SAN FRANCISCO PUBLIC BANK (PROPOSED)

CONFIDENTIAL BUSINESS PLAN

February 10, 2023

DRAFT

DISCLAIMER

The following document was prepared by the HR&A Team, a consultant to the City and County of San Francisco. This presentation does not include legal advice, and the HR&A Team does not represent that the presentation, or the recommendations or conclusions therein, comply with applicable laws governing the establishment or operation of a non-depository municipal finance corporation or a municipal bank. Under the City Charter, the City Attorney is the legal advisor to the City and only the City Attorney or his authorized delegees may advise the City on legal issues, including such issues pertaining to municipal banking.

The HR&A Team consists of HR&A Advisors, Inc.; Gary Steven Findley & Associates; and Contigo Communications.

Table of Contents

I. Executive Summary

The City and County of San Francisco ("the City" or "City") proposes to establish a City-owned public bank ("the Bank" or "Bank") with a mission to promote an economy that upholds equity, social justice, and ecological sustainability. The following business plan details the proposed Bank's approach to creating an entity that successfully achieves this mission while upholding the values of the City and its diverse communities and performing according to the highest financial standards and requirements. It will do so by focusing its initial lending activities on affordable housing development and affordable homeownership, local enterprises (small businesses), and green investments and environmental justice, working across all of these areas with San Francisco's many community financial institutions ("CFIs") and community development financial institutions ("CDFIs").

The fundamental need for a City-owned Bank stems from the historic inability of traditional financial institutions to equitably serve the needs of low-income communities and communities of color and to deliver financial services that are not extractive or damaging to those same communities. There are two consequences of this market failure. The first is a lack of access to quality financial services that provide residents, businesses, and others with the instruments to better their lives. The second are the consequences of that lack of access, which has caused worse economic, employment, health, and environmental outcomes that continue to this day.

This large gap in the local banking market, which the Bank seeks to fill, amounts to billions of dollars a year. This gap is spread across the Bank's priority lending areas. The City projects that affordable housing development will require more than $400 million dollars a year through 2030 in addition to funds it has already committed. Affordable homeownership will require additional funds. Local enterprise lending for small businesses unsupported by traditional banks likely runs to several tens of millions of dollars annually. Lastly, green investments constitute a vast and urgent need for San Francisco. The City has established an ambitious Climate Action Plan to reach net zero greenhouse gas emissions by 2040. The University of California, Berkeley's Center for Law, Energy, and the Environment estimated that implementing this plan could require up to $21.9 billion—approximately $1.3 billion per year by 2040.

The Bank has identified a series of products and services that it can provide to fill this gap through extensive outreach to CFIs and CDFIs, San Francisco businesses and nonprofits, and other City agencies and entities. The Bank is designed to work in partnership with San Francisco's many dedicated CFIs and CDFIs through participation lending and other collaborative approaches. Acknowledging these institutions' front-line role in serving local communities and these institutions' extensive community relationships and trust, the Bank will establish working relationships to provide capital to and through them, achieving broader impact than it could on its own. Together, the Bank and partner institutions will support affordable housing development and preservation; loans for first-time homebuyers; small business finance; revolving loan and bridge funds; and the construction of public and private clean-energy infrastructure such as solar-plus-storage and electrification systems at the neighborhood scale or for individual homes.

The City seeks to establish the Bank under the structure provided by California Assembly Bill No. 857 ("AB 857"), also known as the Public Banking Act. In October 2019, the State of California passed and Governor Gavin Newsom signed into law AB 857 to provide a pathway for local government agencies to charter public banks. In 2021, the San Francisco Board of Supervisors created The San Francisco Reinvestment Working Group ("RWG") by unanimously passing Ordinance No. 87-21 ("the Ordinance" or

"Ordinance") to develop business, financial, and governance plans to establish a San Francisco Public Bank. The Bank will comply with local, state, and federal laws and regulations; will collaborate with the California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation as required; and, will adopt sound management and financial practices to achieve its mission. *[Note from the HR&A Team: We are not representing that this business plan complies with applicable laws but stating that the Bank, once established, will do so.]*

Why Is a Public Bank Needed? San Francisco Challenges and Priorities for Public Banking Operations

The City and County of San Francisco took action to address decades of racial discrimination and unequal access to finance by private lending institutions by passing Ordinance No. 87-21 in 2021. The Ordinance allows the use of public funds through a City-owned bank to address three main areas where financing disparities are most pronounced: affordable housing, small businesses, and green investments, recognizing the need for public engagement in closing the gap in access to capital. To understand present challenges and needs, and offer context to the potential products or services that a City-owned bank can offer, it is important to examine the ways in which traditional banks have underserved or actively discriminated against multiple communities in San Francisco.

