our employees are still better than benchmark for each choice of coverage.

Figure 7.3-14 Satisfaction with Services and Benefits

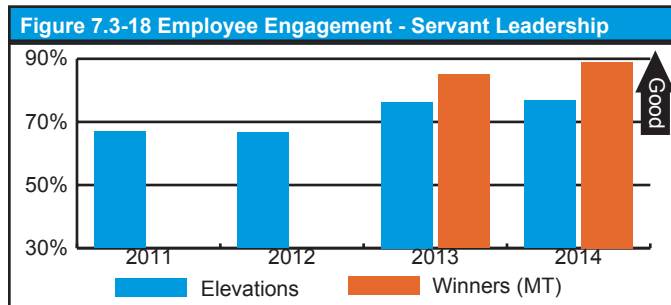
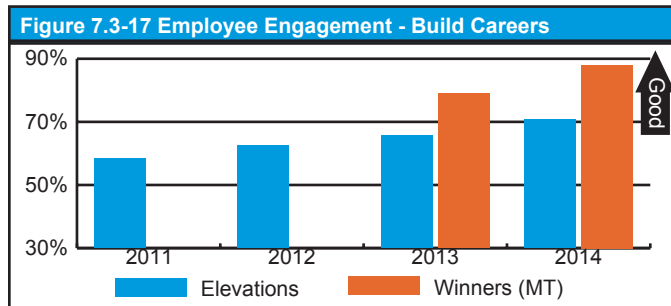
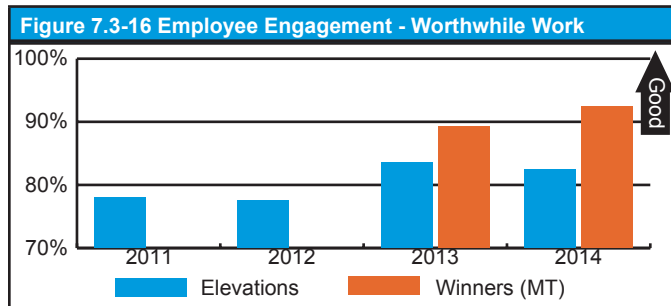
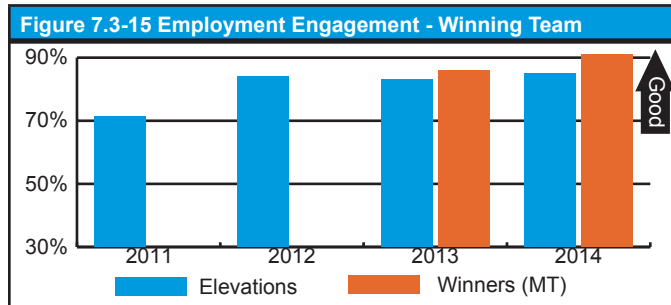


The success of Elevations compensation policy that recognizes the efforts of our workforce is reflected in high levels of employee satisfaction with services and benefits. Elevations is currently outperforming the ModernThink benchmark.

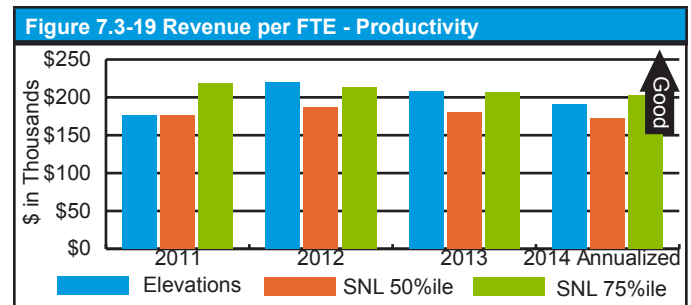
7.3a(3) Workforce Engagement

Each year, Elevations solicits input from employees using the ModernThink Colorado Best Companies Survey (MT), comprised of 65 statements and two open-ended questions. Results are reported for the total workforce group, but can be disaggregated by age, gender, tenure, job role, department, and ethnicity. Due to space limitations in this application, results are represented at the aggregated level, but additional segmentation is AOS. Figure 7.3-15 through 7.3-18 reflect

clustered engagement questions aligned with the Employee Value Proposition. Elevations is consistently experiencing favorable trends.



Another key indicator of workforce engagement is employee productivity based on revenue per FTE. Elevations is currently near the SNL 75th percentile (the highest benchmark available). Elevations' has an unfavorable trend in this metric since 2013 due to higher mortgage interest rates causing lower refinance volume. The lower production volume causes less first mortgage gain on sale, an important part of non-interest income. Loan growth in other products has increased substantially as seen in [Figure 7.5-12](#). This loan growth will grow interest income, however there is increased lag time as the income is recognized over the life of the loan versus month one.



[Figure 7.3-20](#) through [7.3-27](#) reflect satisfaction aligned with the key motivating factors identified in [Figure P.1-5](#). In each result, Elevations has experienced a favorable trend and is either at or near MT Winner benchmark levels. Results reflect a four-year favorable trend.

