WESTERN CREDIT UNION MANAGEMENT SCHOOL

PROJECT I

2025
(For the 2026 session)

Nate Wehunt – Nate.Wehunt@STCU.Org

Student's Name and E-Mail Address

STCU (Spokane Teachers Credit Union)

Credit Union Name

1620 N. Signal Drive, Liberty Lake, WA 99019

Address

04-11-26	**$6.323 Billion**
Date Submitted	**End of year asset size (12/2025)**

17008 E. 18th Ct, Spokane Valley, WA 99037

Student's Address

VP – Enterprise Product and Intel Solutions	**(206) 459-5356 (call or text)**
Credit Union Position	**Daytime Telephone Number**

I. Background

A. About You: Personal Background, Professional Experience & Career Goals

i. Provide a brief biographical history that will inform your reader about you, including your formal education and career background up to the time you became employed in the credit union movement.

One of the many interesting classes I have enjoyed involved the physics of waves, with a major focus on oceanographic waves. While the course was interesting for many reasons, I doubt my professor intended for me to start to think of people and their effect on each other as waves. Each ocean wave may look like other waves, yet each is also completely unique due, in part, to the effect previous waves had on the environment that wave is passing through. We are all similar and recognizable as people, yet each completely unique. I cannot capture all the key things that shaped my personal waveform, but I will endeavor to share *some* of the important things that shaped me and led to where I am today.

My wave started as the product of a loving family including two parents, two stepparents, a brother, and a half-brother. I grew up in a military family with my mother and I being the only non-military family members. My father struggled with substance abuse after multiple tours for the Navy during the Vietnam War and while that led to my parents' divorce and me not knowing him as child, he has been sober for over 40 years now and once we reconnected in my later childhood, we enjoyed a positive relationship. My stepfather, Jim, was in the Air Force. His service in the Air Force introduced us to many environmental factors and people that shaped my life. We moved frequently and I ended up attending twelve schools before graduating high school. Reflecting, I learned to readily make friends, achieve in new environments, and adjust rapidly to change. Like most military families, I grew up with humble means surrounded by others of humble means. I learned to work and earn what I needed to get the things I wanted. I learned to help those that needed it and the power of communities to support each other. To have the money to do things like try baseball, football, skiing, or Tae Kwon Do, I would go around the base to mow lawns, shovel snow, babysit, or collect cans. That learned work ethic paid off in innumerable ways in my adult life.

Across the many schools I attended, some had gifted programs and others did not. I was fortunate to be able to participate in them when available but did have some unfortunate experiences being a tiny kid who excelled academically. This helped shape my preference for silent achievement. I always wanted to set the highest standard, but I never craved the attention that comes with it. I preferred to help a team win versus being singled out for individual wins.

When I approached the age to drive, I needed to make sure to save up to be able to afford to drive. So, I joined my older brother, Michael, at my first 'real' job, McDonald's. The manager was kind enough to schedule me at the same times as my brother until I had my own license and car. Even back then, I would constantly question why things were done the way they were done and create improvements. I also met my future wife, Traci, working at that same McDonald's! We did not date until years later, but we had overlapping groups of friends that thankfully kept our waves interacting with each other. After high school, some unfortunate timing altered the path of my wave.

My love for mathematics and science led me to believe I wanted to pursue a career in engineering. With extreme excitement, I received my acceptance letter and a full financial aid package to Gonzaga University. A lot of that package included financial need grants. Months before my freshman year was to begin, Gonzaga reached out to let me know that a one-time early exit bonus my stepfather received as he left the Air Force caused them to recalculate the need-based portion of my grant and "we" would need to contribute *significant* additional funds. I appealed and tried to explain that my family was not contributing at all to my college and the nature of the one-time bonus my stepfather received, but I was unsuccessful. While I had some scholarships and a willingness to work full-time, the financials just were not going to work and I knew one full-time job while in school was sustainable, but not more than that.

Faced with either skipping a year of school and saving up money or pivoting to community college where my scholarships still applied and covered everything, I opted for community college. During the remainder of that summer, to save up extra money, I was already working a second job at a window factory making vinyl windows during which I figured out how to improve a process they were able to use across all their factories to save over 50 Full-Time Employees (FTE or FTEs) worth of time. They did not pay out the promised bonus because I was quitting when school started, so when they asked me back months later to help document something they got wrong when I demonstrated it to the plant manager, I declined their request. I did learn the importance of making sure agreements are in writing though, so there was value in the experience.

When school began, I took pre-engineering courses, including the previously mentioned wave physics class. Traci and I began dating. Eventually I transferred to

University of Washington (UW), during which time we got married. In those years, I continued studying martial arts when we could afford it and we both worked as I attended UW. We agreed to hold off on starting new little waveforms until we were financially stable and could provide for our children better than either of our parents were able to when we were growing up. Like many young adults, I did not really know what I wanted to be when I 'grew up.' So, my focus shifted from mechanical to electrical and eventually chemical engineering. I did well academically, but nothing really felt right. It was while I was at my night job bartending/waiting tables when my personal wave encountered a new wave that deflected us off in a new direction.

One of my regular customers asked if I would consider joining their new contact center for a regional bank she worked for, Washington Mutual (WaMu). WaMu was a Savings and Loan financial institution (aka Thrift), which has some commonalities to credit unions (CUs), but that is for later in our story. She pitched WaMu's community culture and their support for working students like me and because they had swing and graveyard shifts available, I could absolutely continue my studies at UW. While the benefits were much better than either Traci or I had at the time, the key selling point for me was WaMu was a rapidly growing regional bank that had a proven record of investing in their people and promoting from within their ranks. Several of their top executives started from their front lines and if I was going to shift away from completing my engineering degree, this might be a viable path. Traci applied and started their three-week training class in the new contact center near our apartment. When Traci was able to confirm what we'd been hearing was in fact true, I joined a later training class to test my theory that if I could get in and promoted a few times quickly, I could at least get us financially to a similar position as we would be in if I finished my degree and took an engineering job. That financial stability would allow us the freedom to figure out what we both wanted to be when we grew up. The risk was I was close to graduating, but I felt like if I completed my engineering degree, I would feel compelled to put it to work in a field I really had little desire to turn into a career. The bet on myself paid off.

I started by taking calls in their new contact center. I received multiple promotions in the first year and found myself quickly managing a team of thirty. Managers I worked with recruited me and eventually promoted me into project management and then product management. The mentoring and management training was robust and I thrived! I had some amazing mentors, and I ended up entering their lower executive ranks, running their digital channel strategy and where we started winning national awards (Celent, 2008). Traci and I volunteered in the community, I invented new things for WaMu and was even fortunate enough to be granted a patent on one of them (United States Patent No. US 7,844,519 B2, 2006). I spoke at payment and digital industry events, we introduced some industry wide firsts including the first paperless account opening process (FinExtra, 2006), I built up a high performing team, and thankfully I was lucky enough to be recruited away a year before WaMu collapsed. I had no idea they would collapse; at that stage my team was performing at such a high level I was, quite frankly, getting bored. On the personal front, our oldest child, Max, was born a couple of years before we left Seattle for Chicago.

In the summer and fall of 2007, Bank of Montreal (BMO) recruited me to reboot their United States based digital products across all their business lines. While I focused mostly on consumer and small business for WaMu, I would be solving unfamiliar problems in the business and commercial product spaces for BMO while also being responsible for the consumer product solutions. Having unfamiliar problems to solve was very appealing to me. Traci was convinced because this dramatic change would allow her to pursue her dream of being a stay-at-home mom as we expanded our family. Over the next few years, BMO continued to invest in my growth, and I found myself participating with their Canadian strategy teams, presenting more often to their senior executives and board members in Toronto, speaking at industry events and working closely with some amazingly gifted leaders including the now Chair of Citibank, Ellen Costello (Citibank, 2025). Kiera, our youngest, was born during our time in Chicago and Traci loved her chosen focus as a stay-at-home mom. Although after multiple difficult pregnancies and both our children spending weeks in the neonatal intensive care units at birth, Kiera would be our last. This context is important because there were a lot of different forces reshaping my personal waveform. At this point in my career, I was recruited frequently by many of the other big banks and BMO asked me to either move to or spend up to half my time in Toronto. Traci and I grew up as latchkey kids and my required increased travel to the corporate offices in Toronto was becoming a deal breaker for me. We also did not want to move yet another time zone away from our West Coast families. So, I started exploring some of the opportunities from the ever present recruiters and accepted an offer from a bank out of Los Angeles, City National Bank. They needed help to solve some challenges that I only had some limited experience working on for BMO for their Canadian bank. Inside a month of accepting the role, the Wehunt family wave train suddenly headed off in yet another exciting new direction.

At City National Bank, I had the opportunity to solve even more unique problems as many of their key clients were High Net Worth (HNW), Business, and Commercial clients with a heavy concentration in the entertainment industry, adding to my ever-expanding toolkit. As the years passed, Royal Bank of Canada (RBC) acquired City National, and I found myself heading back to Toronto or leading initiatives in our East Coast locations far too often. We built and launched custom products for our clients, and I enjoyed unique opportunities such as interviewing Frank Abagnale, the man portrayed by Leonardo DiCaprio in 'Catch Me If You Can', on the stage of the Country Music Hall of Fame (MusicRow, 2018). Despite financial and industry success, the increased need to travel for work and some health issues with Traci's parents indicated that we would need to move back to Traci's hometown of Spokane, WA to be closer to her family. As we started to prepare for that possibility, life interceded and forced the issue. Thus, our waves deflected to Washington, back to where they first collided.

ii. *Discuss how you became involved in the credit union movement, the various roles you have held, and your history with your current credit union or, if you don't currently work at a credit union, the system partner that employs you.*

Traci's parents both had health issues that were growing worse and by late 2018, we realized our family needed us in Spokane to support them. RBC and I negotiated a mutually beneficial exit date so I could complete a critical project and ensure a smooth transition with my teams. By staying on a bit longer than I desired, financially we would be able to focus on her folks after the move. We moved back to Spokane full-time at the end of 2019. COVID hit soon after our move and thus I missed a few dynamic years in the financial services industry!

A few years later, we had Traci's parents in as stable a situation as we would be able to achieve and I was ready to resume my career. Earlier in my career I was asked to speak at financial industry events and during one of these, I met a banking executive, Patricia Baughman, who was based out of Spokane, Washington. We stayed in touch over the years and when Traci and I visited family in Spokane, Patricia and I would sometimes connect and talk shop. At the end of 2023 when I was ready to restart my career in financial services, I naturally connected with my network, including Patricia. When I explained to her how I was looking for something in Spokane that allowed me to be present for our family, more engaged with the community, and quite frankly to feel better about who I was helping in my career, she asked me if I had considered joining a credit union. I was embarrassed to admit that I had spent two decades in financial services and yet had no understanding of what the credit union movement was all about.

So, I decided to learn and as I learned what the movement is about, I found a new passion or more accurately rekindled an old one. WaMu, despite their problems, was truly community oriented and did much to help provide financial literacy to our customers, volunteer in our community and helped me feel fulfilled in my work. It was no surprise to see many former colleagues from WaMu working in credit unions. As I reconnected with my old colleagues in the Pacific Northwest (PNW), Patricia and I stayed engaged. I was not in a hurry and wanted to make sure I found the right fit. For my reader(s), Spokane sits about 300 miles east of Seattle. This plays a key role here, because most of the opportunities I discovered were from colleagues working in credit unions on the Seattle side of the state. In the Spokane market, we do have a lot of credit unions, so I knew with patience the right fit would materialize. Over the next few months, Patricia introduced me to some of the key executives at STCU including Scott Rabe and Lindsey Myhre. I clicked with all of them and loved how they were describing STCU and their values. After meeting Lindsey I recall thinking, if their culture is how she says it is, I NEED to work there. I asked friends and family what they knew about the organization and without exception everyone had a positive story to share. I even secretly visited a few branches to try to learn what I could by chatting up some employees. So, when a product role was offered to me, I accepted the role of Director of Consumer Product and Digital for STCU and started late in March of 2024. In August 2025, I received a promotion to VP of Enterprise Product and Intel Solutions. Despite the materially lower role in the organization and compensation compared to my former banking role, I have never been more satisfied with my career than I am today with STCU. The alignment of my beliefs, STCU's values (more on that later) and the credit union movement have added new energy to my wave. In fact, like the merging of waves to create powerful rogue waves in the ocean, I believe that we will all be greater together than separate.

iii. Describe your career goals and provide your perspective on any additional professional development you believe will be necessary to accomplish them.

As I look at the future of my career, I would like to continue to not only be of benefit to STCU and our communities, but also to empower the future leaders STCU and other CUs in our amazing movement. By the end of my career, this means that I would be in a C-suite role for STCU and serving on boards in our community for STCU. I believe in continuous personal learning and improvement, so to perform as STCU will want me to perform, in the roles they will want me to assume, I would like to be sure to prepare in advance with the necessary coaching, learning, networking, and development opportunities to assume those roles successfully. I believe I will need to keep certain skills sharp while learning new ones. In the past I have done this via executive mentoring and coaching, so those would likely be beneficial again. I also benefited from working within programs designed for RBC and BMO by Rotman School of Business specifically for banking executives. These were focused class and cohort style programs that I found enlightening as we'd tackle specific projects. It will be necessary to take on additional leadership roles in our community as well to help demonstrate STCU's position as a leader in our community.

iv. How do you anticipate participating in WCMS will impact your ability to achieve those goals?

If the year one experience and the reports from colleagues about the future years are indicative of what I can expect to gain from WCMS, it will improve my ability to be a leader in both STCU and our movement. Even before joining WCMS in July, I knew that developing a network in the movement would be critical. To help build my credit union network, I hosted a free educational Payments Day at STCU headquarters in Spokane where I invited the strategy leaders of major payment providers such as Mastercard, FIS, Finastra, and Velera to come share with PNW credit unions their research into what they project in the next five years in the payments space. By leveraging the networks of my STCU colleagues, I successfully attracted eight other credit unions to the event and according to the attendees (STCU, 2025), it was an amazing success, and all wanted to attend it again. Just two months later, I expanded my credit union network by over 130 colleagues by joining the Omega class of WCMS! That expanded network to call upon with questions or to ideate with will help me develop into a better leader at STCU and in our movement. On top of that, the educational content in our WCMS curriculum has already helped me understand some of the key differences between a successful bank and a successful credit union. The curriculum is well rounded, and the projects present opportunities for me to learn new things or add skills to successfully contribute my own wave energy to STCU's in the ocean of other CU waves all propelling our movement forward.

B. About Your Credit Union

i. Your Credit Union's Origin to Present Day

a) Briefly review the events that brought your credit union into existence and why it was organized.

b) Provide the original name of the credit union, its original field of membership, year chartered, and the initial charter (state or federal).

- *What other names has your credit union had over the course of its history?*
- *What year did each name change occur and what were the circumstances that drove each name change?*

i. What is your credit union's current field of membership (in general)?

- *What type of charter does it have?*
- *Who is its share insurer?*

The Great Depression and the slow recovery from it led to limited access to financial product access for many Americans, including those in the state of Washington. Credit Unions fared better and the pooled resources of members enabled them to provide financial services in their communities. Recognizing the relative stability of credit unions, Washington State passed the Washington Credit Union Act in March of 1933 (Washington State Department of Financial Institutions, 2025). In October 1934 Spokane Teachers Credit Union (STCU) was founded by ten educators at Lewis and Clark High School, in Spokane, Washington to serve the employees of Spokane Public Schools, District 81 (STCU, 2025). While this founding happened just months after the June 1934 signing of the Federal Credit Union Act by President Roosevelt and having options for either a state or federal charter, the STCU founders chose to go with the slightly better-known state credit union charter (NCUA.gov, 2024). At this time when our founders were forming the credit union there were no federally charted credit unions and two Washington state charted credit unions already in existence.

Since STCU was founded to serve the employees of Spokane's District 81 schools, we have always used Spokane Teachers Credit Union as our name, and this remains true today. We remain state chartered and insured by the National Credit Union Share Insurance Fund (NCUSIF). However, as our wave grew, we expanded the field of membership to include all of those in the state of Washington in 1997 when state laws allowed credit unions to do so (Spitzer, 2015). To help communicate that, we began to use STCU in most of our marketing and branding materials to de-emphasize both 'Spokane' and 'Teachers' in our name. Our current field of membership includes those that live, work, or attend school in Washington, North Idaho, or Eastern Oregon along with relatives of eligible members. In addition, if you work for a company that has joined STCU as a Community Business Partner, you are eligible for membership (STCU, 2025).

b) In your opinion, what connections exist between your credit union's origins (e.g. the reasons it was organized, its initial field of membership, original name, etc.) and how it is structured today?

- *Provide examples of how the legacy of your credit union influences its current organizational thinking, if at all?*
- *If there is no such influence, why do you believe the credit union has gone in a different direction?*

While we have grown significantly, STCU still maintains many touchstones to our founding and have taken deliberate steps to ensure we keep our roots firmly in mind. Some examples of making sure it stays front and center are as simple as a drawing of our founder, Ernie McElvain, on every employee security badge. Our employee reward system allows employees to reward other employees with a credit called an "Earnie" that can be redeemed at 1 Earnie = $1. We have something called the "Ernie Clause" that waives the membership fee for any employed educator. We also adhere to our heritage in outward facing ways as well. Our Here for Good Foundation donates hundreds of thousands of dollars to educational causes and organizations, including a $250,000 commitment to LaunchNW (STCU, 2025). I have had the privilege of participating in some of this giving back first-hand when I recently helped award a $4,500 scholarship grant to support Associated Industries' scholarship program and to help represent STCU at Spokane Scholars where we awarded $15,000 in scholarships. I was even recognized for quickly embracing our credit union movement culture when I held the previously mentioned Payments Day event because we were helping to educate our fellow credit union movement colleagues.

ii. *Your Credit Union's Guiding Philosophies*

a) *Provide your credit union's mission, vision and/or value statement(s).*

b) *How and why were these determined?*

c) *What is the process for revisiting and/or revising them?*

d) *How are these statements manifested in the daily fabric of your credit union's operation?*

e) *If your credit union DOES NOT have formally articulated mission, vision and/or value statement(s), explain why.*

f) *How do you believe these principles influence your approach to your job?*

STCU's Strategic Plan has several key components, Our Vision, Big Hairy Audacious Goal (BHAG), and Core Values. These are supported by focus areas, strategies, and major initiatives. Our vision is, "To be the most loved and valued financial relationship on Earth." This vision has a supporting BHAG of, "We are a top 25 credit union in the nation, and the first-choice leader in the Pacific Northwest delivering unparalleled member experiences." and our core values of, "Joyfulness, Generosity, Belonging, Goodness, and Striving" (STCU, 2025). Leadership evaluated, selected, and refined the values by engaging with our employees, finalized their recommendation with our Chief Executive Officer (CEO) and confirmed by the Board. We discuss them during the annual strategic planning process, although it is much more likely that we adjust supporting strategies and major initiatives rather than making a change to our vision, BHAG, or values. Our Vision and BHAG were set in the 1990's after then CEO, Steve Dahlstrom, came back from an international credit union conference. After having been the same for more than 15 years, our values changed three years ago to align better with how we were going to achieve our vision. Through an extensive process in collaborating with our community and employees, there were twenty themes that emerged and finally distilled down to our five current values (Myhre, 2026).

We support our vision and values not just by printing them on posters and putting them in every office (although we do that too), but by having specific communication and activities tied to each piece of our vision and goals that align to our strategic initiatives. Every employee has these communicated in writing and in video format plus we also host interactive sessions where any employee can discuss and ask questions about any of them. In these sessions, everyone from our CEO down to the initiative leaders will be there to answer questions and facilitate engagement so that all the employees understand what and more importantly why we are focusing on certain items and not others. In addition to the comprehensive communication strategy, we also tie our values into every employee review. Our reviews are weighted 50% on *How* the employee accomplished their objectives, which tie directly to our value statements. This reinforces the alignment to our values in a major way by aligning a significant portion of the merit increase to the values. We also have planned activities that every employee and their respective team can participate in (supported by Earnies to reward participation) that help reinforce the Values. For instance, in 2025 we had a series of two-month periods where our directors formed sub-teams around each value. They created activities for all employees to participate in where a core value was the theme for that two-month period. This helped bring our values to life in real and fun ways.

Our alignment at all levels to our Strategic Plan is more impressive than any of the large banks I worked for previously. It manifests in the language we use, for example we all have a "heart" at our desk that helps us remember that every decision impacts our members and we should have the 'heart of the member' in mind to help us drive those decisions. This came about at the same time as our Vision statement when our CEO shared a story from his conference about how a CU had an empty chair at their board meetings to represent their members to make sure that they remembered they were making all the decisions for their members (Myhre, 2026). Rather than putting an empty chair at each desk, I imagine a little heart statue was much more practical. This "heart of the member" approach is different than my past lives where my job was to extract profit to go back to our investors and not to the users of those products. At STCU we are not trying to make maximized profit the objective, we are making maximized member outcomes the objective. It has even impacted how I negotiate with vendors. For example, I made sure there was a charitable contribution to our Here for Good Foundation included in one recent contract. When I asked our large Fintech providers to send me their strategy and research leaders and not their salespeople to share the results of their millions of dollars of research with fellow credit unions, I cited my goal of just connecting and improving the knowledge level of my CU colleagues. It helped create an amazing event for nine credit unions, and they could not volunteer fast enough to help us do it again the following year. I would never have been permitted to do that in a bank, but at STCU I received kudos for aligning actions to our values.

iii. *Your Credit Union's Leadership*

a) *Interview the Board Chair of your credit union*

- *Include that person's name, current profession, length of service on the Board of Directors, and length of time as Chair.*
- *Discuss that person's duties, responsibilities, time commitment, level of industry engagement (i.e. advocacy efforts with legislators, trade association participation, and interaction with other Board members), Board/CEO functional relationship, Board committees (including composition and function) and regulator interactions.*

Our Board Chair is Steven Jones, a retired attorney. Steven joined our board in 2018 and became our board chair three years ago (Jones, 2025). He initially joined our board after working with STCU's former head of marketing on a different board and was attracted to join STCU's board because of the work we were doing in the community. When the Chair became open due to the prior Chair terming out, Steven opted to throw his hat in the ring because of his experience as a Chair on other boards where he served. He not only leads the board meetings but also appoints the chair of each committee. In the past year, Steven has spent an estimated 40 hours each month but acknowledged that this is a bit higher than in past years due to needing to replace the former STCU CEO and helping to prepare the Vice Chair to become the Chair after Steven's current term ends. Steven established a Vice Chair based on his experience serving on other boards and seeing how effective that can be in helping the board continuity long term by ensuring at least one board member has deeper experience with the functions of the Board Chair prior to there being a vacancy.

As he says it, now that he is retired, Steven is generous with his time by helping represent STCU at meetings with legislative members both in state events and at larger events such as America's Credit Unions Governmental Affairs Conference (GAC) (Jones, 2025). I first met Steven during Go West's MAXX event this past year. He knew I would be meeting one of our lobbyists to discuss and was kind enough to share his thoughts on how best to get our desired message across, which I appreciated. I've bumped into Steven before board meetings from time to time and he always makes a point of checking in to see how things are going, so I can confirm his generous nature is not limited to just with the Board.

Steven also attends all the sub-committee meetings (Jones, 2025). This allows him to collaborate with each board member and even help teach the chair of each sub-committee the importance of that committee and how it relates to the rest of the Board. At STCU our Board committees currently are: the Finance and Risk Committee which not only makes sure our budget is set and appropriate, but also that the various risks are properly identified and that if those risks were realized our key financial ratios are maintained within tolerances; Audit Committee, which I will discuss in more detail in the next section; Executive Compensation Committee which makes sure the appropriate compensation for our CEO is set and followed; the Governance Committee, which reviews our charters and policies and makes sure the credit union is properly governed and that those governance processes are being followed. The board members, including Steven, do meet with our regulators and prior to exams will participate to understand the scope of the exam and ask any questions they might have regarding it.

The relationship between our CEO and Steven is both new and old. That is because the STCU pond had quite a lot of ripples this past year that Steven had to help calm. In May of 2025, the Board removed our prior CEO. The Board started an evaluation process to determine our next CEO. On July 9th, upon completion of that process, the Board appointed Lindsey Myhre, our then current CFO. As our former CFO, Lindsey had extensive interactions with Steven. In her new role as CEO, that relationship changes as her focus changes, but the solid foundation from her time as our CFO has helped that transition be incredibly positive (Jones, 2025).

b) Interview the Chair of the Supervisory/Audit Committee

- *Include that person's name, current profession, length of service on the Committee, and length of time as Chair.*
- *Discuss the Committee's duties, its size and structure, its responsibility to interact with the board and management, the level of direct involvement by the Committee members in carrying out these duties and whether the Committee delegates any of its responsibilities to third parties.*

The Chair of STCU's Audit Committee is Kathryn Gores who in her day job is a benefits specialist for Central Valley School District (Gores, 2025). She has served on our board of directors since 2015 and has been the Chair of the Audit Committee since 2018. As the Chair of the committee, she is the primary liaison between the committee and the board of directors.

Our Audit Committee has three elected members and can have up to two affiliate (non-voting) members if specific expertise is needed or desired (Gores, 2025). Currently we have one affiliate member. Due to the size and complexity of STCU, our Audit Committee does not perform the actual audits but does oversee our external auditors and reviews the results with them. For example, our current financial auditor is Baker Tilly, and our audit committee ensures their audits are performed on time and completed properly. Other external audits are completed by the National Credit Union Association (NCUA), Department of Financial Institutions (DFI) for Washington State, and the Credit Union Business Group (CUBG). STCU's Audit Committee ensures that any findings identified in audits are addressed by management.

To ensure that they stay aligned and any issues are managed, Kathryn attends each monthly board meeting and provides a report from the Audit Committee to the board (Gores, 2025). In addition to the Audit Committee meetings and the board meetings, Kathryn also meets with our Board Chair two or three times each year and will meet with our CEO and our Chief Internal Auditor, Melanie Shanks, at least once per quarter.

Kathryn's collaboration with Melanie is key to making sure that our internal audits performed by Melanie's team meet the needs of our growing credit union to keep our internal controls finely tuned so we protect our members' assets (Gores, 2025). In addition to all the above, this committee also makes sure that we have an appropriate whistleblower policy and procedures in place and that our members' accounts balance to our credit union records. At

$6.4B and growing that is a lot to ask of such a small committee, so their ability to hire and oversee external experts, attorneys, and advisors is a key to their success.

c) *Interview your CEO*

- *Include their name, and discuss their principal duties and those of their direct reports.*

Our CEO is Lindsey Myhre, who was appointed as our CEO in July of 2025 after serving as the interim CEO, as articulated in our written succession plan, when our prior CEO was removed by our Board in May of 2025 (Myhre, 2026). Lindsey began her career with STCU back in 2000 as an accounting assistant. She was steadily promoted through the ranks and prior to being appointed as our CEO she served as our CFO and EVP. Lindsey categorizes her primary duties as Community, Advocacy, Leadership, Strategy, and Board Relations. She allocates her time across those activities and reports progress against each to the Board monthly. Her direct reports are: Marketing, Facilities, and Commercial Banking, headed by our Chief Marketing Officer (CMO), Marty Dickinson; Finance and Accounting, led by Senior Vice President (SVP) Angela Swenseid; Human Resources and Organizational Design, led by SVP Tracy Ballard; Risk Management led by Chief Risk Officer, Brian Scott; Product and Technology Development headed by Chief Development Officer Patricia Baughman (who I report to); and Retail, Operations, and Growth headed by Chief Growth Officer, Brian Read. STCU believes in continuous improvement, and organizational design is part of that process. We adjust our organization to help us align resources against our current priorities and to provide continuous development opportunities to our employees while ensuring our succession plan is not only well documented, but that those identified in it are acquiring the necessary skills to succeed in new roles later in their careers.

- *Describe the Board/CEO relationship from the CEO's perspective.*

This is a much more interesting question for Lindsey as not only is she new to her role, but she was succeeding our prior CEO that the Board removed in 2025 (Myhre, 2026). However, Lindsey has been attending all Board meetings for over 15 years and began presenting to the Board 20 years ago. So, Lindsey knows each member of the Board and as the formally defined successor to the CEO prior to obtaining the position, the Board and Lindsey already had a relationship that involved making sure that she would have the skills necessary to step into that role when and if it became available. However, as Lindsey pointed out, she and everybody on the Board are a team of humans and all humans experience change in their own ways as well articulated in the Bruce Tuckman model (Stein, 2026). Their collective experience with them allowed them to move through the Forming and Storming phases more readily and are best described as being in the Norming phase (Myhre, 2026).

- *Discuss their level of industry engagement and why they prioritize it as they do.*

Lindsey sits on the Governmental Affairs Conference (GAC) committees for each of our core states of Washington, Idaho, and Oregon (Myhre, 2026). She is involved with GoWest, which is a critical relationship for STCU as one of the largest credit unions in Washington. She is active with Greater Spokane Inc (GSI) because Spokane is not only our home market but also has the largest concentration of our membership. She meets with our legislative representatives at both the state and federal levels as well. She does this not just on behalf of STCU, but she also has a community of smaller CU CEO's that she meets with regularly to help make sure their voices are heard as well. She makes sure that she is having regular touch base meetings with our legislative representatives and that STCU is also engaged at multiple levels with them so that when we do have something of importance, we can reach them quickly and that they understand that STCU represents over 300k potential voters for them alone and that the collective reach of all the credit unions in their constituency is very significant (Myhre, 2026). In the counties that STCU primarily serves, as of 2023, there are only approximately 3,200,000 so reminding them of the importance of their credit unions and the work we do in their communities is important, especially now with pressure growing to change our tax status (United States Census Bureau, 2023).

- *What does the CEO identify as the two most significant opportunities and the two most significant challenges the credit union industry will be facing in the next three years?*

Lindsey cites our two most significant opportunities in the next three years as, "Getting the credit union movement's message out there as to what a credit union is and gaining the full relationship with our members" (Myhre, 2026). She states that credit unions only have ~9% of the total market share in the US, so there is a massive opportunity for most of the population to improve their financial lives by joining credit unions. This dovetails with gaining the full wallet because some members only use their credit union for a single service such as a low rate on a loan, but do not have their deposit relationships with that same credit union. For credit unions to thrive to best support their communities, they need both deposits and loans from their membership.

As for our industry's greatest threats according to Lindsey, they would be changes to how we are taxed and the rising costs of serving members in a world of increased cyber threats and technical disruption (Myhre, 2026).

- *Using information gathered in the above question (iv.), provide your perspectives on:*
- *The impacts each of the opportunities and challenges raised in the CEO's response will have on the credit union industry.*
- *How do you think your credit union should react to each of those opportunities and challenges?*
- *How do you think those opportunities and challenges could affect your current role and the work you personally do on a daily basis?*

From my perspective, I would agree that the "credit union difference" message is not well understood by the general public. I was in financial services for two decades outside of credit unions and did not really understand why a credit union was any different than a bank. I might have attributed that to just me missing the boat, however, I interviewed dozens of newly acquired members after STCU acquired Community Bank this past year. Not a single person was able to articulate why it was going to be better for them and their community under STCU than if a national bank acquired their former bank. Some even thought we were a trade union for teachers. There is hope though, because in those same conversations, when I explained the difference between a CU and a bank, all were at least willing to give us a chance to prove it. I am pleased to report that as of November 2025 we have retained 98% of the deposits we acquired (Swenseid, 2025). If we could collectively get a similar message out to the public more effectively, I am convinced that it would resonate well with the majority of our markets. I think the same is true when we are talking about gaining a greater share of wallet. If single-service members that have their primary relationship at a national bank were educated on the benefit to themselves and their community by having their full relationship with their local credit union, I believe a significant percentage of them would be willing to try it. Making progress on these fronts is important, I believe, because it can directly impact both threats that Lindsey mentioned. STCU is active in our credit union community by creating marketing messaging that supports the whole CU community and hopefully other CUs will choose to help reinforce with their own marketing efforts.

If we can collectively penetrate larger portions of the population and those members understand the importance of the credit unions serving their communities, they will likely be more vocal with their legislators when that force for good in their community comes under threat and that should help preserve the current taxation treatment of credit unions. That then has the virtuous circle of allowing us to direct more resources into supporting those communities! As for how we effectively deal with the rising costs of serving members with both cyber threats and technical disruption, I believe the answer to both of those is similar. As credit unions individually, we are small, but as a collective, we can act large. This means that if we work together and form smart CUSOs and support companies that are sympathetic to the movement, we can punch above our individual weights. Collaborating can help us solve our common problems efficiently together, while supporting our individual missions for our membership. Our individual small waves can become larger by aligning our direction and timing, just as ocean waves become larger when they align in space and time. In both cases, the energies become additive, thus increasing the amplitude.

All of this directly impacts my role today. As the head of all our product and service strategy, I am thinking not only about how I can align STCU's offerings to best support our members and our community, but I am also thinking about how I can help other CUs supporting our communities do the same. I have previously mentioned the Payments Day initiative I coordinated, and we have had successes in bringing together our fraud-fighting teams when a new scheme hit our market. These connections allowed us to collaborate and share knowledge to quickly shut down attacks on each of our credit unions and protect our members' money more effectively. It has allowed me to negotiate for donations into our local community from large international companies that we do business with!

II. Business Management

A. Organizational Structure

i. What is your current position at the credit union? Who do you report to, including that person's title and function? Briefly describe 3-5 of your major responsibilities.

As of September 2025, I was promoted to VP of Enterprise Product and Intel Solutions, reporting to Patricia Baughman, our Chief Development Officer. Patricia oversees all of Information Technology (IT), Product Management, Software Development, Project Management, Artificial Intelligence (AI), and Business Intelligence (BI). As STCU grows to better meet the needs of our communities, the Executive Leadership Team invested in building out a formal Product Management practice for our products, services, and digital channel offerings. This includes all the deposit products, lending products, cards, and payment products for all members. STCU also invested in building out our BI team and data systems. Those teams grew and matured over the years, and I was selected to lead the combined teams to help us evolve to meet the challenges with the next stages of our growth. I am responsible for ensuring we develop leaders to understand how to shape our products and services to deliver meaningful outcomes for our current and future membership. We identify the outcomes and needs, build, modify, and sometimes remove from our product offerings to help our members improve their financial lives in a way that allows us to also support our greater community. I also oversee our BI team (led by an amazing WCMS graduate, Roz Kitt) to successfully capture, transform, and make available the disparate data across the enterprise ecosystem to allow the leaders of departments and teams to measure, manage and improve on their ability to support our members. One way we do this is to ensure our BI analysts provide support for the business unit leaders to have usable dashboards and facilitate the extraction of key insights from their data. An example within my own teams is how we partner these BI analysts with our Product Managers to better understand how our members are utilizing our products and guide their future evolution. For STCU to do this efficiently, our product managers must not only develop the product features and functions, but also the key financials related to each product including how they contribute to our income or expenses and understand what the member giveback is for that product. I also oversee the digital manifestation of each of our products and services to make sure they meet the evolving needs of our membership via our payment, online, and mobile solutions, while also ensuring the future of those platforms are prepared to incorporate new capabilities such as Artificial Intelligence (AI) interfaces or real-time payments.

- *ii. Discuss the organizational structure of your credit union.*
- *iii. How does this structure influence the decision making within the credit union and its internal communications?*

STCU has a different organizational structure than I have experienced in the past which deflects and adds energy to my personal wave in ways I would not expect. Our Board appointed STCU's new CEO in July of 2025, so I would not be surprised to see the structure change even further by the time this paper is submitted. I am describing the structure as of December 1st, 2025. The divisions reporting into our CEO are: Marketing, Facilities, and Commercial Banking, headed by our Chief Marketing Officer (CMO), Marty Dickinson; Finance and Accounting, led by Senior Vice President (SVP) Angela Swenseid; Human Resources, led by SVP Tracy Ballard; Risk Management led by Chief Risk Officer, Brian Scott; Product and Technology Development headed by Chief Development Officer Patricia Baughman (who I report to); and Retail, Operations, and Growth headed by Chief Growth Officer, Brian Read.

In my career when I've had product management responsibilities, I almost always had a reporting relationship to the CMO, so not having that be a formal relationship at STCU introduces a small amount of interference in my wave by requiring a bit more energy to ensure that the product and product marketing functions remain well aligned. Fortunately, we all work well together and so it really does not cause negative interference between the solutions we create for our members and how it is communicated to existing and prospective members. Afterall, it does not matter if you build an amazing solution for members if they do not know it exists! This alignment comes about because, as I have previously discussed here, the alignment in our goals and vision is extremely well done at STCU. While the C-suite/Executive Committee (EC) are focused on the most strategic goals, our senior leadership team (LT) and VP level leadership all work together extensively to build well aligned plans and recommend overall prioritization to meet the strategic goals. The EC then locks in the final prioritization and would in theory break any logjams that were not resolved by the LT or VP levels. I am not aware that that has been necessary with any regularity. Communications are planned and executed very well with distinct levels of leadership being communicated with what the relevant messages are at that level and cascaded down in a planned way with appropriate context for each level defined. This takes much more effort than just deciding at the top of the house and telling the leaders to cascade it down, but it is extremely effective. Internal communications tend to also have multiple mediums such as print, video, and meetings available if it is important. The frequent and deliberate meetings between the various levels of leadership also keep internal communications effective as messages flow up and down readily.

