

STRATEGIC PLAN



San Luis Valley Federal Bank
COMMITTED TO YOUR SUCCESS

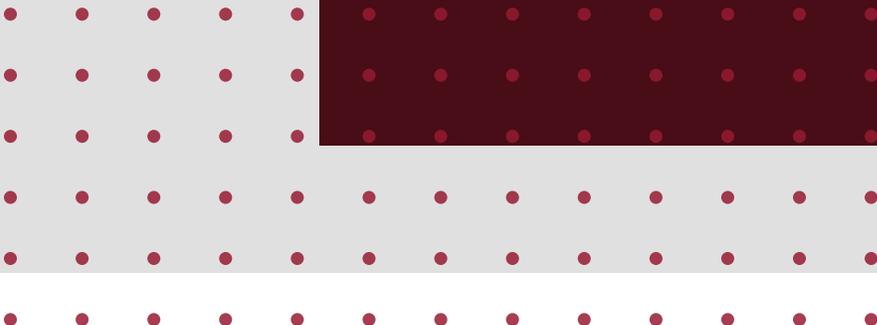
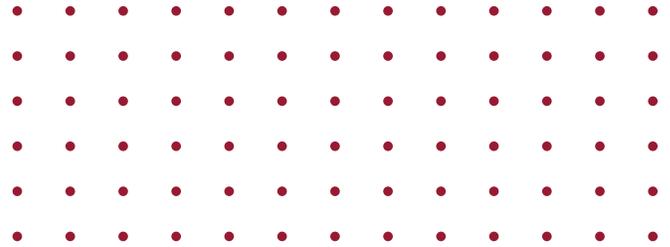


TABLE OF CONTENTS



MESSAGE FROM CEO 03 - 04

MISSION, VISION, CORE VALUES 05

STRATEGIC PLANNING QUESTIONS 06

OVERALL GOALS 07

GROWTH GOAL 08

EMPLOYEES GOAL 09

BRAND MARKETING GOAL 10 - 11

MEMBER EXPERIENCE GOAL 12 - 14

MESSAGE FROM THE

CEO



Mark E. Bechaver

Chief Executive Officer

San Luis Valley Federal Bank (SLVFB) is a diversified, full-service Bank company. The Bank is active in business and consumer product lines, involving risk assumption as a prerequisite to earning an acceptable and sustainable return properly aligned with Board approved strategies. It is well understood that SLVFB generates earnings from prudent, well-rewarded, and properly managed risk assumptions. Managing technology, internal controls, compliance, risk oversight, and capital are additional keys to our success.

Risk assumption, return on investment, and capital adequacy consistent with SLVFB's strategic plan must always be managed, monitored, and controlled with the appropriate balance, safety, and soundness considering normal and stressed competitive environments. SLVFB acknowledges that risk, return, and capital go hand-in-hand. SLVFB is committed to continually exceeding the necessary capital levels to be classified as "well-capitalized" according to Bank regulatory requirements. Given these facts and commitments, the Bank's risk appetite is to maintain no more than a moderate risk level in all of the eight risk pillars evaluated after they have been mitigated with appropriate policies and controls. There may be times when the Board of Directors supports taking on more than moderate risk on a short-term basis for strategic reasons if and when management can support the risk with appropriate capital and mitigation tactics.

As the Bank begins its operations for 2024, it does so from a position of financial strength. Asset quality and capital remain strong, and earnings are healthy. The Bank has a very positive reputation in its market and has well-respected staff. The Bank invested in several new digital delivery channels in order to serve its members better. It will continue to pursue products and services that are in demand and can be offered effectively.

During the next three years, SLVFB will continue to focus on growing its business organically. The Bank

has a Mutual Holding Company (MHC) structure in place, with the ability to grow via merger and acquisition. Through the MHC, the Bank can generate additional capital through borrowings or stock offerings, allowing it to consider mergers with other mutual banks or acquisitions of stock banks. It is not expected to proactively pursue this growth strategy during the three years of this plan. However, it may be considered if the opportunity arises.

We must learn about what our members need and what they value. We must listen carefully and provide the services sought after in as simple and efficient a manner as possible. Consistency is the key to all our member's experiences.