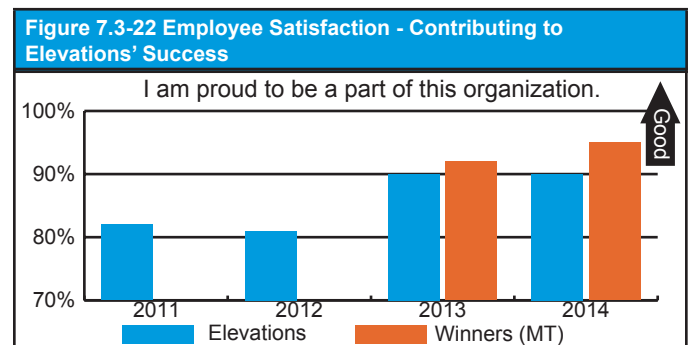


Figure 7.3-24 Employee Satisfaction - Clear Expectations of Manager

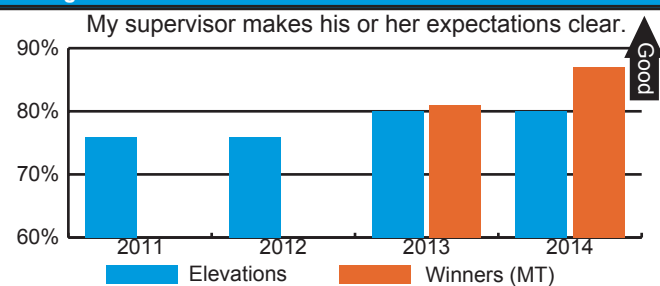


Figure 7.3-25 Employee Satisfaction - Committed Colleagues

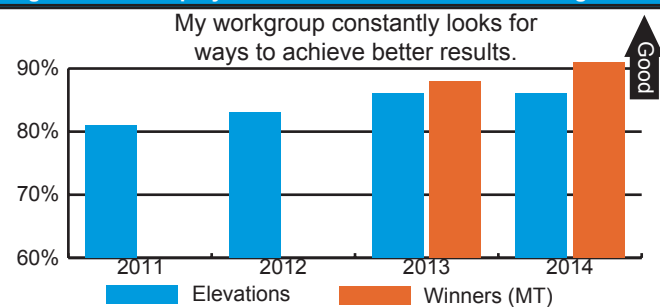


Figure 7.3-26 Employee Satisfaction - Committed Colleagues

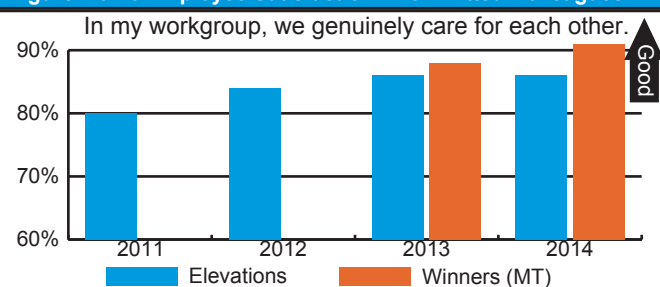
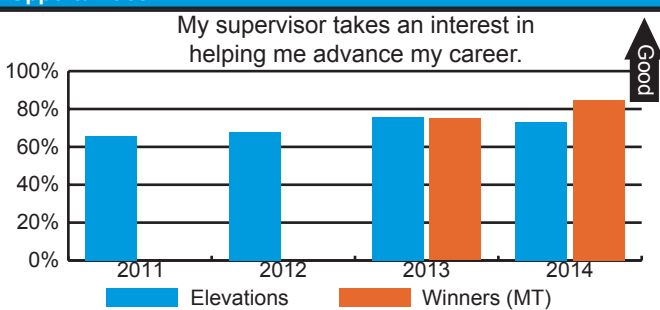


Figure 7.3-27 Employee Satisfaction - Learning and Growth Opportunities



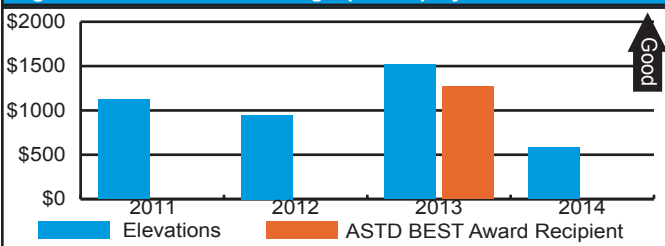
7.3a(4) Workforce Development

Elevations makes significant investment in training and development of its employees. This year, we have invested heavily in training the entire member-facing team to deliver a world-class experience to every member. Testing is conducted each week during the training and at completion of the program. The weekly pass rates have shown a consistent and expected increase over each week, demonstrating an improvement in WCE behaviors and validating our testing practices. In months we have not achieved a 100% final pass rate, employees were retrained and coached until they successfully passed.

Figure 7.3-28 World-Class Experience % of Students Passing

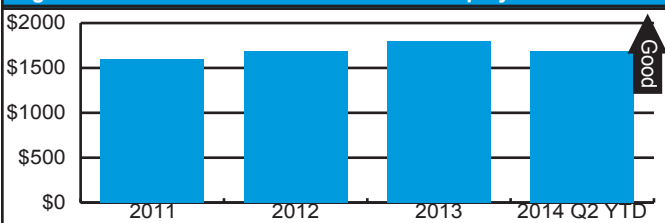
Timeframe	1Q 2014	2Q 2014	3Q 2014
Week 2	54%	38%	66%
Week 3	70%	69%	86%
Review	85%	97%	100%
Final	95%	100%	100%
Average Score	94%	92%	92%

Figure 7.3-29 External Training \$ per Employee



In addition to in-house training, Elevations also provides external training opportunities for our employees. We are currently providing training dollars per employee at rates that exceed the ASTD BEST. Through June, we have spent \$580 per employee vs. an annual budgeted amount of \$700. If that trend continues, we will come close to benchmark for the year. We are removing historical allocations tied to job descriptions in 2015 in order to align more closely to our business strategies and development plans.

Figure 7.3-30 Tuition Reimbursement Per Employee



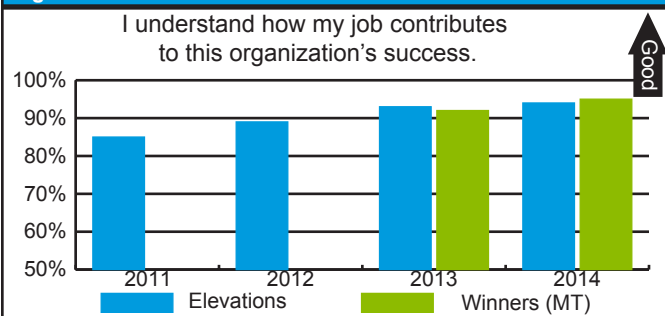
Finally, Elevations offers a generous tuition reimbursement program and has increased the average reimbursement per employee in each of the last three years. We continue to see an increase in tuition reimbursement by FTE, and, based on YTD payouts, we expect year-end results will exceed 2013 levels.

