

## Item Evaluation

### Item 7.4 Leadership and Governance Outcomes

#### Key Factor References

Item	KF Cat.	Key Factor
1	P.1a(12)	<b>12. Regulatory Requirements:</b> US financial institutions are highly regulated and subject to capital requirements administered by federal and state banking agencies. The applicant is a nationally chartered community bank regulated by the Office of the Comptroller of the Currency. Deposits are insured by the Federal Deposit Insurance Corporation. Examiners from the OCC are on site somewhere in the applicant's facilities approximately 15% of every year. Regulatory agencies are concerned with capitalization, predatory lending, and unfair and deceptive practices. [HS]
2	P.1a(5)	<b>5. MVV: Mission</b> - to provide customers with financial services and promote the growth and economic wellbeing of all the communities we serve. <b>Vision</b> - to be recognized as the number one community bank in legendary services. <b>Values</b> 1) Integrity: keeping our word and dealing honestly and transparently with all stakeholders to build trust; 2) Customer-Driven Focus: providing Legendary Service; 3) Management for Results: relying on data and holding people accountable; 4) Operational Excellence: performing every process effectively and efficiently; and 5) Innovation: constantly striving to improve and implement the best ideas from anywhere. [HS]
3	P.1b(1)	<b>14. Org Structure:</b> Applicant is governed by a Board of Directors (banking regulation). BOD is responsible for the selection of the CEO, the effective governance of the bank's affairs, and adoption and adherence of sound policies and practices. CEO reports to the Board of Directors, the President reports to the CEO, and other Executive Management Committee members report to the President. [HS]
4	P.1b(4)	<b>17. Key Stakeholders and Requirements:</b> 1) Regulators - Proactive compliance with regulations, Responsiveness to requests for information, timely and full access to information, Appropriate risk assessment and mitigation, 2) Shareholders - Accurate financial records, transparency and objective decision making, appropriate risk assessment and mitigation, fiscally sound reputation, locally and nationally, and 3) The Community - Community reinvestment, reputation as a good corporate citizen and community partner, Proactive volunteer and financial support [HS]
5	P.2a(2)	<b>20. Principal Success Factors:</b> 1) Well capitalized, giving the ability to invest in very favorable mergers and acquisitions, 2) Hometown presence and image, 3) Legendary Service, customers feel they know bank associates, 4) Engaged and highly satisfied workforce, 5) Maintaining a no-fee culture, 6) Paperless processes innovative for the industry and allow fast transaction processing at low cost (especially loans)= quick response time, and 7) Agility and the ability to take reasonable risks for its size and a streamlined decision structure to make decisions quickly and to move on opportunities. [HS]
6	P.2b(2)	<b>24. Industry Situation</b> 1) Customer loyalty and satisfaction are now essential, 2) Customers are willing to trade off higher interest rates for security and confidence, 3) Applicant has increased market share from customers leaving larger non-local banks, 4) Applicant is large enough to capitalize on economies of scale, but local enough to be trustworthy. [HS]

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#### Strengths

Item	KF Ref.	Item Ref.	Comment	~Key Theme
1	P.1a(12)	7.4a(2)	<b>++ The Applicant appears to be best in class (external audit compliance) with 100% compliance from 2007-2010. This is an indicator that the Strategic Challenge of "Addressing the many changes in the banking regulations and more regulations coming in the future" is being addressed in an effective manner. (KSR)</b>	1
2	P.1a(12), P.1b(4), P.2a(2)	7.4a(1), 7.4a(2)	+ Figures 7.4-3 through 7.4-6, Pgs 46 & 47) demonstrate improving levels over time in areas of importance relative to governance, fiscal accountability, management stewardship, and leadership GPA's. (WBS & all)	
3	P.1a(5), P.1b(1), P.1b(4)	7.4a(1), 7.4a(2)	+ EMC performance (Leadership GPA, pg 47, fig 7.4-6) is graded on a 4 point rating scale with 7 total leadership dimensions. Since 2008 all measured dimensions except "creativity" have reached at least 3.5. While this is a composite for the entire EMC it indicates a positive trend in most leadership dimensions. (RW)  <i>Observation (RW)</i> <i>This graph (fig 7.4-6) is stated to be on a 4 point scale (pg 46) but the "Y" axis is at 4.5 and some measures are above 4. Need to clarify at SV.</i>	