Within our development division, we have aligned our project management and software development, but our traditional IT are not under the same leader as the software development team, which can be a source of some inefficiencies. We also do not yet have an enterprise architect role, which traditionally I would expect to see be in the combined IT/Software development area. This would allow the business strategies to then have the appropriate technical strategies married to them to better inform and prioritize our long-term technical investments. While IT and SoftDev are in the same division we have different SVP leaders over each, which as mentioned can lead to some inefficiencies overall. Some of this is likely due to the skills and strengths of the leaders that we have leading those different teams and developing our bench for the eventual retirement of some key leaders. STCU does succession planning well, as demonstrated by the unexpected removal of a CEO and then confirmation of the previously identified successor, Lindsey.

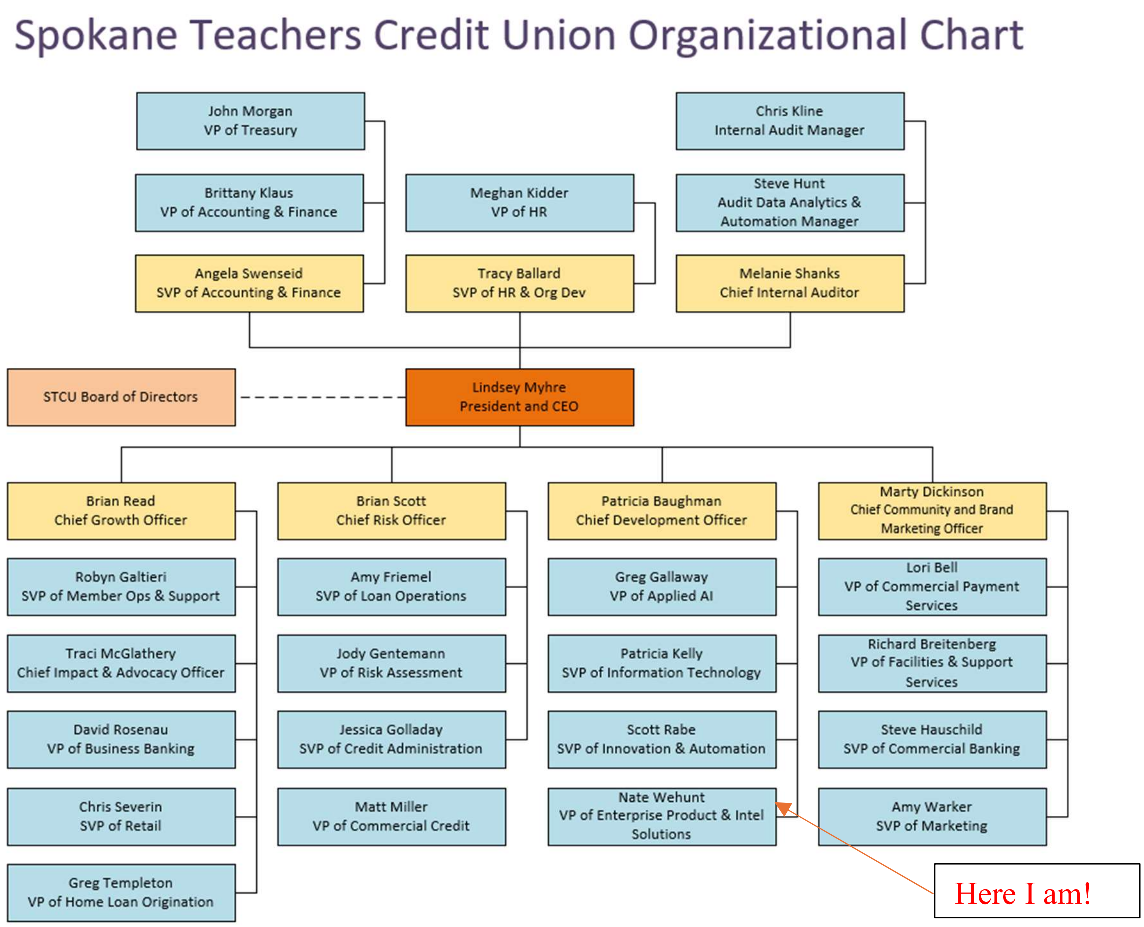
i. *Describe any changes you would suggest to the organizational structure and what you would seek to accomplish via those changes.*

ii. *Insert a single page organizational chart.*

There are some changes that I would look at that might help us scale effectively as we continue to grow. I would move the operation functions out of the Retail, Operations, and Growth area. I would move operations into the same organization as technology. I would then move into the Growth area the Business/Commercial Banking function. I would move the Product, BI, and digital channels areas into Marketing. This alignment would get all the operation type roles under one operational focused leader; all the management of member facing communications, products, services, data, and marketing roles under one area; and all the sales and service people management areas under one leader. Under that same combined Technology and Operations area, I would also look to combine the software development and IT functions under one leader and ensure there was an enterprise architect role.

These changes would align the physical and digital manifestations of the brand and voice by putting them under one leader, helping to ensure greater consistency. Having the sales organizations under one leadership would help to make sure that each member's complete needs were assessed and met, wherever the member is in their lives. The operational efficiencies gained by have all the non-member facing technology and operational functions under one roof would enable those teams to optimize and cross train effectively, with the sub-division alignment of software development and IT allowing more cross pollination and providing a natural home for the previously mentioned enterprise architect role, which I would also put in that group.

(Kariotis)



iii. *What was the last change your credit union made that altered the reporting structure, added or eliminated positions?*

iv. *When and why was it made, and what impacts did it have on the organization?*

v. *Graphs: There are no graphs required for the organizational structure section.*

I was recently promoted to VP of the Enterprise Product and Intel Solutions teams. At the same time, we also created a team focused on AI solutions under VP Greg Gallaway. Both of us report to Patricia Baughman, our Chief Development Officer. During this change, there was one departure from what is now my area of responsibility and at the same time some additional new roles were created to support the strategic focus of identifying, prioritizing, and effectively deploying AI across our credit union.

As of the writing of this section of my project, this was the most recent realignment of resources and happened, which was in September of 2025 and per Patrcia Baughman was the result of many months of strategic planning within the executive leadership team (Baughman, 2025). The goal was to better align our product and business intelligence teams and to create a dedicated team that can focus exclusively on the transformative changes that AI can and will have on our organization. We will monitor the impacts, both planned and unplanned, this realignment will have on the organization. The way STCU handles these changes is quite impressive as our career development plans for our employees are heavily factored into the selection process for who was leading each area of the new teams along with how those changes fit into our overall organizational design plans.

B. Strategic Planning

i. Does your credit union have a written strategic plan? Why or why not?

ii. If so, who is involved in developing that plan, what is the process for doing so and how frequently is it done?

Yes, STCU has a written strategic plan that is revisited annually to adjust, if necessary, although it hasn't needed to be adjusted at its highest level in many years (Myhre, 2026). The executive committee will consult with the SVPs to review the plan itself and the underlying strategic initiatives for the plan annually to ensure it is still accurate. They will then adjust either the plan, which has not changed in more than ten years, or the supporting initiatives, with the most recent change being the AI focus, including organizational design changes, in 2025. This process allows us to correct our course for the organization and ensure that we have accounted for environmental items that may affect STCU, our membership, or our communities we serve.

To do all of this, annually the VPs all participate in teams developing our Environmental Risk Scans which look more broadly across the external landscape to identify items that may impact our key Strategic Risk categories of: Budget and Resourcing; Economic Environment; Geopolitical Environment; Technical Environment, AI, and Technical Debt; Fraud/Theft/Crime; Cyber Threats, Data Privacy, and Security (Gentemann, 2025). The VPs then present these findings to our Strategic Committee, which consists of every VP leader and above for open discussion. This annual process allows our executive committee to determine if the strategic plan is still appropriate and whether we are properly prioritizing efforts to address longer-term risks identified during the scans.

iii. How does the execution of the strategic plan impact the operations of the credit union and its employees?

In most years when our strategic initiatives do not change, it is a process of identifying the projects that will support the existing initiatives and prioritizing them to ensure that all the resources at STCU are clear and aligned against those initiatives. Prioritization is a collaborative effort that not only identifies what we are doing, but more importantly what we are choosing to not do. In years like this past one, the execution can involve aligning the people to the strategy, such as the creation of the AI team.

iv. How does your credit union gauge its plan's success?

We try to ensure our plan's success by aligning every significant investment and project to our defined strategic initiatives. The strategic initiatives support our broader goals of deposit, loan, and net income growth. We track a scorecard against each of the strategic initiatives and course correct if anything is getting off track. Each initiative has a set of metrics assigned to them to be able to gauge whether we were successful in moving the needle for that set of goals. For example, I co-sponsor one of our strategic initiatives called Digital Acceleration. This initiative has projects aligned under it that drive originations, payments, and self-service that will directly impact how easily our members can do business with us and how we can be more cost efficient in meeting their needs.

v. Are the employees affected in any way by the results achieved relative to the plan?

vi. What are your perspectives on the importance and effectiveness of strategic planning for credit unions given the rapidly changing environment in the financial services sector?

Quite simply, yes. The goals align to Deposits, Loans, and/or Net Income. Each employee's bonus plan pays out based on how we do in achieving the goal for each of those three metrics. Every six months, the goals in those areas are assessed and set by the executive management and board. Every employee has access with a single click from our intranet to our dashboard that shows our progress towards each of those goals during each six-month cycle. There is never any mystery as to why we might shift resources to align to a goal where we might not be on target for.

Being in a strategic planning role, I am biased, but I believe the importance and effectiveness of strategic planning for credit unions is critical for long term success. I have also had a front row seat for almost the entire digital transformation of financial services and every few years there appears to be something new and disruptive. If you overreact to those things without adhering to your long-term strategic plan, you risk not just achieving the goals for your plan, but your entire institution. If you are deliberate and revisit your strategic plan regularly to make sure it is accurate and that you adjust your initiatives to account for observable shifts happening, you can typically adjust your resources to account for changes and remain on target with your overall mission. There are numerous examples of predicted major disruptions that ended up being much smaller or slower than anticipated, such as Y2K, the disappearance of cash and checks, the replacement of fiat currency with cryptocurrency, and the replacement of traditional financial institutions with tech firms. All of these required some investment in resources to study the issue and more if STCU needed to implement something in reaction it. A couple of obvious ones that bear watching today are Open Banking and Stablecoins. If we remain vigilant and refresh our understanding of the impacts of them, we can take action at the appropriate time without squandering our members' money on the early fads that inevitably drive so much noise and consultant fervor.

Graphs: There are no graphs required for the strategic planning section.

C. Charter, Bylaws & Policies

i. Describe the purpose and general content of your credit union's charter.

ii. Describe the purpose of your credit union's bylaws.

iii. Who is responsible for keeping your credit union's bylaws current and what role does the regulator play in that process?

STCU's charter is to establish our credit union as an approved financial institution in the counties where we want to serve members (Myhre, 2026). As previously mentioned, our original charter was a Select Employee Group charter (SEG) to serve the employees of Spokane's District 81 school district. In 1997 we transitioned to a community-based charter to better serve the greater community (Spitzer, 2015). Our charter outlines the characteristics of our credit union, including our purpose, Field of Membership (FoM) and how we can serve them (e.g., taking deposits and making loans). It also provides a high-level governance structure and shows that we are chartered under the Washington State Department of Financial Institutions (DFI) (Washington State Department of Financial Institutions, 2025).

STCU's Bylaws dive deeper and flesh out the charter to confirm we are organized under the Washington State Credit Union Act as a "nonprofit corporation, for the purpose of promoting thrift among its members and creating a source of credit for them at fair and reasonable rates of interest" (STCU, 2025). It goes on to outline eligibility requirements, member rights, and responsibilities for our members. It also calls out the governance structure, annual and special meeting rules as well as Board of Director and Audit Committee election procedures, criteria, and rules around them. Lastly, it discusses some legal matters such as the availability of the Bylaws to members, limitations of liability, indemnification requirements, compensation of board and committee members, and expense reimbursements.

Our Board Governance subcommittee is charged with keeping the credit union's bylaws current and recommending changes to the Board of Directors and Audit Committee (Shanks, Chief Internal Auditor, 2026). We also have compliance resources that will alert us if the Revised Code of Washington (RCWs) are updated. Regulators play a part when we resource them for consultation or when we update our Field of Membership. We must have formal approval prior to modifying our Field of Membership attached to the bylaws from the regulators. The regulators also request copies of our bylaws during all annual examinations.

i. *How many Board approved policies (not procedures or guidelines) does your credit union have?*

ii. *What was the most recent new policy implemented?*

    a) *When did that occur?*

    b) *Why was it established and what was the process for creating it?*

    c) *How does the credit union ensure that policies remain current and relevant?*

iii. <u>*Graphs: There are no graphs required for the Charter, Bylaws and Policies section.*</u>

STCU has 108 Board approved policies, with the most recent one being our Identity and Access Management (IAM) policy, approved in October of 2025 (Hopkins, 2026). This policy establishes a clear framework for governing identity and access management (IAM) across STCU, ensuring that only authorized individuals have appropriate access to systems, data, and resources (STCU, 2025). This policy directly addresses the protection of member information, regulatory compliance, operational resilience, and STCU's overall risk posture. Strong IAM governance helps reduce the likelihood of security breaches and insider threats. Policies are created by the Content Providers, which includes at least one leadership team member. Once complete, the policy, and information on why the policy was created, are sent to at least one committee for review and approval (Hopkins, 2026). The committee(s) that approve are determined by the subject of the policy. Some will need to be approved by Assets and Liability Committee (ALCO) and/or our Management Loan Committee (MLC) prior to a Board committee. Once the board committee approves, the policy then goes the Board for review and approval. Once it is approved by the Board, it can become effective.

We ensure our policies remain current and relevant by ensuring Content Providers for each policy review them on an annual basis and determine if any updates are needed (Hopkins, 2026). If updates are needed, they are taken through the approval process above. If a new policy is needed, such as the IAM policy above, it then goes through that creation and approval process.

D. Deposits

i. Provide a brief description (including general terms, minimum balances, transaction limitations, unusual benefits or nuances, etc.) of each of the top three deposit products that your credit union offers as defined by total balances.

a) Include only specific, distinct products, not broad categories like those listed on the call report.

b) *What features do these deposit products have that make them attractive to members?*

In terms of total balances, our top three deposit products are our Standard Checking (aka Free Checking), our First5 Savings Account, and our Member Preferred Money Market account (STCU, 2025).

Our Standard Checking account has no minimum deposit, no minimum balance, no monthly service fees, no per transaction fees, and no minimum required transactions. It is simple for members to understand and is thus very appealing. While it does not pay any interest on balances within it, it is a great entry level account, especially when paired with our next account on the list, First5 Savings (STCU, 2025).

First5 Savings is a simple product for our members to understand. It has no minimum deposit, no minimum balance, no monthly service fee, so it is a traditional savings account with a twist. It pays 5% (5.1% APY) on the first $500 in the account (STCU, 2025). This makes it a great entry level savings product that really rewards the member to get started on building a savings account. The account is not as liquid as the Standard Checking account as it does not allow more than six pre-authorized, automatic, or telephone transfers from these accounts to another account or to a third party in any calendar month. If the member exceeds these limitations, they are assessed a fee, so they are encouraged to use their checking account as their transactional account and this product for their early savings account. Because of the extremely high interest offered to members on their first $500 in balance, they are limited to just one of these accounts. However, for members that are further on their savings journey, we have the next product on our list, the Member Preferred Money Market Account (MPMMA).

The MPMMA is another type of savings product for our members that rewards them with higher interest rates at higher balances (STCU, 2025). Like the previously mentioned two products, MPMMA has no monthly fee, no minimum deposit, and no minimum balance. The rates paid are generally higher than in our basic savings account and lower than our CD rates. MPMMA is priced under CD tiers because this product allows the member to retain more liquidity than a CD product. Members can order and write checks with these accounts, but like the First5 Savings product it has transaction limits. It does not allow more than six checks, pre-authorized, automatic, or telephone transfers from these accounts to another account or to a third party in any calendar month. If the member exceeds these limitations, it will result in a fee, so members are encouraged to use their checking account as their transactional account and this product for their liquid savings account needs.

ii. *Provide a brief description of each of the three least useful deposit products your credit union offers.*
    a) *Include only specific, distinct products, not broad categories like those listed on the call report.*
    b) *"Least useful" may be defined any way you choose, but provide your definition and show the connection between that definition and each of the three products you selected.*
    c) *It is acceptable to include one or more of the credit union's top three products in this grouping as well.*
    d) *Discuss why your credit union continues to offer each of those products.*
    e) *Provide your opinion on whether each of them should be enhanced (describe the enhancements that should be made) or eliminated.*

Asking for the three least useful deposit products at STCU is an interesting question for someone like me who has the deposit strategy as part of their role. So, focusing on the criteria here is critical as each of these products do have niches they are filling for our member base that keep them around. We will focus on products that are not a good fit for most of our consumer membership in the communities we serve. By useful, I am defining that as a good fit for setting up a good financial foundation for paying your bills and saving up enough for an emergency or short-term savings goal need (e.g., summer trip).

The first product to call out as being poorly suited for this scenario is our Standard Savings account. This product is just like our First5 savings product but does not offer the high 5% interest rate on the first $500 of savings. However, we must have this product so that members cannot game the system by opening multiple First5 savings accounts and putting $500 in each. Most members do not need or want to manage their money by setting up multiple savings accounts, so would not run into the issue of the limitation of only being allowed one First5 savings account per member. Those members that do want to have multiple savings accounts would frequently be better served with a First5 account and use our Member Preferred Money Market for any additional savings account needs; however, they do not always elect for that package of accounts. We keep regular savings around because some members insist on having separate special purpose savings accounts for specific near-term goals and do not want to comingle their savings account funds. While we do not charge them for these extra accounts, they choose to 'pay' for higher costs of having them by earning a lower overall savings rate than they could with a more consolidated account strategy. At some point, I would love to be able to build out a cost-efficient virtual method for members that like to organize their accounts this way so they can gain optimized interest and still have their 'separate' accounts.

Our next candidate for least useful deposit product is just as controversial for some members. It is our Dividend Checking account. This account stays around largely because some members insist on having a checking account that pays a dividend with a fee waiver if they keep above a certain balance. Depending on the situation, they may be better served going with a free checking plus optimized savings strategy or, if they are willing to meet the requirements, by adopting our Relationship Rewards Checking (RRC) product. RRC pays a better dividend on the checking balance so long as the member has direct deposit, uses their debit or card, and has online statements. Even if they choose not to meet those requirements, they may still be better off with a free checking plus our First5 and/or Member Preferred Money Market (MPMMA) combination if they have larger balances. So why does this product continue to exist the reader might be asking, well the demographic that tends to prefer this account is older and less willing to adopt the RRC product due to the debit/credit card and online statement requirements and also unwilling to have an overall better return on their total deposits adopting a multi-account Free Checking plus First5/MPMMA strategy. Another reason this product does not get retired is that it is common at traditional banks and allows us to offer a familiar product like our bank competitors but with more favorable terms for the members. Sometimes this like-for-like but better approach is just what we need to get them to try out the credit union by providing a more directly comparable product to what they are used to at their bank. Afterall, we can always help them optimize more later as they build the relationship with us. The improvement I would like to make here is to find some way to make it easier for our members to understand a better way to optimize their overall product usage and graduate from this product to a more optimized solution set.

The last candidate for least useful product is our Jumbo 1-to-3-month Certificate (CD) product. This is a very short-term CD product that allows a member to lock in an interest rate during that term. While this product is not actively marketed, it remains available for our members. It has a high minimum deposit ($98,000) and is not priced as high as our longer term CDs or MPMMA but is above the other savings products. It does allow a member to 'lock away' a significant amount of money for a short duration at a guaranteed return. The usefulness of this product really depends on the member's specific needs matching the parameters of this product during certain rate environments. It is our shortest-term CD product. It can also fill a need at the credit union if we were to need to increase our deposits quickly, we could offer an extremely attractive rate for a short-term and quickly raise deposits. I do not think I would change it much, but it is a very niche product built for a specific purpose.

iii. Determine one new deposit product you would like to offer at your credit union.

a) Explain why you chose it, how it would work, how it would benefit the credit union and how it would benefit the membership.

One new deposit product I would like to offer at the credit union is a variation on the existing Relationship Rewards Checking product. I would like to find a way to encourage members to gain the advantages of a fuller relationship more easily with the credit union without all the complexity of switching through different deposit products. Perhaps an overly simplistic example, but if as an active free checking member, you got your auto or home lending needs met by STCU, you would automatically get your active free checking account upgraded to a fee waived RRC product. This allows you to get back some of the interest you are paying on your new loan as a member give-back. This would benefit STCU by building more fully active member relationships because it could encourage single service members to become full-service members and would benefit members that are already fully active by rewarding them for being loyal members. Members that are fully engaged would be rewarded by having the most optimized relationships with us with less effort on their part. As the head of product, I should point out that revising this product is on our roadmap to explore already, but that it would take research to determine if this new version would be of enough benefit to members to make the change.

iv. *<u>Graphs: This section requires inclusion AND **comprehensive written analysis of the following graphs:**</u>*

a) *Historical Share Composition ($)*

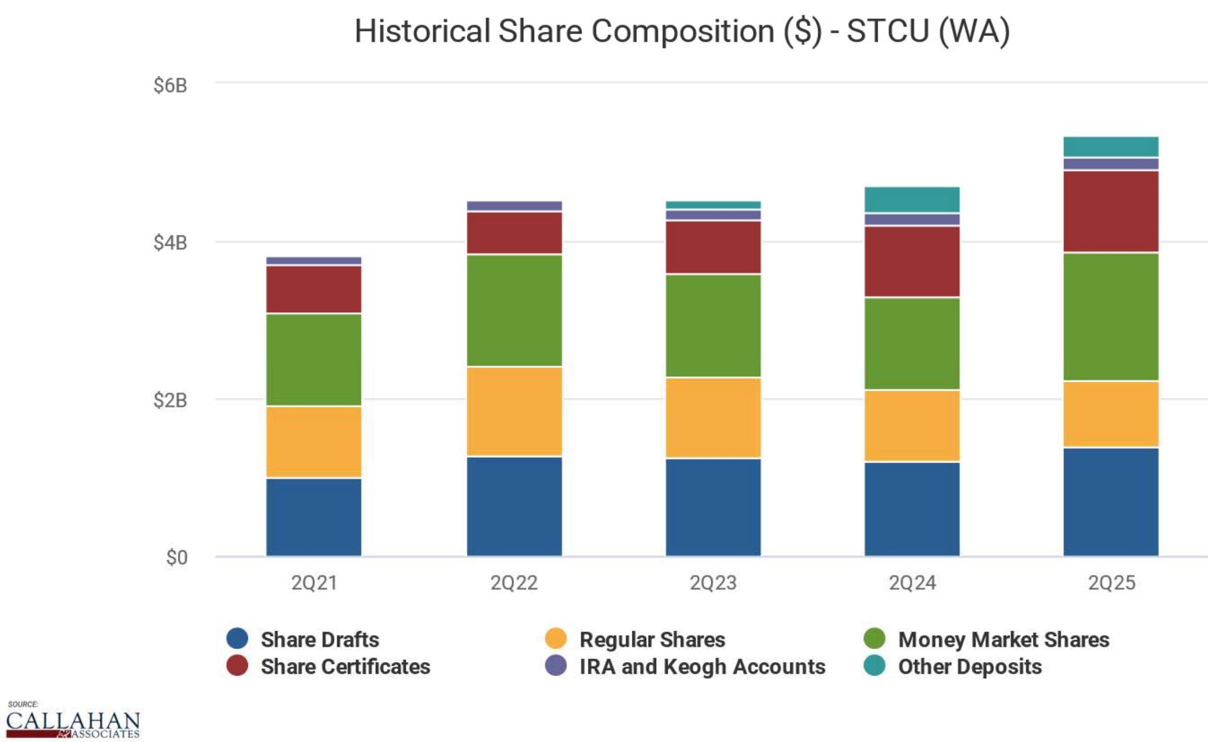
b) *Historical Share Composition (%)*

c) *Share Composition Comparison (%)*

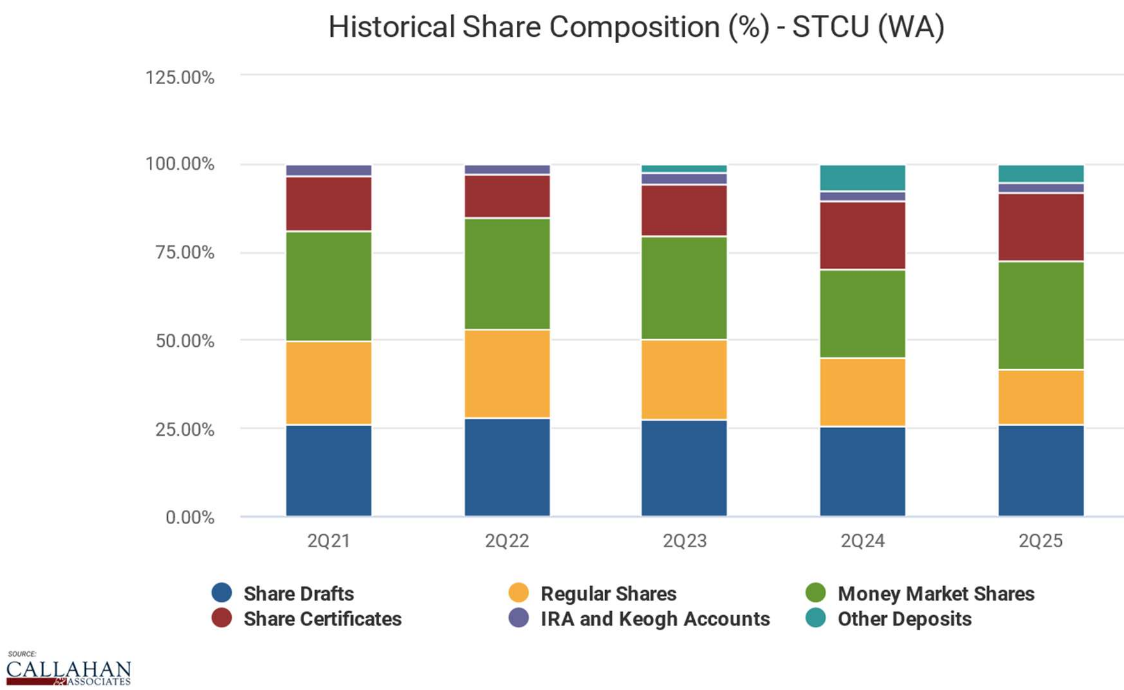
d) *Share Penetration & Average Balances Summary*

e) *Cost of Funds*

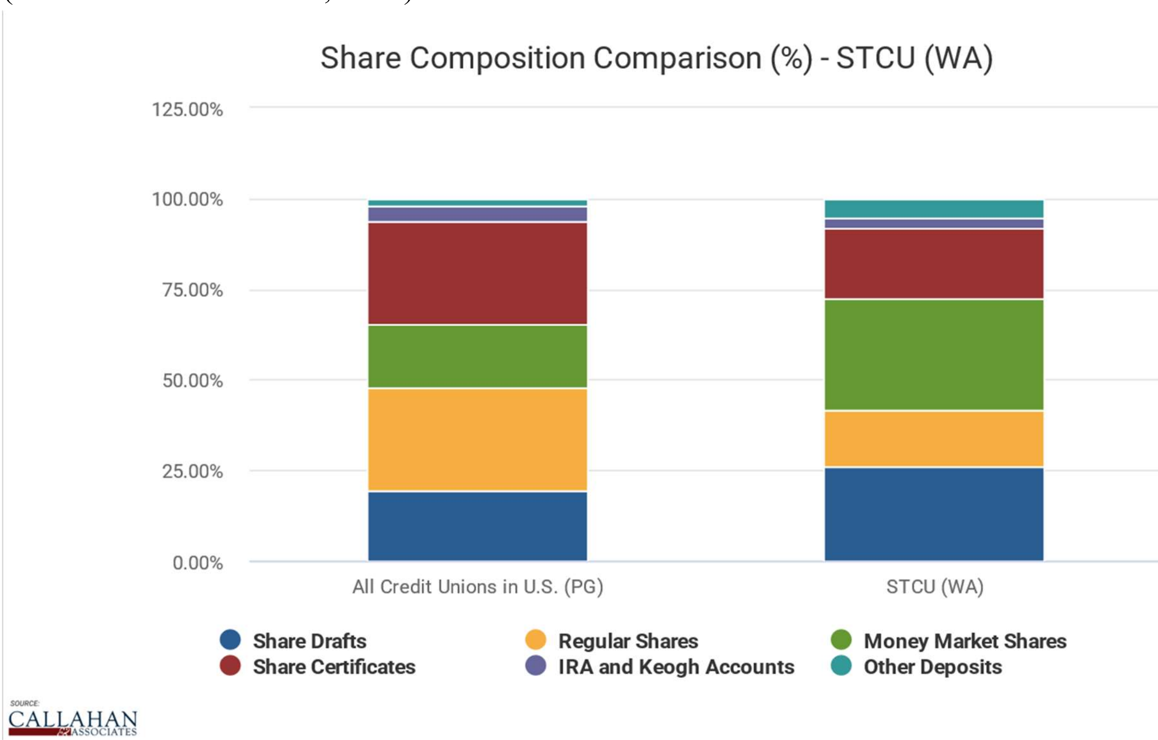
(Callahan and Associates, 2025)



(Callahan and Associates, 2025)



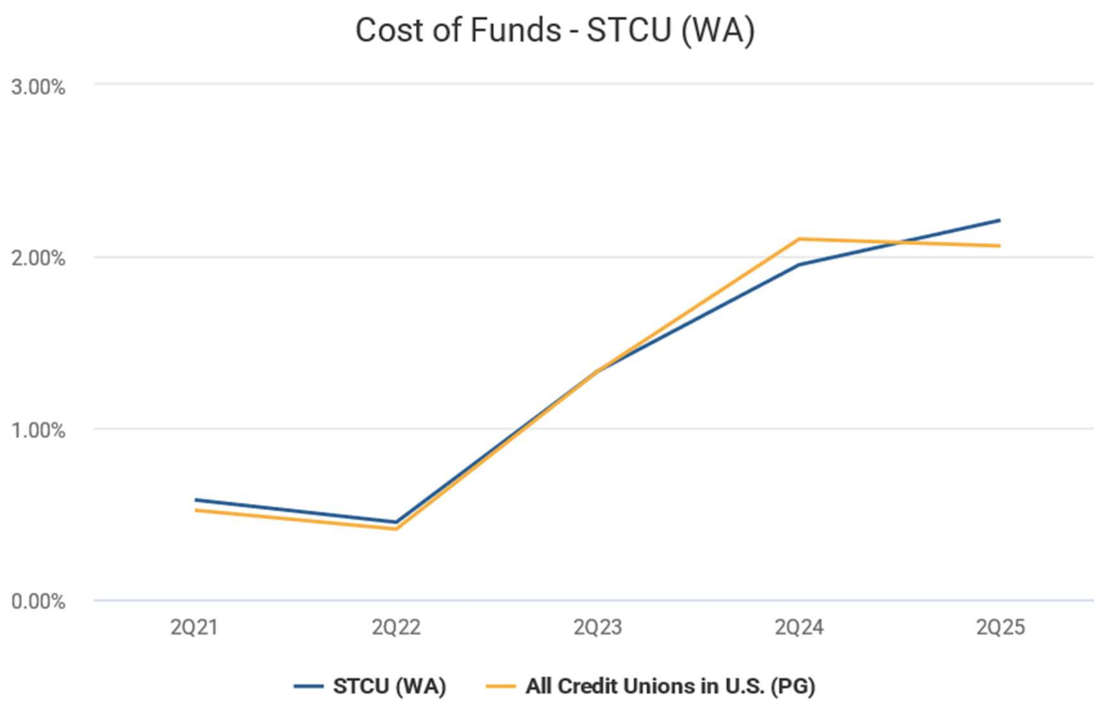
(Callahan and Associates, 2025)



(Callahan and Associates, 2025)

Share Penetration & Average Balances Summary - STCU (WA) - STCU (WA)					
Formula	Jun-2021	Jun-2022	Jun-2023	Jun-2024	Jun-2025
Penetration					
Share Draft Penetration	70.45%	72.08%	72.61%	72.67%	73.08%
Regular Share Penetration	68.81%	67.58%	65.43%	63.87%	60.75%
Money Market Share Penetration	10.59%	10.20%	9.78%	9.38%	11.03%
Share Certificate Penetration	5.62%	4.39%	4.92%	6.64%	7.26%
IRA/KEOGH Penetration	2.23%	2.03%	1.94%	1.91%	2.13%
Average Balance					
Average Share Draft Balance	$6,132	$6,745	$6,276	$5,830	$6,225
Average Regular Share Balance	$5,778	$6,548	$5,842	$5,101	$4,530
Average Money Market Share Balance	$49,362	$53,944	$49,569	$44,503	$48,743
Average Share Certificate Balance	$46,352	$48,389	$50,667	$49,193	$46,880
Average IRA/KEOGH Balance	$25,990	$26,305	$25,994	$26,421	$25,066

(Callahan and Associates, 2025)



In analyzing the historic financials for STCU, it is imperative that we first discuss one key way that STCU differs from most other credit unions. The average Loan to Share ratio (which is simply the $ Loans / $ Deposits) across all credit unions is ~70% (Callahan, 2025). STCU strategically chooses to operate with a Loan to Share ratio of over 100% and does so in most years. In fact, we've done so in seven of the past ten years, which includes the extremely unusual years in the post-COVID world of our five-year analysis window from Q2 2021 to Q2 2025 (Myhre, 2026). The other important context to share during the analysis window is that at the beginning of our analysis period we have a community population that has received substantial amounts of funds sent their way by the March 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act (116th Congress, 2020) and the American Rescue Plan Act (ARPA) of March 2021 (117th Congress, 2021). In addition, supply chains were still disrupted, both of which had upwards pressure on inflation (Federal Reserve Bank of St. Louis, 2022). So, our backdrop is you have high inflation, low supply of items to purchase, and members with lots of money, but no supply to spend it on and a lot of economic uncertainty with wild swings in the consumer confidence index (Liu, 2026). The result of this was members were storing it in their financial institutions, like STCU. In fact, our deposits grew by over 18.2% from Q2 2021 to Q2 2022 (Callahan & Associates, 2025). However, with low rates, much of this money was placed in checking and regular savings accounts. In fact, those categories grew by over 27.5% and 26.1% respectively in that first year of our analysis while non-liquid savings in Certificates (CDs) decreased by 7.5%.

To try to cool down inflation, the Fed rapidly increased the target rate, starting in 2022. That year they increased the target rate by over 400bps and another 100bps in 2023 (Federal Reserve Bank of St. Louis, 2026). This makes it more attractive for people to save and so we saw deposits shift from checking and savings into longer term CDs. While our checking, savings, and money market accounts saw slight declines in 2023 and 2024, our CDs saw significant growth of 22.9% and 35.9% in those two years. You will also note that during analysis period our Other Deposits grew significantly. This ties back to where we began this analysis of STCU's desire to have a high loan-to-share ratio. As you will see in the next section, our loan growth was significant and that meant we needed to have even more deposits, so we borrowed those deposits, increasing our "other deposits" from ~$5M in 2021 to over $353M by 2024. These borrowings can cost more than traditional deposits, increasing our cost of funds. STCU's liquid deposits were leaving our normal savings and money market products, but not all of them were going into our CDs. Some members did not want to lock up their savings in a CD, so were shifting funds out of STCU to liquid deposit accounts at other financial institutions. This showed us a member demand for liquid higher yielding savings. This was the moment when I joined STCU in April of 2024 to oversee our consumer products. By July I helped design and launch the previously mentioned Member Preferred Money Market Account (MPMMA), a high yield money market product to meet this member demand and we immediately saw our members and new members flock to this product. We saw a complete reversal in the out of STCU flow of deposits from our liquid deposits and now I am proud to report that MPMMA is now not just a horrendous acronym, but also one of our top three deposit products by balance, as we discussed earlier.

During our analysis period, our Regular Shares (aka savings) are the only category with a significant decrease in our share composition, but that is offset by the increase in Money Market deposits, with combined net growth over the analysis period of 17.62%. As our organic deposit growth accelerated, it allowed us to reduce our borrowed deposits at the end of our analysis period from $353M down to $279M.

As STCU increased our borrowed deposits the Cost of Funds (COF) increased rapidly from Q2 2022. You see the slope of that increase begin to decrease as we increased our liquid deposit rates for members, bringing in more deposits from members and allowing us to decrease our borrowed deposits. This allows us to pay our members more for their deposits and reduce the borrowed deposits while still maintaining our high Loan to Share ratio. This effect is the result of borrowed deposits typically being more expensive than member deposits. Carefully monitoring the terms of borrowed deposits and moving in and out of them effectively has been a key method that STCU has used to manage our cost of funds effectively while consistently maintaining a Loan to Share over 100% (Swenseid, 2025).

E. Lending

i. How does your credit union determine the level of risk it is willing to take in its various major lending categories (e.g. consumer, credit card, mortgage, business).

a) How are adjustments made to those risk levels, what is the process for making them, and who is involved in those decisions?