7.4 Leadership and Governance Results

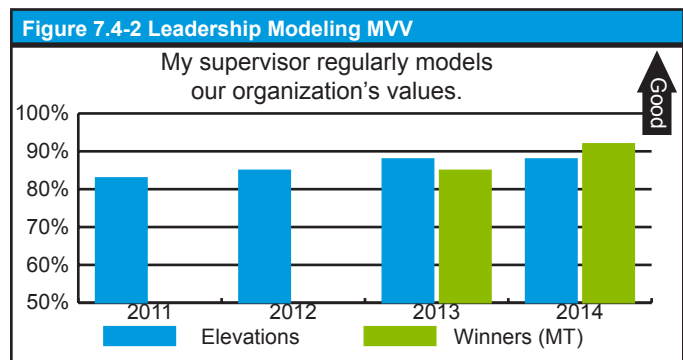
7.4a Leadership, Governance, and Societal Responsibility Results

7.4a(1) In order to move the organization toward its stated vision, Leadership must be considered a trusted teammate in this pursuit. At Elevations, the effectiveness of communication leading to increased engagement is measured primarily through survey data, as demonstrated in the metrics below.

Figure 7.4-1 Senior Leaders Communication



We have experienced a four-year favorable trend in this key measure and are currently nearing the level of ModernThink Winners.



Leaders regularly communicate Elevations' MVV as shown in [Figure 1.1-3](#) but more importantly serve as role models for our employees who have a high confidence level in their immediate supervisors.

Finally, we evaluate the effectiveness of senior leader communication through a survey conducted at the end of each quarterly all-staff meeting. Over the past three years, we have seen significant improvement with 93% of our staff reporting satisfaction with the communication and transparency of our SL. Even with the slight decrease in 2014, we have experienced a favorable trend since 2011.

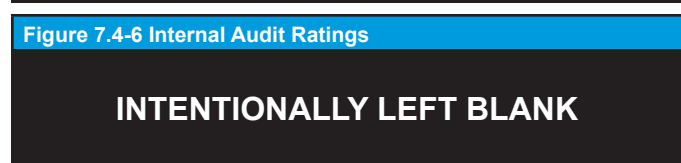


7.4a(2) Board and committee governance includes the monitoring of not only key financial objectives, but the risks to meeting those objectives. The following charts demonstrate some of the trends and key measures of the oversight performance.



In order to evaluate the effectiveness of compliance programs and procedures, the credit union is examined by both state and federal regulators annually. Findings are given to address deficiencies in operations controls and regulatory compliance. Operations findings will vary from year-to-year often depending on the focus of the examiners and dynamics of organizational change, however regulatory compliance is expected to remain stable regardless of external factors. Furthermore, serious action findings require immediate attention and resources to resolve. This chart tracks findings related to compliance violations and serious action findings for each exam period over the past five years. A positive trend and an acceptable level of compliance findings is validated by the

regulatory risk status results captured in [Figure 7.4-7](#). Exam results are confidential and unavailable for benchmarking with peers.



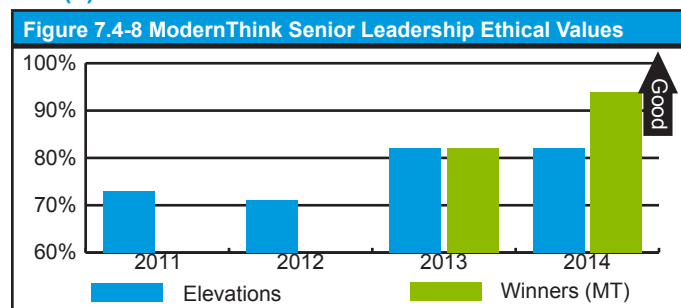
The Supervisory Committee is responsible for overseeing the internal control environment and approves the testing of controls through the internal audit program each year. Results of audits are monitored through the charts above ([Figure 7.4 5-6](#)) depicting a stable control environment. The percentage of total categorized audit ratings to total audits shows a trend toward more excellent ratings in 2014. Concerns in trends are addressed by the Committee to the Board. Full report AOS. Our strong internal audit process and response to internal audit findings has supported our strong performance on external audits and exams.

7.4a(3) Credit Unions are highly regulated and subject to numerous state and federal laws. Noncompliance with regulations can result in severe penalties up to and including conservatorship.



[Figure 7.4-7](#) represents results of trended regulatory exams by regulatory area. We have seen stability in the ratings of the examiners over the last few years. Best practice observations have been noted by our exam teams with subsequent presentation by our SL to other credit unions. Exam results are confidential and unavailable for benchmarking with peers.

7.4a(4) Ethics



Ethical behavior and trust is evaluated through the eyes of the staff, using the ModernThink employee engagement survey. Questions such as "Senior leadership regularly models our organization's values" (represented in the graph above) indicate ethical behavior considering the fact that the organization's core values include integrity and respect and reflects a favorable trend since 2011.

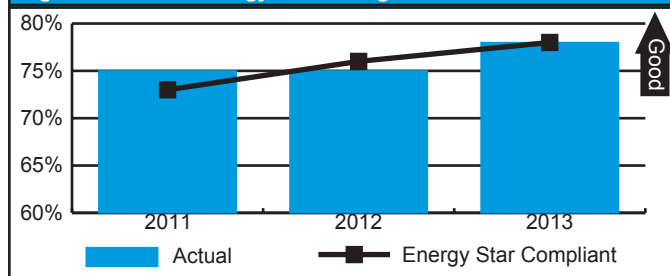
Figure 7.4-9 Ethical Investigations and Breaches

INTENTIONALLY LEFT BLANK

Ethical breaches are defined as a conflict to the Organizations Core Values that would result in immediate termination. Examples include kiting, fraud, record falsifications, member data breach, dishonest sales practices, and self-gaining. Additional detail regarding investigations and analysis of trends and cause AOS. We have had no ethical breaches since 2011.