We must remain profitable enough to keep the Bank well capitalized while continuing to invest in the IT systems needed to deliver a top digital experience, hire and retain the best staff, and provide members' desired services. Per the Bank's Capital Plan, the Bank's Tier One Leverage Capital will be no less than twice the regulatory standard for a well-capitalized Bank. As of 12-31-23, the Bank's capital was \$60.7MM (16.01% vs. 5%, the minimum regulatory rate to be considered a well-capitalized bank.)

We will invest in our people, processes, operations, and technology to ensure the strategic goals listed on page 7 are achieved.

A strategic plan defines the Bank's long-term goals and its strategy for achieving those goals. We believe our strategic plan is consistent with the Bank's risk appetite, capital plan, and liquidity requirements.



As we consider our upcoming Strategic Plan, consider the following:

- What is the Bank's risk appetite, vulnerabilities, and critical obstacles?
- Is the Bank's infrastructure, resources, staffing, risk appetite and capital sufficient to manage the risks we face?
- Are we able to execute our strategy in a reasonable time frame and earn an acceptable risk-adjusted return?
- What are the tangible factors that clearly differentiate us as a member-owned community bank from a typical shareholder-owned bank?
- How do we remain competitive and relevant in our market?

In the face of uncertainty, solid foundations are important for the Bank. Our mission, vision, and core values remain largely unchanged and will continue to serve as the foundation for SLVFB.

ABOUT US

Mission Statement

As a mutual Banking company, our mission is to serve the following with respect, fairness and trust:

- 1. Employees – Our strength
- 2. Members – Your needs are our highest priority
- 3. Community – Financial support and civic involvement

Vision Statement

We will be trusted financial advisors and partners in our members’ lives by committing to their financial and overall success. We will have strong emotional connections with members by learning about who they are as people, and we will pair this strong human bond with a simple, full service, state-of-the-art banking platform.





A bank's strategic planning process should answer the following four questions:



Where are we now?

As the Bank's internal and external environment is reviewed, the Bank's strengths, weaknesses, opportunities, and threats will be identified. This process and analysis will help identify and recognize the Bank's regulatory, economic, competitive, and technological threats.



Where do we want to be?

The Bank's Mission Statement should reflect the Bank's purpose and values. The goals established are general statements about what should be achieved. Objectives are statements of specific, measurable tasks that the Bank, Board, management, and staff need to perform to reach its goals.



How do we get there?

We believe the design of the Bank's strategic plan to achieve the Bank's goals and objectives is realistic. The plan fits the Bank's internal capabilities and business environment. We will strive to ensure the assumptions are realistic, are aligned with the Bank's risk appetite, and consider the associated risks. The plan should consider the resources needed to obtain the Bank's goals and objectives, while addressing the potential effect on earnings, capital, and liquidity.



How do we measure our progress?

Periodic measurement and reporting of the Bank's goals will keep Senior Management, and the Board of Directors informed whether the plans established goals and objectives are being met. Quarterly progress reports to the Board shall determine if additional or alternative actions must be implemented to achieve the outlined objectives.

Strategic Goals

Main focus is our MEMBERS

Over the next three years:



Strategic Goals

Generate Steady Organic, Profitable Growth

Over the next three years:



An organic growth strategy seeks to maximize growth from within. There are many ways a company can increase sales internally in an organization. These strategies typically involve the optimization of profitable member satisfaction through continued growth upgrades, adequate staffing, and the products our members demand.

Over the next three years, SLVFB will:

- Find ways to maintain strong emotional connections with profitable and loyal members to extend its business relationship.
- Provide new business through referrals which will leverage these members' relationships.
- Relationship Banking has never been as important as now. Through our profitability analysis, we know our most profitable members, and we must promote continual communication.

We'll pursue a 4% overall yearly loan growth and on the deposit side we will focus on retention of deposits, especially our core deposits, as well as building and retaining relationships. Excess deposits and interest expense will be managed with our deposit network IntraFi. Growth will concentrate on quality and quantity to coincide with the Bank's risk appetite. We'll pursue an annualized ROA of at minimum 80 basis points.

Strategic Goals

Recruit and Retain Engaged Member-Focused Employees

Over the next three years:



To be successful, the Bank needs to establish an organization-wide approach to hiring and retaining high-performing employees. Today's employees want to be part of a profession where their contributions matter and they can make a difference. They want to be included in their workplace and valued for their contributions. They want the opportunity to develop their talents and grow their careers in the short term and into the future.