At STCU, our major lending categories include Consumer Lending (CL), Credit Cards (CC), Real Estate Loans (REL), and Business or Commercial Loans (BL). Our Chief Risk Officer, Brian Scott, articulated setting and managing our risk level within each category as the following (Scott, 2025). Because we keep all our CL and CC loans on our books, for those products he collaborates with our executive team and board to determine what percentage of our balance sheet we want them to have. We then establish at ALCO the A+ credit tier rates for the products and then MLC will set the rate premium for each of the lower credit tiers based on our delinquency and charge off rates and desired net yield. We then monitor and run analysis ongoing to ensure that we have the right mix of credit tiers and that our net yield is staying within the target parameters.

For REL, which is mortgages, we keep about 50% of the loans we make in our portfolio, and we sell about 50% of them in the secondary market (Scott, 2025). For those that go into the secondary market, they must meet specific criteria and that is the same for any lender selling to the secondary market. STCU does not feel like we could adequately serve our communities by sticking only to those loans that are sellable on the secondary market however, so like CL, we set a risk tolerance for mortgages that we keep on our books. This allows us to take more factors into account when lending to a member. Just like with CL, we determine what percentage of our balance sheet we want to have include REL. For the loans we put in our portfolio, we manage the pricing via ALCO and MLC and monitor the portfolio for charge-offs and delinquencies in the different credit tiers. If we need to make adjustments to stay within our risk tolerance or our net yield, we will see the changes by credit tier and adjust accordingly to keep within the overall guidelines to maintain the net yield.

For Business and Commercial Loans (BL), it is more variable due to the economic cycles that impact various parts of our business membership. So, we monitor not just for the different premiums we need to apply to rates based on the risk of the borrower, but also what is our concentration of exposure for that type of asset that is securing the loan (Scott, 2025). For instance, if we recently made significant loans for multifamily homes, that might fill up our desired exposure in that multifamily category until those projects get to a high rate of occupancy. But just because we want to pause lending in multifamily, that would not stop us from lending to a winery for a major project if our overall BL balances were still within our desired risk appetite. These larger commercial loans are each reviewed individually with MLC and would typically be over $1M in size. For less complex business loans, those follow what would be deemed more standardized small business lending parameters. Those guidelines are set by MLC and most of those loans tend to be about $100k in size but can reach up to $500k before they need to be more closely reviewed by MLC.

i. *How effective are your lending channels in rendering credit decisions and funding loans at the pace desired by your credit union and the members?*
    a) *Be sure to cover all the major lending categories noted in the question above*

Our lending effectiveness varies based on the type of loan. In our CL and CC categories, we are highly effective and can render decisions in many cases within seconds or minutes (Scott, 2025). STCU made many of these decisions more effective a couple of years ago when we implemented more real-time and AI based approval workflows. This is especially true in some sub-classes of CL such as auto lending, which has helped STCU obtain the largest share of our home market of any lender. We became effective in these categories because we invested considerable time and effort driven in large part by leveraging our Continuous Improvement (CI) methodologies for years. We are not done though, because we continue to test and learn new ways to improve our efficiency and apply the lessons learned both within and outside the CL and CC categories. In some cases, we can apply learnings that have reduced our cycle time to additional areas, and we will do so as we move forward on our CI path.

In our REL category, we have made some significant improvements in 2025. In fact, we recently reduced our approval time by four days to an average of 28 days from application to funding (Wilhelm, 2026). We offer a wide range of products and as previously discussed, we keep about 50% of our REL products in our portfolio, which allows us to offer a wider range of solutions to our members with more flexibility than those financial services companies that sell all their mortgages in the secondary market. As an example, we can look at a long-standing member that may not fit the secondary market criteria for Loan to Value (LTV) and offer them a mortgage if other factors make us believe the loan best fits the member's needs. By evaluating the relationship and not just the numbers on the page, we can and have helped numerous members achieve the dream of home ownership (Scott, 2025).

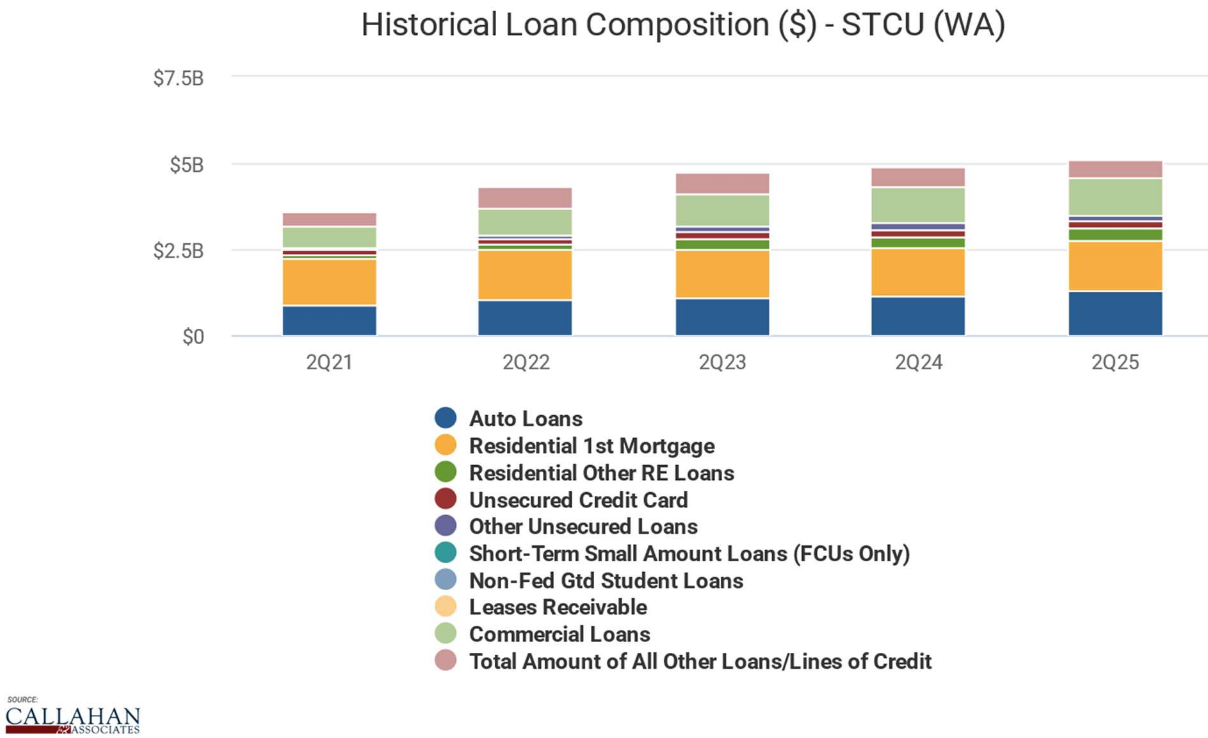
ii. *What is the most recent new loan product your credit union has introduced, and when did that happen? (This must be an entirely new product, not an adjustment to features of an existing one.)*
    a) *How was it conceived, designed and brought to market at your credit union?*
    b) *What factors influence the structure and features of such new loan products?*

Our most recent lending product was launched in October of 2025. We created it rapidly to assist members that were being negatively impacted by the extended government shutdown that started October 1st and extended to November 12th of 2025 (US Bureau of Labor and Statistics, 2025). This loan was conceived, designed, and brought to market by a cross-functional team led by my Consumer and Home Lending product manager, Brandon Wilhelm. Our goal was simple, provide members with relief if they were impacted by the shutdown. This led to us offering a loan that was intended to be a short-term bridge until their government pay started flowing again, so we gave it a 0% rate and no payments due for 90 days as the initial term. If the member chose not to pay it back right away when they received their guaranteed backpay (116th Congress, 2019), it would then convert to a standard personal loan with a 24-month term. The previously mentioned heart of the member was the driving force behind building out this new loan product. We wanted a product that was a pure give back to help the member through a situation that was no fault of theirs and considering the end of year holidays period when this shutdown happened, we wanted to be sure to give them enough time to get safely through that time period and take one worry off of their list. It should be noted that with the recent increase in observed frequency of government shutdowns, I requested that the team build this product in a way that we could quickly re-enable it when the next government shutdown happens yet report and track each tranche separately. As of early March 2026, I am both pleased and saddened to add that this foresight was effective as we re-enabled it to support members during the partial government shutdown currently happening. One colleague who was able to offer this solution just sent the team a thank you noting that their member broke down in tears of gratitude for this loan being available. She was not sure how she was going to be able to cover the gap and feed her children. This is what heart of the member is all about!

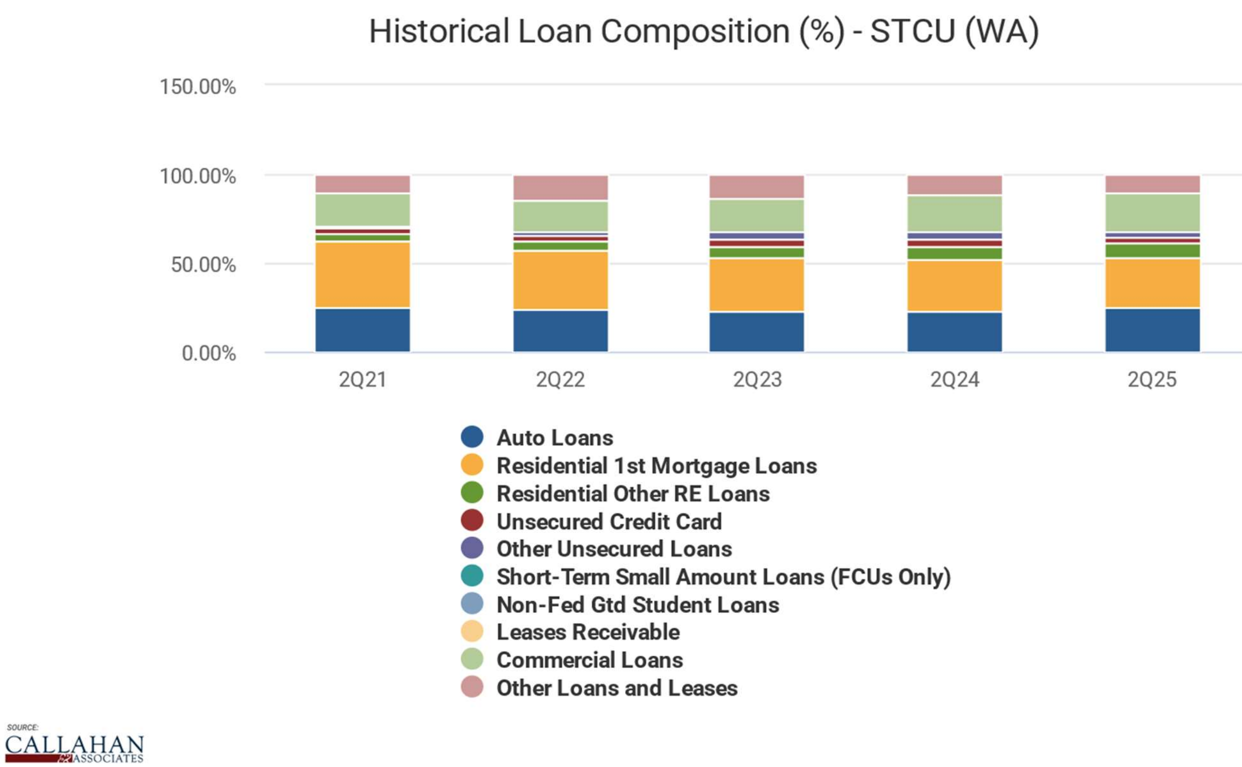
Graphs: This section requires inclusion AND ***comprehensive written analysis of the following graphs***

- *c) Historical Loan Composition ($)*
- *d) Historical Loan Composition (%)*
- *e) Loan Composition Comparison (%)*
- *f) Comparison Loan Growth*
- *g) Yield on Loans*

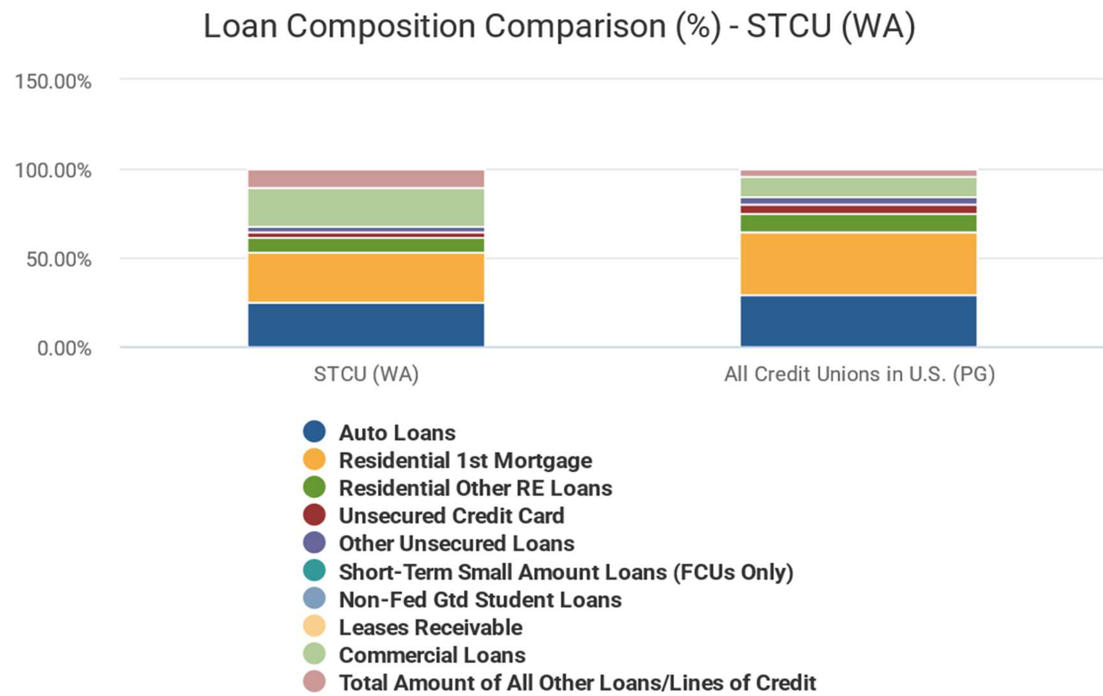
(Callahan and Associates, 2025)



(Callahan and Associates, 2025)

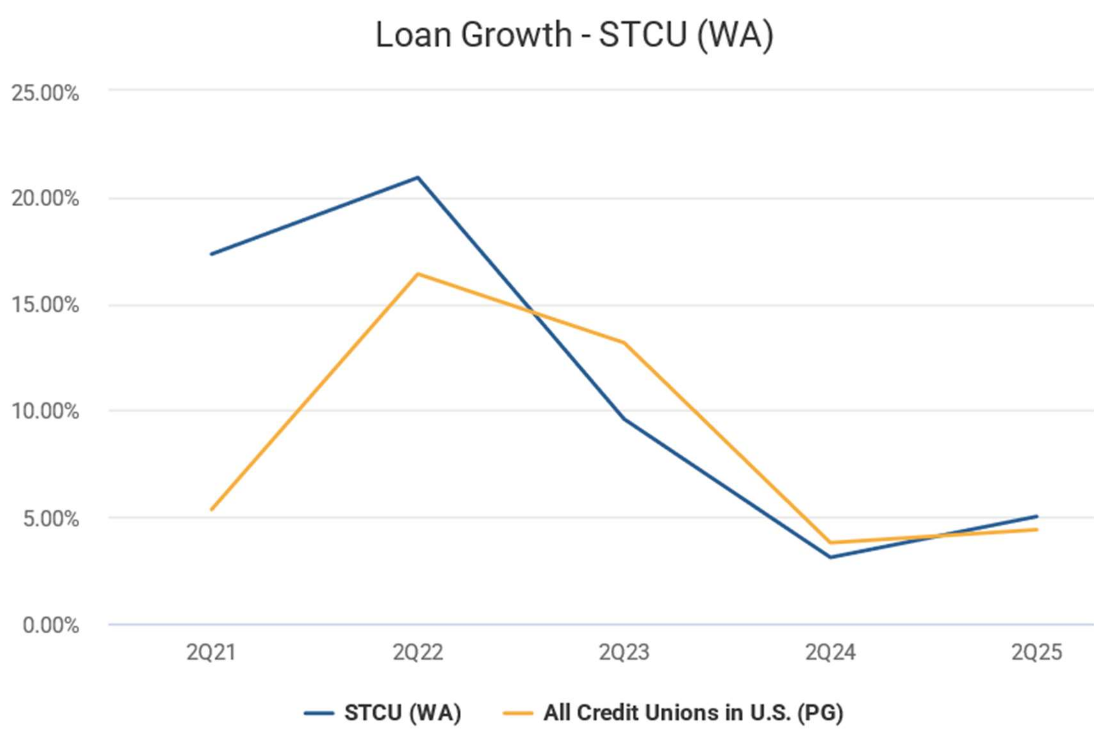


(Callahan and Associates, 2025)



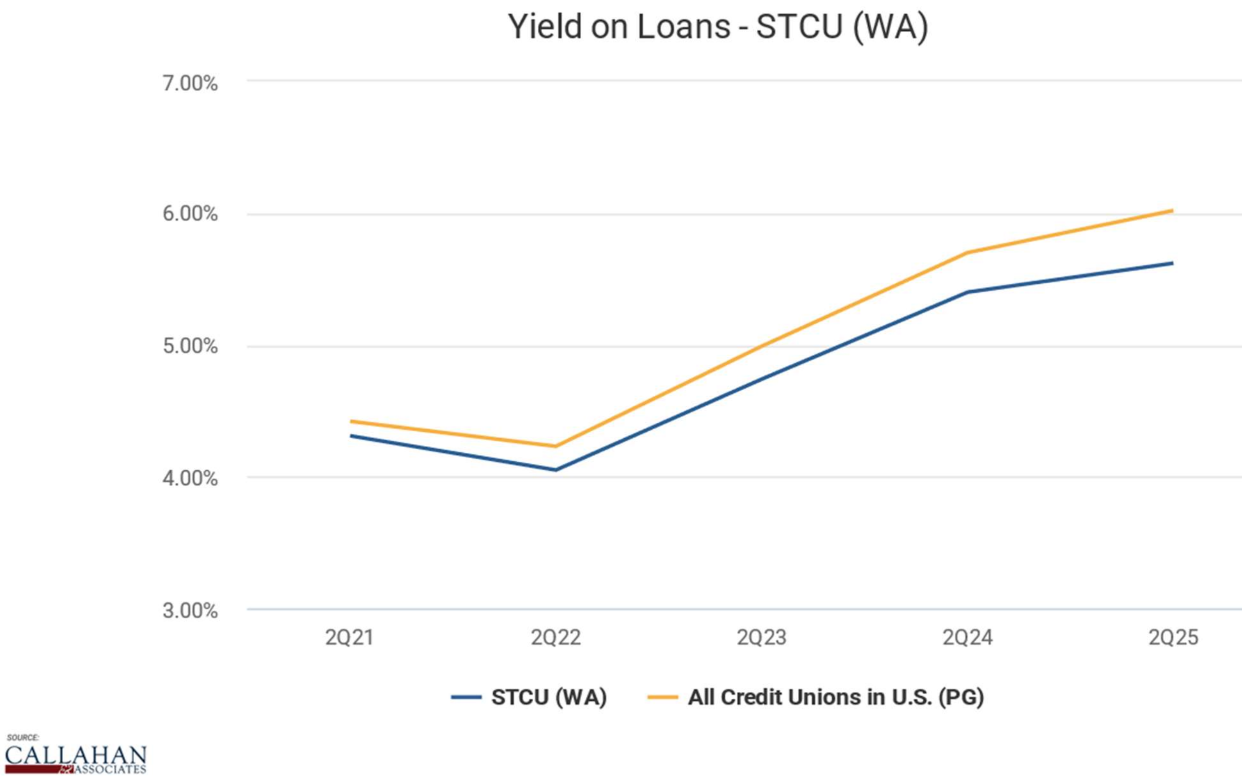
SOURCE: CALLAHAN & ASSOCIATES

(Callahan and Associates, 2025)



SOURCE: CALLAHAN & ASSOCIATES

(Callahan and Associates, 2025)



As previously mentioned in the Deposits analysis section, STCU strives for a greater than 100% Loan to Share ratio and has successfully achieved that in seven of the past ten years (Myhre, 2026). We believe that one of the greatest heart of the member give backs we can help our communities with is providing very affordable loans as members go about setting themselves up for long-term financial success. In the comparison of STCU loan data versus All Credit Unions you will notice that the portion of STCU's portfolio we use for business and commercial loans (BL) is significantly greater than the comparison group. For STCU this category grew from 18.04% of our loan portfolio at the beginning of our analysis period to 21.62% by the end of Q2 2025 (Callahan and Associates, 2025). By comparison, across all CUs in the analysis set, BL accounts for only 10.99% of their portfolios. While STCU's BL share of total portfolio increased by only 3.58%, the balance of that BL portfolio grew by $463.5M, a remarkable increase of 72% over the five years and was our largest lending portfolio growth area across our analysis timeline. We will discuss in the Marketing analysis section a negative seeming impact on the *number* of loans as a natural consequence from this shift to larger dollar BL as part of our portfolio mix.

As for why we grew this portion of our portfolio, it was because when we surveyed our membership, business lending was one area where STCU was not meeting the demands of our members in our largest markets (Baughman, 2025). When we looked at how we were serving our members and how we could grow with them, supporting those members with businesses was something they requested and a way for us to do more in our large home market of Spokane (Myhre, 2026). This surge in demand for more business lending was not unique to STCU or Spokane, as there was a noticeable uptick in new businesses created in the post-COVID years (Curran, 2023)

As STCU pursued a broader lending relationship with our members across their changing needs, we have seen an increased gap in our yield on loans compared to All CUs over the analysis period from 11bps lower in Q2 2021 to 40bps lower Q2 2025 (Callahan and Associates, 2025). STCU's approach to offering low loan rates shows up both in our loan growth being higher than all credit unions across the majority of our analysis period, but also in our Yield on Loans trailing all credit unions in the same period. As we will see in the Loss Mitigation section of this paper, STCU may be able to offer even more loans and increase our yield on loans by taking a bit more risk in who we lend to, however given our traditional loan to share ratio of over 100% we would need to either borrow higher cost deposits or significantly grow our deposits even faster than our already above average growth rates. If we were able to do that, higher risk loans will have higher charge-off and delinquency rates but also yield higher interest income.

A last area of note in STCU's lending portfolio is the flat growth in our analysis period for our Residential 1st mortgages. During the analysis period, we saw a net growth of only $84.5M, which represents a net growth of only 6.3% with our composition of the home loan area of our portfolio falling from 37.7% to 27.92% during the analysis period. To improve our ability to serve our membership better in this area, STCU brought in a new VP of Home Lending, Greg Templeton in July of 2025. We have a sizable portion of our markets that have been reluctant to sell their current low mortgage rate homes and get a higher cost mortgage because the mortgage rate environment during our analysis period has ranged from 2.98% to 6.77% (Federal Reserve Bank of St. Louis, 2026).

F. Investments

i. At your credit union, who is responsible for managing the investment portfolio, and who is responsible for determining the expectations of that portfolio and monitoring it to ensure those expectations are achieved?

At STCU, the person responsible for managing our investment portfolio is John Morgan, VP of Treasury (Swenseid, 2025). John reports to Angela Swenseid, our SVP of Finance and Treasury. It is Angela that sets the expectations for our $500M investment portfolio and monitors it to ensure that John is managing it properly.

ii. Other than overnight funds, what are the TWO types of investments that are most prevalent (in total dollars) in your credit union's portfolio.

a) Describe the general features of each of those two investment types.

b) What portion of the portfolio is comprised of each of those investment types and what are the main reasons your credit union utilizes them as extensively as it does?

The two most prevalent areas in our investment portfolio are Agency Collateralized Mortgage Obligations (CMOs), which represent 38.27% of the portfolio, and Agency

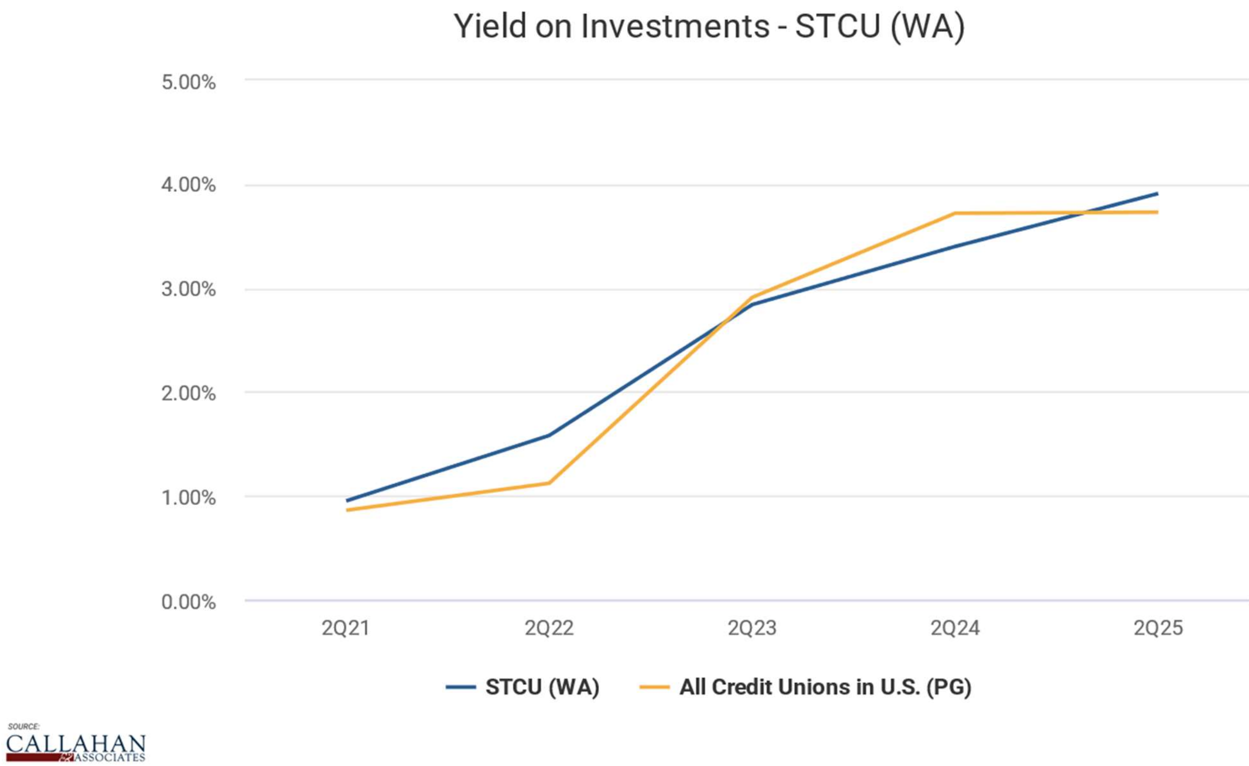
Mortgage-Backed Securities (MBS), which represent 26.07%. We invest heavily in these areas because they offer attractive yield and spread compared to U.S. Treasury securities and traditional agency bullet securities, while still maintaining strong credit quality (Morgan, 2026).

A key feature of both is that the underlying residential mortgage loans are the collateral for these investments (Morgan, 2026). This aligns well with the type of lending we hold and understand in our loan portfolio, but with the added benefit of diversifying that exposure nationally rather than concentrating it within our regional footprint. MBS and CMO investments provide a favorable combination of high credit quality, strong liquidity, and competitive yield. Additionally, because these securities are backed by Government-Sponsored Enterprises (GSEs), specifically Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and Government National Mortgage Association (Ginnie Mae), they carry extremely low credit risk for STCU (Morgan, 2026).

iii. *Graphs: This section requires inclusion AND* ***comprehensive written analysis of the following graph:***

a) *Yield on Investment*

(Callahan and Associates, 2025)



STCU's yield on investment is very comparable when compared to all credit unions. We have a lower risk/lower yield strategy for our investments, which is common amongst credit unions. In our analysis period, our yield ranged from -31bps to +46bps compared to all credit unions. During the increased Fed Rate environment during our analysis period, we saw our yield on investments increase from 95bps in Q2 2021 to 391bps in Q2 2025. The increase in investment yield primarily reflects the interest-rate cycle and reinvestment dynamics (Morgan, 2026). As the Federal Reserve raised interest rates, new investments were issued with significantly higher yields. Over time, the portfolio's weighted-average yield adjusted upward as lower-rate securities matured or prepaid and were replaced with higher-yielding investments. You see this trend across credit unions as many credit unions invest their funds similarly.

G. Delivery of Services

i. How many branches does your credit union operate and what is their primary role?

a) *How has the role of those branches evolved in the last 5 years relative to serving members?*

b) How do you anticipate that role might evolve over the next 5 years, and why do you believe that is so?

As of January 2026, STCU has 51 branches open, which is a significant growth spurt from just 23 branches five years ago. The primary role of a branch is to provide knowledgeable employees to help members conduct transactions and achieve their financial goals and dreams. (Severin, 2025). The role of the branches has recently been changed from "Sit and Serve" to "Seek and Solve". What this means is that historically, our branch employees would be there for when the members would come in for a need that they identified themselves. They had to know what to ask the branch employee for, which the employee would then provide to the member. Our recent model shift has switched to having more detailed conversations with the members and seeking to understand their needs and proactively offer them solutions for how they could achieve their financial goals and dreams. These consultative conversations do a better job of helping members get the most out of the relationship they have with STCU. In addition, we are using the data we have about the member to help seed those conversations with insights. This strategy shift will continue to be deployed over the next five years along with another shift that we are making with our branches themselves. We are beginning to place our branches closer to where we know our members to be during their day to increase the convenience of squeezing a branch visit into their busy days. These branches will be smaller and easier to place near our members and by being smaller, we can deploy more of them to meet the members where they live their lives. This approach also allows us to place branches even in small, underserved communities where we have seen traditional banks pull back from serving. In addition to providing local employment and supporting these small communities directly, each branch will have networked audio and video meeting rooms available for us to bring various experts virtually to each location at scale otherwise not economically feasible.

ii. *What member self-service capabilities does your credit union offer?*
   a) *Provide a complete list, recognizing that this is not just about home banking and mobile.*
   b) *How robust are the feature functions of each of the channels you identified?*
   c) *How does your credit union measure and monitor member satisfaction with each of those self-service channels?*
   d) *If it does not do so, explain the rationale for not gathering such feedback.*

STCU recognized the shift in members preferring to do some things themselves and other times preferring to get expert level assistance. To facilitate that we have enabled a robust set of services that I will list in detail below. We measure member satisfaction across these self-service channels by asking our members to score how well they like it using statistically meaningful random surveys from users of the different channels. We track various measures over time and across the channels such as Net Promoter Score (NPS), Overall Satisfaction (OSAT), and Member Effort Score (MES). This allows us to track how loyal a member is (NPS), how satisfied they are with us (OSAT), and how hard it is to use STCU (MES). We use the Medallia system to do all of this and have membership and by channel scoring, transaction level scoring and survey mechanisms and regular reporting and analysis meetings (Taylor, 2024). We do this both across new and existing memberships so we can assess how well we bring a new membership up to speed. In addition, we follow up with detractors in our surveys to try to better understand what led them to score something with a lower score so we can assess and improve if possible. Using these scores to improve our ability to serve our members well aligns very well with our heart of the member beliefs. So let's explore the different channels and features of them and talk about how robust they are.

A moderate, but not leading-edge self-service channel is our Automated Teller Machines (ATMs), including allowing access across the CO-OP network providing over 35,000 free machines to perform the following functions (Velera, 2025):

- balance inquiries
- transfer funds
- get cash
- make a deposit

With that large of an ATM network, we of course also provide our members with access to locator tools both online and via the mobile app to find their closest ATM. Our ATMs serve most quick service functions our members have indicated they want at the machines, but I do expect that to grow in the future (STCU, 2025).

Our least robust self-service channel we offer is our automated phone system. It only has the ability to:

- check your balance
- make a loan payment
- transfer funds

We also have enabled a written format chat system via our digital platforms that while currently a less robust system, will help a member to:

- find a location and hours
- get the routing number
- learn about products and services
- learn about our rates
- connect with a specialist

This platform will get increasingly robust as we further enable AI driven capabilities for the chat system to communicate effectively with members. Part of this will also of course depend on how comfortable our members get with interacting with AI directly and which APIs we enable the AI to talk to. Fortunately, we have a dedicated team of AI experts working through all the potentially thorny issues that would come from doing that. In addition, I expect they will enable voice chat powered by both our AI and voice biometrics capabilities.

A surprisingly robust and newer self-service function that members can utilize via our public website is to schedule time with an expert. This system allows a member to select the time and place for a more complex need to be met at a time we can guarantee that an expert can be available. This is especially important in our more rural markets where we may not have a specific expert for hundreds of miles. We have enabled a robust set of options for our members to select during the scheduling process including:

- become a member
- open an account
- update ownership on accounts

- manage your CD
- open an Individual Retirement Account (IRA)
- manage an IRA
- review your account with an expert
- apply for a loan
- get help with an existing loan
- get something notarized
- get help with your online banking
- update your name
- send a wire
- notify us of a death
- become a business member
- add a business account
- manage your business accounts

Once you select the expertise you are looking for, you can pick a location near you, have us call you, or do a video chat. You can also select if you prefer to speak to someone in English or Spanish, and of course it would not be a scheduling system if you could not pick your preferred date and time (STCU, 2025).

Another area where we have enabled members to serve themselves is finding employment opportunities with STCU. Afterall, our employees live in the communities we serve, so we provide a straightforward way to have members join our team!

Last, I am going to discuss our most robust and most utilized self-service channels, STCU's digital channels, which encompass both our online and mobile banking services. Our members use our digital channels a lot! In fact, 81.3% of our members use our digital channels with every generation from Alpha (our youngest members) to Traditionalists (our most experienced members) represented (STCU, 2025). In the last quarter of 2025, we had over 14-million-member sessions on our digital channels. So, take a moment and rest your eyes because I warn you, this list of self-service features enabled via digital channels is long! For our consumer and business members, we offer (STCU, 2025):

- view account information such as rate, account numbers, routing numbers, and due dates
- nickname and set preferred sort order for their accounts
- view balances
- view transaction history with running balances
- transfers between accounts you own
- transfer funds to another member
- bill pay
- deposit a check (mobile app only)
- load their card into a digital wallet (mobile only)

- transfers funds to or from an external account they own
- view external balances
- check their credit score
- model changes to your credit score
- set and track a budget
- view logins
- set and manage account alerts
- view and redeem reward points
- view upcoming transactions
- manage a card (including, activate, block, unblock, report lost/stolen, notify of travel)
- get information to set up direct deposits
- view pending direct deposits
- view and print statements
- Set/change your card Personal Identification Number (PIN)
- dispute a transaction
- view a check image
- view their Relationship Rewards Checking account rewards status level
- check their investments

- check and change their overdraft protection settings
- view and change their account beneficiaries
- place and manage a stop payment
- order new checks
- perform a cash advance
- learn about special offers
- learn about accounts and services
- check if they qualify for certain loans
- apply for additional products and services
- compare our products
- change their statements between paper and electronic
- refer a friend
- update their contact information
- update their security settings
- log into a different STCU relationship they have (e.g., if you have both a personal and business membership)
- chat with, send a message to or schedule time with an employee
- cast a vote for our board members

In addition to all of that, for our business members, they can also (STCU, 2025):

- log into payroll services
- log into their merchant services account
- work with advanced reports for your business
- manage their positive pay service
- manage and schedule ACH and Wires
- manage their remote deposit capture service
- manage their approvals and delegates.

iii. *Discuss your impressions of your credit union's overall strengths and/or weaknesses in delivering depository services to its membership, and what might be done to further enhance those channels.*

STCU's service oriented, heart of the member, approach to serving our members along with a mature ability to build our own solutions or integrated third party solutions into our digital channels affords us a great ability to let the member take care of the easy stuff they want to take care of themselves and freeing up the employees to either help the members that don't prefer self-service or to consult with our members to help them understand their needs, define their financial goals, and help them establish a plan to achieve them. The weakness we must address in this same very robust digital channel is that we have allowed it to become a bit cluttered. We have so much functionality that sometimes members just cannot find the self-service function they are looking for. There is a usability maxim that states, "If the user can't find it, it doesn't exist" (Nielsen, 2012). While I learned that back in the early days of my career, it holds true today. So, a weakness we will seek to address is to ensure that our members can find and use all the great functionality we have enabled for them. I foresee this not only using traditional information architecture methods, but we will also enable more natural language findability functions to live in our digital channels. For instance, we will enable a member journey such as: If I misplace my card, I can just open up my mobile app and say something like, “I can’t find my card” and have the AI powered mobile banking app walk me through things like locking or blocking my card, checking my transactions to make sure I recognize them, see where I last used it, and if necessary order a replacement. This AI assisted digital channel should also be able to handoff to a live agent without the member losing any context for the interaction they were just having.

iv. What impacts are outside influences (e.g. fintechs, cryptocurrencies, open banking, etc.) having on your members’ expectations on how they want to interact with your credit union?

a) What pressures are those shifting expectations exerting upon the organization?

b) What, if anything, has your credit union done within the past five years to respond to such pressures?

c) How have those reactions impacted the credit union’s budget and organizational structure?

v. <u>Graphs: There are no graphs required for the delivery of services section</u>

Outside influences constantly change and evolve member expectations, and thus how they want to interact with the credit union. In the past five years, we emerged from the COVID-19 pandemic and during that time member expectations for remote services increased dramatically. Every part of our members’ lives shifted to be less face-to-face. As we mentioned in our digital channel section, over 81% of our members use our digital channels and every age demographic has adopted them (STCU, 2025). This does not mean that our members don’t still enjoy visiting with their favorite branch staff or calling the contact center and asking for their favorite representative, but it does mean that our members can now choose when to do that and not *need* to speak to that person to get something routine done. So STCU has invested heavily in making self-service possible over the past five years and continues to do so. One significant investment was forming the department that I have the privilege of leading, product management. When done properly, product management applied to digital channels is all about learning from our members about what they need or want and then figuring out how we can deliver it to them. For example, we see increased demand for instant money movement capabilities, one area that STCU current lags. We will be solving for that in the next year. Another area we saw early was how our members' expectations were shifting about when and where they wanted to be served (Severin, 2025). As discussed earlier, this means we needed to figure out how to bring our physical presence closer to where our members were living their lives and meet them where they are. This means that we must become more efficient in our back office, so we can invest in our member-facing locations being more readily available to meet their needs. As previously mentioned, we invested in and are starting to see efficiencies from deploying smarter AI powered solutions in our back-office departments. To do this we had to invest in changing our organizational structure so that we had a dedicated team that could not only explore these new capabilities, but to understand how to deploy them in various parts of the organization in order to gain actual efficiencies. But it is not just about AI. We have also invested in automating more processes and services so that there are fewer processing errors and faster processing speeds, both of which improve member satisfaction and decrease operating costs.