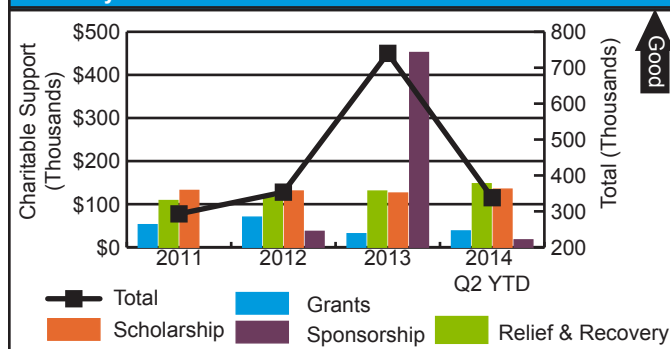
7.4a(5) As a community focused organization that exists solely to benefit our members and their lives, it is critical that the credit union understand and support its key communities. For Elevations, this means having a low environmental impact and supporting local charitable organizations through funding and volunteer time.

Figure 7.4-10 WP Energy Star Rating



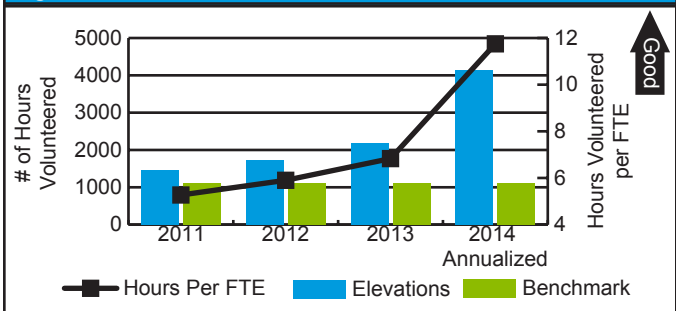
The credit union is committed to helping minimize the impact of our activities through implementation of recycling, composting, and utility cost reduction programs. The above metric measures our Energy Star rating, an EPA measurement of energy efficiency. In 2012, Elevations reached the required rating of 75 to be considered Energy Star efficient and maintained this rating in 2013.

Figure 7.4-11 Financial Support - Grants, Scholarships, Relief & Recovery



We understand that we are an important member of our community and that we need to contribute to make this a better place. To measure this, we track our annual giving. We are back to normal levels of financial support this year, expecting to exceed 2012 giving. The spike in 2013 was primarily a result of a total of \$452,000 in relief given to area flood victims.

Figure 7.4-12 Workforce Volunteer Hours



Elevations is recognized for the good work we do in the community. Volunteer time off (measured in hours) is a barometer of our success in meeting this key element of our vision. The benchmark is based on the US Dept of Labor statistics data, and each year we build in a 10% increase to determine our target. Each employee is allocated up to 16 hours of paid time off annually. Over the past three years, actual hours volunteered increased by almost 50% and hours per FTE increased by 30%. The Elevations Leadership Team participates in numerous activities within the community including community boards and other volunteer opportunities. For example, 20+ leaders currently serve on boards of have on-going formal roles in more than 30 community organizations with an approximate range from 5 to 10 hours donated monthly. These activities are tracked and overall hours reported as part of organizational volunteer time. Detailed list of activities AOS.

Figure 7.4-13 Adult Financial Literacy

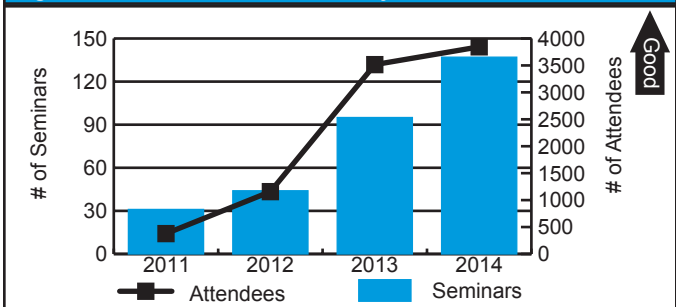
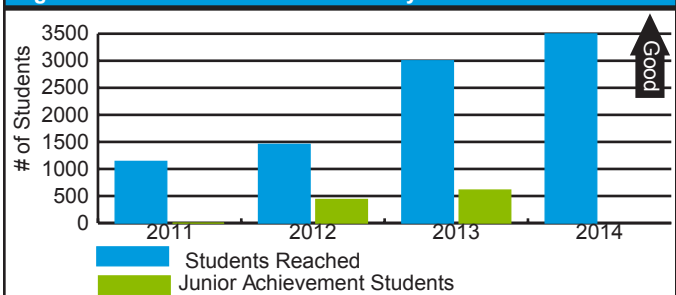


Figure 7.4-14 Student Financial Literacy



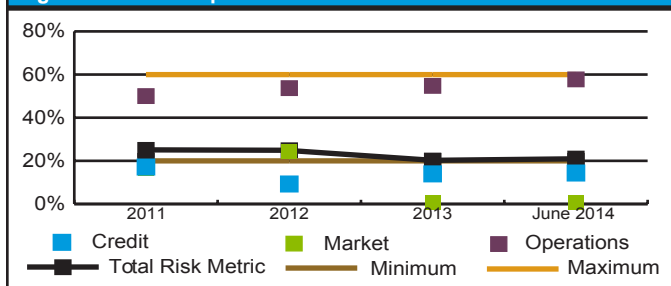
Financial literacy, adult and student, is a key area of how Elevations acts in the best interest of the membership and community. Our trend is positive with internal targets having been exceeded each year. While benchmarks in this area are difficult, in comparison to other participating Colorado credit unions, Elevations has moved from #4 in the state to a strong #2 in terms of number of students reached.