Over the next three years, SLVFB will:

- Challenge and reward employees
- Develop employees, so their values fit with the Bank's values
- Invest in training and development to help employees succeed and advance in their careers
- Pay competitive wages

The above can be measured and monitored by employee retention. Maintaining a staff level to meet our members' needs is critical. Our volume will dictate the number of employees adequate to maintain member satisfaction.

Employee engagement can be monitored by:

- Voluntary employee turnover
- Employee retention
- Absenteeism
- Member happiness
- Employee performance

Strategic Goals

Strengthen Our Brand and Marketing

Over the next three years:



Brand marketing describes a long-term, strategic plan to boost a brand's recognition and reputation. Brand marketing aims to develop an ever-growing base of loyal members. This is achieved by consistently communicating the brand's identity and values in meaningful and engaging ways.

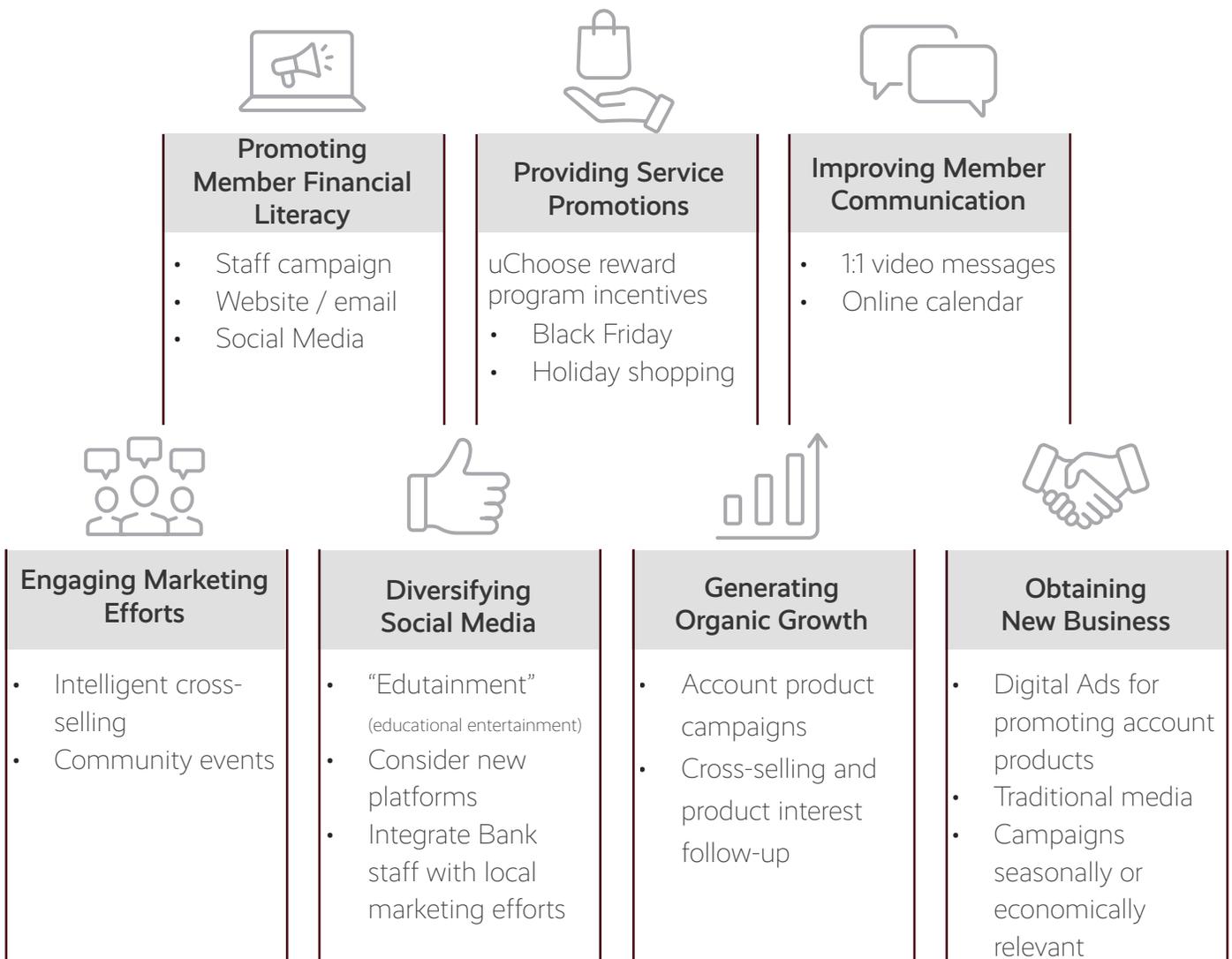
Within a company, brand marketing is an all-encompassing, constantly evolving strategy. It defines a brand's approach to communications, sales, and products by promoting products and services to highlight the overall brand. SLVFB is positioned between a national bank service level and a local bank relationship. If we merge these two concepts to provide strong local personal relationships with convenient digital experiences, we will continue strengthening our community brand.