H. Loss Mitigation

i. *What are the two most prevalent events in your credit union's members' lives that trigger loan delinquency?*

   a) *How does the credit union work with its members to mitigate the potential for loan losses to the credit union?*

ii. *How are third parties utilized in the credit union's loan collection efforts and its other loss mitigation endeavors?*

iii. *Describe the process for charging off loans, from the time a loan is considered as a candidate for charge-off to the time the charge-off is posted to the lending system(s), and who is involved in those various steps?*

   a) *If different major loan types (e.g. consumer, credit card, mortgage, business) have different processes, then describe each one.*

The two most prevalent events that trigger loan delinquency in STCU members is a 1) a change in their finances, driven by sustained inflation and higher cost of living because of it and 2) unexpected medical expenses (Cajigas, 2025). When these and other triggers such as a loss of employment trigger delinquency, we have a staff of sixteen trained Loss Mitigation experts that reach out to the members to try to start working on a plan to help them through this tough time. By working with the member through the heart of the member lens, the member partners with the Loss Mitigation team to work through their specific situation. The team has several tools at their disposal to work with the members and will use them to try to get the members back on track. These can be anything from skip payments, deferrals, or even reworking the loan via a specialist or working with one of our certified financial counselors. We will even help members in extreme situations with things like sending them a grocery gift card to help bridge a gap and make sure they can eat. This small gesture not only demonstrates the heart of the member but can even be the thing that inspires that member to not walk away from the loan, but to collaborate with us to come to positive outcome.

STCU does use a third party to help ensure that our contact with the member is as easy as possible, by doing things like texting follow-ups between the member and STCU (Cajigas, 2025). This tool allows us to schedule contacts and even use text to communicate in lieu of voice and not burden the member with a bunch of phone calls. Many times, once they begin working with us, text can become an easy and painless way to stay in touch as they navigate their situation. If despite all our efforts a loan does go into collections, we do refer it out to a third-party collection agency. The agency we use fully understands our "heart of the member" approach and we work with them to ensure they are doing this very tough job with that in mind.

Now, into the specifics, because the different loan types do impact the pathway it goes through in our process (Cajigas, 2025). For unsecured consumer loans, after they are 20 days past due, they show up in the queue to be worked. The Loss Mitigation team will work with that member until it gets to 90 days past due and if still not on a path to resolution, it will be marked as uncollectible (charge-off).

For a secured loan, such as an auto or RV loan, at 20 days it begins to be worked, but at 60 days without a satisfactory path to resolution, we will begin the process of repossessing the asset (Cajigas, 2025). After the asset has been repossessed, it will be liquidated and if the recovery exceeds the loan, the member gets the difference. If the recovery does not cover the loan in full, we will work with the members to try to resolve the difference, such as a long-term payment plan. If the member is unable or unwilling to resolve it, it will be charged off. A charge-off can also be triggered if the member files for bankruptcy.

For mortgages, those rarely get charged off in the past five years (Cajigas, 2025). We are the first lien holder and so if the member is unable to continue to make payments and we must take possession and sell it through a trustee/foreclosure sale. If for some reason the asset were not to sell during the trustee sale, it would get rebooked as an Other Real Estate Owned (OREO), which is not as delicious as it sounds. When it is booked as an OREO it becomes an asset for the credit union. If we then liquidate it, the only time we would charge off any of it is if the asset did not sell for equal to or more than the value of the loan. One other tactic that has been successful with STCU working with members who find themselves in this situation is to work with local charitable organizations that can sometimes step in and assist the members get a plan together and get current on their housing situation. We have a lot of success with that in our Spokane market due to the relationships that STCU has in the community (Cajigas, 2025).

For business/commercial loans (BL), they are handled on a case-by-case basis (Cajigas, 2025). If we were to have a significant potential charge-off, that would be managed by our MLC for approval and working with both the loss mitigation team for their expertise in working with members and the BL team also has specialized external legal counsel to help resolve the specific situation. We also monitor each BL to assess their risk rating on an annual basis if it is above our tolerance threshold. When a business has a degradation in their risk rating, the BL team will begin to work with them to try to prevent it going delinquent or eventually to charge-off. By working these individually, we can quickly start to understand if there are weaknesses in certain business segments that may influence how much more risk we are willing to take in that area as part of portfolio.

iv. *What efforts does your credit union utilize to mitigate losses on deposited items, both paper and electronic?*

We have monitoring programs set up to watch for overuse or abuse of the overdraft protection plan as well as to try to detect and prevent things like elder abuse or sweetheart scams from causing our members or STCU losses in our deposit accounts (Cajigas, 2025). When our deposit accounts do enter negative balances, our Loss Mitigation team will begin to work with a member in a similar fashion to how they deal with unsecured credit. However, after 60 days if the member does not appear to be willing to pay it back, it will be charged off. If the member is working with us, we can extend that out to 90 days.

As for deposited items such as checks or ACH items, we have systems that scan for things like duplicated or suspicious deposited items. We will attempt to reprocess in some cases if initially rejected and can work with the member in some cases when a deposited item is rejected. We do replace paper checks with electronic substitute checks to facilitate faster and more accurate processing, which also helps mitigate losses on deposited items (Federal Reserve, 2025).

v. *How does your credit union help members avoid, detect and mitigate fraud on their accounts and with their identity?*
   a) *How does the credit union assist members when they are impacted by fraud?*

We have a few anomalous transaction detection alerts available both for the members and for our staff. Members can not only voluntarily set up certain alerts that would help to detect unusual activity for themselves, but we also will trigger calls, texts, and letters to go out to members if we detect something (Gentemann, 2025).

If despite all of this, our members become the victims of fraud, we will work with the members to get their accounts closed and replacement accounts set up and can issue provisional credit during the investigation so they can be as whole as possible while dealing with it (Cajigas, 2025). Our Loss Mitigation team can work with our Financial Crimes team and vice versa, depending on where the fraud gets detected. We are seeing an uptick in intentional member fraud, where they are choosing to defraud the credit union and that will be handled by Financial Crimes and can go a few different paths including law enforcement or collections (Gentemann, 2025). When working with members, the team can provisionally issue credit to the member to make them whole during the investigation phase. This allows us more time to work specific cases and determine the facts. If the investigation comes out in the member's favor, the provisional credit becomes permanent. If not, we will work with the member to help them understand why it did not come back in their favor and we will remove the provisional funds. This latter example happens if the member is perpetuating the fraud.

vi. What tools does the credit union employ to avoid and detect internal (i.e. employee) fraud?

STCU employs several detection, monitoring, and prevention tools to avoid and detect internal fraud (Gentemann, 2025). We monitor employees accessing accounts and restrict who can do so. In addition, we log every transaction, which can help resolve the situation if internal fraud is detected. We restrict the ability for employees to act on behalf of the members. Our Internal Audit team has created an internal fraud program and systematically monitors that program for the credit union (Shanks, Chief Internal Auditor, 2026). We have utilized our data warehouse system and created around 31 reports to help detect and investigate. These reports either alert the team daily or are reviewed by audit staff monthly. Some of the items we review are:

- employees performing a transaction on their personal accounts
- employees opening accounts for themselves
- employees creating a cashier's check to themselves

- transactions performed outside of normal hours
- transactions on accounts with a bad or duplicate address

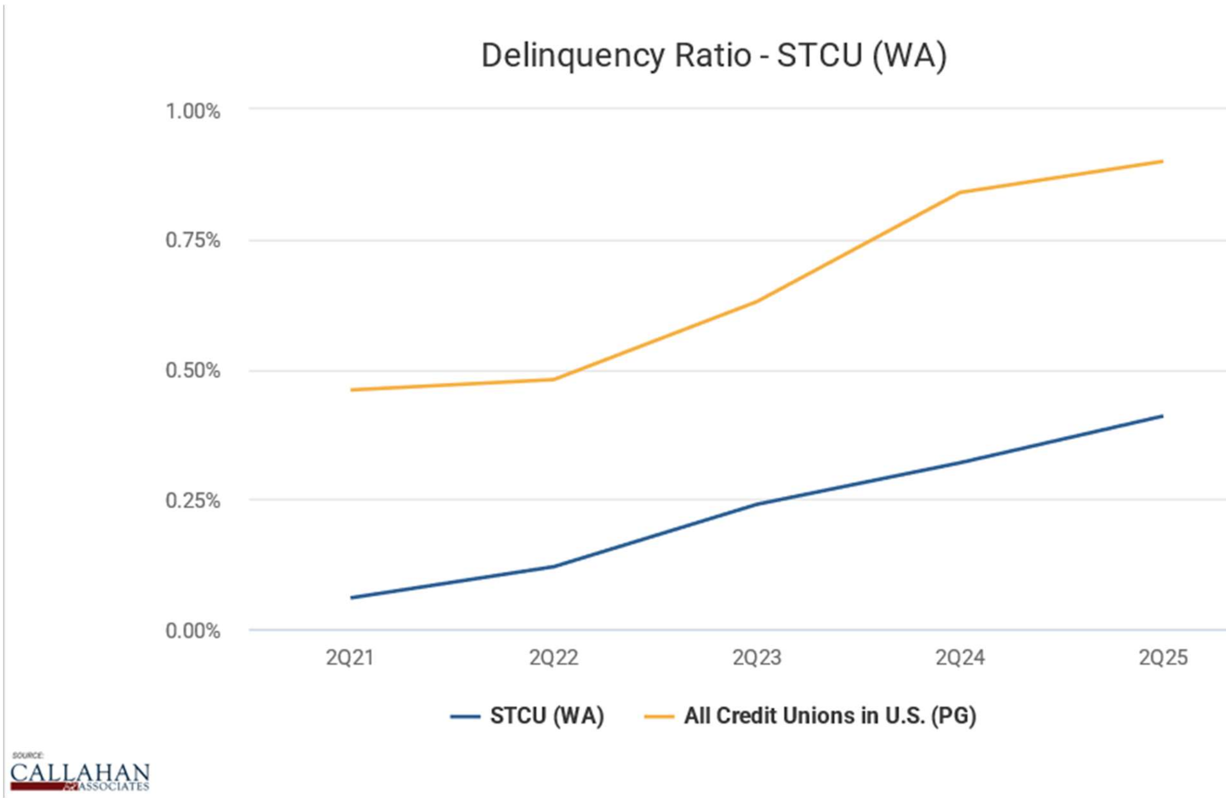
vii. *Graphs: This section requires inclusion AND* ***comprehensive written analysis of the following graphs:***

a) *Delinquency Ratio (comparison)*

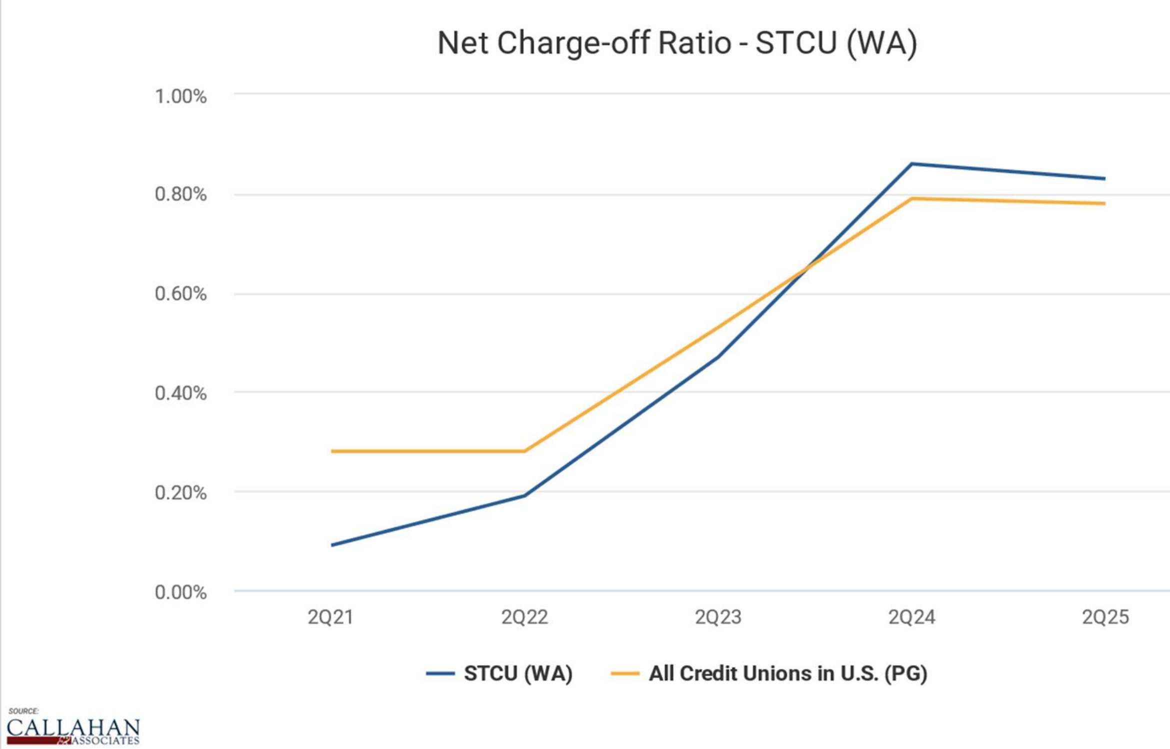
b) *Net Charge-Off Ratio (comparison)*

c) *Asset Quality Summary*

(Callahan and Associates, 2025)



(Callahan and Associates, 2025)



(Callahan and Associates, 2025)

Asset Quality Summary WCMS - STCU (WA) - STCU (WA)

Formula	Jun-2021	Jun-2022	Jun-2023	Jun-2024	Jun-2025
Delinquency					
Total Delinquency	0.06%	0.12%	0.24%	0.32%	0.41%
1st Mortgage Delinquency	0.02%	0.06%	0.09%	0.10%	0.12%
Other Real Estate Delinquency	0.11%	0.01%	0.02%	0.19%	0.24%
New Auto Loan Delinquency	0.08%	0.09%	0.20%	0.26%	0.27%
Used Auto Loan Delinquency	0.11%	0.16%	0.42%	0.39%	0.46%
Total Auto Loan Delinquency	0.10%	0.15%	0.36%	0.37%	0.43%
Indirect Delinquency	0.10%	0.17%	0.35%	0.72%	0.76%
Credit Card Delinquency	0.09%	0.17%	0.25%	0.37%	0.35%
Commercial Loan RE Secured Delinquency	0.00%	0.03%	0.00%	0.01%	0.32%
Commercial Loan Non-RE Secured Delinquency	1.37%	0.23%	0.04%	0.94%	1.45%
Total Commercial Loan Delinquency	0.03%	0.04%	0.00%	0.09%	0.44%
Other Loan Delinquency	0.15%	0.30%	0.70%	1.02%	1.02%
Participation Loan Delinquency	0.13%	0.32%	1.25%	0.90%	1.31%
Student Loan Delinquency			0.00%	0.00%	0.00%
Payday Loan Delinquency					
Leases Delinquency					
Net Charge-Offs					
Total Net Charge-Offs	0.09%	0.19%	0.47%	0.86%	0.83%
1st Mortgage Net Charge-Offs	0.00%	0.00%	0.00%	0.00%	0.00%
Other Real Estate Net Charge-Offs	0.00%	-0.07%	-0.03%	-0.04%	0.00%
New Auto Loan Net Charge-Offs	0.08%	-0.02%	0.13%	0.32%	0.39%
Used Auto Loan Net Charge-Offs	0.18%	0.12%	0.32%	0.65%	0.70%
Total Auto Loan Net Charge Offs	0.16%	0.09%	0.27%	0.59%	0.65%
Indirect Loan Net Charge-Offs	0.13%	0.14%	0.87%	1.94%	1.78%
Credit Card Net Charge-Offs	0.82%	1.21%	2.09%	2.70%	3.23%
Commercial Loan RE Secured Net Charge-Offs	0.00%	0.00%	0.00%	0.00%	0.00%
Commercial Loan Non-RE Secured Net Charge-Offs	0.08%	0.20%	0.13%	2.03%	0.99%
Total Commercial Loan Net Charge-Offs	0.00%	0.01%	0.01%	0.14%	0.09%
Other Loan Net Charge-Offs	0.16%	0.83%	1.90%	3.59%	3.71%
Participation Loan Net Charge-Offs	0.00%	0.45%	1.40%	2.25%	2.11%
Student Loan Net Charge-Offs			0.00%	0.00%	0.00%
Payday Loans Net Charge-Offs					
Leases Net Charge-Offs					

SOURCE: CALLAHAN & ASSOCIATES

During the period of our analysis, we see a couple of interesting trends that bear looking into more deeply. Overall, STCU's "heart of the member" approach to Loss Mitigation can help with our delinquency ratio because we can form that partnership with our member to try to get them out of their financial situation that would otherwise lead them into delinquency. We find that many members really want to partner with us and whenever possible will partner with us to get out of this financial jam they are in (Cajigas, 2025). This approach shows it is effective by keeping our delinquency ratio lower than All Credit Unions in our analysis set. We started the period with a 48bps advantage and had 49bps advantage in Q2 2025. We did see a rise in this rate over the period as the continued pressure from inflation added stress to our membership (Cajigas, 2025). However, when our approach fails either because the member is unable or unwilling to keep the debt from entering delinquency, we can see our charge offs follow much more closely as the all credit union peer group.

STCU's charge off rate started our review period slightly below our all credit union comparison group, but ended up higher. Both sets of data increased over the period, however, what set STCU apart here was that during the early part of our analysis period, we added significant loan pools from participation loans. In the period from Q2 2021 to Q2 2022, we increased our participation pool by 60% (Swenseid, 2025). Many of these loans outside our traditional experience did not perform well. In addition, the note holders had no relationship with STCU and thus our ability to work with the members was far less effective than we normally experience with our organic loan portfolio. You can see this dynamic play out in our participation default rate going from 0bps in Q2 2021 to 221bps in Q2 2025. As we get these loans out of STCU's portfolio, we expect to see this ratio come back closer or lower than our various peer groups per our historic norms.

I. Human Resources

i. What strategies does your credit union deploy in the recruiting, hiring and onboarding of new employees?

a) In general, what types of people does your credit union seek to hire?

b) What types of hiring challenges, if any, has the credit union encountered over the past three years?

STCU has a variety of strategies when it comes to bringing new employees into the organization (Ballard, 2025). We ensure that our openings are posted on all the major job portals and utilize an applicant tracking system to make sure that the applicant and HR stay coordinated throughout the recruitment and hiring process. We have a lot of employees that refer open positions to people they know appreciate our core values and that helps us as well. In addition, we have a large member pool that reaches out because of our reputation in the community and want to be a part of STCU. Because of this though, when we are searching for more niche roles such as in IT, Infosec, or very rural branch location, we can run into more trouble with the recruiting and hiring. We do not want to settle and bring in people that do not align with our core values, so we do screen with that in mind. We are fortunate that we have successfully hired specialty roles in other states and our ability to manage remote work effectively after COVID has helped with that tremendously, however these roles have been the most challenging to hire in the past three years. It can sometimes to be difficult to find a person that not only has the niche expertise we are looking for, but that also matches the type of person we are looking for, which is more about aligning to our core values of Joyfulness, Generosity, Belonging, Goodness, and Striving. If we find a great values match, we are more likely to hire that candidate and grow or train to the skills we need than the other way around. One unique challenge this past year has been a flood of fake applicants for roles we open. We have had to work with our recruiting and application system to effectively filter these out without losing out on real candidates.

As for onboarding, we have a few different programs depending on the position (Ballard, 2025). We have a deliberate training and onboarding pathway for new hires that is tailored to their position, but there are some commonalities. For example, we have an orientation called "Welcome Party" that happens within the first two weeks generally and part of this day has our senior most leadership participate where they share personal stories that connect to our values. It helps new employees see how all levels live our core values and helps make it real. For anyone that is in a manager of people leadership role, they receive a 100-day program called, Leadership Transition. A core pillar of this program is to NOT make drastic changes during this time. It is important for the new leader to spend that time connecting with their team and those they work with and understand and observe. If they notice things that could be changed to improve the area of responsibility, they note it down, but do not enact any change. This allows leaders that go through this to fully understand the changes they are thinking of making in context of STCU.

ii. What are the credit union's strategies in the area of employee development, career advancement and recognition of its people?

a) Who determines those strategies?

STCU has a robust approach to ensuring our employees can develop, grow their careers, and receive the recognition they earn. These strategies are recommended by our organizational strategist and set by Tracy Ballard, our SVP of Human Resources or Org Development (Ballard, 2025).

Every employee has an Employee Development Plan that they update annually that helps them put down on ‘paper’ (it really becomes electronic) (Ballard, 2025). This plan has the employee define their current professional goals and aspirations, from their perspective their strengths and weaknesses, and what they see as development opportunities. Then they create an Action Plan by defining clear steps they can take in the coming year to progress. It identifies the step, when they want to have completed that step, and what resources they need to make it happen. Each team has a robust training and development budget, so if that resource happens to be paid for training, it is already budgeted for, they just need to work with their manager to allocate that amount from the team budget.

We also have a formal mentoring program where leaders are matched to employees that would benefit from mentoring. I have been fortunate to not only be the formal mentor to two employees, but to also have had the benefit of formal mentoring from a former WCMS graduate, Robyn Galtieri, our SVP of Member Operations.

We also have developmental assignments, which are interesting. They allow an employee to be assigned into a different team for approximately six months to test drive that new role with no stigma if they do not choose to later apply for an opening in that department.

We have a robust tuition reimbursement program for those that want to pursue relevant degrees, a formal series of classes for all managers and supervisors, and more senior managers and leaders can participate in a development role in our various strategic committee (Ballard, 2025)s. This is formal and requires them to report at the end of it what they got out of it.

One fun recognition tool that STCU has in place is our rewards and recognition platform that allows any employee to recognize any other employee (STCU, 2025). Doing so will post it to our internal social media page (unless you mark it private) and put $1 in Ernies into their account.

And of course, we actively support and encourage WCMS! In fact, our two first-year attendees this coming year are both from my teams.

> *iii. Describe your credit union's philosophy on employee performance assessment/appraisal and how they are used in determining compensation adjustments, if at all.*

Our performance assessment and compensation adjustments are related (Ballard, 2025). Every employee has formal goals aligned with the leader above them and one or two personal goals in addition to the previously mentioned career development plan. They have monthly and quarterly minimum check-ins with their manager, although many managers do more frequent 'bite sized' ones. By the time the annual performance evaluation comes around, you have had many meetings along the way, you have tracked your goal progress, and you have received any coaching and feedback along the way so it is not some big surprise reveal. Each employee does a self-assessment and then their manager and that person's manager evaluates them formally on not only their goals, but 50% weight is given to HOW they achieved their goals in alignment to the core values. The manager's manager also participates in the review. Each goal and value item receives a score of 0-3. The scores are tallied and weighting applied for the value alignment. That results in a final score from 0-3 and that score is matched against the merit award matrix for that year. Everyone has the same merit matrix.

iv. *On a scale of 1 to 10, with 1 being terrible and 10 being ideal, how effective is the value proposition within your credit union in the areas of salary, benefits and culture in meeting the desires of its employees? Explain your rationale for choosing that rating.*

I believe overall employee value proposition for STCU is eight out of ten. Our culture/values lead the way and is likely what drives such high tenures within the organization. We do an employee engagement survey each year and across the entirety of STCU, we have a score of 85, which is fifteen points above similar institutions (STCU, 2025). Salary is where we trail the most in our employee engagement survey and we will need to keep an eye on it as we cross the $10B size and need to grow effectively in more specialized and senior roles supporting much larger teams.

v. *In this scenario, you are trying very hard to hire your project reader to come work at your credit union. In 50 words or less what is the "elevator pitch" you would give to that person on why they should work at your credit union?*

Join STCU and help make a real difference for you, your family, your community, and the credit union movement! If you care about those things, you will find more fulfillment, satisfaction, and enjoyment with like-minded colleagues. You will be empowered to achieve your goals!

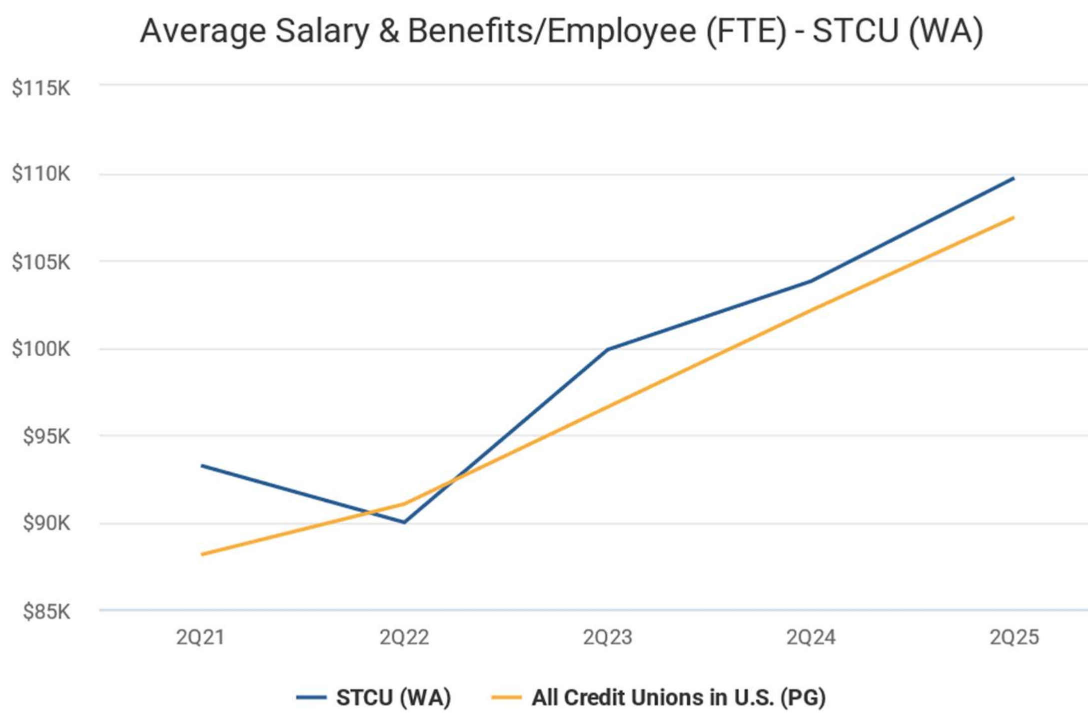
vi. *Graphs: This section requires inclusion AND* ***comprehensive written analysis of the following graphs:***

   a) *Human Resources Summary*
   b) *Average Salary & Benefits/FTE (comparison)*
   c) *Growth in Salary & Benefits (comparison)*

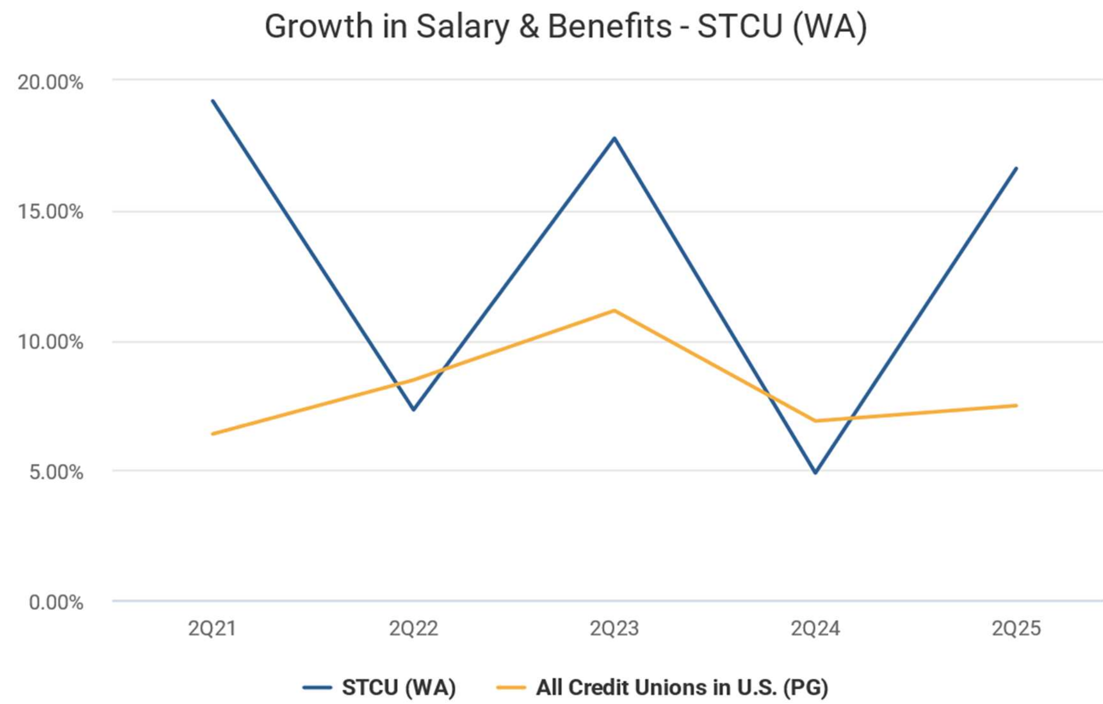
(Callahan and Associates, 2025)

Human Resources Summary - STCU (WA) - STCU (WA)					
Formula	Jun-2021	Jun-2022	Jun-2023	Jun-2024	Jun-2025
# Full-Time Employees	773	857	907	917	1012
# Part-Time Employees	16	23	29	26	28
Branches	29	39	39	40	51
Members	229162	259534	271879	281862	305208
FTEs per Branch	27	22	24	23	20
Members per Branch	7902	6655	6971	7047	5984
Loan & Share Accounts per FTE	636	657	667	692	658

(Callahan and Associates, 2025)



(Callahan and Associates, 2025)



SOURCE: CALLAHAN & ASSOCIATES

STCU has had a busy five years during our analysis period. We had a merger with Coulee Dam Federal Credit Union (CDFCU) in 2021 which included five branches, acquisitions of four more branches from Banner Bank in 2022, and the purchase of Community Bank concluding in 2025, adding another ten branches. During this time, we also added four organic new branches (STCU, 2026). More than half of our employee growth during our analysis period came from mergers and acquisitions with a substantial portion of that staffing in the branches. Most of these branches expanded the geographic footprint for STCU putting us physically in new markets. This made it important to have FTE in those markets to be the face of STCU. Some of these branches were also in more rural areas, which can have lower FTE per branch count and a smaller population per branch to support.

Coming out of the pandemic, STCU found itself in an unusual position of needing to significantly increase our compensation plan because our competitors locally were paying high wages and recruiting away our talent (Ballard, 2025). So that reflects itself in the charts by showing an outsized salary and benefits jump in 2021 compared to all credit unions. We over corrected downwards in 2022 to allow the market to align back, and then again, but to a lesser degree upwards in 2023 to try to get our staff compensation back to the range against our competitors that we prefer. Although the acquisitions and jumps in number of FTE also helped create an interesting W pattern compared to the all credit unions in the growth in salary and benefits chart as that is looking at the percentage growth in salary and benefits for all of STCU, and we had only 10 employees added in 2024, but almost 100 added with Community Bank in 2025. Those two years completed the W pattern started with the outsized and undersized compensation adjustments in 2021, ’22, and ’23 saw both a 50 FTE addition and an average compensation increase, the last of which you can readily see in the Average Salary & Benefits/employee chart. Even with the corrections made in ’21, ’22, and ‘23, if you were to plot a trend line on the Average Salary & Benefits/FTE chart below, you’d see over the period STCU had a slightly higher compensation structure than the all credit unions comparison group, which I confirmed with our head of HR is about where STCU has been historically, with her expectation of further upward movement there as we get larger (Ballard, 2025).

J. Technology

i. In general, how does your credit union provide technological support to the employee users of its front line (i.e. related to deposits, lending and direct member service) systems and tools?

We use a support desk model to support our front-line employees. If the support desk needs additional assistance to resolve an issue, which is rare, they can work with the system owners or administrators for the system in question. The preferred method is for a support ticket to be submitted online, however, certain circumstances can require a call, email or even a Teams message depending on the issue being worked. The support desk can remotely login to any machine to help resolve issues. We also have an expansive knowledge base that employees can use to self-serve some issues.

ii. *Cite a recent new back-office technology (i.e. not related to deposits, lending or direct member service) introduced within your credit union and explain the business need(s) it sought to address. Describe the general processes used to:*
   a) *Consider options and decide upon the ultimate solution selected*
   b) *Test the selected solution*
   c) *Deliver training to the solution's end users and to the technology staff responsible for supporting it, and*
   d) *Assess its post-implementation effectiveness in achieving the desired goals*

Just prior to our Community Bank integration, we deployed an employee assistance module that utilized our extensive knowledge base and our new AI system to provide our new Community Bank employees with an expert level of assistance in real-time, natural language (Hancock, 2025). They did not need to know exactly how to phrase their question, the system could readily interpret the question and provide step-by-step guidance for the new teams on our STCU systems.

STCU adapted this solution from our AI system that was already being configured for member-facing chat features, so being able to leverage an existing purchase for additional use cases made sense (Hancock, 2025). We evaluated the solution by identifying the normal training we had given acquired FTE and matching that curriculum to our extensive knowledge base to train the AI on. We then tested it, refined it, and tested again until we were confident in the responses the AI was providing. This system did not replace the training we gave to the new FTE, but it did augment it by providing a quick way for them to get a near expert level answer to most of their questions. When it did not have a response for them, those questions could be routed to a human expert.

The testing for the technology staff was more of the same as our existing AI powered chat system training (Hancock, 2025). It was AI so the technology team was receiving consistent incremental updates to the AI system, but the larger testing was training the AI itself by feeding it with many questions and scoring the responses. To do this we not only had the core AI team, but also enlisted other teams such as my entire team to spend time feeding it questions and scoring the responses.

When we rolled this system out to our new FTE from the integration of Community Bank, we were in a bit of a weird spot because our newest branch employees had the most robust and powerful tool at their disposal (Hancock, 2025). They did not know any better, so it was only when our technology team worked through any issues that came up that it was later extended out to our legacy branches. The team monitored the feedback from the employees to determine how well it was working. One interesting tidbit is that even the new FTEs can flag an answer as wrong, which can cause the answer to be reviewed and improved.

iii. *How is your credit union mitigating the risk relative to cybersecurity and how has that effort evolved over the past five years in terms of time and resources invested in it?*

STCU mitigates cybersecurity risk through a defense-in-depth program that combines governance, FTE, processes, and technology. We have invested in and matured this capability significantly over the past five years (Timmons, 2025). Over this time we have shifted from being compliance focused to risk driven. This includes reporting up to the board and hiring specialized skillsets including Governance, Risk Management and Compliance (GRC), to align our cyber security with our business goals. In addition, we have hired cybersecurity specialists, Identity and Access Management (IAM) specialists, and deployed employee training and internal and external testing protocols. They also report quarterly to our Enterprise Risk Management Committee (ERMC).

i. *Describe the 3-5 most significant factors that influence the decisions whether to introduce new technological tools for internal use at your credit union?*
ii. *<u>Graphs: There are no graphs required for the technology section.</u>*

This is an area where STCU needs to mature. As of this writing, it is my experience that leaders can procure and set for implementation once they pass a Technology and Architecture Group (TAG) review. If an internal group has the budget and can complete the project to implement the technology, once they get through the TAG review process, they can implement it if they have the resources to do so. If it is a larger effort, they will work with project management, which will do a better job of requiring more justification and ensure that there is organizational readiness for the change. So, to answer the question, as of November 2025 the most significant factors that influence whether additional technology tools can be implemented are, 1) budget approval, 2) TAG approval, 3) capacity to implement the solution 4) ability to implement the solution. I should note however, that this is going to undergo significant change in 2026 with both Scott Rabe, SVP of Innovation and Automation and Patricia Kelly, SVP of Information Technology partnering to implement more robust scrutiny and ensuring that we are getting the most out of STCU's current technical tools before we procure additional ones (Rabe, 2025).