Presentations during the school year to students in grades K through 12, increased by 28% in 2011-2012, and 52% in 2012-2013, tapping our resources. This led to the chartering of The RealityCheck for Youth (RCFY) Committee, a group

of 10 employees who are passionate about financial education and love teaching students financial literacy, workplace preparation for successful careers, and entrepreneurial skills. Since deployment of our new committee, we increased students reached by 107%. Another cycle of learning demonstrated the need for pre- and post-tests so that we could ensure that our education objectives are being met. Therefore, we are in the process of implementing these tests for the next school year. We are currently accepting applications for our Junior Achievement students, and will be making selections in October. We anticipate a similar number to 2013.

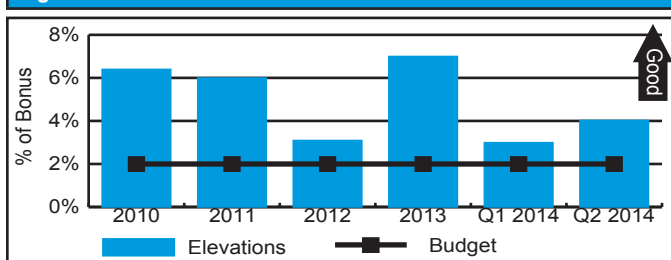
7.4 b Strategy Implementation Results

Figure 7.4-15 Enterprise Risk Metric Trend



The ERM total risk metric is comprised of historical and predictive key risk indicators used throughout the organization and consolidated into the categories of credit, market and operational risk. This view facilitates oversight from an enterprise perspective to understand the impact that individual areas have on the Board's Risk Appetite and operational effectiveness as we pursue our strategic objectives. When examining the components, we consider if the trends are expected and being managed and then adjust strategies if needed. Detailed explanation of the mechanics of this metric and supporting analysis are AOS. Our Total Risk Metric has remained near our minimum threshold thus far in 2014. However, as we diversify our loan portfolio into products with higher risk of loss (such as business loans and indirect auto loans) we expect our credit risk, and thereby the total risk, to increase into the targeted range.

Figure 7.4-16 Stakeholders

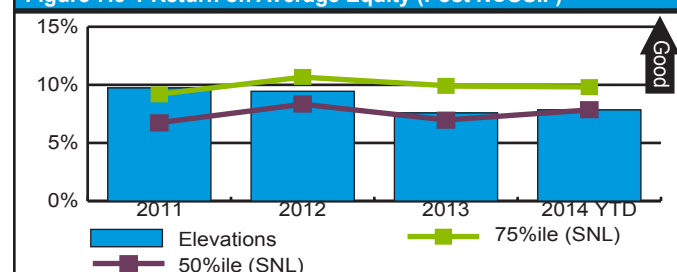


Stakeholders is the employee incentive plan built on the credit union's annual budget. Employees are rewarded based on the degree to which the budget is met or exceeded. By using the budget as the foundation of the plan, leadership can further incent the strategic initiatives embedded within the budget. The budget, which is an increasingly higher target each year, has been exceeded each year that the Stakeholders program has been used. Organizational performance has led to a strong start in 2014. Through June, the Stakeholders score equals hurdle 4.03 (compared to a budget hurdle of 2). This strong start is primarily due to higher than budgeted earnings (due to loan production, low loan losses, and efficient cost management) and an improving NPSt score).

7.5 Financial and Market Results

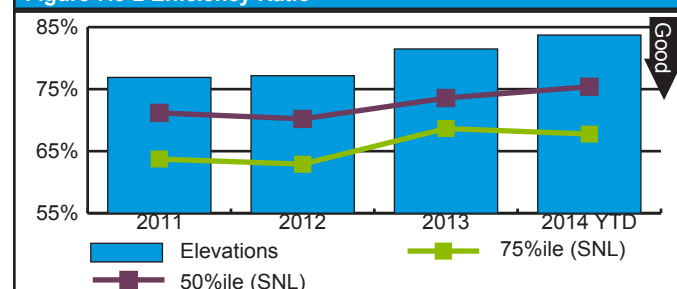
7.5a(1) Unlike other financial institutions, credit unions can only grow capital (net worth) through the creation of earnings; therefore financial sustainability requires great attention and discipline to efficiently and effectively produce a sufficient return. Primary measures include Return on Equity, Efficiency Ratio, and the Enterprise Risk Metric. When monitoring these and other key financial ratios, the credit union typically compares itself against credit unions of the same relative size and business model (SNL). A similar business model is considered one in which a credit union serves an entire community or communities, versus individual employer groups, and holds limited asset concentrations within indirect automobile lending. When measuring marketplace performance, including pricing, market share and production levels, Elevations typically compares itself to its local competitors.

Figure 7.5-1 Return on Average Equity (Post NCUSIF)



Return on Average Equity (ROAE) is a measure of profitability, demonstrating the amount of Net Income a credit union earns (in a year or on an annualized basis) in relation to its equity. The higher this ratio, the more effectively the Credit Union is leveraging the equity it has built to produce earnings. Elevations ROAE decreased in 2012 as a result of the credit union investing roughly \$10 million in a new core operating system, as well as investing resources in the development of long-term strategic initiatives such as a business services department. Despite these added costs, Elevations remained above the 50th percentile of its peer group throughout this period. 2013 ROAE has decreased for both Elevations and its peers due to the ending of the mortgage refinance boom. During 2012-13 much work was completed to better integrate the credit union's operational processes into the new technology, in order to allow the credit union to leverage the technology to provide operations efficiencies, improved member service, and increased product usage. Through June of 2014 the Return on Average Equity sits at 7.8%, slightly above last year and in line with peer median. While mortgage production has continued to slow due to fewer refinance opportunities, increased consumer and business loan production has provided additional revenue compared to previous years.