#### OFIs

Item	KF Ref.	Item Ref.	Comment	~Key Theme
1	P.1a(5), P.1a(12), P.1b(4), P.2a(2)	7.4a	<b>-- On several key metrics related to Leadership and Governance Outcomes, the applicant provides no comparative data. Without appropriate comparative data, the applicant may find it difficult to assess the status of the organization's/ senior leaders' performance in Leadership and Governance. (GH, KSR, WBS)</b>  <i>Observation (RW)</i> <i>This is an overall key theme or gap that needs clarification. While Applicant indicates that comparative data are difficult to obtain we need to understand how true this is.</i>	1

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2	P.1a(5), P.1b(1), P.1b(4), P.2a(2)	7.4a(4)	<p>- While the organization does have some measures relative to Societal Responsibilities it does not include those more broad societal contributions asked for by the criteria. No societal or environmental measures are part of the primary TriView scorecard (TNBSC pg 20, fig 4.1-2) By addressing these broader issues the organization may be able to more adequately address the "spirit" of the criteria. No segmentation or linkages provided. (GH &amp; RW)</p> <p><i>Observation (RW)</i> <i>Team members need to discuss further and determine if this is an appropriate OFI and is not too prescriptive.</i></p>
3	P.1a(5), P.1b(4), P.2a(2)	7.4a(1)	<p>- Measures of governance include only associates' perceptions of senior leaders' integrity. Inclusion of perceptions of customers, partners, suppliers, other stakeholders may provide a more accurate and inclusive picture? (GH)</p>
4	P.1a(5), P.2a(2)	7.4a(1)	<p>- The applicant has identified a desired continuous improvement goal of 5% for each year, however, the results provide no indicator for this. Without better visibility being maintained on this parameter the applicant may miss the desired goal. (LH)</p> <p><i>Observation (RW)</i> <i>This CI goal needs further clarification from the Applicant as to how it is used for goal setting and exactly what measures it may apply to. Applicant also states that upper and lower control limits are used but they appear on only one measure (fig 7.5-1). Need to clarify at SV.</i></p>

## Item Evaluation

### Item 7.4 Scoring

Factor	0-5%	10-25%	30-45%	50-65 %	70-85%	90-100%
Levels	There are no organizational performance results or poor results in areas reported	A few organizational performance results are reported, and early good performance levels are evident in a few areas.	Good organizational performance levels are reported, responsive to the basic requirements of the item.	<b>Good organizational performance levels are reported, responsive to the overall requirements of the item.</b>	Good to excellent organizational performance levels are reported, responsive to the multiple requirements of the item.	Excellent organizational performance levels are reported that are fully responsive to the multiple requirements of the item.
Trends	Trend data either are not reported or show mainly adverse trends.	Some trend data are reported, with some adverse trends evident.	Some trend data are reported, and a majority of the trends presented are beneficial.	<b>Beneficial trends are evident in areas of importance to the accomplishment of the organization's mission.</b>	Beneficial trends have been sustained over time in most areas of importance to the accomplishment of the organization's mission.	Beneficial trends have been sustained over time in all areas of importance to the accomplishment of the organization's mission.
Comparisons	Comparative information is not reported	Little or no comparative information is reported	<b>Early stages of obtaining comparative information are evident</b>	Some current performance levels have been evaluated against relevant comparisons and/or benchmarks and show areas of good relative performance.	Many to most trends and current performance levels have been evaluated against relevant comparisons and/or benchmarks and show areas of leadership and very good relative performance.	Evidence of industry and benchmark leadership is demonstrated in many areas.
Integration	Results are not reported for any areas of importance to the accomplishment of the organization's mission.	Results are reported for a few areas of importance to the accomplishment of the organization's mission.	<b>Results are reported for many areas of importance to the accomplishment of the organization's mission.</b>	Organizational performance results are reported for most key customer, market, and process requirements.	Organizational performance results are reported for most key customer, market, process, and action plan requirements.	Organizational performance results and projections are reported for most key customer, market, process, and action plan requirements.
<b>Overall Score</b>				<b>Final Score</b>		
50-65%				<b>50</b>		