K. Marketing

i. How does your credit union determine the marketing strategies it deploys?

"This is a group effort at STCU" (Dickinson, Marty, personal communication, January 7th, 2026). It begins with our strategic plan, working to understand which partners in STCU need to deliver in the plan and then determine what support they need from marketing, community engagement, public policy, or advocacy to support their objectives. The plan is then reviewed with the partners and aligned to budget and presented to ELT and then the Board for final approval (Dickinson, 2026).

ii. How does your credit union gauge the effectiveness of its marketing efforts?

We measure a few distinct levels of effectiveness (Dickinson, 2026). At the individual initiative support level, we will measure traditional marketing things such as clicks and engagement. We will measure how often they re-engage with our content. We will measure brand awareness in our different markets. For example, in our home market of Spokane, when someone is asked, "what brand do you think of when you think purple", 73% of them will respond with STCU (Dickinson, 2026). We also measure our Net Promoter Score (NPS) and Member Effort Score (MES) to ensure that our members like how we are serving them and that it is not hard to do business with us.

iii. What is the credit union's current branding tagline?

a) When and how was it created?

b) If the credit union does not have a branding tagline, what is the organization's rationale for that decision?

Our tagline is "Here for Good". It is a funny story about how it came to be, because 15 years ago STCU was filming a TV spot as we were pitching in to help with a community garden project (Dickinson, 2026) when one of the employees said, we should just say, "We're here for good". They started to talk about all the ways you could interpret that from our desire to help our communities, help our members, our own financial soundness, which was much more important to advertise in 2010 being close in time to the financial crisis of 2008 (Weinberg, 2025). So, it was a happy accident that continued to take on a life of its own. As the most recent outgrowth from that tagline, we now have a multi-million-dollar foundation named Here for Good Foundation. More than 50% of consumers assign us the brand attribute of 'good' when asked what comes to mind when someone says STCU. Sounds like our tagline of "Here for Good" may just be here for good!

iv. *In today's world, what do you believe is the best way to get the attention of consumers? Why do you hold this belief? (Note: This is a question about consumers in general, and not about trying to attract consumers to credit unions.)*

There are several ways to gain the attention of consumers, and I would say that the word 'attention' is a bit vague. I do believe that in general, some of the best ways are to offer messaging that is smart, funny, and authentic in their media of choice, which can differ by generation and segment. I think the attention you will attract by demonstrating those traits will help you be something that consumers want to align with and they will pay attention to what you are doing. Each generation has their own social media channels that can help you amplify your message, but again if it is not something they want to align with, I do not think you would be attracting the right kind of attention from that segment of consumers.

i. *What impact does consumer driven social media have on your credit union?*

ii. *Conversely, how does your credit union use social media to drive member engagement and how does it measure the effectiveness of its social media efforts?*

Our social media strategy is interesting because we very deliberately do NOT post some things to social media when we do some act of goodness in the community, like stepping up and buying a new water heater for a school (Dickinson, 2026). Many times, our members in the community are posting it and tagging us, which is more authentic and powerful than if we were out there tooting our own horn. We strongly believe that if we are demonstrating our values in our community, the community will support us, and thus far that has been the case.

It does not mean we do not post anything, but we are careful to assess when and what we would post and even which channels we'd post it to (Dickinson, 2026). We also use social media to listen to our members and sometimes we will hear about something we could do better or improve upon through our social media channels. We even have a social media request form for marketing to help get the word out about different things we might be supporting/volunteering for in our community. Our social posts are measured by engagement (e.g., did people share it, like it, or comment on it), reach (how many people saw it), and we will assess sentiment if there are comments.

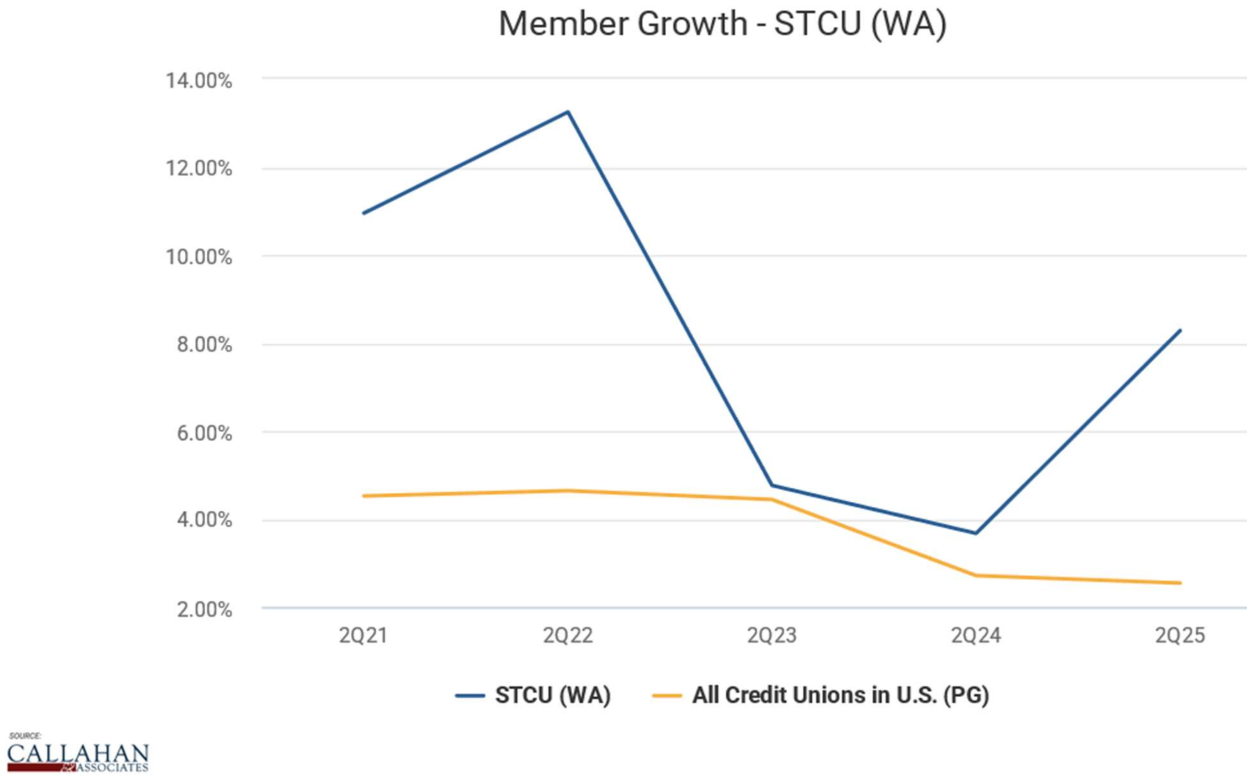
iii. *Graphs: This section requires inclusion AND* ***comprehensive written analysis of the following graphs:***

a) *Member Growth (comparison)*

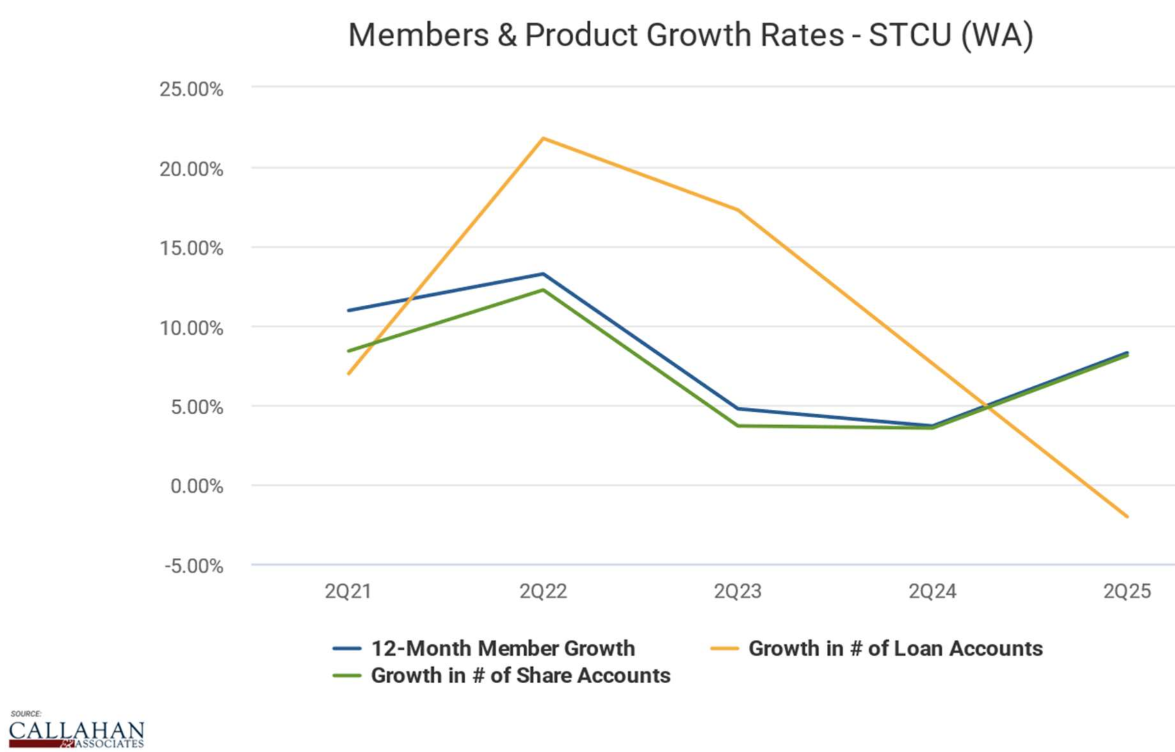
b) *Members & Product Growth Rates*

c) *Marketing Expense per Member (comparison)*

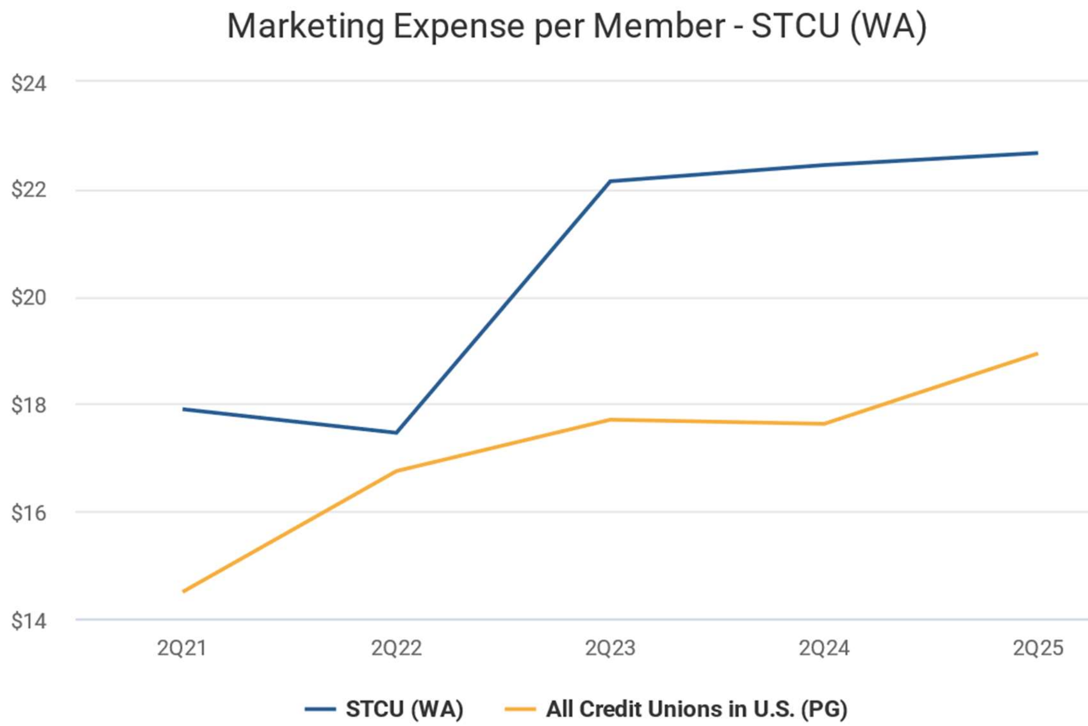
(Callahan and Associates, 2025)



(Callahan and Associates, 2025)



(Callahan and Associates, 2025)



SOURCE: CALLAHAN & ASSOCIATES

Across all credit unions, STCU has strong member growth. Even in the 2023 and 2024 years when we are in pure organic growth mode (e.g. no mergers or acquisitions) we grow faster than the 'all credit unions' peer group (Callahan and Associates, 2025). Our acquisition via merger or an acquiring bank significantly grew our membership in 2022 and 2025. Our share accounts correlate with our member growth while our loans when measured just by number of loans do not. This is more interesting because as we shifted our lending product mix to provide more business and commercial loans, which tend to be much larger loans than consumer loans, our actual number of loans went down from 2024 to 2025 while the balances of our loans increased by $244.8M (Callahan and Associates, 2025). Our marketing spend per member is higher than our all credit unions comparison group. When discussing this data set with our CMO, she did indicate that marketing is one area where getting apples to apples comparisons in the call reports (in our case the Callahan translation of them) will be more difficult (Dickinson, 2026). If you factor out the growth from acquisitions, you would see that our organic growth in memberships correlates well with marketing expenses. This matches my experience in the rest of my career that when done properly, marketing works, so if you invest more there, and do it properly, you will grow faster. STCU spends more on marketing than our peers and grows faster.

L. Risk Management & Compliance

i. What areas of your credit union lead the efforts to assess, monitor, test and report on its risk exposure?

a) What are the processes those areas use to fulfill those roles?

STCU has a mature Risk and Compliance process. While our Risk Management team orchestrates and ensures we are constantly evolving in our practice, they have done a great job of ensuring that each department participates as necessary to identify, monitor, test, and then report back on risks, frequently through our cross departmental Enterprise Risk Management Committee (ERMC), but depending on the topic may also include ALCO, MLC, or our Leadership committee (Gentemann, 2025). One way we ensure this is done is by ensuring that STCU has established oversight and controls to the NCUA risk categories of: Credit, Interest Rate, Liquidity, Transaction, Compliance and Strategic (NCUA, 2025). We have a formal risk tolerance criterion that is used to score and rate each identified risk. Each identified risk receives an inherit risk score, is assessed for mitigating controls, and we then arrive upon a residual risk against each risk we have identified. The ERMC then evaluates those scores. Risk Management reports to the Board on a regular cadence the results of the various Risk Management outputs.

ii. *What mechanisms exist within your credit union to identify emerging risks in the economic environment and their potential impacts to the institution?*

STCU evaluates the emerging risks category annually via our environmental scan process. This process evaluates each area for the next 3-5 year period. Our VPs conduct this research and create the report, which is then brought to our Strategic Committee for discussion and then the Board. The categories that each team of VPs are assigned to are:

- Member
- Workforce
- Technology
- Economics
- Physical/Ecology/Supply Chain
- Environmental/Social/Governance (ESG)
- Competition/Substitutes
- Political/Regulatory (STCU, 2025)

iii. *What mechanisms exist within your credit union to address the potential member impacts and public reactions to a significant "risk event" that may occur (e.g. extended I.T./phone system failure, temporary unforeseen branch closures, broad scale card breach, a situation resulting in an injury or loss of life, etc.)?*

STCU has formal Incident Response, Business Continuity, and Disaster Recovery Plans in place (Gentemann, 2025). We have technical redundant systems to ensure that we have means to communicate during an event. These emergency communication systems do not require STCU infrastructure to be available. As part of this plan, we not only document the necessary process and people for each department, but we make sure documentation is readily available to those that will need it should the event take place. These plans are available in print and electronic format along with a redundant third-party provider also having a copy of each should our infrastructure not be available. We also conduct annual training on the plans and ensure that we update the plans regularly. We also run tabletop exercises to ensure that our teams and leaders know what to do during an event. These exercises are done live, and the participants do not know in advance what the scenario(s) will be that will come up during the exercise. This past year the scenario involved some of our ELT members not being available during the exercise, so those of us that are back-ups had to replace them and be able to navigate the scenario! In all scenarios and action plans, we assess impacts to membership and have designated staff to listen for member and public reaction to the event, which can include not just front line/member facing staff, but also the social media channels, and a designated 'voice of STCU' staff so that we can be sure the only the officially authorized external communication is going out.

iv. *Describe the process your credit union goes through to assure appropriate compliance with new or updated laws or regulations.*

We have a Compliance Management System that we use to monitor the various regulatory agencies and the releases they publish. We have a monthly update with our outside counsel that updates us on new rules and regulations for credit unions (Gentemann, 2025). We then have our compliance council disseminate it to the appropriate teams to determine if we need to make any changes to our processes, procedures, products, or services.

i. *You are a developing leader within a business and an industry that is laden with risk on a variety of fronts. As a leader, what single risk area within your credit union that has not been mentioned elsewhere in your project is most likely to keep you awake at night and what can reasonably be done in that area to help you sleep more peacefully?*

ii. *<u>Graphs: There are no graphs required in the Risk Management & Compliance section.</u>*

This is a fantastic question because my span and scope requires me to constantly plan into the future and align our priorities to ensure we are addressing things in the right order. One risk that we have not discussed yet is the risk of having our systems ready for when post-quantum cryptography (PQC) becomes a necessity (NIST, 2026). Today, many of the systems in the financial services space are not protected by PQC and thus our data can be exposed once quantum computing makes it practical to decrypt it. What would make me sleep better at night is starting to require ALL our financial systems to be using PQC standards as quickly as possible. We are already living in a world where "harvest now, decrypt later" is a threat (Mascelli & Rodden, 2025). This risk is essentially that a bad actor can steal the information now, even if it is protected by current non-PQC and then decrypt it after they obtain access to quantum computing. With some data this is less concerning as it will age out of usefulness, however, our member PII can stay relevant for decades. As for what can be done, I have been working with our vendor management and our CISO to identify this risk to start to get it into our contracts.

M. Financial Budget & Performance Management

i. How does your credit union's budget get developed, and who is involved?

a) How does the budget get approved?

b) Describe how the approved budget is utilized in the management of the credit union?

At STCU, our SVP of Finance and Treasury, Angela Swenseid, develops the budget (Swenseid, 2025). She does this amazingly twice a year, once at the normal annual forecast and again as a mid-year reforecast. This second annual cycle, aka reforecast is a difference that I have not seen in my career, a second full budget build mid-year and has added a level of nimbleness to our planning that I have not previously experienced.

Angela and her team determine what the market expectations are for deposits, determine what the strategic needs are to support STCU (e.g., branch expansions), evaluate the lending appetite for the market across all lending areas. She and her team will model the deposits, lending, and rates in our modelling tools. Then she will then assess a "do nothing" path and what the delta is to our target Return on Assets (ROA) both for our next year and towards our goal in our 5-year plan. She will work with HR to factor in our compensation plan and the strategic leaders to understand the financial needs for the strategic priorities and the initiatives that support them along with the timing of those financial needs. Once all those factors are rolled into it, she will propose the budget.

The approval process starts with a review by our leadership team to ensure the inputs are all correct and aligned. They will revise our spending plan as necessary to fit the budget modeled. Then the Finance Committee of the Board will review and approve the budget.

Once the budget is approved, at every ALCO and Board meeting the budget acts as a guideline to track if we are on target overall towards our strategic goals. If we are not on track, we will discuss what adjustments may be necessary to get back on track. Some examples of actions they may choose to take could include adjusting deposit rates to increase or decrease their net flow into the credit union or buying some loans (Swenseid, 2025).

ii. What is your credit union's process for managing its revenue streams?

We actively forecast and monitor our key revenue stream of interest income, interchange, and fees income monthly. We have dashboards and scorecards that are reviewed by leadership where we can determine if we need to make any adjustments to plan. Because our deposits, loans, and net income are part of everyone's goals, we not only have a dashboard on our intranet that shows progress to that budget's goals, but we also do a detailed recorded breakdown of our financials every month that is broadcast to every employee (Swenseid, 2025).

iii. What is its process for managing its operating expenses?

We manage our expenses via the budget forecast and reforecast process. This happens every six months and allows management to make significant adjustments if necessary, such as when the Fed made unexpected large changes to the Federal Funds Rate in 2022 and 2023 (Swenseid, 2025).

iv. Describe the process used at your credit union for determining and approving the type and dollar amount of capital expenditures it makes.

This also happens during our budget planning cycles. It is factored in the budget including the expected timing of when the assets would be put into production and begin depreciation. For example, my teams create our budgeting plan and we have different workbooks to complete that call out when it is a prepaid, expense, or capital item by working with our accounting partner.

v. *What financial metrics does your credit union's Board of Directors use to assess the success of the institution?*

a) *What non-financial metrics does it use?*

Our Board of Directors reviews financial progress to plan monthly to assess our performance. The financial factors that get reviewed include key items from our Balance Sheet and Income Statement, with some called out as being of particular focus our Net Worth Ratio, Loan to Share Ratio, Return on Assets, Return on Equity, Long-Term RE / Asset per policy, Operating Expense/Income, Operating Expense/Asset, Efficiency Ratio, and Assets/FTE (Swenseid, 2025).

The non-financial metrics that get reviewed are New Memberships, Closed Memberships, Net Memberships. They also review our Employee Engagement metrics annually and review our membership Net Promoter Scores as well as our Member Effort Scores. They also track our progress to plan quarterly against our six strategic initiatives of:

- OneSTCU
- AI Fusion
- Digital Acceleration
- Growth and Expansion
- Operational Excellence
- People Plan

vi. <u>*Graphs: This section requires inclusion AND **comprehensive written analysis of the following graphs:***</u>

a) *Historical Income Composition ($)*

b) *Historical Income Composition (%)*

c) *Income Composition Comparison*

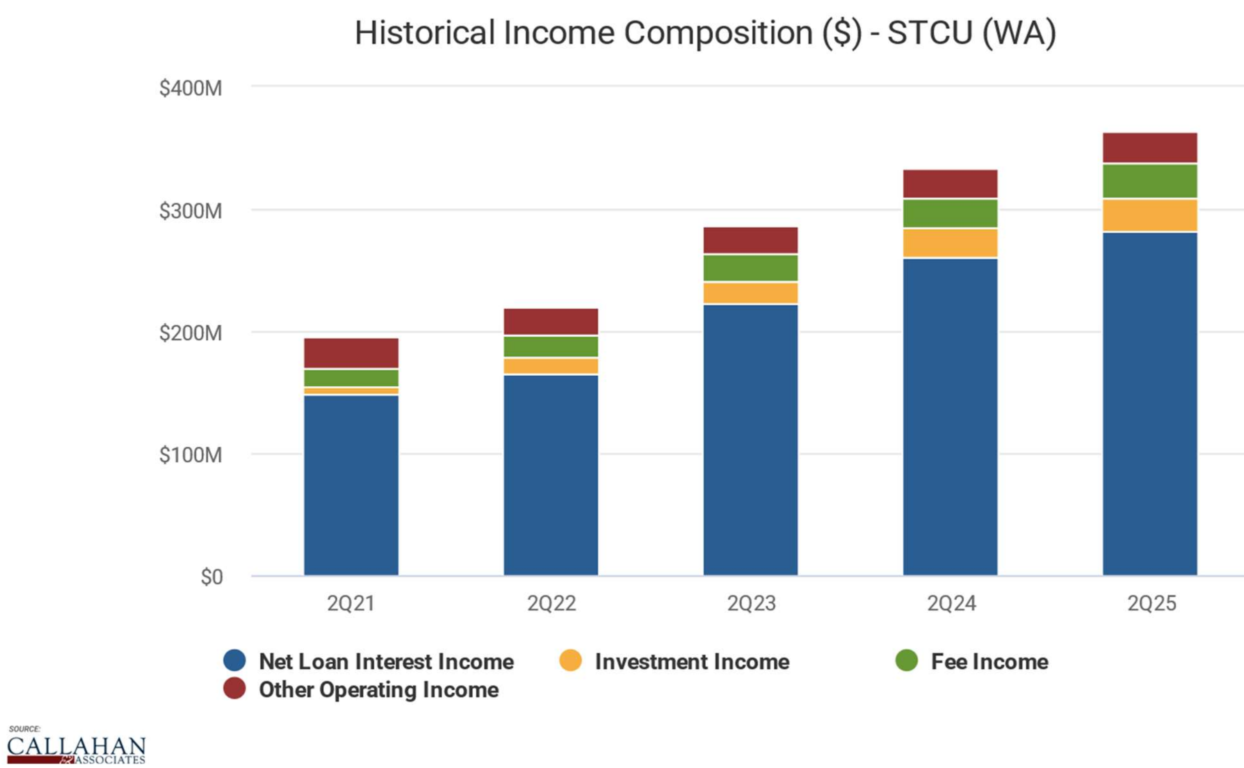
d) *Historical Expense Composition ($)*

e) *Historical Expense Composition (%)*

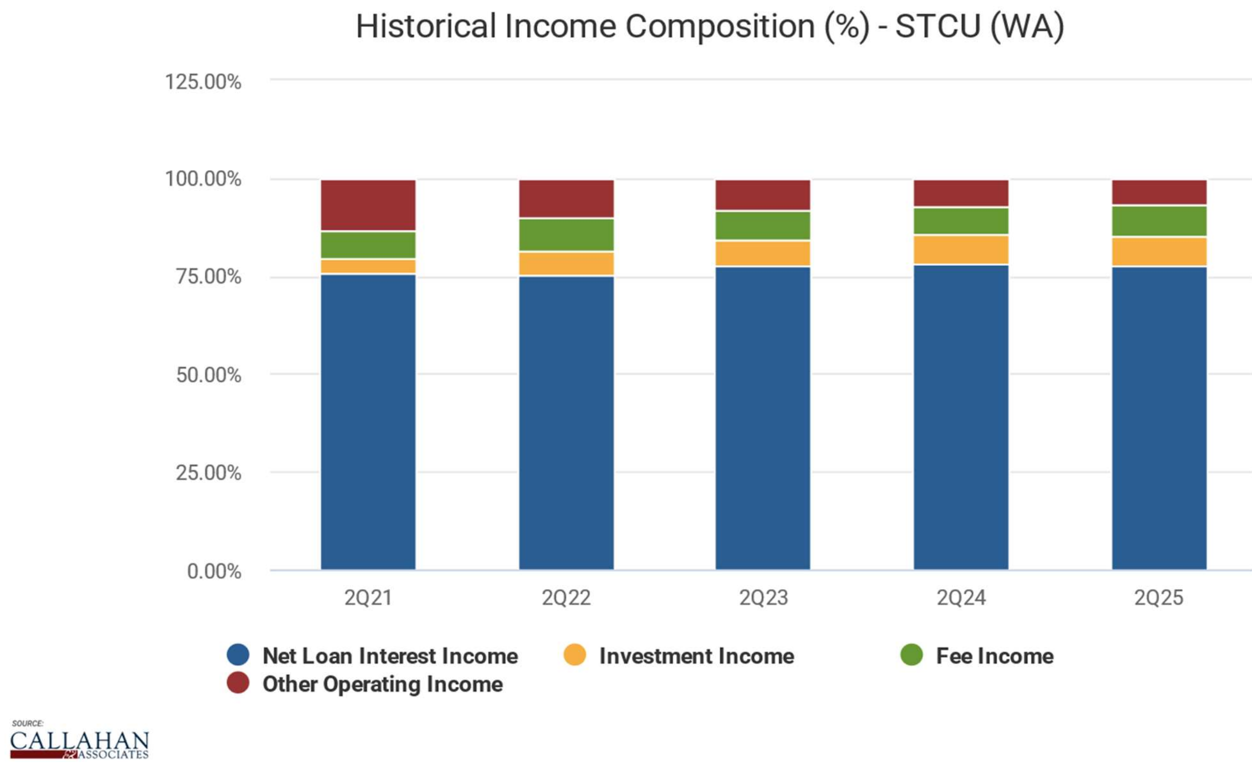
f) *Expense Composition Comparison (%)*

g) *Spread Analysis (as a % of Avg. Assets) comparison*

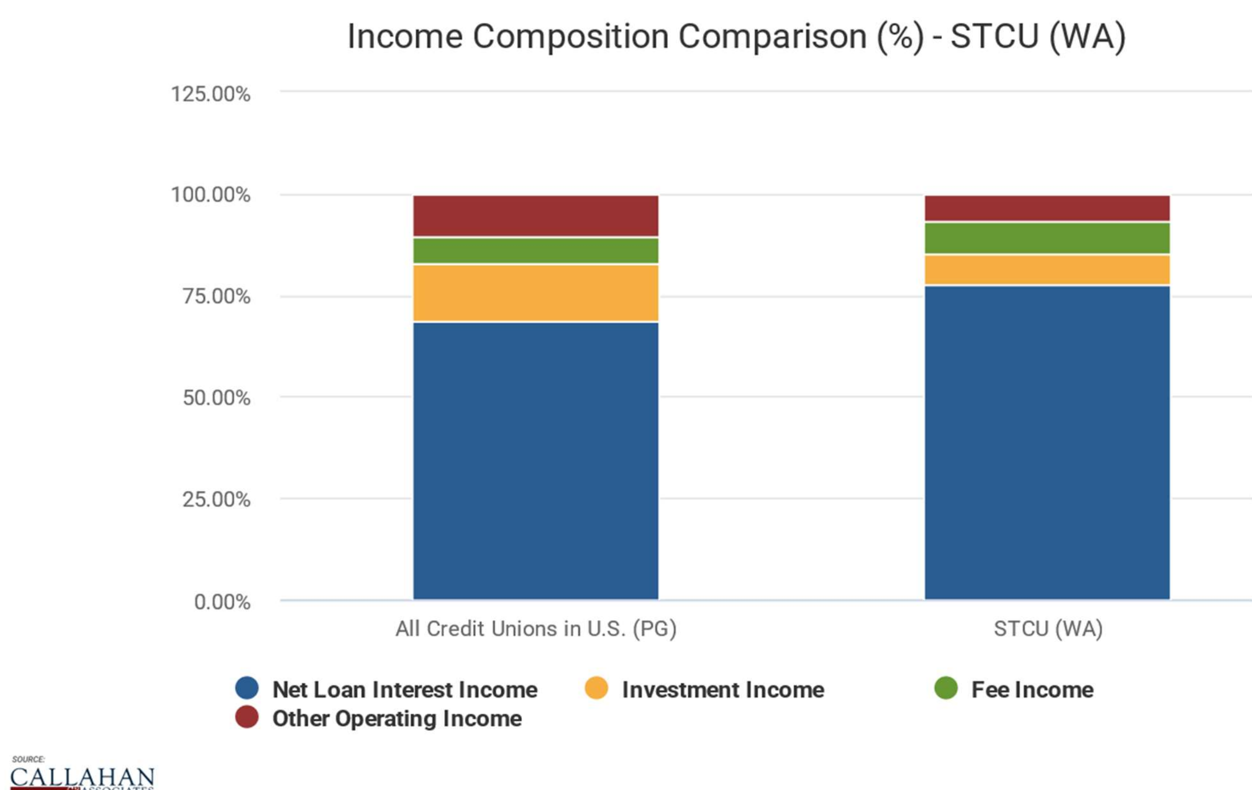
(Callahan and Associates, 2025)



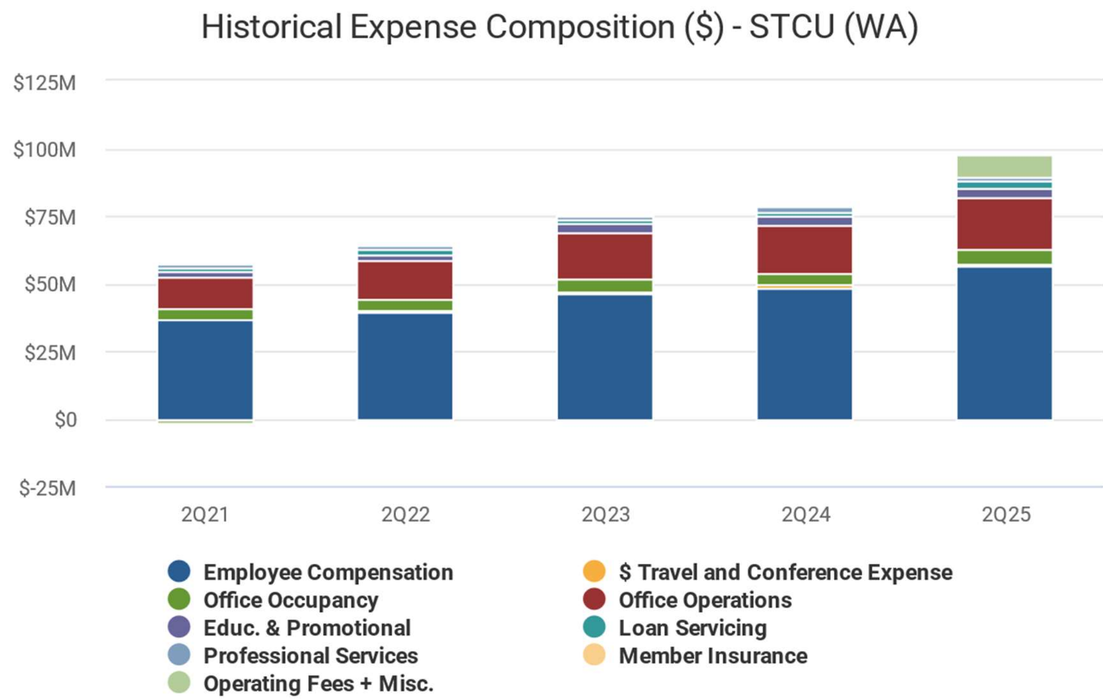
(Callahan and Associates, 2025)



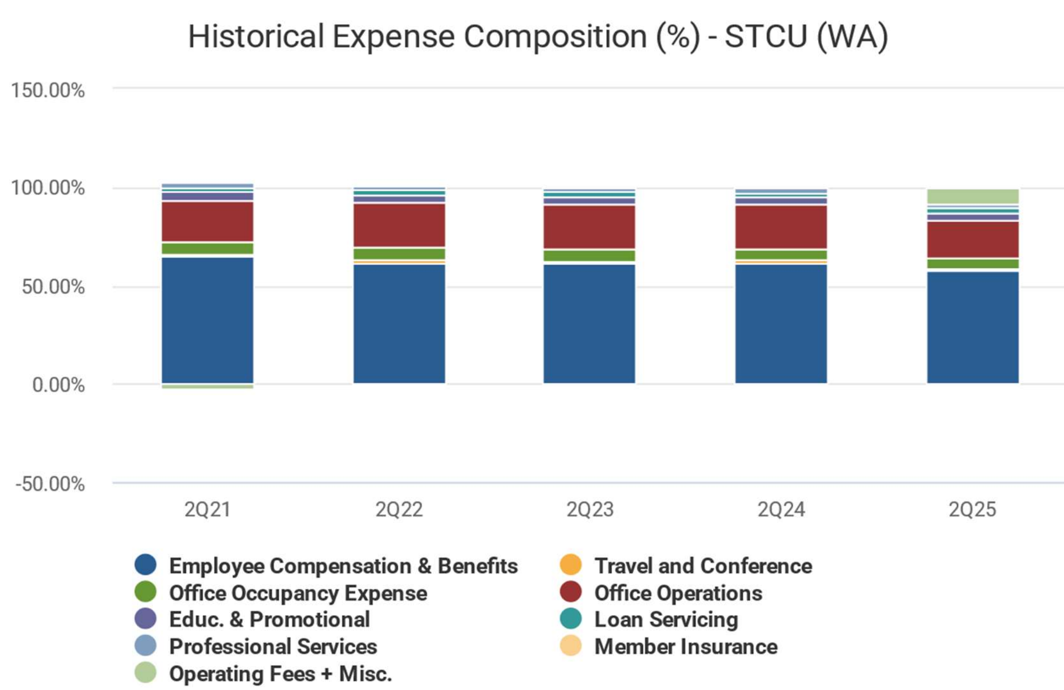
(Callahan and Associates, 2025)



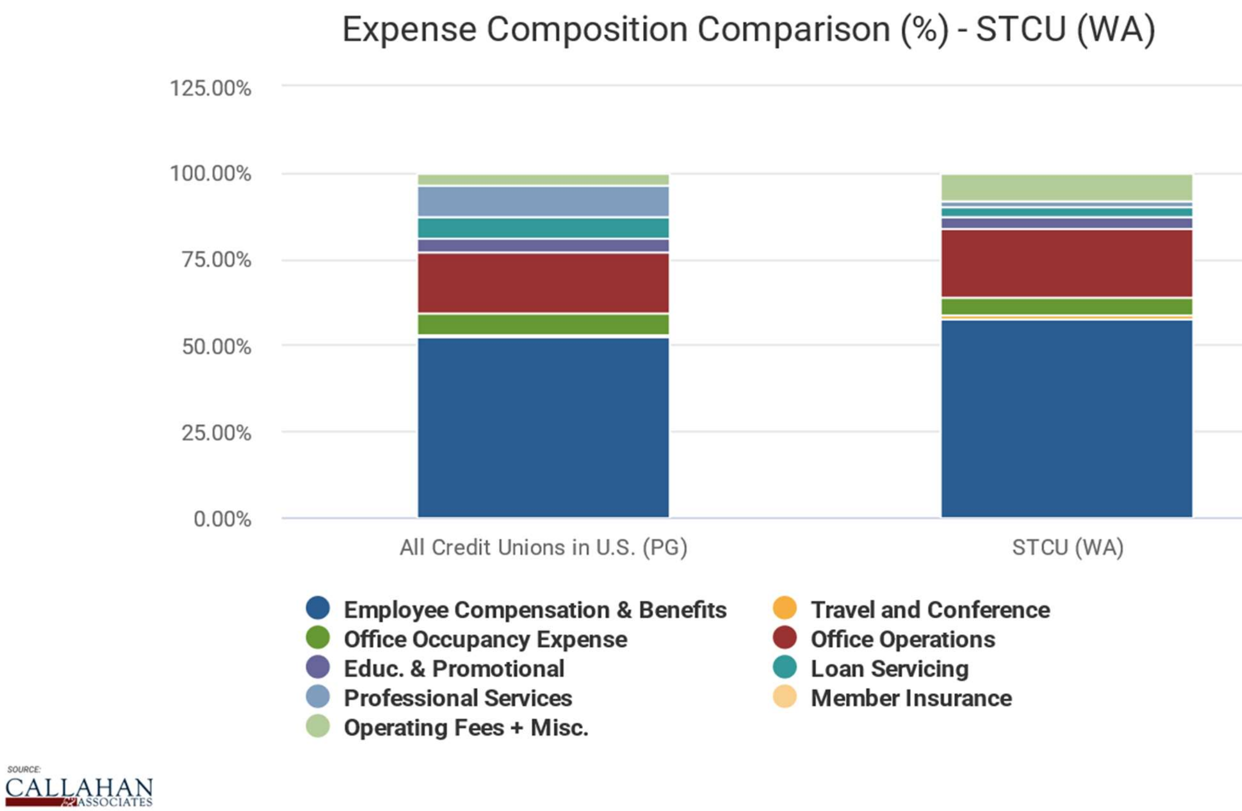
(Callahan and Associates, 2025)



(Callahan and Associates, 2025)



(Callahan and Associates, 2025)



(Callahan and Associates, 2025)

Spread Analysis (as a % of Avg. Assets)

Formula	STCU (WA)	All Credit Unions in U.S. (PG)
Loan Income	4.62%	4.28%
Plus: Investment Income	0.46%	0.88%
Total Interest Income	5.09%	5.16%
Less: Dividend Expense	1.55%	1.63%
Less: Borrowed Money Interest	0.45%	0.21%
Net Interest Margin	3.09%	3.32%
Less: Operating Expenses	3.20%	3.10%
Less: Provision for Loan Losses	0.81%	0.58%
Plus: Other Income/Expense	1.21%	1.11%
ROA	0.28%	0.76%

SOURCE: CALLAHAN & ASSOCIATES

One of the biggest income changes in the time horizon of our analysis we saw strong Compound Annual Growth Rate (CAGR) in both our Loan Interest (17.43%) and Fee Income

(18.19%), but we had rather flat growth in our Other Income (-0.64%) and our investment income saw a dramatic increase (44.14%). In real dollars, the driver is of course the Interest Income as that grew by $133.5M during that period where the next largest swing in pure dollars was Investment Income growing by $21.6M (Callahan and Associates, 2025) (Callahan and Associates, 2025). While this shift moved us closer to our all credit union peer group in income mix, we still show a larger share of Loan Interest (+8.67%) and a lower Investment Income (-6.46%).