Figure 7.5-2 Efficiency Ratio



The Efficiency Ratio is a metric that allows an institution to measure its ability to adapt to changing economic conditions. It captures the level of expenses required for the Credit Union to make one dollar. Therefore, the lower the ratio, the better. A Credit Union can improve this measure by further limiting costs or producing additional revenue; however, adjusting one typically impacts the other inversely. Elevations' Efficiency Ratio increased slightly in 2012, due to increased costs related to the new core operating system and strategic initiatives to help stabilize our internal processes and procedures. The Efficiency Ratio has increased slightly to 83.5% year-to-date through June, compared to 2013's 81.4%. This increase was planned and budgeted for 2014 based on the continued slowdown of mortgage refinance production, expenses related to certain initiatives throughout 2014, and the ramp up of other loan production efforts (consumer, indirect auto, purchase mortgages, and business lending). June's mark of 83.5% is better than the budgeted ratio of 85.8%, and management projects this ratio to continue to improve through year-end due to higher than expected loan production in these other products. However, we realize an efficiency ratio at this level is not sustainable for the long-term and have built our strategic plan to produce the growth, revenues, and efficiencies required to reduce this ratio to peer median levels by 2017.

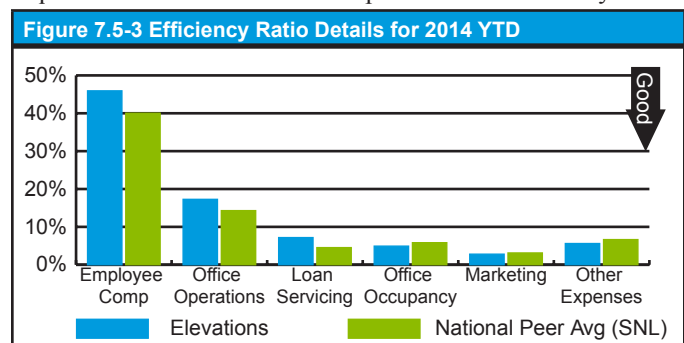
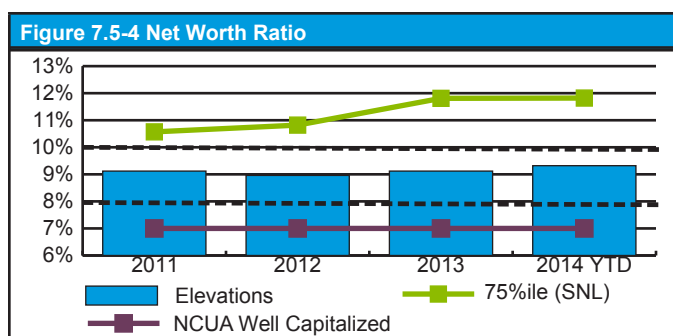
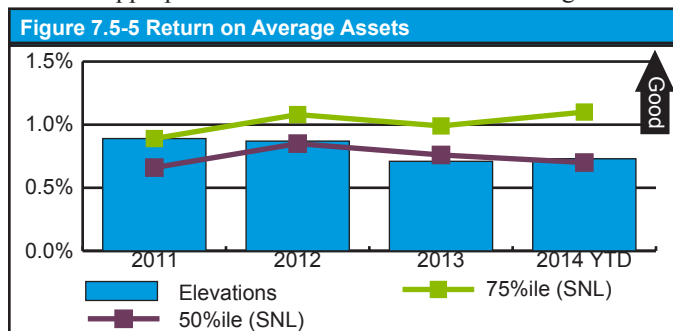


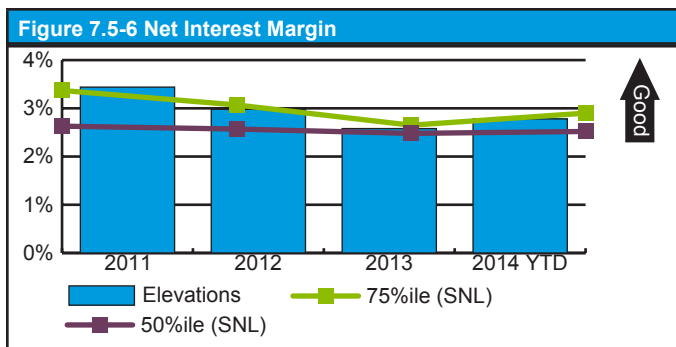
Figure 7.5-3 breaks out the expense side of the Efficiency Ratio and how it contributes to the overall ratio. Employee Compensation is usually the largest expense a Credit Union has, but Elevations has a higher concentration of these expenses than the peer average. A portion of this variance is due to the commissions related to our high mortgage production volume. However, further analysis is underway to determine if there are certain areas or functions within the credit union who hold an FTE structure inefficient compared to peer. Outside of Compensation, Office Operations and Loan Servicing show the largest negative variances, however both of these items are known and accepted results of specific strategic decisions (expenses related to holding higher concentrations in checking, mortgage and credit card balances). A lower efficiency ratio will enable agility in times of change. Elevations has started on its journey of reducing the efficiency ratio. However, much of the future decreases will be generated for higher costs in the short-term. This can be seen from higher Office Operations and Loan Servicing expenses. Our next step in understanding where inefficiencies may lie will be to analyze and leverage the new Cornerstone Survey operating metrics throughout the organization.



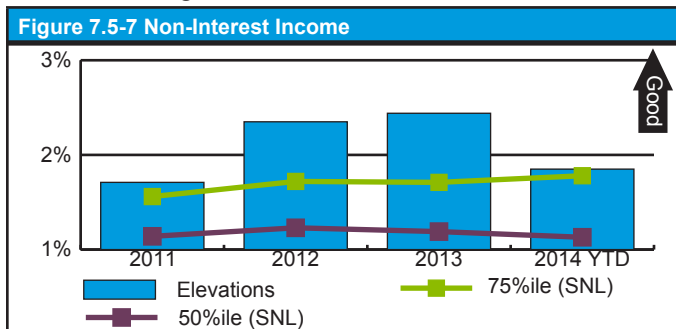
The NCUA and State of Colorado require certain levels of capital to be held, as measured in comparison to their asset size. To be considered “well-capitalized” by the regulators, a credit union must exceed a Net Worth Ratio of 7%. Our ratio has remained at or near 9% for over 3 years. The credit union has targeted 8% to 10% as an acceptable range of net worth based on the risk levels inherent within the credit union's balance sheet. Using the ERM approach to risk management, the credit union has determined the amount of capital loss at risk in a worst-case scenario and targeted the appropriate amount of capital required to sustain itself in such a scenario. Management does not believe that holding more capital than is needed is an efficient use of members' equity. Instead, the credit union chooses to return surplus capital to the membership through rates and fees or new/expanded services, thereby supporting the value proposition and long-term growth goals. Elevations Net Worth Ratio remains within our desired range, sitting at 9.32% as of June. Despite strong growth in total assets thus far this year, capital growth (through earnings) has kept pace. While certain risks are purposefully increasing, such as credit risk due to loan growth, the 8-10% range remains appropriate for the overall risk of the organization.