Affordable Housing

Prospective homeowners and renters have been actively discriminated against on the basis of race and income.

Traditional banks, which currently account for 65% of all loans issued in the City, have played a significant role in discrimination through the historic practice of redlining. This now-illegal practice involved denying loans or credit to certain neighborhoods based on the racial makeup of the area, and has contributed to historical patterns of discrimination and limited the ability of communities of color to purchase homes. This has led to concentrated areas of poverty and overcrowding and perpetuated the gap in homeownership between Black and white populations, which remains at the same level it was in 1890.[1] Data from the Census Bureau's 2020 American Community Survey shows that in San Francisco, the homeownership rate in neighborhoods that were redlined in the past was about 25%, compared to an average of 40% in city as a whole.

Even in the present day, the Greenlining Institute found that in the San Francisco region racial minorities, particularly Black and Hispanic communities, are disproportionately denied home purchase loans compared to their population size.[2] Specifically, Black households, which make up 9% of the population, receive less than 1% of home purchase loans, while Hispanic households, which make up 16% of the population, receive only 4% of such loans. These figures suggest that existing banks have been less likely to lend to borrowers in neighborhoods with large populations of people of color, which has had a detrimental effect on the ability of these communities to build wealth.

As the cost of homeownership continues to rise, with home prices reaching unprecedented levels and interest rates increasing, the rental market is becoming the primary option for many households across demographic groups. However, Black and Hispanic communities are disproportionately affected by high rental costs in proportion to their income. A significant proportion of these communities, 51% of Black and 45% of Hispanic households, are forced to allocate more than 30% of their income towards rent,

[1] https://prospect.org/economy/how-to-start-closing-the-racial-wealth-gap/
[2] https://greenlining.org/wp-content/uploads/2022/02/Greenlining-Home_Lending_to_Communities_of_Color_in_CA_2020-02.pdf

thereby qualifying as cost burdened.[3] Furthermore, these communities also face discrimination within the rental market through various mechanisms, even before they become cost burdened.

A report by Zillow found that prospective renters of color are faced with higher security deposit demands and have to submit more applications and pay higher fees than white renters.[4] In 2021, 61% of renters applied for two or more properties, an increase of 11 percentage points from 2019 and five points higher than in 2020. White or Asian American and Pacific Islander renters typically submit two applications, while Black or Hispanic renters typically submit three. More than a third of renters of color, 38% of Black and Hispanic renters, 33% of Asian American and Pacific Islander renters, and 21% of white renters had to submit five or more applications during their home search.

According to a San Francisco Planning report, although the share of people living in overcrowded conditions has decreased since 1990, more minority and other ethnic groups continue to experience substandard housing than white city residents.[5] For instance, 20% of Hispanic and Asian/Pacific Islanders, and 8% of African Americans live in overcrowded housing, compared to 3% of the city's white population. The high number of San Franciscans living in such conditions, in addition to the statewide homelessness crisis in California, reveals the legacy of redlining and other market challenges in the lending and housing sectors.

Small Businesses

The uneven representation of Black and Hispanic-owned small businesses in San Francisco highlights a lack of equal economic opportunities and social mobility in the City. According to data from the U.S. Census Bureau, the percentage of employer businesses owned by African Americans in the city is lower than the national average. In 2019, only 1.5% of employer businesses in San Francisco were owned by African Americans, compared to 2.5% nationally.[6] This disparity is stark as African Americans make up 9% of the city's population. Likewise, the share of Hispanic-owned small businesses is disproportionately low compared to the national average and their weight in the city's population: only 3.5% of small businesses are owned by Hispanic residents, as opposed to the national average of 5.5%, and much lower than the 16% of total Hispanic residents in San Francisco.[7]

Low access to financial services significantly contributes to this ownership disparity, mainly due to limited access to banking services in many neighborhoods and discriminatory underwriting criteria. In terms of the former, a report by the National Community Reinvestment Coalition found that in San Francisco 14% of total bank branches closed in the period between 2008 and 2016, mainly affecting Black and Hispanic residents. These communities are disproportionately likely to have limited access to traditional banking services, with many living in "banking deserts."[8]