In reviewing the expense data during this analysis period, we see impacts from our growth both organically and through acquiring and merging. In looking at the mixture of our total expense budget, we see outsized growth in our travel expense category, driven by the much larger geographic area we cover. While this budget category only grew by $721k during the five-year period, that represented an increase of 136% (Callahan and Associates, 2025). When you consider that it is roughly a 5-hour drive or a short flight from our new southern branches to our headquarters and a 3-hour drive to our western most branches acquired during this timeframe, you can begin to appreciate all of the extra travel expenses we undertook as we brought these employees into STCU and made sure they had a strong foundation in our values. With all this growth, we saw the mix of our expense composition shift as well. Now here I am going to get into trouble a bit, because I am going to point to the composition shift in the first *four years* due to an outlier in our year five data, which I will discuss afterwards.

In the first four years we saw Employee Compensation, our largest expense category, downward from 64.9% of our expenses to 61.5% (Callahan and Associates, 2025). As STCU grew, our front line employees had the largest growth rate, which cost less than more expensive management and executive positions, which we add as needed to successfully manage our overall growth. Our other expenses grew closely in proportion to our overall growth with the previous mentioned exception for travel and an undersized growth in our Professional Services category as we hired more experienced professionals that could do the work we previously might have outsourced (Baughman, 2025). Professional Services consumes less than 2% of our budget where the peer group uses up just over 9% of their budget in this category. By this point, I know you are eagerly awaiting the big reveal about what happened in year five.

In year five, we finally completed that rooftop garden addition to our dataset! Okay, it was not that, but we did add $8M to this category and so suddenly we see this large 8.27% Operating Fees + Misc expenses consumption of our total budget from nothing in the other years. If rooftop gardens do not belong in this category, then we must go search for a better answer. For STCU, this represented ~$8M in expenses as we closed the transaction to acquire Community Bank in Q2 of 2025 (Swenseid, 2025). Significant expense during mergers can come from things like contract break fees, depending on what the entity being acquired agreed to and what can be negotiated away with the other party. For example, if you have a strong relationship or are doing existing business, they may be waived. If they do not serve credit unions at all, they will hold you to the contract most likely. This is great to know as we know that there will be more mergers and acquisitions if industry trends hold true, and learning new things is the whole point of the project! It should be noted that in the other years, this value fluctuates due to how we account for loan origination fees. We defer origination fees and amortize them over the life of the loan (Swenseid, 2025).

In our Spread Analysis vs all credit unions (Callahan and Associates, 2025), everything is like the peer group, with a couple of notable discrepancies. Our net interest differs due to some offsetting variation in our loan interest (+34bps) and investment interest (-42bps) vs the peer group and our strategy of running our loans to share ratio over 100% resulting in higher borrowed money expenses. Another interesting data point is the impact on our Return on Assets (ROA) from acquiring Community Bank during this period, which reduced our ROA from our target range of 0.8% - 1.2% down to the 0.28% shown here. This is normal because we immediately add the assets of Community Bank (the denominator) but incurred acquisition costs including one-time transaction costs such as contract break-up fees and other costs associated with the expanded operations (negative to the numerator), but do not immediately get significant income because the quarter we closed this acquisition was the last quarter of our analysis period.

N. Vendor Management/Credit Union Service Organizations (CUSO)

i. Who is responsible for maintaining the credit union's vendor management program?

a) What is its process for engaging new vendors?

b) What is its process for renewing relationships with existing business partners?

c) Besides cost, what other aspects does your credit union use to determine the value delivered by its current vendors?

Our Vendor Management program is governed as part of our Risk Management practice and is maintained by our VP of Risk Management, Jody Gentemann (Gentemann, 2025). When a new vendor is desired to be engaged, we would submit a ticket to her team and obtain the current version of any necessary documents such as a mutual non-disclosure agreement (MNDA) and they would liaison between us and counsel to negotiate any changes needed to begin working with the new vendor.

My teams are the vendor owners for many of our vendors, so I know this process well and it is something that I have been working with our Risk Management team to evolve. Our contracts are stored in a contract management system where key dates and terms trigger alerts based on certain timings, including notice of renewal dates. These triggers allow the vendor owners to evaluate the vendor and determine if we want to renew or replace the vendor in question. If a renewal decision is made, we will determine if a straight renewal or a negotiation needs to take place. If a replace or sometimes a negotiated renewal is determined to be needed, we may initiate a Request for Proposal (RFP) process. For some harder to replace vendors that may take more time to replace than the notice period would allow for, we may initiate the RFP and negotiation process well in advance of the triggers from the contracting system, so this is one area I'd like to see us get better about across STCU as I've found many contracts in the system to not have sufficient time by the time the alert triggers to be able to replace the vendor. This limits your negotiating leverage if you plan to do a negotiated renewal.

While cost is certainly a factor in evaluating the value a vendor provides to STCU, we also value how responsive to our needs a vendor is, how well they deliver what they say they will deliver, if they interact with our members how well they take our direction on tone, voice, brand, etc. We also care about their security, compliance, data, and privacy practices if applicable. We assess them for potential reputational risk and monitor them to make sure that they are not in the news in a way our membership would not appreciate.

ii. *How does the existence of CUSOs benefit the credit union industry?*

iii. *What CUSOs, if any, does your credit union have equity (i.e. ownership) in?*

   a) *What are the general services those CUSOs provide to the credit union?*

CUSOs allow the credit union industry to pool together our limited resources and address common needs or capabilities that enable us to use scale and still individually focus on our specific membership needs. The capabilities enabled via the over 1,000 CUSOs offer the capabilities and benefits of a much larger organization to even the smallest credit unions (NCUA.gov, 2023). This cooperative nature aligns perfectly with the credit union movement. In addition to the pooling of resources, another potential benefit of a CUSO is that the credit unions that invest in the CUSO can also share in profits generated by the CUSO, which can help to diversify revenue streams. Currently STCU has just over $5M invested in CUSO ownership (Morgan, 2026). The largest piece of that is with AgWest with $3.15M invested, a CUSO that helps provide Agricultural Loans to STCU. The next largest is an investment in Eltropy, for $1M and they provide some of our AI progressive AI capabilities. This investment had the highest yield by percentage, but total dollars of yield were still higher with AgWest. The next largest investment in a CUSO was to Evergreen Armored of WA. This investment was for $750k and has yet to pay a return and does not provide services in our markets yet, although they may in the future as they expand into Eastern Washington. The fourth largest investment was in Colombia Inland Escrow, which provides limited Escrow/Title services to STCU. Our investment in them was just over $150k and provide about 1% yield. The last CUSO is an inactive CUSO called School Employment Services, and the acquired ownership stake is valued at $551. CUSO participation is one area that our CEO, Lindsey Myhre, has said we can have STCU help use our scale to support smaller credit unions (Myhre, 2026). We have a history in helping other CUs via a CUSO and in fact Scott Rabe began his early career at STCU helping other CUs process their checks along with STCU's (Rabe, 2025). This is one area where I will lean into, as my background doing product strategy for large national banks, I naturally gravitate towards business models that work well at large scale, but now instead of figuring out how to prevent my large bank competitors from quickly copying our work, I will be thinking about how we band together with other CUs to help us service our collective members. In fact, Lindsey asked for a list of ideas that might not work for STCU alone but could work as a CUSO. I had five concepts already in my notebook of that nature that I provided her, so hopefully one or more of them might be worth pursuing in the future!

iv. *<u>Graphs: There are no graphs required in the Vendor Management/CUSO section.</u>*

O. *Laws, Regulations & Advocacy*

i. *Which state or federal governmental agency is your credit union's primary regulator and what specific statute (i.e. law) gives that agency the authority to regulate your credit union?*

STCU is regulated by Washington State Department of Financial Institutions (DFI). In 1993, the legislature created the Revised Code of Washington (RCW) Title 43, Chapter 320 empowering the DFI to regulate depository institutions (Washington State Legislature, 2026).

ii. *Discuss the role your credit union currently plays in advocating for or against proposed legislative and regulatory changes that could affect it?*

a) *Which individuals (provide their names and titles) lead that effort, and why does that responsibility reside with them?*

STCU is taking on a greater role in our advocacy efforts as we try to help the credit union movement ensure we provide thoughtful feedback to our regulators and legislators about things that will impact us and the movement. This past year, we reorganized a bit within our Marketing organization and centralized more of this under Traci McGlathery, Chief Impact and Advocacy Officer. Marty in her role is frequently dealing with key figures in Washington State and increasingly Idaho and Oregon as well, but it was becoming too much for her to lead alone and so Traci kept taking on more of that responsibility until this past year she was awarded an overdue promotion into this role. Traci does an amazing job of tracking and coordinating who we need to connect with, why and when and then making sure it happens. She quarterbacks our efforts with GoWest, America's Credit Unions, and the Government Affairs Conference. She will bring in the expertise we have across the organization to provide our stance on various issues and then make sure our leadership and Board are aware so we can be aligned.

iii. What impacts have legislative and regulatory changes affecting the credit union industry had on your credit union, employees and members over the past 5 years?

One of the most impactful pieces of legislation that negatively impacted STCU in the past five years is Washington State House Bill 1506 (HB 1506). This bill now forces credit unions chartered in Washington State, like STCU, to pay a Business and Occupation (B&O) tax on banks that they acquire (Saulsbery, 2026). This tax is ongoing and materially reduces the motivation for STCU to acquire small banks within the state.

In 2025 we saw regulations and enforcement actions lifted and more uncertainty in the credit union space than in previous years. This includes dramatic funding uncertainty for certain agencies such as the Consumer Financial Protection Bureau (CFPB) and the removal of two of the three board members from the NCUA. There has been continued uncertainty about how Section 1033 of the Consumer Financial Protection Act of 2010 (Open Banking) will be implemented compounded by the potential uncertainty about CFPB's continued funding. These are just a few examples and the impacts on credit unions, our members, and our employees are not easy to quantify. In my team of product managers, they must plan for and work with others across the organization to assess the impacts of the various changes. This costs us time and money, which ends up not being able to invest into our members or our communities.

iv. Discuss what you personally do today to try to improve credit union statutes and regulations, and how you might additionally engage in that process in the future.

a) Is such advocacy something you are interested in? Why or why not?

v. <u>Graphs: There are no graphs required in the Laws, Regulations & Advocacy section.</u>

As our head of product, I participate frequently with Traci McGlathery assessing the various proposed regulatory impacts. She has introduced me to the GoWest legislative representative to discuss things such as the various stablecoin related proposals. I also established a Payments Council within STCU to provide a forum for us to review and discuss proposed legislation and regulatory changes and draft responses to requests for comments. I took point on creating our Open Banking environmental scan, which included strategic options depending on which way any final rule is eventually applied. So, it is safe to say I am a proponent of advocacy and have an interest in it. What is counterintuitive is that I see it as just another part of how the sausage gets made. I am not passionate about the process of advocacy; I am passionate about the outcomes that proper advocacy helps enable.

P. Social Impact

i. Do you believe a credit union should be involved in efforts to impact the well-being of people beyond delivering financial services to its members? Why or why not?

a) Describe any such efforts your credit union puts forth within your membership and/or the community at large.

b) How does the credit union benefit from those efforts?

c) What challenges do they bring about for the credit union and its employees?

ii. <u>Graphs: There are no graphs required in the Social Impact section.</u>

At STCU we are Here for Good. It is the reason I feel like my wave has joined a resonate wave train. While I think helping our members thrive financially is a critical objective, helping our communities thrive is just as important. This comes across in numerous ways at STCU. Our Here for Good Foundation is just one, albeit significant, manifestation of this (STCU, 2026). Our foundation has helped furnish community meeting spaces, fund community learning events, purchased badly needed bleachers for a community's rodeo venue, converted community eyesores into art by supporting local artists as they put their art on utility boxes around the communities, started an endowment for extended services for children in the foster care system, and so much more.

We also do other amazing things like helping our high school age kids in our community complete their Free Application for Federal Student Aid (FAFSA), whether they are a member or not. This will help these kids achieve that post high school dream of college, trade school, or apprenticeships. We also show up in a big way as volunteers for Habitat for Humanity build events including the amazing Women Build events, that we sponsor (GreaterSpokane, 2026). Not only do we help people achieve the home ownership dream, but I even learned how to side a house at the last one. Who knows what I will have learned at the one coming up in March.

STCU benefits because the goodwill from these efforts lifts the community and they in turn want to be part of it and so some of them will join STCU and by doing so help provide even more fuel for doing good. Not to mention, it does not hurt that you have like-minded employees such as myself that are looking for more than just a paycheck.

The only 'challenge' I can think of is we are so dedicated to doing good in our communities that we are not driving every hour of work efficiency out of our employees. In fact, we pay them to go out and volunteer. So, it hurts our efficiency ratio to invest in that. However, having a strong community helps it become financially more stable, which helps the entire community and so over the long term will benefit STCU and our members. We are not a bank and do not aspire to be a bank, so we don't have to worry about appeasing the investors each quarter. We can plan for the long term and invest in our communities for the long term.

One more minor challenge besides short term efficiency ratio is sometimes you will have a member not agree with a particular thing we are helping with and may say so on social media, but inevitably if that happens, we will have a lot of STCU supporters help explain to them all the good we are doing out there.

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III. Research Component

Artificial Intelligence (AI) is predicted by some to offer the promise of transformational productivity growth for workers. (Singla et al., 2025). Others argue the promises of AI have been overstated. (Smith, 2024). Some credit unions have rushed to incorporate AI applications to better serve their members, and numerous technology companies have begun offering AI supported applications to credit unions. Other credit unions have been more reserved. But what might this technology mean for your career and role as a strategic leader for your credit union?

This year's research section seeks to support your personal development given this new technology, which will in turn support your strategic leadership at your credit union. This section is meant to be distinct from all other sections of your project. Please do not alter the other sections of your project based on your answers in this section. Further, this section is meant to be based on your own readings and insights, not from discussions with leadership within your credit union. Where do YOU think AI will affect you and your role as a credit union leader?

1) What is your current familiarity and usage of AI technologies to support your leadership at your credit union? Please explain with specific examples, including any tasks in your role that you already augment with AI. Has AI meaningfully changed your decision quality, speed, or strategic insight?

I am not yet sure what impact AI is going to have on my career waveform, in some ways it feels like it could help amplify my impact, but it is unknown, so it is possible it could add interference. It is fair to say I am familiar with but not expert level with AI technologies. I use Copilot daily at STCU and it has helped tremendously in unexpected ways. I have not started

Singla, A., Sukharevsky, A., Hall, B., Yee, L., & Chui, M. (2025, November 5). The state of AI in 2025: Agents, innovation, and transformation. McKinsey & Company. https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai#/
Smith, G. (2024, June 27). AI is still a delusion. Mind Matters. https://mindmatters.ai/2024/06/ai-is-still-a-delusion/

using AI Agents regularly. One of the quirks with how my brain works is I tend to remember facts and things much better than I do names. I've tried all the tips and tricks with limited success, but one new super power that Copilot has unlocked for me is I can give it a query like, "I was in a meeting last week with a few people where we discussed the impact of…who was in that meeting?" and it will find the meeting and tell me who was in it. In a few seconds, I can find information that previously I either had to search out manually or might not find at all. We also have a lot of executives at STCU that just want things boiled down to a few key bullet points. I will need to take complex topics with a lot of information and pull out the key points, and I can ask Copilot to review it and see if I missed any key points. Sometimes it finds something I missed or will help me sharpen the key points I already identified.

Another useful thing it has been able to do is to find relevant documents to a topic. I was recently reviewing a project that one of my teams wanted to resume after we put it on hold last year. I was able to find the charter and meeting minutes that were relevant just by asking Copilot to do so. In these ways it has saved me a significant amount of time.

The last area that has been helpful is the integration of Copilot and Teams and how it can document meetings. It does a particularly excellent job of this and has saved me time and allowed me to focus on the meeting itself and not on capturing the details of the meeting. I have always found it much more difficult to participate in a meeting if I was the one that had to take the notes for the meeting and so I suspect this is true for some others too.

AI has not yet helped measurably in improving my decision quality but has significantly improved the speed of completing certain tasks. It has not yet helped me with strategic insights,

Singla, A., Sukharevsky, A., Hall, B., Yee, L., & Chui, M. (2025, November 5). The state of AI in 2025: Agents, innovation, and transformation. McKinsey & Company. https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai#/

Smith, G. (2024, June 27). AI is still a delusion. Mind Matters. https://mindmatters.ai/2024/06/ai-is-still-a-delusion/

although with this last area I have some hope that I will be able to use AI to help with distilling large amounts of information faster.

2) How, if at all, have you used AI tools to support completion of your WCMS Project? Were there specific areas where you intentionally chose to utilize, or not utilize, available AI tools to support your development as a strategic leader within your Project? Why?

Copilot has been helpful for me to locate internal resources. I am still at the phase of my adoption of AI that I need to write my first draft myself, so I have not used it much in my project other than to find documents and notes I knew I needed. One helpful thing I was able to do is use it to find where in my interviews I or my classmate asked the interviewee about something. This has let me zero in and listen back to specific parts of interviews, which has been a time saver. This was done via the Plaud app (Plaud AI, 2026).

A tip shared by one of our classmates on a monthly call we have was that they were able to ask their Copilot to review each section to make sure they answered each question (Omega class call, personal communication, 2026). I do not know how well it will do that, but I will try it once I am done writing my full first draft and see if it catches anything I previously missed. I am still at the point of using AI where I am not sure all the ways it will help me learn, so I probably could have used it more effectively during this project.

3) Please describe and justify your personal AI usage policy as a leader within your credit union. What tasks do you (or would you) delegate to AI, what will you never delegate, and how do you remain accountable? If your organization has an AI Policy, you may reference it, but your personal AI usage policy should be personalized to you and your responsibilities.

In my role as a leader at STCU, I am in learning mode with regards to AI. That does not feel strange though because I have been in learning mode my entire career. Even when I am the 'expert' and teaching something, I am still learning new things. At STCU we embraced AI right

Singla, A., Sukharevsky, A., Hall, B., Yee, L., & Chui, M. (2025, November 5). The state of AI in 2025: Agents, innovation, and transformation. McKinsey & Company. https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai#/
Smith, G. (2024, June 27). AI is still a delusion. Mind Matters. https://mindmatters.ai/2024/06/ai-is-still-a-delusion/

as I started, so my personal usage policy is to use the tools we have enabled and not to take my work usage of AI outside of our implementation of it. I need to show my team that it is okay and expected to be learner mode, especially with AI. It is important for me to collaborate with my team and help talk about how and why we are using AI. Everything is changing so quickly right now that someone will learn a new tip or trick every time we talk about the tools themselves…I usually learn more than one! I do not delegate 'thinking' to AI, but I am learning to use it to help me work smarter. Anything I use AI to help with is going to be *my* work, so if I am using AI to assist with a task, I am accountable to make sure it is accurate. This is no different than when I use Excel for data analysis. If I do not ask the right questions, use the right formulas, or ensure the inputs are correct, then it is my fault and not Excel's.

After writing the response to #2 above, I thought I may need to push outside my comfort zone a bit more. So just last night before leaving the office, I tackled something I had been delaying due to the time I thought it was going to take. I wanted to work with our digital banking vendor on assessing their telemetry maturity and understand better where they saw themselves and what their roadmap looked like. We did not have a good telemetry maturity assessment tool, but I have worked with enough in the past that I knew some key things I would want in it. Instead of creating my first draft myself, I was able ask Copilot to build a workbook for a telemetry maturity assessment and ensure it had some key items I wanted to be sure were included and it did a remarkable job building out a great first draft, recommended something I forgot, and now I have something useful for us to have a conversation around. Six months ago, Copilot failed to provide a simple median value in a data set when I asked for it, last night it

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generated a functional workbook with just a set of requirements I fed it in natural language. So, my personal usage policy of AI as a leader is: experiment, learn, share, and repeat.

4) Finally, how do you predict AI technologies will change the skills needed at your credit union in the decade ahead? Please discuss two specific skills credit union leaders should be developing now to be prepared for how AI may change credit union employment in the decade ahead. Are you currently taking steps to develop these skills?

AI technologies will change the ways we work and the skills we need to thrive. In the context of being able to harness the power of AI, I believe of all the skills cited in the World Economic Forum Future of Jobs report in 2025 that Technological Literacy and Creative Thinking are going to be the two most important skills (World Economic Forum, 2025). I would focus on these two skills because you must know and be comfortable with the ever-changing technology that we are dealing with in the credit union space. We cannot be afraid of learning the innovative technologies, but we also cannot waste our members' money by chasing every fad. There are numerous examples of where we have needed to be familiar with emerging technology to accurately assess whether we needed to divert scarce resources into building out the capabilities that would serve our members. One such case was enabling digital wallets. These were seen as potentially significant threats to the interchange revenue that financial institutions receive to enable credit and debit card access for their members. By becoming familiar with the technology, understanding how it was being adopted by our members, it quickly became clear that some sizable portion of the membership would want to tap their phone just like they could swipe, insert, or tap their card at the time.

The second skill I will focus on needing to develop in our workforce is creative thinking. In an article from the MIT Sloan school of management creativity was one of the five capabilities identified that humans excel at and AI struggles with, so bringing the creative

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strengths of the human mind together with the augmentation available through the efficient use of technology seems like a good way to enable our future workforce is successful (Locke, 2025). I believe STCU's workforce will continue to need creative thinkers to keep the heart of the member front and center in serving them. As the various algorithms are built to automate decisions, there will inevitably be use cases that AI cannot see or factors it will not consider that will change the outcome of a decision once you apply the heart of the member. We see it today when we use automated underwriting techniques but then review the 'no' responses to see if there are other things that the system did not consider that can get us comfortable with saying 'yes'. This takes experience and creativity to look at the specific member situation to work through it with empathy (another skill of importance).

If I am wrong and instead AI is a terrible tsunami it will be more like the Matrix (Wachowski & Wachowski, 1999) or Terminator (Cameron, 1984) and then the skills will need to be some sort of survival training and evasion/hiding!

Please present your Research Component in four distinction sections, as outlined above. Support your analysis by (correctly) citing in your answers at least <u>two additional articles</u> that support some of your assertions (Two articles total, not two per section. Do not count the provided articles as one of the two additional cited articles.). The two articles must be from reputable, professional publications, but do not necessarily need to be recent. The articles should be used to support or challenge your arguments and be included as part of your Project Appendix section.

Singla, A., Sukharevsky, A., Hall, B., Yee, L., & Chui, M. (2025, November 5). The state of AI in 2025: Agents, innovation, and transformation. McKinsey & Company. https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai#/
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IV. Your Conclusions

A. What were THREE key takeaways about your credit union that you discovered as a result of completing this project?

I learned many things about being able to see the currents and contours of the various parts of the credit union in this project that will help me align my energy more effectively to STCU's wave.

One key takeaway for me was how much difference STCU's 'heart of the member' approach makes compared to the banks where I started my career. Each leader mentioned it at least once as we dug into the 'why' of what they do. It was consistent and natural how it came out, but in reviewing my notes from the interviews, it was always there. I knew we embraced it in my own department because it resonates with me, but it was incredibly satisfying to see how it came to life across the entire credit union and wasn't just some token saying or phrase that I'd seen in past lives at banks.

A second key takeaway is similar, but what I will call the heart of the movement. Our leaders genuinely care about the credit union movement. Many would cite experiences they have with other credit unions, but one of the most impressive was from our CEO, Lindsey. She leans into this much more than our prior CEO and will frequently talk about how we can partner with other credit unions to help our community. We have the good fortune of being a decent size and rather than using that to 'squash the competition' we instead offer to share things we have learned or created with the other credit unions in our region. This collaboration helps us bring the benefit of credit unions to more people in our communities, and if they do not choose STCU as their primary financial institution, they hopefully choose one of our fellow CUs instead of a bank.

A third key takeaway I discovered was the deep history and cultural roots that brought about who we are today. This was a deep-water wave of energy you can feel in so many of the things we do as a community-chartered credit union. It grew out of the tradition of service we had for helping the original schoolteachers and staff of District 81 that we served. From making loans to members that may not get a loan at a bank because we understood the character of the person, volunteering to help build their homes, to donating a new climate system to a school in need, not for the press, but so the kids would have an environment where they could learn effectively. All of this really boils down to a fourth thing that I knew already, but it really anchored it home for me. I am PROUD to be part of STCU and ready to spend the rest of my career in service to our community and our movement.

Writing this paper has been tremendously helpful for me because it helped to solidify these more ethereal but powerful forces that drive our success. It takes nothing away from all the nuances of seeing how STCU organizes or performs their tasks compared to the banks I worked with in the past, but it was extremely satisfying to see so much come from doing what I feel is right and good.

B. How will the experience of completing this project, including the interactions you had with your credit union's volunteers and various senior leaders, influence how you approach your job and your view of how your position fits into your credit union's mission?

One of the key things I learned in this project is that I tend to take a longer view in my planning and thinking than many of the other leaders. It was how I was taught to do product management and so I spent my career doing product and service strategy work that often required having a 3-5 year view of where we were going so that the items we were working towards in the short term would prepare us properly. I gravitated towards the strategic roles I think because I could always just see how unrelated things could come together or recognize a pattern that others could not identify. So, I not only need to help the organization understand the strategic view we are applying to our product suite but also be sure to help connect the dots and watch for when I may have looked ahead and help frame what that path looks like between now and that future state. I should have recognized this sooner when I was helping build out our Member Preferred Money Market. I wasn't just building it to solve the immediate problem and when some leaders pushed back on how I was designing it, because it wasn't like any of our other money market products, but I wanted it to solve not just our current problem, but be a tool that would allow us to continue to shape it for future rate environments. We have already reshaped the rate curve in the product numerous times with that solitary product to help us fine tune how we are capturing deposits in different financial bands to best serve our diverse membership. What is not appreciated yet is that I had the team build out two equivalent products for our inventory so that we can quickly configure and deploy them if we need to address a specific scenario in the future. Helping other leaders understand that my product and BI teams are focused not just on the now, but increasingly on the future for STCU will be critical to making sure that we are effective.

C. *What did you learn about your own project management skills through the completion of this project?*

I did not learn anything new about my project management skills through the completion of this project. I have been fortunate to have been part of many large projects in my career and learned from some amazing project managers about how to decompose large projects into consumable pieces and the importance of making steady progress on them. I believed the mantra of start early and start often, so I was able to plan out periods where I knew I had significant work or personal commitments and map out a strategy for taking those into account and still making sure that I would be done well ahead of the due date. I set a stretch goal of being finished writing by the end of February, but I knew first half of March would be likely if there were unexpected delays. That would allow for weeks of additional proof reading feedback and revisions without feeling a time crunch.

D. What section of this project did you most enjoy and why?

Tough question! Being newer to STCU and the credit union world, but longer in the tooth than many of my classmates, I really enjoyed connecting a bit more with some of the leaders across STCU and seeing how my past experiences might be applicable and where our approach at STCU is completely different! In speaking to Denise in our Loss Mitigation department, this really hit home as she shared all the great lengths she and her team take to serve our members that are having a tough time financially. At the same time, we must also protect our other members' money by getting to as positive an outcome as we can. I also really enjoyed the data analysis sections as I was semi-retired during the COVID years, so I was not paying attention to the dramatic shifts in strategy that COVID had on how to successfully manage a financial institution. This project gave me an opportunity to look closely at all the financials in that post-COVID period and really understand how the extreme economic forces really tested the balance sheet management of our executives. Different parts of this project resonated with both my heart and my brain and yet I find myself looking back to section A of this section as my favorite. It is just so gratifying to know that I have found not just an organization, but an entire movement that aligns so well to my personal waveform.

E. *What section of this project was the most challenging for you?*

i. *What steps can you take to improve your competency in this area?*

The most challenging part for me is tied back to my Enneagram 5 type. Like most of the Enneagram 5's I love learning more about subjects and digging in to learn even more. With the analysis sections focused on a time I missed in financial services, it provided a great reason to go back and dig into what was an extraordinary time in our world. As I would analyze sections, I found myself with questions that I would then go back and check with my experts about things I was seeing in the data. I suspect this project was an amazing excuse and 'get out of jail free' card for me with a lot of them because we send students through the WCMS program each year. My colleagues expect to be interviewed and some of them had prepared answers for the questions they must be asked each year, so if we deviated from the script they were expecting we often took up more of their time than expected. Not once did anyone give me any push back as I went back for more or as I was typing up their section and I would have a different thought to ask them about, so I think I just need to be more accepting of the fact that my colleagues are willing to be generous with their time and that I am not bugging them when I follow-up. The learning I extracted from this goes with how my department can collaborate better by making sure that we stay connected as leaders despite all having very busy schedules. Typing it here is one thing, but taking the step to scheduling time with other leaders to make sure we stay connected is one way I have already started to overcome this.

F. *What recommendations do you have for improving the project?*

i. *Were there any subjects that you would have liked to have had included in the curriculum that would have helped you complete the project?*

I think this project is going to change dramatically over the next few years. I recall multiple warnings about the use of AI during the project during class but seeing the rapid changes in AI from our class in July of 2025 to now in March of 2026, I feel like that world changed faster than many of us expected. How do we make sure the AI current is not an undertow and instead is directed into empowering future classes to ride this wave? If I were to be doing this project again in the next few years, I would expect that the data analysis section might be changed to incorporate the use of AI tools to call out areas more readily for increased scrutiny. It seems likely that Callahan would even be working on their own AI and somehow this could be incorporated into the project in some way. I would expect that we will need to spend more time teaching our future leaders how to use AI effectively in those sections.

I would say a likely way to improve the project is to embrace that the AI tools are arriving quickly and improving even faster but make sure our students get grounded in the fundamentals without AI (e.g., supply and demand curves, investigate where graphs cross or slopes shift, inflection points, etc.,) so they can use the AI to enhance their thinking. I would then add some sort of "Effective use of AI for data analysis" learning that builds on the fundamentals for our future credit union leaders so they gain the skills that they will apply for the good of our movement and collective memberships.

As for what subject would have helped me personally this time around, a refresher on using Word for some things I have not needed in *many* years. My use of Word for things like citing references and formatting the Table of Contents or even dealing with the footnote addition to the AI section all took way more time than I care to admit. There were just some things that were not intuitive and thankfully I had classmates that were in university much more recently than I was that provided some powerful tips and tricks such as many of the features in the

References tab of Word. I do realize this is somewhat tongue in cheek as I use Word almost every day, but I have not written an academic paper this century! It didn't even cross my mind that Word could and would track my citations and build the bibliography. I had been dreading that task and just highlighting each time I needed to add the citation and as I was lamenting that that task was ahead of me, a fine WCMS student shared out the tip to a bunch of us that were all dreading the task. So it wouldn't only be the more experienced lifelong learners that would benefit from an optional seminar on tips and tricks on how to use Word efficiently for this project.