Return on Average Assets (ROAA) shows profitability as compared to assets. A certain ROAA is needed to maintain a given level of Net Worth. ROAA, for the same reasons as ROAE, has been steadily decreasing throughout the industry for the past three years. Using average assets as the denominator helps management easily understand the underlying components of revenue and expense that make up bottom-line earnings. As of June 2014 the year-to-date Return on Average Assets equals 0.74%, slightly above 2013's return and in line with peer median. Total assets have grown during 2014 as have expenses, however earnings have grown at a faster pace year-to-date. See **Figures 7.5-1** and **7.5-2** for causes of earnings growth.

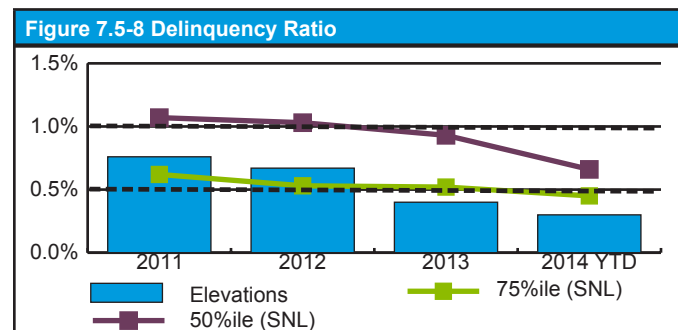


A credit union's primary source of revenue is typically the interest margin created between its asset yields and deposit rates. Since 2011, Elevations has been successful in growing this net margin as compared to its peer group. This was accomplished primarily through increased cross sales and loan product development leading to increased production and a heavier mix of loans on the balance sheet (versus lower yielding investments). Moving forward, we expect the net margin to increase further as tomorrow's strategic objectives produce increased loan sales amid an improving economy. It's important to note that loan quality is important as many financial institutions can inflate Net Interest Margin, but at the expense of Charge-offs. As can be seen in [Figure 7.1-10](#), charge-offs have been decreasing over the past three years and remain near the 75th percentile allowing the Credit Union to maintain its ability to grow Net Worth. The credit union's Net Interest Margin has continued to widen in 2014 as consumer and business loan production has soaked up lower-yielding liquid assets on the balance sheet. As of June the Net Interest Margin has risen to 2.81%, near the 75th percentile of our peer group. The margin is expected to continue to rise as balance sheet loans grow further and interest rates rise.



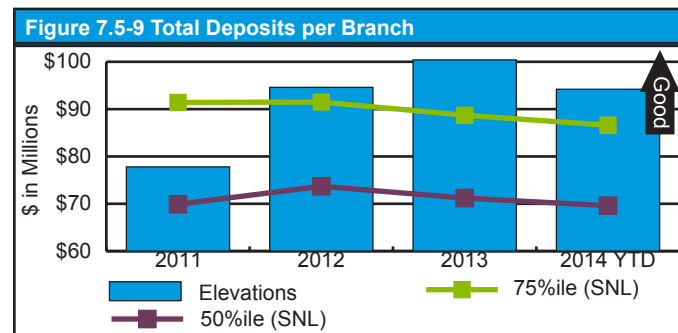
In addition to the net interest margin described above, non-interest income is the other primary source of revenue for the credit union. Non-interest income is produced chiefly from the transactions the members initiate using our credit union. The primary examples of such transactions are debit and credit card interchange income and first mortgage sales. Fees to members, such as overdraft fees or ATM surcharge fees, are less significant to the bottom line but also fall within this category. Elevations has dramatically grown its non-interest income over the past three years by delivering on its strategic objective to diversify revenue. By placing increased resources and expertise within the mortgage and wealth management departments the credit union has grown its non-interest income revenue materially. Through June our Non-Interest Income as a percentage of assets equaled 1.86% (annualized). As expected and budgeted, this is lower than previous years due to the end

of the mortgage refinance boom in 2013. Mortgage gains had recently made up a large percentage of this revenue category, but as mortgage refinancing continues to slow they are now being replaced by other forms of Non-Interest Income (such as Wealth Management revenue) and increased Net Interest Margin ([Figure 7.5-6](#)). Increased regulatory pressure on items such as interchange income and overdraft fees are expected to further stress Non-Interest Income in the future.

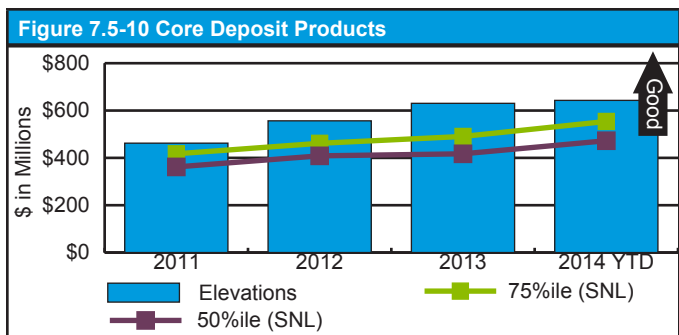


Financial institutions produce returns by taking risk, including credit risk. Anytime the credit union makes a loan it is risking the possibility of not getting repaid. The delinquency ratio captures the percentage of all loans that are at least 60 days delinquent, and is an indicator of future losses. Historically, Elevations has had an incredibly low level of delinquency. However, management has been incrementally increasing the credit risk it is taking in recent years, to both increase the return of the loan portfolio (because higher loan rates are generally associated with increased credit risk) and serve a wider swath of the membership. In the meantime, market conditions have helped reduce delinquency further despite this layering on of additional credit risk. Furthermore, additional credit risk usually takes multiple years to actually manifest itself in the delinquency ratio. The credit union's delinquency ratio has continued to fall in 2014, down to 0.13% of outstanding loans as of June. This decrease is a result of both our clean underwriting and loss mitigation process but also general improvements in the economic environment. However, with the layering on of new and riskier credit products (such as indirect auto loans and business loans) Management does expect this ratio to increase in the years to come.