Biases in loan underwriting criteria also play a significant role in the financing gap faced by minority-owned small businesses in San Francisco and across the country. Even after controlling for credit score and income, these businesses often face more stringent procedures and suboptimal terms and interest rates, indicating the continuation of racial bias. Furthermore, financial institutions may also prefer

[3] https://nationalequityatlas.org/indicators/Housing_burden#/?geo=04000000000006075
[4] https://zillow.mediaroom.com/2022-04-06-Renters-of-color-pay-higher-security-deposits,-more-application-fees
[5] https://default.sfplanning.org/publications_reports/Housing-Needs-and-Trends-Report-2018.pdf
[6] https://www.brookings.edu/essay/to-expand-the-economy-invest-in-Black-businesses/
[7] United States Census Bureau, Annual Business Survey Annual Business Survey, 2019
[8] https://ncrc.org/wp-content/uploads/2017/05/NCRC_Branch_Deserts_Research_Memo_050517_2.pdf and https://static1.squarespace.com/static/602cbf4db6168b10a62817f3/t/60cce903cca7252f8cd69dac/1624041732571/CostOfFinancialExclusion_May2021.pdf

businesses with a more established track record, leaving newer and smaller businesses in need of capital to scale up their operations at a disadvantage.

According to a study conducted by the Federal Reserve, only 25% of Hispanic-owned firms with low credit risk received all the non-emergency financing they sought, compared to 48% of white-owned firms with the same low credit risk. The same study also showed that only 35% of Black-owned small business received all requested funding, compared to 60% for their white-owned counterparts. [9] If evaluated by ethnicity, 60% of non-Hispanic-owned firms received all funds requested, while only 45% of Hispanic-owned businesses received requested funding.

Even publicly funded initiatives like the Paycheck Protection Program (PPP), created to provide financial assistance to small businesses to help them keep their employees on payroll during the COVID-19 pandemic failed at improving this financing disparity. Businesses located in areas with high median household incomes ($150,000 or more) were more likely to receive PPP loans, with around half receiving the loan. Conversely, only about a quarter of businesses located in areas with lower median household incomes (under $75,000) received the loan. Furthermore, the data shows that business owners in predominantly Hispanic areas had the lowest rate of PPP loan receipts, with only 22% receiving the loan. Businesses in primarily Black neighborhoods had a similarly low rate of loan receipt at 23%, while businesses in predominantly Asian and white areas fared better, with 34% and 41% receiving PPP loans, respectively. [10] This lack of access to capital has significantly impacted minority-owned businesses' ability to grow, thrive, and sustain economic shocks, hindering their ability to create jobs and stimulate economic growth in their communities in an enduring and sustainable way.

Green Investments

Residents of low-income and minority communities in San Francisco suffer from environmental inequality as they face limited access to safe housing options in areas with lower ecological hazards. The San Francisco Human Rights Commission found that neighborhoods with a history of industrial and polluting activities, such as Bayview Hunters Point, have higher rates of chronic conditions that put pressure on public health and the labor market. [11] This is reflected in data from the California Environmental Protection Agency's CalEnviroScreen tool, which shows that census tracts with the highest Pollution Burden scores in the City also tend to have a higher proportion of Hispanic and African American residents. [12]

The transition to a sustainable energy future is crucial for addressing the pressing environmental challenges facing our world today. However, it is essential that this transition is not only environmentally sustainable, but also socially just. This means that investments in electric appliances, solar power, energy storage, and other green technologies must be directed towards addressing the environmental injustices faced by communities of color across the City. Unfortunately, and judging from the past, existing financial institutions, such as private banks, that continue to fund fossil fuel projects and have a history of neglecting investment in minority communities, will not address this need effectively. Therefore, new and innovative models of financing and investment must be developed that prioritize the needs of historically marginalized communities. This include community-based and socially responsible public-owned options that ensure that the transition to sustainable energy is inclusive and equitable.

[9] U.S. Federal Reserve, Availability of Credit to Small Businesses, 2022.

[10] Oh, Soo et al. (2021). *Geocoded loan data from the Paycheck Protection Program 2020 (PPP)*. Reveal from the Center for Investigative Reporting.