V. Project Appendix

A. Three Items from the "Peer Analysis" folder in Peer to Peer for your credit union:

i. The Balance Sheet

(Callahan and Associates, 2025)

Balance Sheet - WCMS - STCU (WA) - STCU (WA)					
Formula	**Jun-2021**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**
Auto Loans	$882,538,701	$1,023,386,005	$1,091,906,303	$1,141,882,733	$1,304,429,717
Real Estate Loans	$2,105,831,874	$2,389,615,263	$2,602,671,510	$2,676,942,718	$2,816,410,727
Credit Card & Unsecured Loans	$179,890,377	$262,916,690	$367,562,730	$400,604,351	$341,713,121
Other Loans	$400,570,833	$639,489,137	$667,244,649	$656,627,074	$658,299,277
$ Loans (total outstanding)	$3,568,831,785	$4,315,407,095	$4,729,385,192	$4,876,056,876	$5,120,852,842
Allowance for Loan Loss	$25,090,814	$31,624,104	$36,541,164	$38,603,824	$59,237,795
Investments & Cash	$763,922,571	$771,721,137	$707,060,039	$739,895,194	$848,366,017
Fixed & Other Assets	$122,850,068	$200,970,192	$254,459,864	$257,816,196	$378,725,030
NCUA SIC Deposit	$32,130,690	$39,253,638	$41,882,596	$41,839,973	$48,434,163
Total Assets	$4,462,644,300	$5,295,727,958	$5,696,246,527	$5,877,004,415	$6,337,140,257
Checking	$989,913,284	$1,261,652,954	$1,238,939,637	$1,194,261,842	$1,388,369,190
Savings	$911,030,630	$1,148,389,591	$1,039,136,418	$918,414,663	$839,799,033
Money Markets	$1,197,631,848	$1,428,100,758	$1,317,593,592	$1,177,046,909	$1,640,477,971
Certificates	$596,507,264	$551,533,542	$677,977,955	$921,233,241	$1,039,196,912
Other Deposits	$138,214,478	$141,287,298	$254,762,652	$495,794,373	$442,171,621
Total Deposits	$3,833,297,504	$4,530,964,143	$4,528,410,254	$4,706,751,028	$5,350,014,727
Other Liabilities	$215,465,779	$282,202,291	$652,603,278	$622,722,562	$423,304,978
Net Worth	$416,265,447	$539,568,361	$593,598,070	$621,958,081	$624,836,665
Other Equity	$0	$0	$1,051,144	$1,096,868	$845,566
Unrealized Gain/Loss	-$2,384,430	-$57,006,837	-$79,416,219	-$75,524,124	-$61,861,679
Total Liabilities and Equity	$4,462,644,300	$5,295,727,958	$5,696,246,527	$5,877,004,415	$6,337,140,257
SOURCE: CALLAHAN					

ii. The Income Statement

(Callahan and Associates, 2025)

Income Statement - WCMS - STCU (WA) - STCU (WA)					
Formula	**Jun-2021**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**
Net Loan Interest Income	$148,072,476	$165,273,064	$222,130,226	$260,967,174	$281,591,486
Investment Income	$6,513,646	$13,006,146	$18,914,636	$23,757,398	$28,118,212
Fee & Other Operating Income	$40,325,180	$40,810,690	$45,569,324	$48,322,032	$53,504,804
Total Gross Income	$194,911,302	$219,089,900	$286,614,186	$333,046,604	$363,214,502
Compensation & Benefits	$72,808,882	$78,139,066	$92,025,852	$96,521,462	$112,552,508
Travel & Conference	$1,060,608	$1,998,954	$2,366,360	$2,295,470	$2,503,080
Office Occupancy	$7,269,066	$8,344,478	$9,193,742	$9,143,794	$10,122,262
Office Operations	$24,126,500	$28,827,762	$34,459,764	$35,136,352	$37,963,208
Marketing	$4,102,282	$4,531,974	$6,021,150	$6,327,488	$6,919,942
Loan Servicing	$2,699,968	$3,411,290	$2,951,598	$3,449,372	$5,284,058
Professional & Outside Services	$2,978,376	$3,155,660	$3,339,192	$3,397,740	$3,558,232
Member Insurance & Other Operating Expenses	-$2,852,392	-$1,439,064	$427,358	$752,196	$16,134,726
Total Operating Expense	$112,193,290	$126,970,120	$150,785,016	$157,023,874	$195,038,016
Non-Op Gain/Loss	$1,275,542	-$200,728	$435,336	$21,636	$20,396,634
Dividends	$17,027,826	$12,297,876	$43,636,620	$73,161,314	$94,544,536
Interest on Borrowed Money	$5,098,264	$8,713,630	$24,627,826	$29,374,956	$27,297,604
Total Cost of Funds	$22,126,090	$21,011,506	$68,264,446	$102,536,270	$121,842,140
Provision for Loan Loss	$1,106,622	$15,355,346	$19,381,438	$52,362,616	$49,534,664
Net Income	$60,760,842	$55,552,200	$48,618,622	$21,145,480	$17,196,316

SOURCE: CALLAHAN & ASSOCIATES

iii. Key Ratios

(Callahan and Associates, 2025)

Key Ratios - WCMS - STCU (WA) - STCU (WA)					
Formula	**Jun-2021**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**
Net Worth Ratio	9.33%	10.19%	10.49%	10.63%	9.88%
Return on Assets	1.42%	1.08%	0.86%	0.36%	0.28%
Asset Growth	21.45%	18.67%	7.56%	3.17%	7.83%
Deposit Growth	27.18%	18.20%	-0.06%	3.94%	13.67%
Cost of Funds	0.58%	0.45%	1.33%	1.95%	2.21%
Loan Growth	17.33%	20.92%	9.59%	3.10%	5.02%
Loan Yield	4.31%	4.05%	4.74%	5.40%	5.62%
Delinquency (total)	0.06%	0.12%	0.24%	0.32%	0.41%
Loan Charge Offs	0.09%	0.19%	0.47%	0.86%	0.83%
Member Growth	10.95%	13.25%	4.76%	3.67%	8.28%
Loans to Shares	93.10%	95.24%	104.44%	103.60%	95.72%

SOURCE: CALLAHAN & ASSOCIATES

B. Full copies of the articles used for your Research Component (Section III).

i. Be sure that the titles of the articles, the names of the publications they were derived from ***and the dates of those publications are included, and are easy for your reader to locate.***

IDEAS MADE TO MATTER | ARTIFICIAL INTELLIGENCE

Choose the human path for AI

To realize the greatest gains from artificial intelligence, we must make the future of work more human, not less.

by **Richard M. Locke**

Dec 16, 2025

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Ideas Made to Matter
Choose the human path for AI
Dec 16, 2025
by Richard M. Locke

Richard M. Locke, John C Head III Dean, MIT Sloan

Americans today are ambivalent about AI. Many see opportunity: Sixty-two percent of respondents to a recent Gallup survey believe it will increase productivity. Just over half (53%) believe it will lead to economic growth. Still, 61% think it will destroy more jobs than it will create. And nearly half (47%) think it will destroy more businesses than it will create.

These are real concerns from an anxious workforce, voiced in a time of great economic uncertainty. There is a diffuse sense of resignation, a presumption that we are building AI that automates work and replaces workers. Yet the outcome of this era of technological advancement is **not yet** determined. This is a pivotal moment, with enormous consequences for the workforce, for organizations, and for humanity. As the latest generation of artificial intelligence leaves its nascent phase, we are confronted with a choice about which path to take. Will we deploy AI to eliminate millions of jobs across the economy, or will we use this innovative technology to empower the workforce and make the most of our human capabilities?

I believe that we can work to invent a future where artificial intelligence extends what humans can do to improve organizations and the world.

A new choice with prescient antecedents

As the postwar boom expanded the workforce in the 1950s, organizations were confronted with a choice about how to most effectively motivate employees. To guide that choice, MIT Sloan professor Douglas McGregor developed **Theory X** and **Theory Y**. The twin theories describe opposing assumptions about why people work and how they should be managed. Theory X assumes that workers are inherently unmotivated, leading to a management style based on top-down compliance and a carrot-and-stick approach to rewards and punishments. Theory Y presumes that employees are intrinsically motivated to do their best work and contribute to their organizations, leading to a management style that empowers workers and cultivates greater motivation.

Centering human capabilities: MIT Sloan research and teaching on AI and workforce development

At MIT Sloan, our mission, in part, is to "develop principled, innovative leaders who improve the world." What does this charge mean when we choose the path of machines in service of minds?

LEA

McGregor's work informed my research on supply chains in the 2000s, when firms were taking manufacturing to places with weak regulation and low wages in hopes of cutting production costs. Yet my research revealed that some supply chain factories were using techniques we teach at MIT about lean manufacturing, inventory management, logistics, and modern personnel management. These factories ran more efficient and higher-quality operations, which gave them higher margins, some of which they could invest in better working conditions and wages.

When an organization makes a choice like this, it pushes against prevailing wisdom about the limitations of the workforce. Instead, the firm employs innovations in both management theory and technology to expand the capabilities of its workforce, reaping rewards for itself and for its employees.

“Machines in service of minds”

Researchers at MIT today are urging us to make such a choice when steering the development of artificial intelligence. Sendhil Mullainathan, a behavioral economist, argues that questions like “What is the future of work?” frame the future in terms of prediction rather than in choice. He argues that it is right now — as we build the technology stack for AI and as we redesign work to make use of this newly accessible technology — that we need to choose. Do we follow a path of automation that simply replaces some amount of work humans can already do, he asks, or do we choose a path that uses AI as (to borrow from Steve Jobs) a “bicycle for the mind”?

In his own work, Mullainathan has shown why we should choose the latter: With colleagues, he has developed an algorithm that can identify patients at high risk of sudden cardiac death. Until now, making such a determination with the data available to physicians has been nearly impossible. Rather than automating something doctors can already do, Mullainathan chose to create something new that doctors can use to better treat patients.

That type of choice sits at the center of “Power and Progress,” the 2023 book by MIT economists and Nobel laureates Daron Acemoglu and Simon Johnson that argues for recharting the course of technology so that it effects shared prosperity and complements the work of humans. Writing later with MIT economist David Autor, the pair argued that the direction of AI development is a choice. As they put it, leaders and educators must choose “a path of machines in service of minds.”

What does that mean in the context of the workforce and the workplace today? How do we create organizations and roles that travel this path?

Part of the answer lies in research from MIT Sloan professor Roberto Rigobon and postdoctoral researcher Isabella Loaiza. The pair conducted an analysis of 19,000 tasks across 950 job types, revealing the five capabilities where human workers shine and where AI faces limitations: Empathy, Presence, Opinion, Creativity, and Hope. Their **EPOCH framework** puts us on a path toward upskilling workers with a focus on what they call "the fundamental qualities of human nature." Think of the doctors in Mullainathan's work above. With AI, they can better predict which patients are at high risk of sudden cardiac death. And the doctors remain essential as decision makers and caregivers, using insights from AI to focus on better patient outcomes.

Researchers across MIT and MIT Sloan are examining the indispensable role of humans in the implementation of artificial intelligence across many other disciplines and industries, some of which are detailed in the sidebar.

Teaching our students, ourselves, and the world

At MIT Sloan, centering human capabilities in the implementation of AI means that we must all be fluent with these new tools. It means educating not just our students but also our faculty and staff members. We must create a foundation we can build upon so we can all do better work in finance, marketing, strategy, and operations, and throughout organizations. Here are three ways we have begun:

> In Generative AI Lab, one of MIT Sloan's hands-on action learning labs, teams of students are paired with organizations to employ artificial intelligence in solving real-world business problems.
>
> This past summer, we formed a committee of faculty members who are already planning how to weave AI throughout the curriculum, with a focus on training students in ethical and people-focused implementation of the technology.
>
> At MIT Open Learning, MIT Sloan associate dean Dimitris Bertsimas and his team have developed Universal AI, an online learning experience consisting of modules that teach the fundamentals of AI in a practical application context. The pilot of this offering was recently rolled out to a wide-ranging group of organizations — including MIT students, faculty, and staff members — so they can learn more about AI and its applications and, most importantly, provide feedback. This will allow us to go beyond educating just ourselves and our students. We will shape an offering that can scale much further and help us to collectively choose a path that is informed by the MIT research I've described above. Universal AI will be available to learners, educators, and all types of organization around the world in 2026.

AI at Work

Research and insights powering the intersection of AI and business, delivered monthly.

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Continuing a tradition of pathfinding and inventing the future

Job loss and de-skilling are not inevitable outcomes of the growth of artificial intelligence in organizations. But it's where we'll end up if we don't make a deliberate choice to follow the best path we find.

From Theory X and Theory Y to Rigobon and Loaiza's insightful EPOCH framework, to the new educational paradigms possible through initiatives like Universal AI, MIT and MIT Sloan have a history of following paths to an exciting and productive future of work that not only includes humans but makes the most of our humanity. We must all work together to invent this future. The range of possibilities is greater than we think.

__Richard M. Locke__ is the John C Head III Dean at the MIT Sloan School of Management. A scholar of international labor standards and comparative political economy, Locke began his appointment as dean in July 2025. This also marked his return to MIT, where he previously served as the Class of 1922 Professor of Political Science and Management and the Alvin J. Siteman Professor of Entrepreneurship for 13 years, as well as MIT Political Science department head and MIT Sloan's deputy dean. Locke began his career as an assistant professor of international management at MIT in 1988.

Prior to his deanship appointment at MIT Sloan, Locke served as the dean of Apple University, which focuses on internal leadership and management education for Apple, Inc. Before this, Locke was Brown University's provost, a position he held for nearly eight years.

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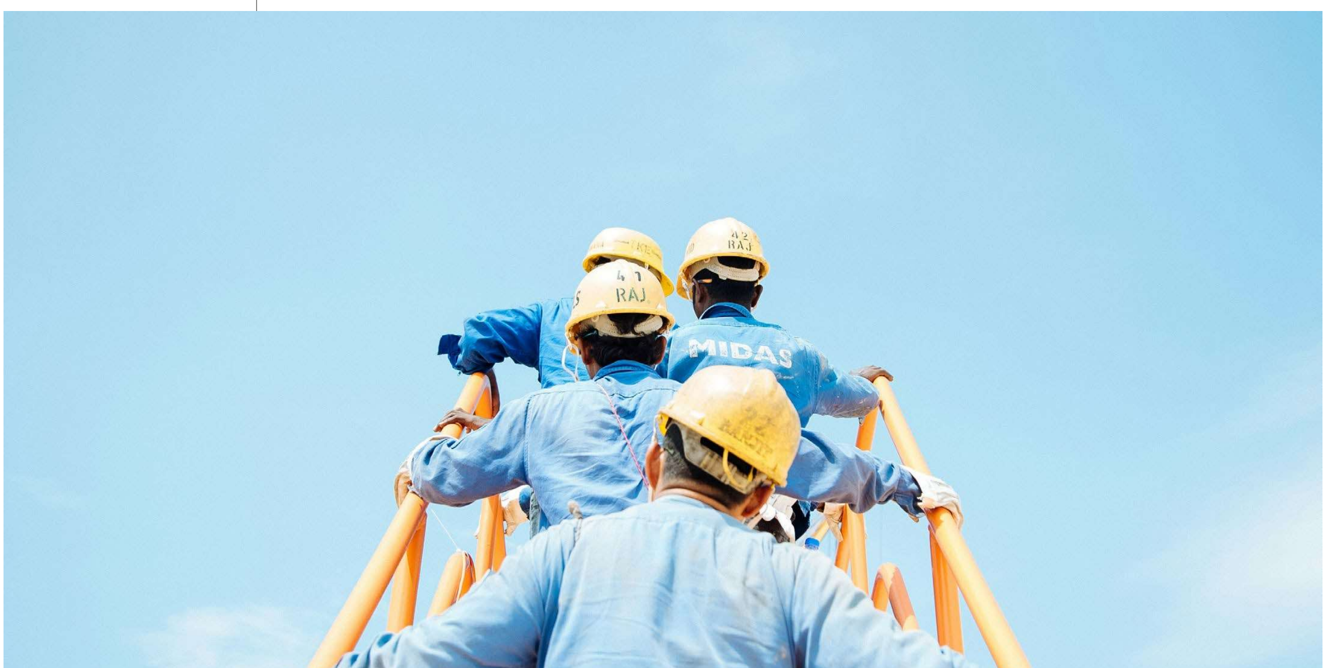
Future of Jobs Report 2025

INSIGHT REPORT

JANUARY 2025

3 Skills outlook

This chapter presents the results of the Future of Jobs Survey concerning skills, as classified by the World Economic Forum's Global Skills Taxonomy.[36] It begins by analysing respondents' expectations of skill disruption by 2030, as well as the skills currently required for work and whether employers anticipate these skills will increase or decrease in importance over the next five years. The chapter then assesses the skills expected to become core skills by 2030, based on their current significance and anticipated evolution. It also contrasts the skills required for growing and declining jobs, revealing windows of opportunity for enabling dynamic job transitions. Finally, it offers an overview of the key drivers of skill transformation and concludes with an exploration of anticipated training needs and trends.



3.1 Expected disruptions to skills

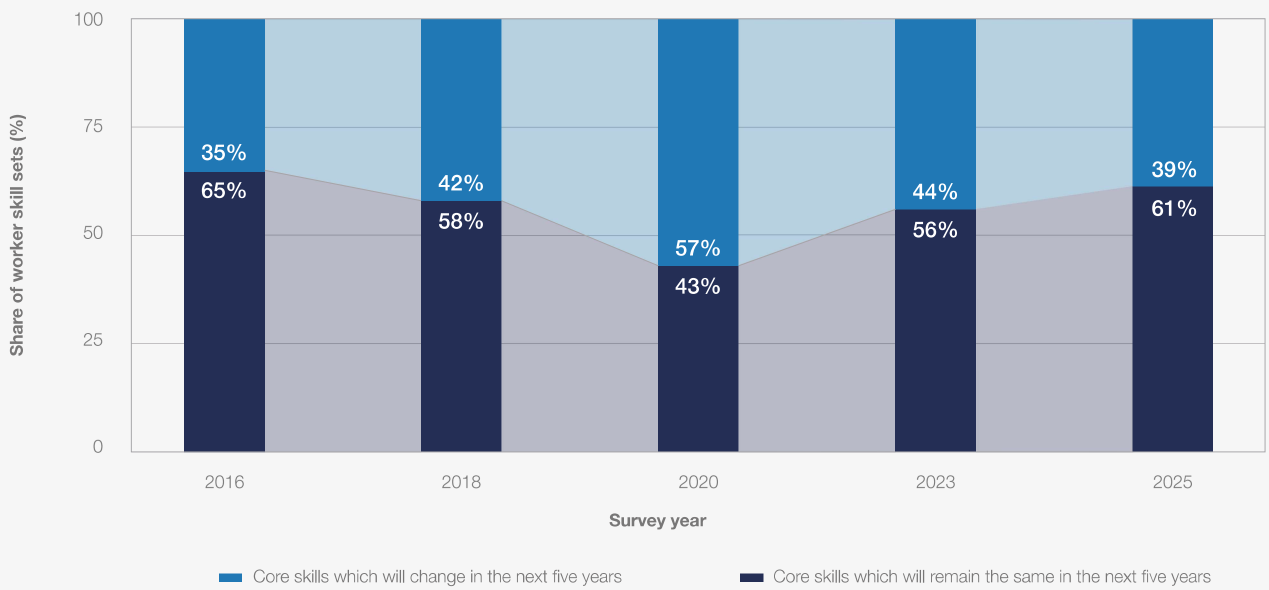
When the Future of Jobs Report was first published in 2016, surveyed employers expected that 35% of workers' skills would face disruption in the coming years. The COVID-19 pandemic, along with rapid advancements in frontier technologies, led to significant disruptions in working life and skills, prompting respondents to predict high levels of skills instability in subsequent editions of the report. The post-pandemic period, however, has seen employers adapt to these changes. The accelerated adoption of digital tools, remote work solutions, and advanced technologies such as machine learning and generative AI provided companies with relevant experience to better understand the critical skills required to navigate rapid technological change.

Despite current uncertainty around the long-term impact of generative AI, the expected ongoing pace of disruption of skills has begun to stabilize, albeit at a high level. Overall, employers expect 39% of workers' core skills to change by 2030 (Figure 3.1). While this represents significant ongoing skill disruption, it is down from 44% in 2023. One element contributing to this finding may be a growing focus on continuous learning, upskilling and reskilling programmes, enabling companies to better anticipate and manage future skill requirements. This is reflected in an increasing share of the workforce (50%) having completing training as part of long-term learning strategies compared to 2023 (41%) – a finding that is consistent across almost all industries. This is discussed further in section 3.3.

FIGURE 3.1

Disruptions to skills

Evolution in the share of workers' core skills expected to change and to remain the same within the next five years, 2016-2025.



Source

World Economic Forum Future of Jobs Surveys 2016, 2018, 2020, 2022 and 2024.

Note

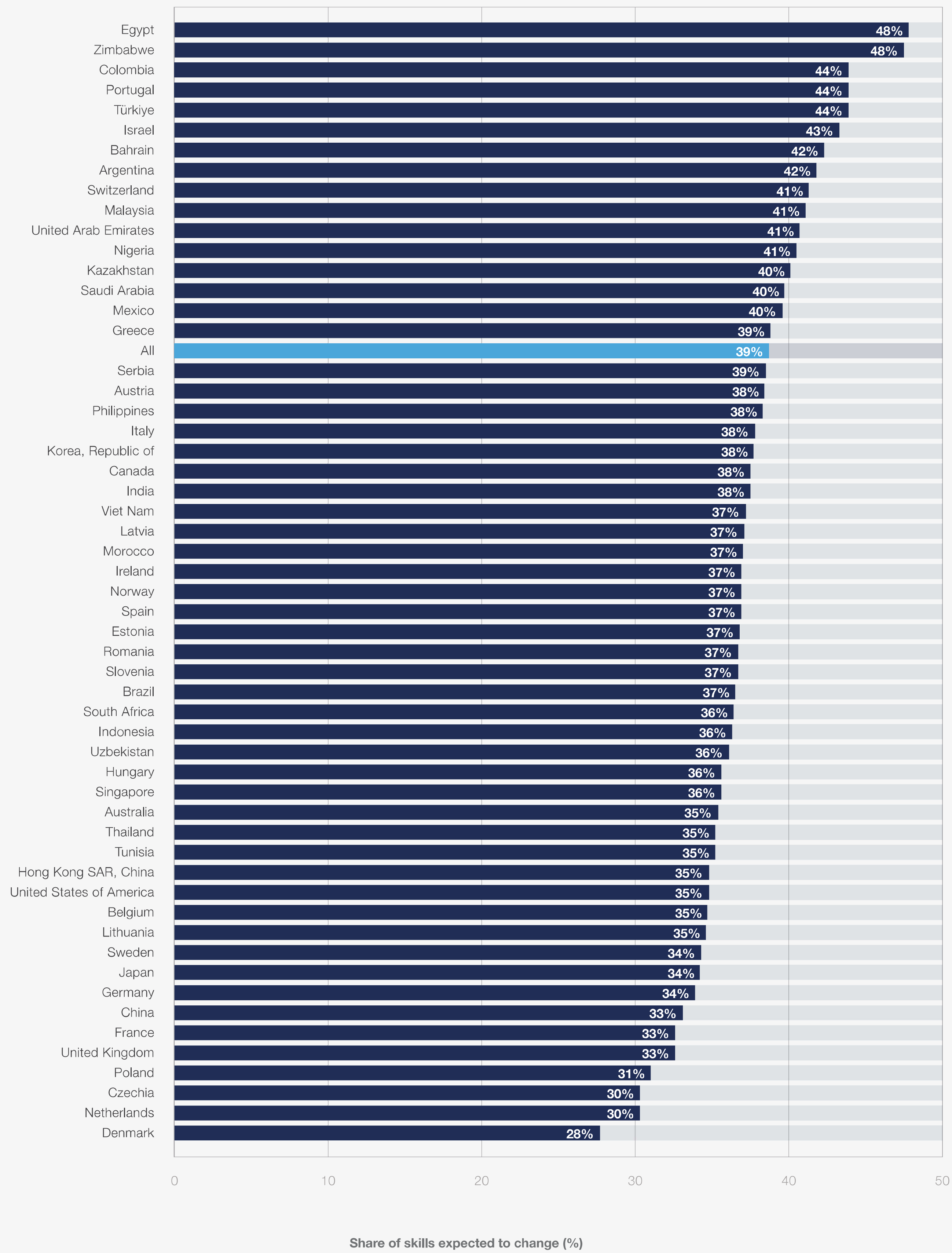
Values reported are the mean skill stability percentages estimated by employers surveyed in each edition of the survey.

However, the extent of skills disruption is not uniform across economies and industries. Lower-middle and upper middle-income economies and those affected by conflict tend to expect greater disruption in workers' skills, while high-income economies foresee less instability (Figure 3.2).

FIGURE 3.2

Disruption to skills 2025-2030, by economy

Share of workers' core skills that will change in the next five years



Source

World Economic Forum, Future of Jobs Survey 2024.

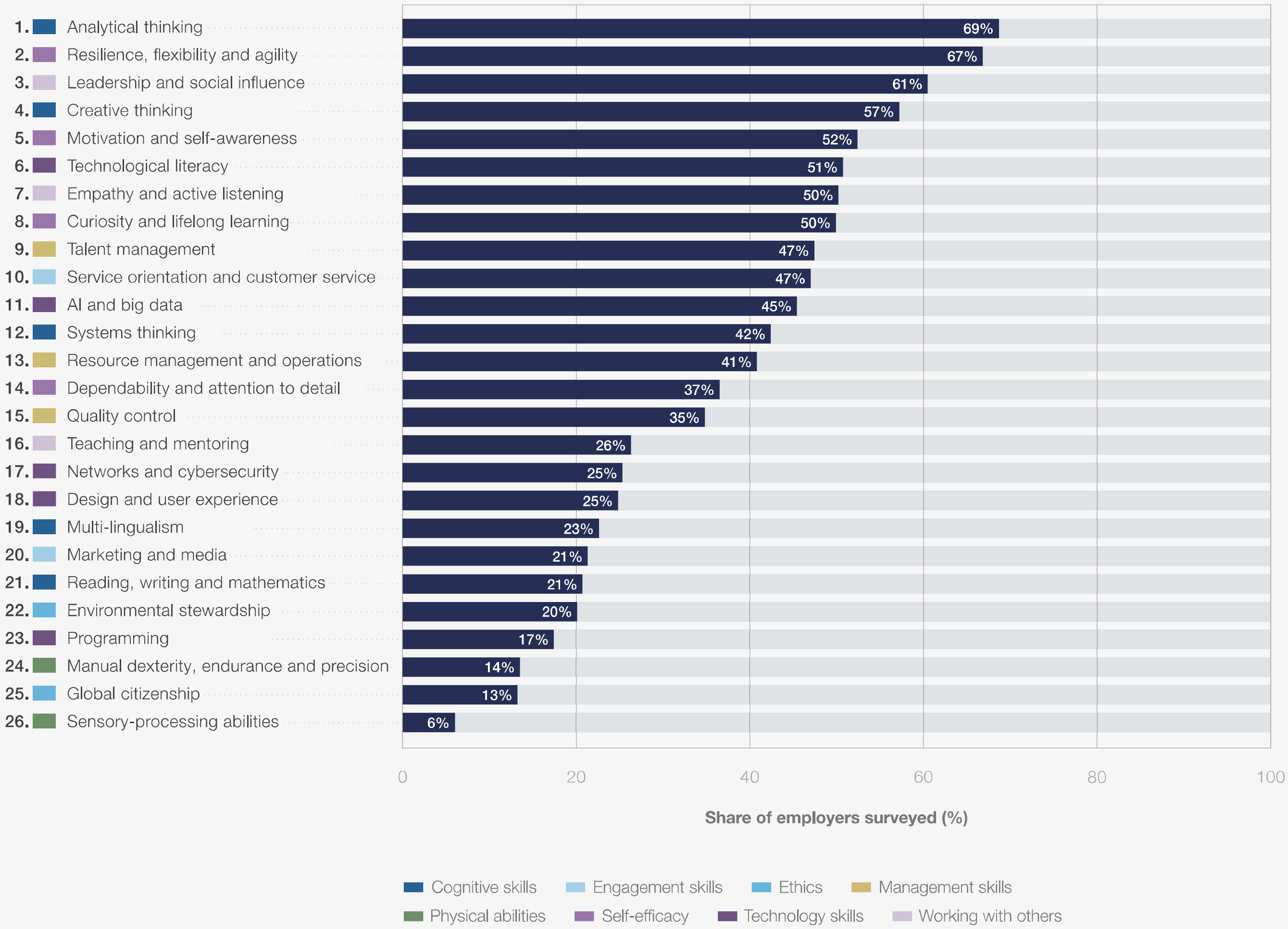
Note

Values reported are the mean skill stability percentages estimated by organizations surveyed.

FIGURE 3.3

Core skills in 2025

Share of employers who consider the stated skills to be core skills for their workforce.



Source

World Economic Forum, Future of Jobs Survey 2024.

Note

The Future of Jobs Survey uses the World Economic Forum's Global Skills Taxonomy.

Core skills

Figure 3.3 shows the core skills Future of Jobs Survey respondents identify as required by workers today. As in the two previous editions of this report, analytical thinking remains the top core skill for employers, with seven out of 10 companies considering it as essential. This is followed by resilience, flexibility and agility, along with leadership and social influence, underscoring the critical role of adaptability and collaboration alongside cognitive skills. Creative thinking and motivation and self-awareness rank fourth and fifth, respectively. This combination of cognitive, self-efficacy and interpersonal skills within the top five emphasizes the importance ascribed by respondents to having an agile, innovative and collaborative workforce, where both problem-solving abilities and personal resilience are critical for success.

The top 10 core skills are complemented by technological literacy, empathy and active listening, curiosity and lifelong learning, talent management, and service orientation and customer service. Skills that reflect the important role of technical proficiency, strong interpersonal abilities, emotional intelligence, and a commitment to continuous learning demonstrate respondents' expectation that workers must balance hard and soft skills to thrive in today's work environments.

While the core skill sets are relatively consistent across broader industries and geographical regions, there are notable distinctions within specific sectors and geographies. For instance, the Insurance and Pensions Management industry places a significantly higher value on curiosity and lifelong learning, with 83% of respondents identifying it as a core skill compared to the global average of 50%. Resilience, flexibility and agility are also considered as especially crucial in this sector, with 94% of respondents emphasizing their importance versus a global average of 67%.

The Mining and Metals industry distinguishes itself with a strong focus on environmental stewardship, as 50% of respondents view it as a core skill – 2.5 times the global average. This emphasis on environmental skills is also evident in the Government and Public Sector, where it is double the global average. Additionally, both the Mining and Metals and Advanced Manufacturing industries place higher importance on manual dexterity, endurance and precision skills compared to other sectors, with roughly 25% of respondents identifying this as a core skill.

The Telecommunications industry stands out for prioritizing design and user experience, networks and cybersecurity, and programming skills, with twice the global average of respondents considering these as core skills in their organizations. Similarly, the Information and Technology Services sector places greater emphasis on programming skills.

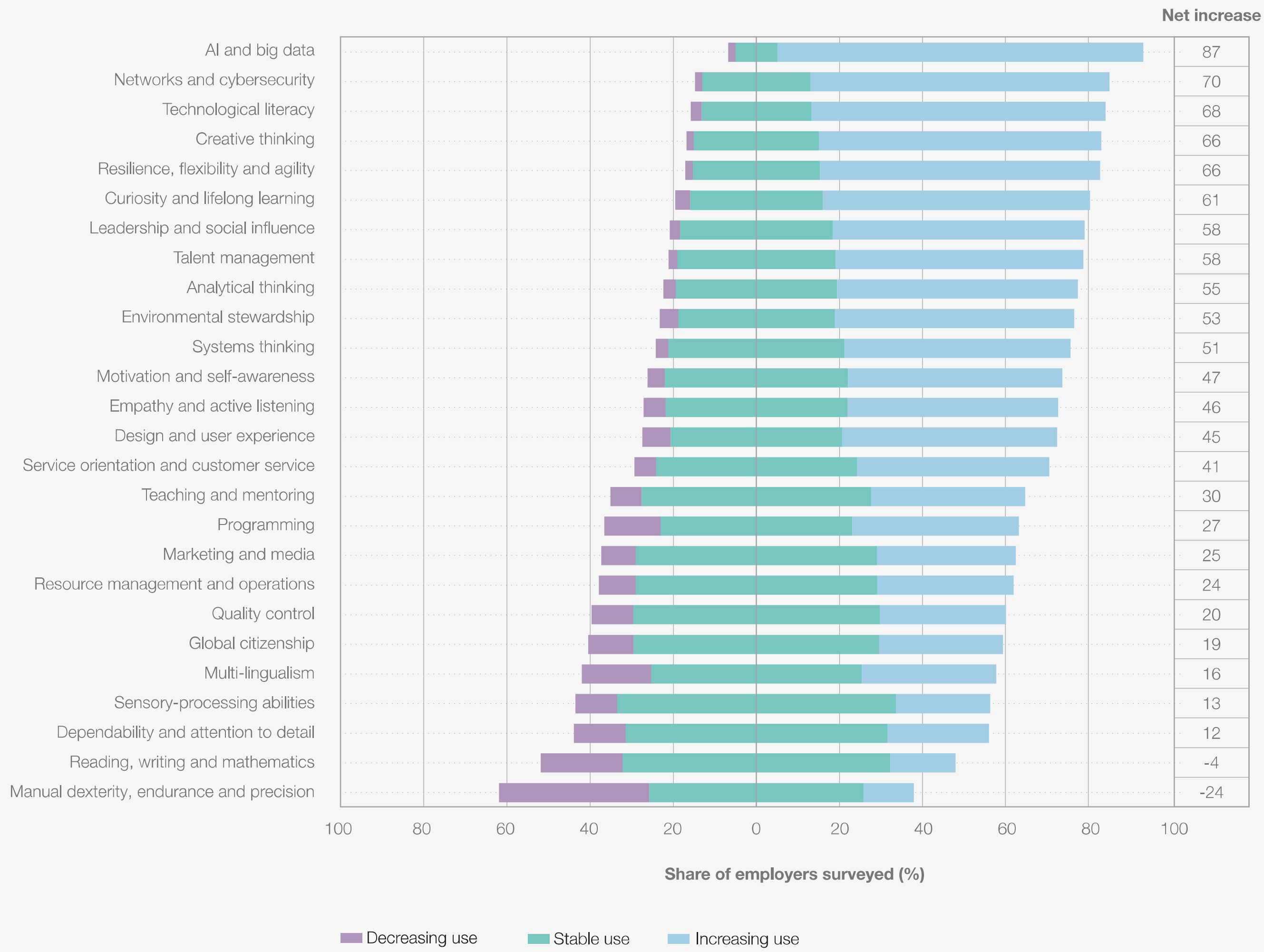
Compared to the 2023 edition of this report, some significant shifts in core skills have emerged. Leadership and social influence, AI and big data, talent management, and service orientation and customer service have all seen marked increases in relevance. Conversely, skills like dependability, attention to detail, and quality control have decreased in importance for organizations compared to the 2023 data.

Overall, leadership and social influence, resilience, flexibility and agility, and AI and big data have seen the most substantial increase in importance, with 22, 17, and 17 percentage-point rises, respectively, in the share of respondents identifying them as core skills compared to the 2023 edition of the report.

FIGURE 3.4

Skills on the rise, 2025-2030

Share of employers that consider skills to be increasing, decreasing, or remaining stable in importance. Skills are ranked based on net increase, which is the difference between the share of employers that consider a skill category to be increasing in use and those that consider it to be decreasing in use.



Source

World Economic Forum, Future of Jobs Survey 2024.

Note

The Future of Jobs Survey uses the World Economic Forum's Global Skills Taxonomy.

Skill evolution

According to employer expectations for the evolution of skills in the next five years, as shown in Figure 3.4, technological skills are projected to grow in importance more rapidly than any other type of skills. Among these, **AI and big data** top the list as the fastest-growing skills, followed closely by **networks and cybersecurity** and **technological literacy**. Complementing these technological skills, creative thinking and two socio-emotional attitudes **– resilience, flexibility, and agility**, along with **curiosity and lifelong learning –** are also seen as rising in importance.

Also ranking among the top 10 skills on the rise are leadership and social influence, talent management, analytical thinking, and environmental stewardship. These skills highlight the need for workers who can lead teams, manage talent effectively and adapt to sustainability and green transitions in an increasingly complex and interconnected world.

At the other end of the spectrum, respondents identified sensory-processing abilities; reading, writing and mathematics; dependability and attention to detail; quality control; and global citizenship as among the most stable skills. However, a small net decline is anticipated in reading, writing, and mathematics. Manual dexterity, endurance, and precision stands out with a notable anticipated net decline, with 24% of respondents foreseeing a decrease in its importance. The declining relevance of physical abilities has been a trend in previous *Future of Jobs Reports*, but this is the first time it has seen a net negative decline.

Comparisons with previous editions of the Future of Jobs Survey reveal a notable shift in skill demands, with technology skills such as AI and big data, networks and cybersecurity, and environmental stewardship showing the largest net increase in the share of respondents identifying them as critical for the next five years. Conversely, skills like reading, writing, and mathematics; manual dexterity, endurance, and precision; and dependability and attention to detail have seen the largest decline in projected future demand.

Figure 3.5 illustrates industry-specific variations in the evolving importance of skills. AI and big data are predicted to see significant growth across nearly all sectors. In the top 10 industries, over 90% of respondents expect this skill to increase in use. The lowest growth shares are observed in Agriculture, Forestry, and Fishing (70%) and Accommodation, Food, and lLisure industries (69%). This highlights a broad-based but uneven embrace of advanced technological skills across industries.

Resilience, flexibility and agility are growing in demand more quickly in the Agriculture, Forestry, and Fishing; Telecommunications; and Information and Technology Services sectors. The Insurance and Pensions Management industry stands out as the industry forecasting the fastest growth in importance in creative thinking skills. This industry, along with Education and Training and Telecommunications forecast fast growth in the importance of curiosity and lifelong learning.

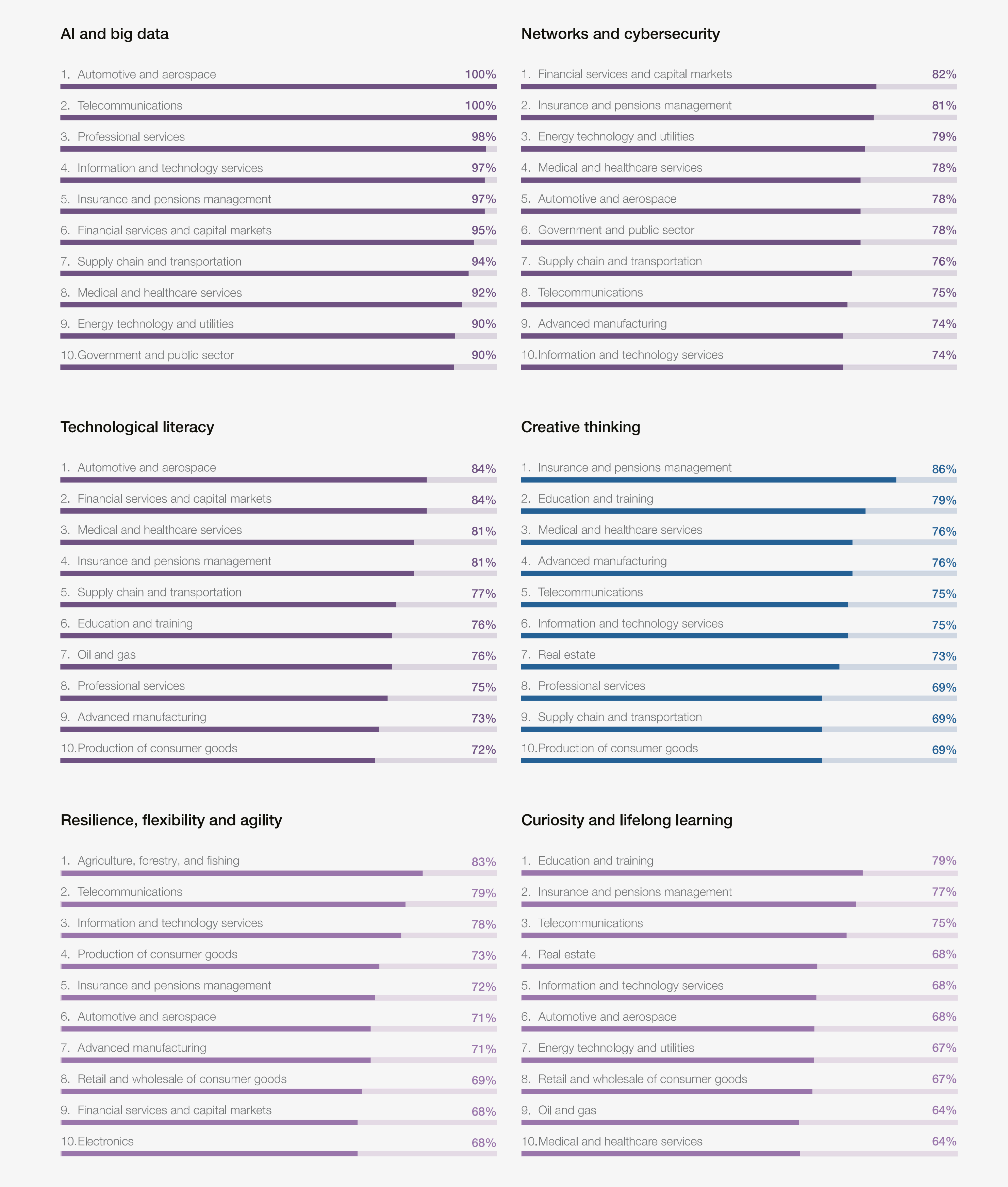
Increasing skill demands in environmental stewardship skills are particularly evident in the Oil and Gas and Chemical and Advanced Materials industries.

