Outlook & Strategy
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First West’s strategic plan covers the three-year period 2011 to 2013, and addresses why First West exists: to make a real difference in the financial lives of members, and how we are doing it: by creating a network of like-minded credit unions with the size to work big and the grassroots common sense to work local.

Our growth strategy rests on five strategic priorities:

1. Create a meaningful, simple member experience:

   We believe that we can stand out from our competitors—and become even more relevant to the needs of our members—by deepening and enhancing our retailing orientation and advisory-based sales approach. We will also optimize and innovate in the multiple channels we use to serve our members.

2. Create a high-performance culture:

   We will work with our employees to create a structure and culture that supports our business model, member experience goals and future growth.

3. Transform into a continuous improvement organization:

   We are infusing the spirit of continuous improvement and innovation into our organization, and advancing our expertise in Lean. Our goal is to create good things for our members while elevating our brand promise—Keeping it Simple™—for them too.

4. Optimize revenue through profitable, sustained growth:

   We are committed to building a strong, stable credit union by focusing on profitable, sustainable growth.

5. Develop a multi-brand operating model:

   We are building a family of like-minded credit unions with the size and strength to work big and the grassroots common-sense to work local.

Executing Our Strategy

Our operating model combines the efficiency, sustainability and financial strength of a big organization with the flexibility and responsiveness of a local credit union.

Our multi-brand structure enables our Envision Financial and Valley First regions to apply customized operational strategies to meet the unique conditions of their region. Each region operates under the direction of its own president as a standalone business unit, with its own regional brand (either Envision Financial or Valley First) and banking system. The regional presidents and local management teams direct the growth of regional business segments: retail banking, business banking, insurance services, leasing, and wealth management.
Strategies for insurance services and wealth management are determined by First West to achieve synergies in program development and supplier relationships. First West Capital, First West Leasing Ltd. (doing business in each of First West’s regions as Envision Leasing Services and Valley First Leasing Services, respectively) and CUDealerLink (which sources business from dealerships and other credit unions, and adjudicates, authorizes and finances automobile loans) meanwhile, operate autonomously under the direction of First West to serve the needs of our members and non-credit union members.

First West supports the two regions with corporate services and programs that promote operational efficiency. These include treasury and financial management, risk management, corporate security, human resource management, communications and public relations, and marketing. By providing operational support and strategic oversight, First West enables both regions to deliver sophisticated services and access large capital facilities that improve overall effectiveness and, in turn, the financial lives of its members.

Objectives for 2013

First West’s yearly objectives in our three-year strategic plan are reviewed with the board twice a year and the executive team on a quarterly basis. The primary objectives for our business, members and people in 2013 are outlined below.

Our Business

Balance sheet. Our balance sheet strategy is to focus on loan and deposit pricing, and to strategically grow in absolute dollars and by portfolio segments. Treasury actions to hedge and optimize our portfolio will be done where appropriate. We will also continue to focus on improving our balance sheet structure by securing profitable, cost-effective deposits because we believe that a strong deposit base provides funding strength. We will utilize securitization and borrowings to balance our growth.

Loan growth. We are forecasting total loan growth of 4.4%, with our consumer loan portfolio increasing approximately 3.2% and our commercial loan portfolio rising 7.5%. Our lending strategy is to be selective to protect our credit position and to achieve pricing commensurate with credit risk and credit spreads. We plan to capitalize on our competitive advantage in serving the needs of small to medium-sized businesses by providing specialized banking and financing services, including offering large non-traditional financing through our First West Capital division.

Deposit growth. We expect deposits from members to increase by 5.3% in 2013, with demand deposits increasing by 6.4% and term deposits increasing 4.8%. We expect our marketing efforts to grow membership and our new investments in our branch network to lead to growth in our retail and commercial deposits. We have also demonstrated success over the last three years in attracting municipal and institutional deposit accounts, and we anticipate this success will generate additional growth in this market in 2013.

Revenue growth. Optimizing revenue by improving financial margin, increasing non-interest income and diversifying lending with high-yield products is an important objective. We expect total revenue to grow 2.5% in 2013 with financial margin growing 4.1% resulting from increased lending volume and 6.2% growth in other lines of business offset by a decrease in non-interest income due to the introduction of fee-free banking and a one-time decrease in non-recurring revenues realized in 2012.

Cost control. Operational efficiency remains a priority for First West. In 2013, our goal is to reduce expenses by $3 million and increase revenues by $3 million to achieve a consolidated operational efficiency target of 80%. We will continue to focus on procurement and improved cost management to capitalize on First West’s greater purchasing power as a larger organization, and achieve permanent expense reductions. Some of these savings will be offset by our strategic investments including new branches, branch renovations and technology expenditures. We also expect lower service charge revenue as a result of the introduction of our Simply Free Account.
Our Members

Membership growth. We expect brand awareness, our Simply Free Account™ and other marketing activities to lead to 3% growth in membership in 2013.

Our Employees

Employee engagement. We measure employee engagement through a standardized biannual assessment, with the benchmark being established in 2011. In 2013, we will measure our progress on employee engagement and put in place action plans where necessary.

Risks and Uncertainties

Our strategies and objectives are subject to a number of risks and uncertainties, including:

- possible increases in the prime rate in 2013 that may slow loan growth;
- high consumer debt levels, which may impact housing markets and loan losses;
- aggressive competition from major banks and other credit unions;
- changes to the regulatory environment.

Our outlook recognizes these realities and the need to prepare for the unexpected.

Caution Regarding Forward-Looking Statements

The projections and targets included in this section involve numerous assumptions. A variety of factors may cause actual results to differ materially from expectations. These factors include but are not limited to general business and economic conditions and changes in financial markets. The reader should, therefore, not place undue reliance on these projections.