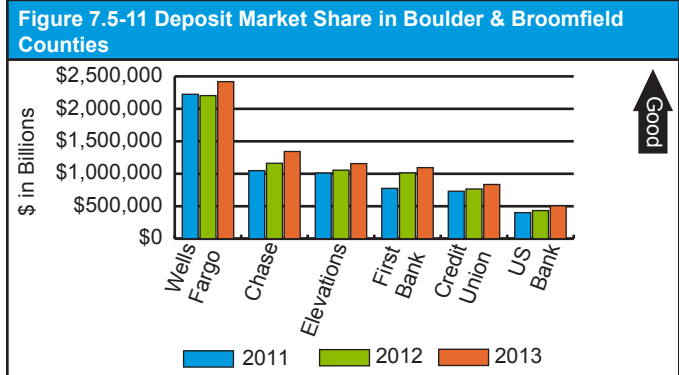
7.5a(2) Elevations keeps a close eye on marketplace performance. This is done through product growth, market share, member growth and brand awareness among other measures AOS.



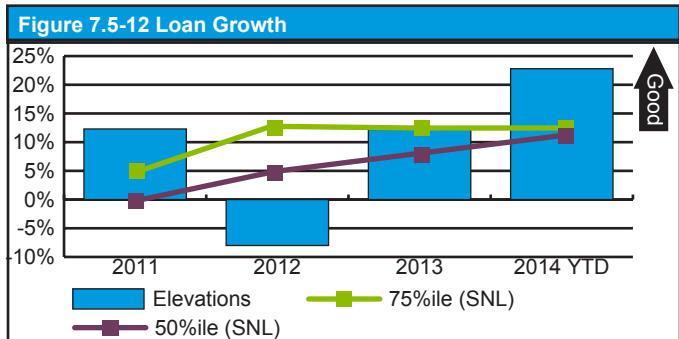
Deposits per branch decreased due to Louisville branch opening in 2014. The trend is also down for the other percentiles, reinforcing branch expansion plans.



Core deposits of share (savings) and checking accounts continues to outgrow the 75th percentile throughout the past three years. This growth has been caused by strong deposit growth through delivery of our value proposition and branch consolidation. Total deposits over total branches shows a positive trend that we are utilizing our branch network effectively and are positioned for further branch growth. Core deposit products made up of Regular Shares (Savings) and Share Drafts (Checking) have increased in 2014. However, not at the rate of the other percentiles. This could be due to education about other areas such as Wealth Management or our lower cost of funds strategy.

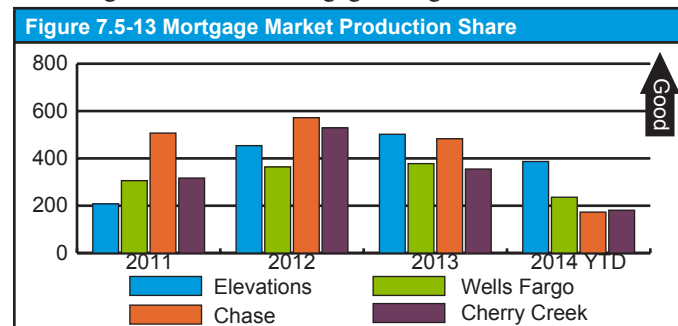


Elevations has a positive three-year trend and has maintained its place only behind Wells Fargo and Chase in terms of deposit market share in our core counties of Boulder and Broomfield. Market share of counties recently entered through merger are AOS.



Loan growth was elevated in 2011 as we participated in a Credit Union merger. 2012 was a year of high refinance volume. The First Mortgage department had a record production year, but much of this production was sold on the secondary market to mitigate interest rate risk. It was also a strategic decision to limit participation in indirect lending because of credit risk and product returns. Loan balances in 2013 increased as we began to portfolio beneficial balance sheet mortgage products. Loan growth is expected to increase as we expect to revitalize our auto and business lending channels. Portfolio loan production

(consumer and business loans) has beaten expectations thus far in 2014, producing a 23% rate of loan growth. This rate of growth far exceeds peer averages. Much of the expanded consumer loan growth has come from adjustable rate and jumbo mortgages, but also results from a revitalized indirect auto loan program and an improved retail sales training and incentive program that has increased consumer loan production. In 2014 we have also seen the multiple years spent developing a business services division begin producing material balances of business loans. Portfolio loan growth is a critical component of our future financial success, as it provides a diversified and more consistent revenue stream compared to the cyclical revenue generated from mortgage sale gains.



In 2013, Elevations produced more mortgage volume in Boulder County than any competitor. We also continue to produce more mortgage loans than any credit union in the state. This performance level was realized through a purposeful effort, beginning three years ago, to expand upon an existing strength in this product. By hiring well experienced loan originators who already held close ties to realtors in our market, we have been able to maintain our rankings as the economy has transitioned from a refinance volume to a purchase volume mix. As further evidence to the quality of our mortgage team, three of our originators were recently ranked within the top 300 nationwide for their production volume by the authoritative Scotsman guide. While the overall volume flowing through the mortgage market has decreased compared to previous years, our dominance of the Boulder County mortgage market has continued into 2014. During the summer months Elevations captured 1/3rd of all mortgages closed in the County, an unheard of market share in the industry. This success comes as a result of attracting and retaining established loan officers, with strong ties to the community and realtor market, who have been able to leverage the Elevations brand in the Boulder market and those markets contiguous to it.