[11] https://sf.gov/sites/default/files/2023-01/HRC%20Reparations%202022%20Report%20Final_0.pdf

[12] https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40

II. Description of Business

A. Business and Market Niche

Overview of Lending Areas

As originally articulated in City and County of San Francisco Ordinance No. 87-21, the establishment of the Bank will create a "fiscally safe and sound institution" in which to invest City public funds in ways that advance the City's values and interests.[13] In particular, the Bank will provide loans and other financial products that promote desired outcomes in the following three lending areas:

- **Affordable Housing Development and Affordable Homeownership**, to address the City's worsening affordability crisis and racial inequity in homeownership. The Bank will support the production and preservation of affordable rental units and lower financial barriers that lower-income households and households of color face in accessing homeownership.

- **Local Enterprises**, to address racial disparities in accessing commercial capital and build community wealth through small businesses, nonprofits, and cooperatives. The bank will strengthen the viability of local small businesses and nurture entrepreneurship, specifically for women and people of color.

- **Green Investments and Environmental Justice**, to mitigate the impacts of climate change and environmental racism. The Bank will support initiatives that reduce greenhouse gas initiatives—such as building electrification, renewable energy production, transit expansion, and vehicle electrification—and reduce pollution burdens in disadvantaged communities.

In the future, the Bank may consider entering other markets, such as those of public lands, sustainable food systems, foreclosure prevention and homeowner assistance, and student loans. The Bank will be prohibited from lending for and participating in other activities that conflict with the City's values, including (but not limited to) predatory lending, fossil fuels, tobacco, firearms, other weapons, prisons and detention centers, and businesses holding a record of labor law violations. The Bank does not consider any of its proposed product offerings to be non-traditional commercial banking activities.

This section details local lending needs in these areas and outlines the specific financial services that the Bank proposes to provide.

Methodology

The City conducted extensive research, analysis, and outreach to answer two primary questions surrounding the priority lending areas and define the market niche for the Bank:

- What are the unmet financing needs and barriers to access for disadvantaged populations?

- What services, products, or terms are required to meet those needs?

[13] https://sfgov.legistar.com/View.ashx?M=F&ID=9596572&GUID=E3366761-048C-40AD-AF3D-FC352B6A33D7

This process entailed a three-pronged approach, including qualitative and quantitative methods, to validate the need for the Bank and inform its product offerings. These steps are displayed in the Figure below and described in greater detail on the subsequent pages.

Figure 1. Methodology to Define Market Niche

Landscape Scan

The first task was to establish a sound understanding of the local lending landscape. To quantify the supply of local financial products, the City investigated the services provided by regional community financial institutions (CFIs) and community development financial institutions (CDFIs) and the City departments with which they frequently partner, including the Office of Small Business (OSB), Office of Economic and Workforce Development (OEWED), Mayor's Office of Housing and Community Development (MOHCD), and Department of the Environment (SF Environment). For each, the City documented core product offerings, rough order-of-magnitude financing availability (total and per applicant), loan terms, and impact metrics. Where possible, the City also identified points of contact at each organization or department to engage via interview or focus group (described more in the following section).

To better understand the scale of demand for these services, the City also analyzed national studies from the Federal Reserve Bank for local enterprise, City department reports for affordable housing, and a strategy report from the University of California, Berkeley's Center for Law, Energy, and the Environment (CLEE) for green investments and environmental justice.

Stakeholder Engagement

The outreach phase focused on engaging would-be clients and partners of the Bank, such as CFIs, CDFIs, local organizations and businesses, and City departments. The efforts focused on reaching those that are most likely to benefit from the creation of the Bank, and negatively impacted by current lack of access to financial services. The aim was to identify unmet needs and inform the Banks' niche.

The engagement process included both focus group discussions and one-on-one interviews. These were structured to have representation from various supervisorial districts, particularly those with concentrated low-income and racially diverse populations, San Francisco residents and business owners with different socioeconomic backgrounds, and individuals who have had experience interacting with existing financial institutions.[14]

Based on these criteria, the City and its advisors met with the following organizations:

Affordable Housing Development & Homeownership

- Council of Community Housing Organizations
- Episcopal Community Services of San Francisco
- Homeownership San Francisco
- Housing Rights Committee of San Francisco
- Mission Economic Development Agency
- Mission Housing Development Corporation
- San Francisco Community Land Trust
- San Francisco Housing and Development Corporation
- Tenderloin Neighborhood Development Corporation
- Young Community Developers

CFIs, CDFIs, and Credit Unions

- Beneficial State Bank
- California Credit Union League
- EastWest Bank
- Enterprise Community Loan Fund
- Housing Trust Silicon Valley
- ICA Fund Good Jobs
- Main Street Launch
- Mission Economic Development Agency
- Momentus Capital
- Pacific Community Ventures
- San Francisco Federal Credit Union
- Self-Help Federal Credit Union
- Working Solutions

Green Investments and Environmental Justice

- Bay Area Climate Adaptation Network member
- Bayview-Hunters Point Community Advocates
- Emerald Cities
- Just Solutions Collective
- San Francisco Climate Emergency Coalition

---

[14] The City and County of San Francisco is divided into 11 supervisorial districts, each of which elects one member to the Board of Supervisors, the City and County's legislative body.