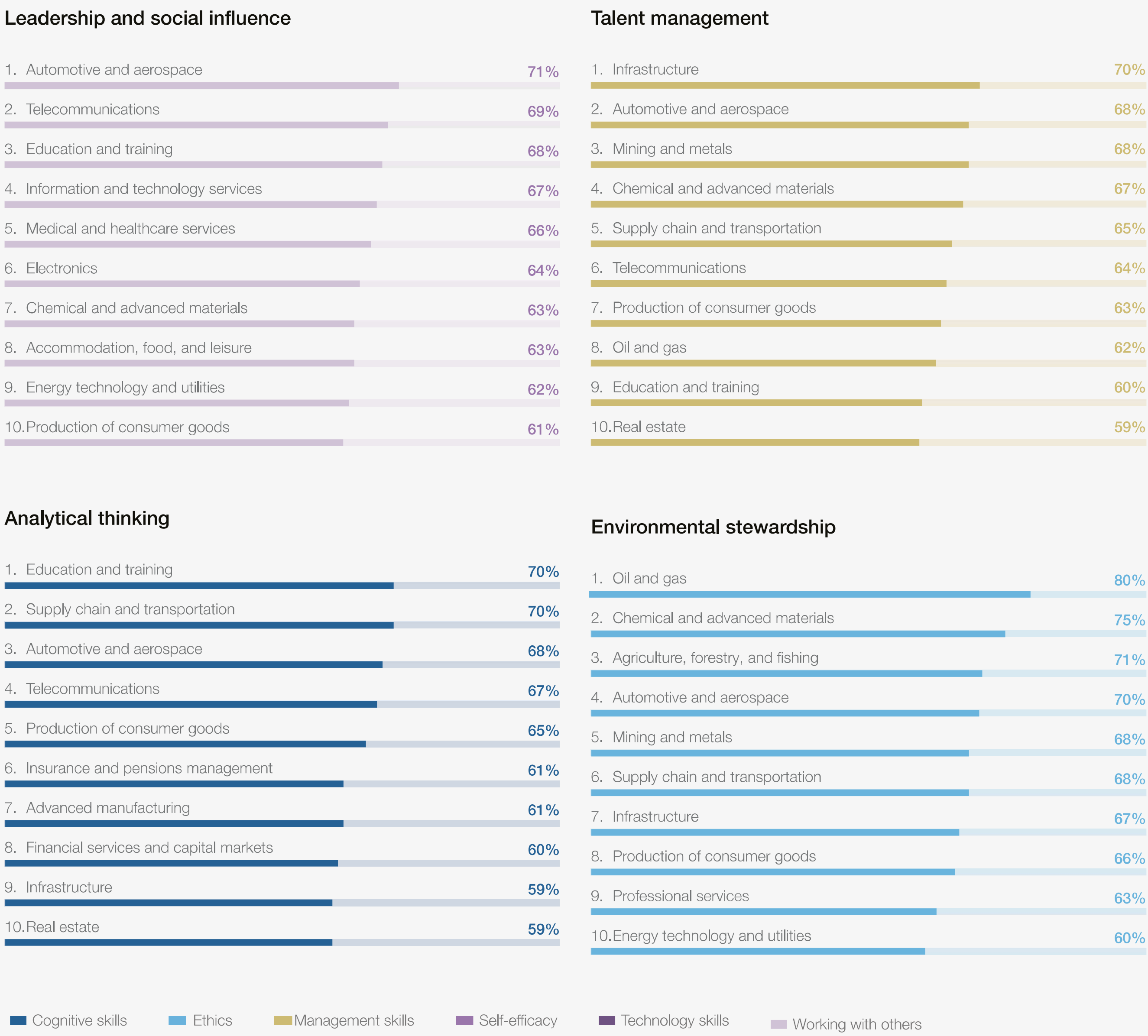
Furthermore, the net decline in the demand for manual dexterity, endurance, and precision skills is observed across sectors, with the most significant decreases in Energy Technology and Utilities, Chemicals and Advanced Materials, and Information Technology Services, each experiencing declines exceeding 39%. By contrast, the Accommodation, Food, and Leisure sector and the Automotive and Aerospace industries show the smallest declines, with net reductions below 14%.

FIGURE 3.5

Top 10 industries for increasing skill requirements, 2025-2030

Share of employers considering skills within the corresponding skill category to be growing in importance for their workforce from 2025 to 2030, as opposed to having stable or declining importance. The top 10 industries out of the 22 studied in this report are selected in each case and ranked.





Source

World Economic Forum, Future of Jobs Survey 2024.

Note

The Future of Jobs Survey uses the World Economic Forum's Global Skills Taxonomy.

Core skills in 2030

Looking ahead to 2030, Figure 3.6 provides further insights into key priority areas for workforce development for organizations, by comparing core and emerging skills by 2030 based on their relative importance today and their future evolution. The top right quadrant highlights skills that are already core to organizations today and are expected to continue growing rapidly. Skills such as **AI and big data; analytical thinking; creative thinking; resilience, flexibility and agility;** and **technological literacy** are not only considered critical now but are also projected to become even more important. Moreover, **leadership and social influence, curiosity and lifelong learning, systems thinking, talent management,** and **motivation and self-awareness** solidify their importance, emphasizing the continued relevance of human-centric skills amid rapid technological advances.

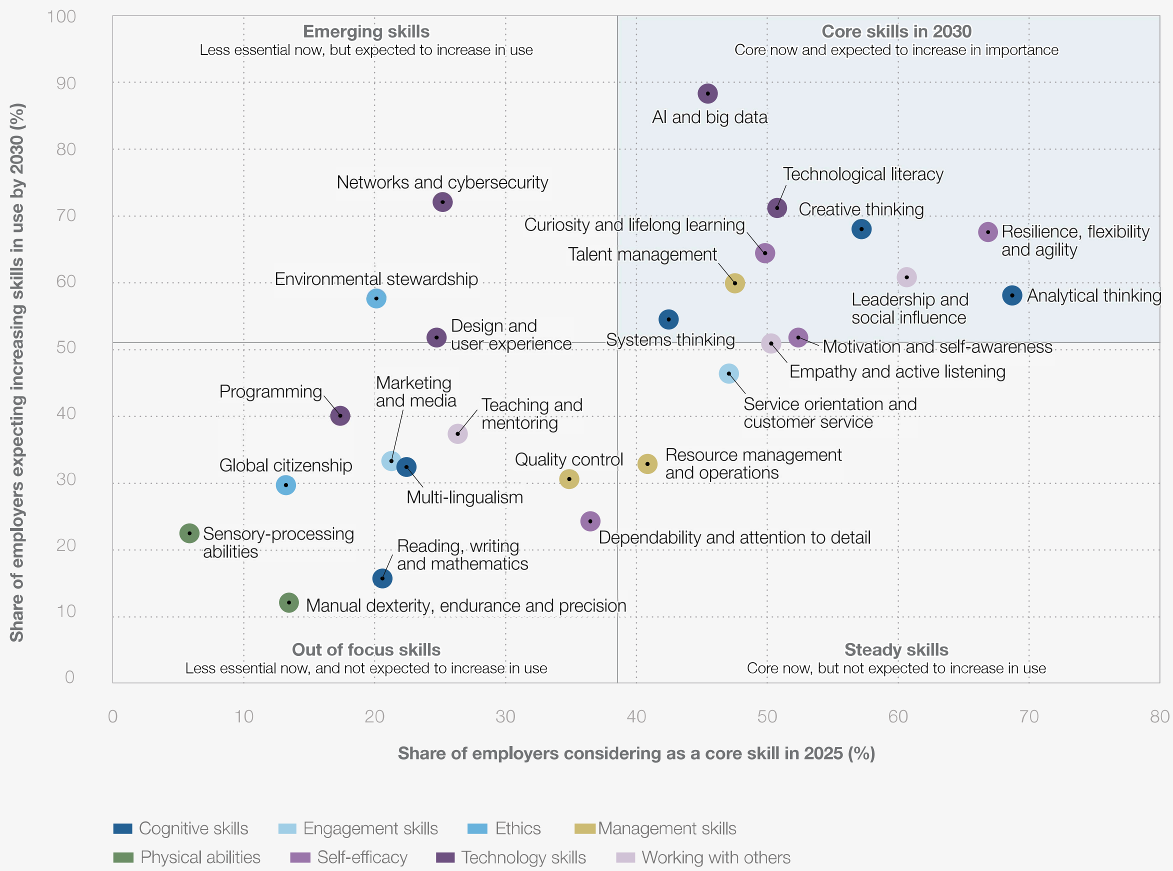
Meanwhile, **networks and cybersecurity** and **environmental stewardship –** in the top left quadrant of the figure – rank among the top 10 skills expected to increase significantly in use by 2030, yet they are not currently considered core skills for most organizations. These emerging skills represent areas where businesses may need to anticipate growing demands and develop capabilities before they become critical.

On the other hand, skills that are core today, but expected to remain stable over the next five years without significant increase in use, displayed in the lower right quadrant, include empathy and active listening, service orientation and customer service and resource management and operations. Finally, the bottom left quadrant of Figure 3.6 highlights skills that are neither critical now nor expected to increase significantly in use over the next five years. While most of these skills remain important, they may represent areas where less investment is required, allowing employers to prioritize resources toward more rapidly evolving skill sets.

FIGURE 3.6

Core skills in 2030

Share of employers considering skills to be a core skill in 2025 and share of employers expecting skills to increase in importance by 2030.



Source

World Economic Forum, Future of Jobs Survey 2024.

Note

The Future of Jobs Survey uses the World Economic Forum's Global Skills Taxonomy. Bold lines represent the median values across all skills.

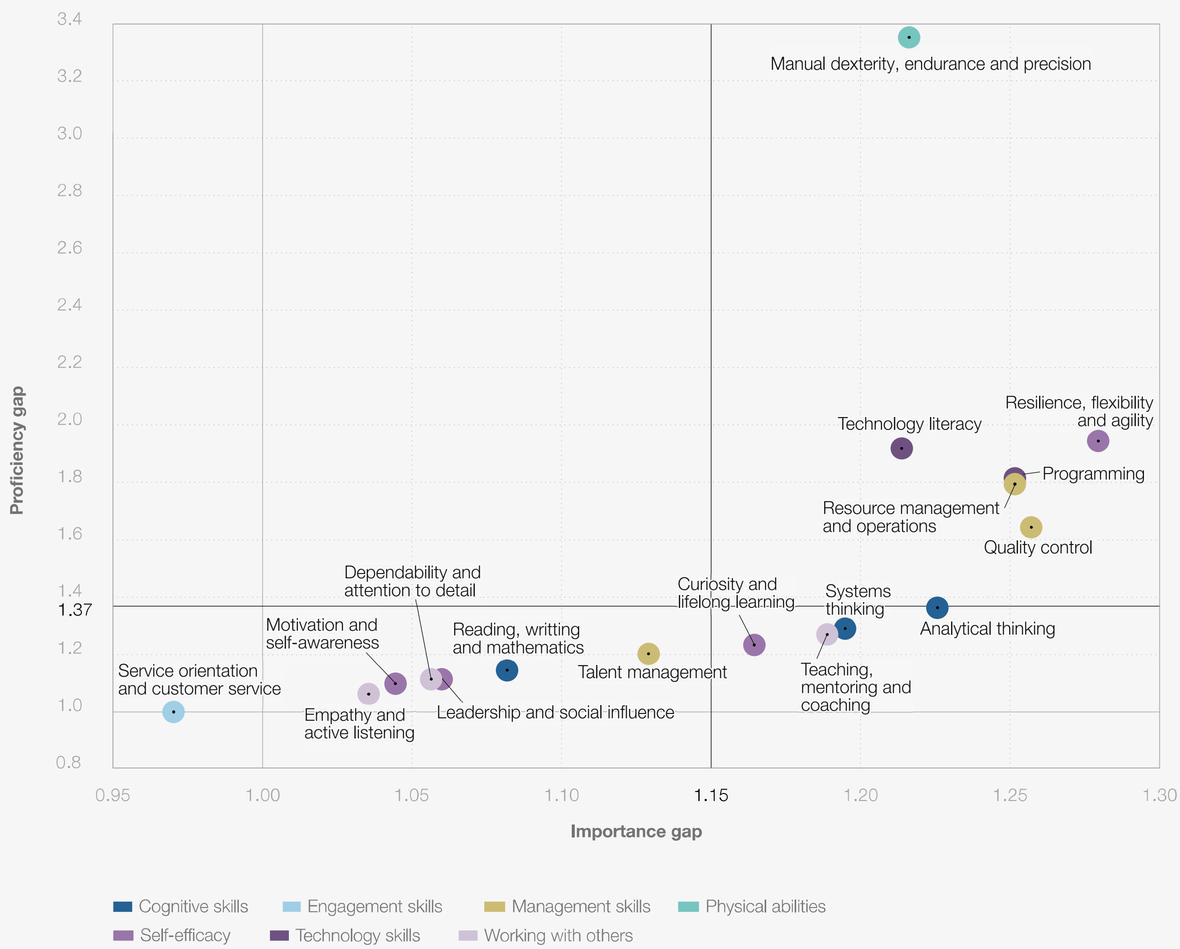
Skill differences between growing and declining jobs

While a diverse set of skills is essential for navigating the evolving workforce landscape, contrasting the skills requirements particularly associated with growing jobs, and those associated with declining ones, reveals windows of opportunity that exist for enabling dynamic job transitions.[37,38] Figure 3.7 illustrates these differences based on two metrics derived from the O*NET skills inventory:[39] the “importance gap”, which measures how much more essential a skill is for growing jobs, and the “proficiency gap”, which indicates the level of expertise required for each skill in growing jobs compared to declining jobs. For example, a score of 2 in either metric means a skill is twice as critical or requires double the proficiency in growing roles.

FIGURE 3.7

Skill importance gap and skill proficiency gap between growing and declining jobs

When growing and declining job roles attach the same level of importance and proficiency to a skill, the index equals one. The bigger the value, the bigger the gap between growing and declining jobs.



Source

World Economy Forum analysis, based on Future of Jobs Survey 2024, the World Economic Forum's Global Skills Taxonomy and O*NET skill importance and level for each occupation.

Note

Bold lines represent the average across all skills.

At an aggregate level across all growing and declining roles, resilience, flexibility and agility skills are the most significant differentiator between growing and declining job roles, ranking higher in both importance and proficiency for growing roles. Programming and technological literacy also differentiates growing and declining roles, reflecting the increasing integration of technology across occupational fields. While programming scores higher in importance, it requires less proficiency compared to technological literacy.

Resource management and operations, and quality control skills also show marked gaps in both proficiency and importance. Analytical thinking completes the list of top five skills for the importance gap, while ranking 6th for the skill proficiency gap.

Manual dexterity, endurance, and precision display a notable difference in proficiency requirements rather than importance. This suggests that in roles in which manual skills remain critical, businesses are seeking a higher degree of specialization that combines manual abilities with technological literacy, and problem-solving skills. Growing roles demanding high manual skill proficiency include Drafters, Engineering and Mapping Technicians, Electrotechnology Engineers, Mechanics, Machinery Repairers, and Solar Energy Installation Engineers. By contrast, declining roles, such as printing trades workers and transportation attendants, generally require lower levels of manual skill proficiency. Notably, the only skill with an equal or lesser requirement in importance or proficiency for growing jobs is service orientation and customer service.

These findings underscore the importance of targeted skills development efforts to support workers in transitioning to growing roles as well as to ensure employers can access a talent pool with the skills required for the future of work.

3.2 Drivers of skill disruption

This section discusses how each of the five identified macrotrends driving labour-market transformation – technological change, geoeconomic fragmentation, green transition, demographic shifts and economic uncertainty – are expected to influence skill evolution by 2030.

Technological change

Technological advances are expected to drive skills change more than any other trend over the next five years. The increasing importance of AI and big data, networks and cybersecurity, and technological literacy is driven by the expansion of digital access and the integration of AI and information processing technologies. These trends are not only seen as responsible for the growth of these three fastest-growing skills but also for the rising importance of analytical thinking and systems thinking. These shifts highlight the increasing complexity of decision-making and the need for critical problem solving in a data-driven world.

Beyond the top 10 fastest-growing skills, design and user experience, along with marketing and media skills, are also expected to see growth driven by technological advancements. These skills are closely linked to digital transformation, reflecting the rising importance of delivering seamless digital experiences and understanding the impact of consumer behaviour.

Robots and autonomous systems are also seen as a key driver of skills change, contributing to the increased demand for not only the three top-growing skills, but also programming and systems thinking – skills essential for managing and optimizing interactions with autonomous technology. As noted in Chapter 2, robots and autonomous systems are also among the primary drivers behind the fastest-growing jobs. Coupled with the rising demand for the three top growing skills, and programming, this trend underscores the importance of technological expertise and systems thinking as core skills in technical fields. These capabilities are crucial for enabling employees to adapt to, and collaborate effectively with, automated systems across a range of industries.

While technology fuels demand for certain skills, it also accelerates the decline of others. Skills such as manual dexterity, endurance, precision, and reading, writing, and mathematics are expected to diminish in relevance as digital access, AI and information processing, and robotics increasingly automate these tasks. Interestingly, whereas programming remains stable as an in-demand skill, both respondents expecting growth in its use and those expecting decline consistently point to technological change as the primary driver behind this change. As discussed in more depth in Chapter 2, this highlights the dual effect of technology, underscoring how the same technological forces that drive job creation may also contribute to job displacement. Additionally, as also discussed in Chapter 2, the primary impact of technologies such as GenAI on skills may lie in their potential for "augmenting" human skills through human-machine collaboration, rather than in outright replacement, particularly given the continued importance of human-centred skills (Box 3.1).

These findings underscore an urgent need for appropriate reskilling and upskilling strategies to bridge emerging divides. Such strategies will be essential in helping workers transition to roles that blend technical expertise with human-centred capabilities, supporting a more adaptable workforce in an increasingly technology-driven landscape.

BOX 3.1

Generative AI and human-centred skills

In collaboration with Indeed

The release of ChatGPT 3.5 in November 2022 marked an inflection point in public awareness of GenAI technologies, which sparked both excitement and apprehension regarding their potential impact on the workforce.[40] In this context, research conducted by Indeed for this report highlights the continued importance of human-centred skills in an age of GenAI. Figure B3.1 illustrates the capacity of GenAI to substitute a human in executing specific skills, based on an assessment by GPT-4o of its own ability to utilize skills across three areas: its ability to provide theoretical knowledge about a given skill, its problem-solving abilities related to that skill, and the need for physical presence or manual actions in performing that skill.[41] The chart categorizes more than 2,800 granular skills into the World Economic Forum's Global Skills Taxonomy and evaluates their capacity of substitution by GenAI according to five categories: very low capacity, low capacity, moderate capacity, high capacity, and very high capacity.

Zero of the more than 2,800 skills assessed were determined to exhibit "very high capacity" to be replaced by the current generation of GenAI tools, with the majority of examined skills (69%) determined to have either “very low capacity” or “low capacity” to be substituted, indicating that GenAI currently remains limited in performing tasks that require physical execution, nuanced judgment or hands-on application. Skills rooted in human interaction – including empathy and active listening, and sensory processing abilities – and manual dexterity, endurance and precision, currently show no substitution potential due to their physical and deeply human components. These findings underscore the practical limitations of current GenAI models, which lack the physicality to perform tasks that require hands-on interaction – although advances in robotics and the integration of GenAI into robotic systems could impact this in the future.

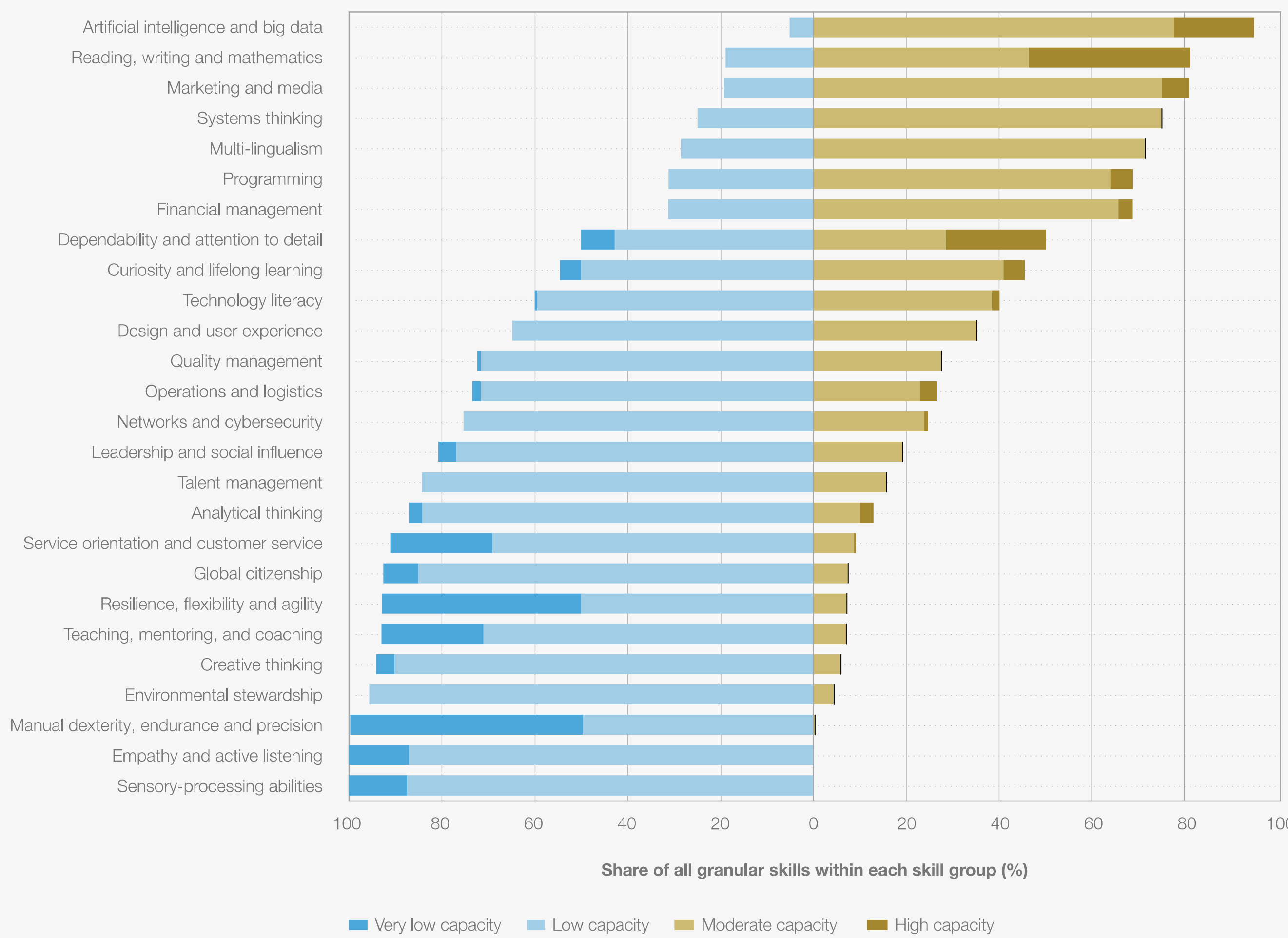
Where GenAI demonstrates higher substitution potential is in skills that can be effectively performed by leveraging theoretical knowledge alongside digital manipulation. These include granular skills within AI and big data, such as data mining and machine learning applications. Furthermore, GenAI shows strengths in reading, writing, and mathematics, and multi-lingualism, where it can assist in summarizing complex information, drafting text, performing calculations, and translation. Notably, more than one-quarter (28.5%) of the more than 2,800 granular skills examined currently exhibit a moderate capacity of substitution, highlighting areas where, as the technology continues to evolve, its capacity of substitution could increase in the near future.

These findings highlight the potential of GenAI for augmenting human work through human-machine collaboration, rather than fully replacing it in most areas. Skills requiring nuanced understanding, complex problem-solving or sensory processing show limited current risk of replacement by GenAI, affirming that human oversight remains crucial even in areas where GenAI can provide assistance. For employers, these insights emphasize the need for training and upskilling initiatives that focus on both advanced prompt-writing skills and broader GenAI literacy.

FIGURE B3.1

Current capacity for substitution by Generative AI, by skill group

Capacity of GenAI substituting a human in performing a given skill as a percentage share of all granular skills within each skill group. Analysis based on GPT-4o, with over 2800 granular skills from the Indeed database as of August 2024.



Source

Indeed analysis; World Economic Forum, Global Skills Taxonomy.

Note

No skills have been rated with “very high capacity” for substitution.

Geoeconomic fragmentation and economic uncertainty

The Future of Jobs Survey also examined the impact of geoeconomic trends on skill evolution. Increasing geoeconomic fragmentation, coupled with the rapid adoption of new technologies and expansion of digital access, has significantly increased cybersecurity concerns.[42] These geoeconomic trends have led to a surge in demand for network and cybersecurity skills as organizations seek to protect digital infrastructure from emerging threats.

Geoeconomic fragmentation is also driving a need for human-centred skills such as resilience, flexibility, agility, leadership and social influence, and global citizenship. In a world where crises are becoming more frequent, employers need leaders and teams capable of adapting to uncertainty and managing complex social dynamics.

Slower economic growth and increased restrictions to global trade are contributing to the increased importance of creative thinking and resilience, flexibility, and agility. These skills are crucial for navigating uncertain economic landscapes, as businesses seek to innovate and remain competitive despite market constraints.

Green transition

A growing focus on environmental stewardship as a critical skill reflects an evolving alignment between business strategies and sustainability objectives. This rise, driven by climate adaptation efforts, carbon reduction initiatives, and energy generation, storage and distribution technologies, points to a profound shift whereby environmental skills are becoming increasingly integral across diverse sectors. As previously shown in Chapter 2 and Box 2.1, an increasing prioritization of climate adaptation and energy solutions by employers responding to the Future of Jobs Survey is not only evident in skill requirements but also appears as a significant factor in net job growth by 2030.

While demand for global citizenship skills is expected by most respondents to remain stable over the next five years, employers that anticipate a rise in its importance cite the convergence of climate-change adaptation, geoeconomic fragmentation and broadening digital access as key factors. This highlights the growing interconnectedness of sustainability and global collaboration, particularly as businesses operate in increasingly fragmented and climate-sensitive environments.

Demographic shifts

Ongoing demographic shifts, particularly aging and declining workforces in developed economies, are expected to emerge as a significant driver of skill demand. Aging and declining working-age populations are pressing organizations to prioritize talent management, teaching and mentoring and motivation and self-awareness. Alongside these priorities, there is a rising focus on empathy and active listening, resource management, and customer service, highlighting a growing need for interpersonal and operational skills that can address the specific needs of an aging workforce and foster more inclusive work environments.

Increasing demand for talent management and motivation and self-awareness skills is also driven by growing working-age populations. Findings reported in Chapter 2 underscore similar patterns, where aging and growing working-age populations are major drivers of growth in jobs across Education, Sales, and Hospitality. These trends reveal the dual role demographic changes play in shaping both job availability and the types of skills needed, emphasizing the interconnectedness of workforce demographics with skills development and talent strategies across sectors.

3.3 Reskilling and upskilling strategies

Having anticipated significant skill disruptions, employers have increasingly invested in reskilling and upskilling initiatives to align workforce skills with evolving demands (see Section 3.1).

This section explores training trends, how employers expect to finance their training initiatives, and their expectations regarding the outcomes of these investments.

Training needs

Future of Jobs Survey respondents indicate that 50% of their workforce has completed training as part of their learning and development initiatives. This reflects a positive global trend compared to 2023, when only 41% of the workforce had received training. The rise in training completion is evident across nearly all industries (Figure 3.8), suggesting a growing recognition of the importance of continuous skill development.

However, a few industries stand out from this trend. Agriculture, Forestry and Fishing, and Real Estate are the only sectors that have seen a decline in training completion between the two last editions of this report. On the other hand, industries like Insurance and Pensions Management, Supply

FIGURE 3.8

Training completion as part of learning and development strategies, 2023 vs. 2025, by industry

Evolution in the share of the workforce that has completed training as part of employers' learning and development strategies. Only industries with data points for both years are included in the analysis.

Source

World Economic Forum, Future of Jobs Survey 2024 and Future of Jobs Survey 2022.

Note

Only industries with data points for both years are included in this analysis. Professional Services has data available only for 2025.

Chain and Transportation and Telecommunications have seen the most significant rise in the share of workers completing training.

Looking ahead, Figure 3.9 provides an overview of expectations around workforce training needs by 2030. According to surveyed employers, for a representative sample of 100 workers 41 will not require significant training by 2030; 11 will require training, but it will not be accessible to them in the foreseeable future; and 29 will require training and be upskilled within their current roles. Additionally, employers anticipate that 19 out of 100 workers will require training and will be reskilled and redeployed within their organization by 2030.

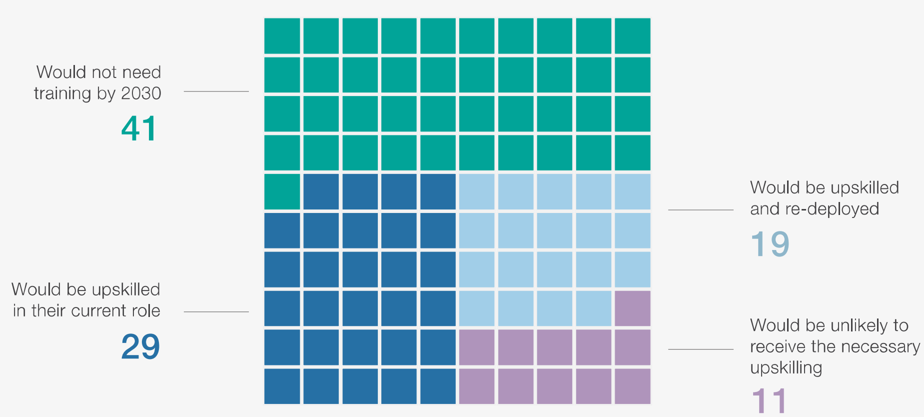
The anticipated need for training varies significantly across industries and geographies. While companies headquartered in North America estimate that 67% of their workforce will require training by 2030, those in Central Asia and the Middle East and North Africa project that under 50% of their workforce will need training by 2030.

Industries, such as Telecommunications, and Information and Technology Services, which saw some of the largest uptake in reskilling and upskilling (Figure 3.8), still anticipate significant training needs, with 63% and 62% of their workforce, respectively, expected to need further training by 2030. By contrast, sectors with declining trendlines in training completion are among the sectors with the lowest projected additional training needs.

The share of employees estimated as unlikely to receive upskilling opportunities is somewhat uniform across industries and geographies, suggesting that while the demand for skills may vary, access to reskilling and upskilling opportunities remains similarly constrained globally.

FIGURE 3.9 **Upskilling and reskilling outlook, 2025-2030**

Breakdown of the typical training outlook for a representative group of 100 workers, calculated based on averages of the training requirements reported by employers surveyed.



Source

World Economic Forum, Future of Jobs Survey 2024.

Funding for training programmes

When it comes to funding of reskilling and upskilling initiatives, employers predominantly expect to fund their own training programmes, as shown in Figure 3.10. The second-most common funding mechanism is free of cost training, followed by government and public-private funding.

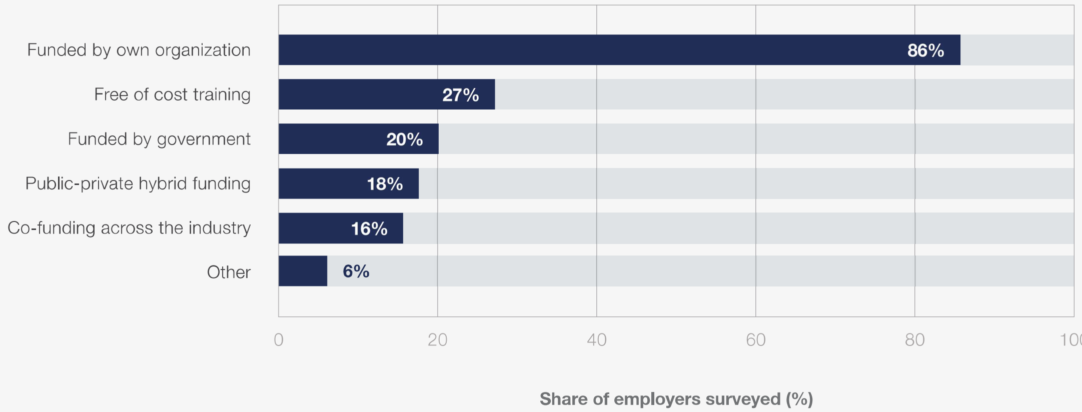
With funding for reskilling and upskilling being the most-welcomed public-policy support by Future of Jobs Survey respondents, government funding plays a more significant role in industries such as Accommodation, Food, and Leisure; Government and Public Sector; and Education and Training, where over 30% of companies expect to rely on public financing for training initiatives. On the other hand, only 3% of companies in the Insurance and Pensions Management industry expect to rely on government funding for training.

While co-funding across industries is the least utilized funding model overall, it is expected to have the largest use in industries such as Care, Personal Services and Wellbeing; Agriculture, Forestry, and Fishing; and Automotive and Aerospace. This highlights the importance of cross industry collaboration in these industries.

FIGURE 3.10

Funding for training, 2025-2030

Share of employers anticipating use of stated funding source for worker training programmes from 2025 to 2030.



Source

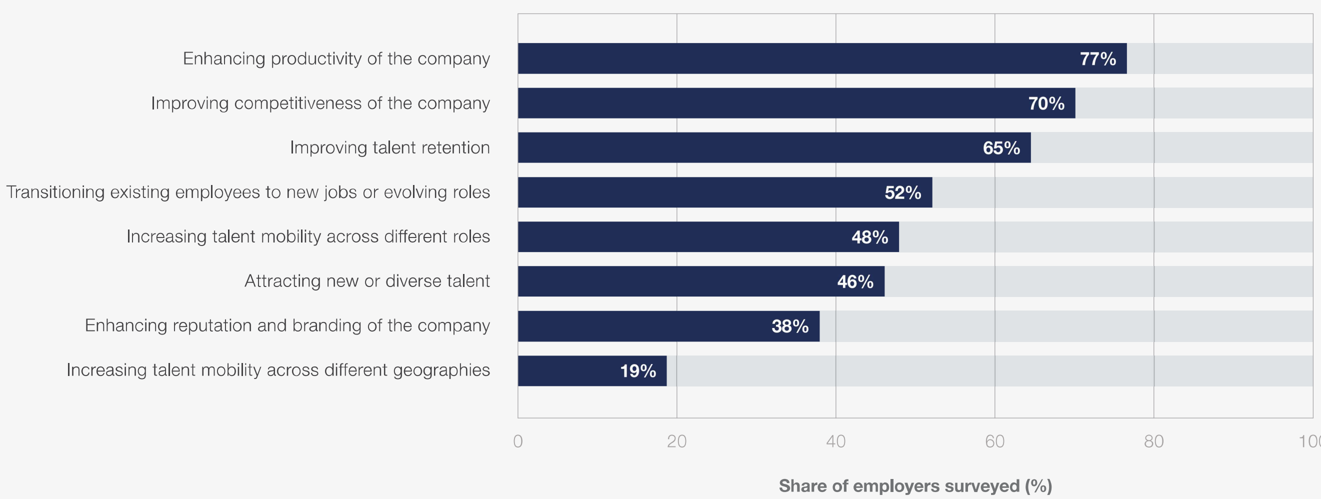
World Economic Forum, Future of Jobs Survey 2024.

The most common outcomes employers expect from their investment in training are enhanced productivity (cited by 77% of respondents) and improved competitiveness (70%). Talent retention ranks as the third-most important expected outcome of training programmes, though it plays a more central role in sectors such as Automotive and Aerospace, Electronics, and Production of Consumer Goods, where over 72% of employers highlight this as a key priority (Figure 3.11).

FIGURE 3.11

Expected outcomes from investing in training, 2025-2030

Share of employers expecting the stated outcome from investing in worker training programmes from 2025 to 2030.



Source

World Economic Forum, Future of Jobs Surveys 2024.