Strategic Goals

Strengthen Our Brand and Marketing Continued

Over the next three years:

SLVFB will promote brand awareness by:



The above can be measured through Key Performance Indicators such as opened accounts, web page engagement (page views, call to actions taken), email engagements (opened emails, call to actions taken), and social media engagement.

Strategic Goals

Deliver a Competitive Member Experience

Over the next three years:



The Bank staff is committed to staying current with general trends in Bank IT and technology. Through its core provider and existing third-party vendors, trade association resources, industry publications, conferences, and member feedback, the Bank's Management Team and Technology Services Committee will consider new IT opportunities to stay relevant.

Unlike a Leading Edge or Conservative adopter, the Bank considers itself a "normal" adopter of new technologies. This middle-of-the-road philosophy is realistic given the Bank's size, which is expected to stay the same during this strategic plan timeline. Given its resources and member expectations, the Bank will continue to offer and implement technologies that will provide members with practical and desired delivery channels, improve its operational efficiencies, and provide the Bank with high cyber-security protection.

The Bank recognizes consumers want to simplify their financial lives while protecting their private information through basic transactional banking activities.

The Bank enjoys a high level of trust from its members and wants to maintain that trust. New delivery channels and IT-related offerings will be at the forefront as the Bank completes its due diligence. Ease of use will be a priority as it considers new products.

The Bank will ensure new products have been reasonably proven in the

Strategic Goals

Deliver a Competitive Member Experience Continued

Over the next three years:



marketplace and have a good adoption potential amongst members.

The Bank will continue to partner with third-party vendors to implement new IT solutions. As a Fiserv customer, the Bank has access to a large variety of IT solutions for its members and to satisfy the Bank's operational needs. Fiserv has the scale to invest in IT solutions the Bank cannot, and Fiserv has the staff to assist with implementation.

The Bank will also consider other third-party vendors when their solutions are superior to Fiserv's or when they offer services Fiserv does not.

AI-Digital Transformation is a significant component of providing a competitive member experience. We recognize that AI technologies enable banks to analyze vast amounts of data, personalize interaction, automate routine tasks, and offer predictive insights, all of which will enhance the overall member experience.

By leveraging AI, the Bank can streamline processes, reduce response times, and deliver tailored services to our members, ultimately leading to a more satisfying and competitive banking experience.

By exploring and incorporating the elements of AI into the Strategic Plan, the Bank will demonstrate its readiness to embrace AI technologies as prominent drivers of innovation, efficiency, and member-centricity in an increasingly digital and competitive landscape.

Strategic Goals

Deliver a Competitive Member Experience Continued

Over the next three years:



Over the next three years, SLVFB will:

- Continue to innovate and focus on delivering a better, more consistent digital experience. The Bank will seek to explore the availability of fintech relationships that can provide forward-facing advisement for more complex financial issues.
- Invest the time and resources necessary to cover innovations and emerging banking issues.
- Renegotiate the contract with Fiserv no later than August of 2024. The Fiserv contract expires in June of 2025.

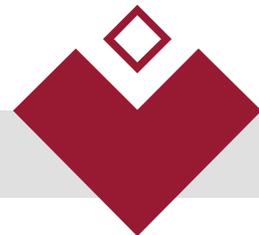
The above will be measured by results of the upcoming OCC Exam, online member surveys, member satisfaction and the number of security issues that may present themselves.

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Striving for success without hard work is like trying to harvest where you haven't planted.

- David Bly

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Federal Bank**

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