- San Francisco Electrical Contractors Association
- Bicis del Pueblo

Small Business

- California Reinvestment Coalition
- Chinatown Merchants Association
- Literacy for Environmental Justice (provided input related to small businesses and green energy)
- National Association of Minority Contractors
- North-East Business Association
- Project Equity
- San Francisco Small Business Commission member
- Small Business Majority
- Sunset Mercantile
- Multiple small businesses

City and County of San Francisco

- Contract Monitoring Division
- Office of Economic and Workforce Development
- Office of Small Business
- Port of San Francisco

Community and Policy Advocacy Organizations

- People Organizing to Demand Environmental and Economic Justice
- SPUR (the San Francisco Bay Area Planning and Urban Research Association, which goes by SPUR, is a nonprofit public policy organization)

Other Organizations (Insurance)

- Merriwether & Williams (private company providing risk management and insurance brokerage services that has supported City programs in the past)

Gap and Needs Analysis

As a final step, the City synthesized findings from the above research to define overall market gaps: markets, products, and services for which demand outweighs supply. Specific types of gaps identified include product types (e.g., credit enhancements, guarantees, etc.), loan repayment terms (i.e., duration and interest rate), and estimated shortfall of capital. These findings are described below and they inform the Bank's proposed market niche and activities.

Lending Needs & Proposed Services

Affordable Housing Development and Homeownership

Lending Needs

San Francisco's worsening housing affordability crisis has become untenable. The cost of living in the city is the second-highest in the nation, with a median rent of $3,000[15] and average home price approaching

[15] https://www.zumper.com/blog/rental-price-data/

$1.4 million[16]. Nearly 74% of renter households earning less than $75,000 annually are cost-burdened (meaning that they spend more than one third of their income on housing)[17] while evictions have escalated since the conclusion of the California's eviction moratorium in October 2021.[18] The racial gap in homeownership has also continued to widen; between 2000 and 2019, the Black and Latinx homeownership rates in San Francisco dropped by 7 and 3 percentage points, respectively.[19]

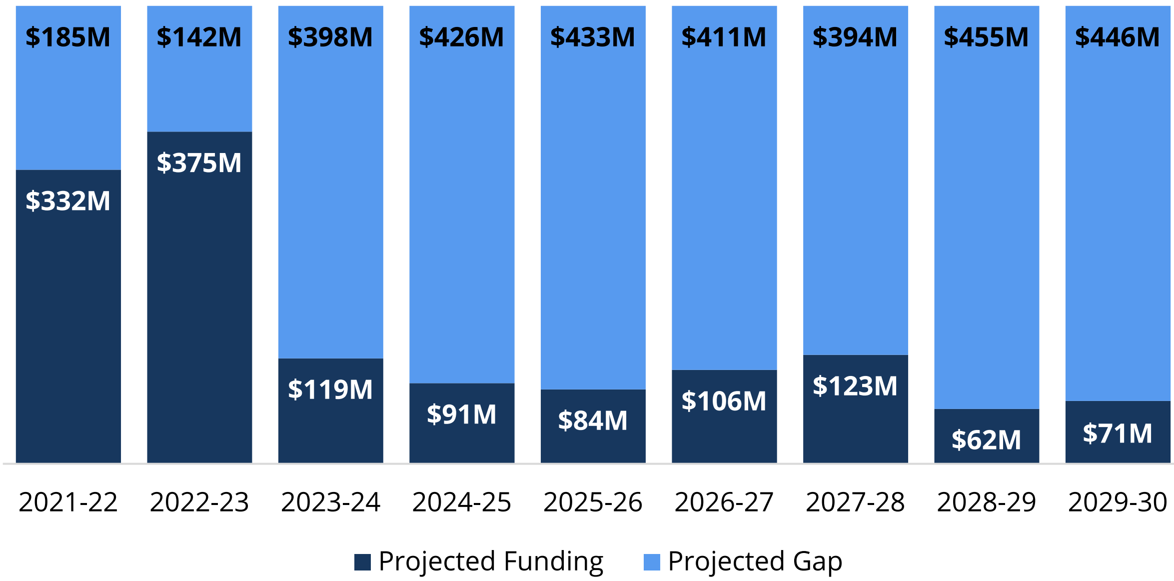
Underpinning this crisis is a lack of supply. In recent decades, the City has not built sufficient housing to keep pace with a growing population. In the fifth Housing Element cycle (2015-2022), San Francisco was required to plan for the construction of nearly 29,000 units to meet demand, including 16,000 units affordable to moderate-, low-, and very low-income households.[20] However, between 2012 Q1 and 2021 Q4, the City has entitled the construction of just 9,822 affordable units.[21] (Many entitled projects have yet to be built.) This gap is expected to widen in the coming years; for the sixth Housing Element Cycle (2023-2030), the City must plan for the construction of over 82,000 units, of which approximately 46,500 must be affordable.[22]

Robust funding and financing mechanisms are needed as demand continues to grow. Although significant public resources have been committed to new affordable housing in recent years, available funding is expected to decline in 2023 as current bond financing and federal transfers are fully allocated.[23] As a result, the City faces a funding gap of several hundred million dollars annually through at least 2029-30 (see Figure 3).

---

[16] https://www.fortunebuilders.com/top-10-u-s-cities-with-the-highest-rents/
[17] American Community Survey, 2020; Cost burden is defined as spending at least 30% of household income on housing costs
[18] https://www.sfchronicle.com/realestate/article/eviction-notices-san-francisco-17553841.php
[19] https://bayareaequityatlas.org/node/65531
[20] https://www.hcd.ca.gov/housing-elements/docs/san-francisco-5th-adopted040615.pdf
[21] https://sfplanning.org/sites/default/files/documents/reports/HousingBalance14_PC_20210427.pdf
[22] https://abag.ca.gov/sites/default/files/documents/2021-12/Final_RHNA_Allocation_Report_2023-2031-approved_0.pdf
[23] https://default.sfplanning.org/plans-and-programs/housing/affordability-strategy/HAS_Affordable%20Housing%20White%20Paper_Final.pdf

Figure 2. Projected City Sources and Gap for Affordable Housing



***Sources**: HR&A Team summary of MOHCD and Strategic Economics' Affordable Housing Funding, Production, and Preservation White Paper, 2020.*

Our analysis revealed financing challenges and gaps for both affordable housing development and homeownership opportunities. These include, but are not limited to, the following:

- There is a strong dependence on expensive commercial loans to fund pre-development activities.
- There is a strong dependence on expensive commercial loans to fund construction activities, and project delays threaten the viability of each project.
- Smaller organizations find meeting guarantees a challenge.
- A combination of grants and loans are needed to make small sites programs possible.
- Financing from City bond issuances is getting very competitive so developers cannot rely on this funding with as much certainty as they did in the past.
- Lack of working capital, credit lines, and long-term financing.
- The challenge of meeting loan loss reserves.
- The cost of financing software needed to provide small businesses with credit lines is cost prohibitive for CFIs to enter that market with such products.
- Underwriting rules are outdated and do not reflect changes to how people earn their income (e.g., gig economy).
- The coupling of Community Reinvestment Act rules and high cost of housing in urban areas is limiting opportunities for homeownership.

Proposed Products and Services

In light of these gaps, the Bank proposes to provide the following products and services to meet market demand and encourage additional borrowing:

Table 1. Affordable Housing and Homeownership Products and Services

Product	Solution
Patient and equity-like capital	Provide longer-term (10+ years) and low-interest loans—potentially structured as equity equivalent products—to CFIs and CDFIs to finance long-term projects.
Short-term financing	Provide pre-development loans to pay for a wide variety of expenses such as architectural and engineering fees, acquisition costs, among others.
Gap financing	Help developers address mismatches between costs and revenue and to cover unexpected increases in labor and material costs through gap financing.
Credit enhancement to serve customers perceived as riskier	Establish credit enhancement products to facilitate home loans to nontraditional borrowers who may lack standard credit indicators.
Guarantees	Set up guarantees—construction loan guarantees, completion guarantees, operating deficit, and tax credit—for affordable housing developers.
Alternative products	Support the creation of alternative products and markets for less-common structures like land banks, community land trusts, and tenancy-in-common.

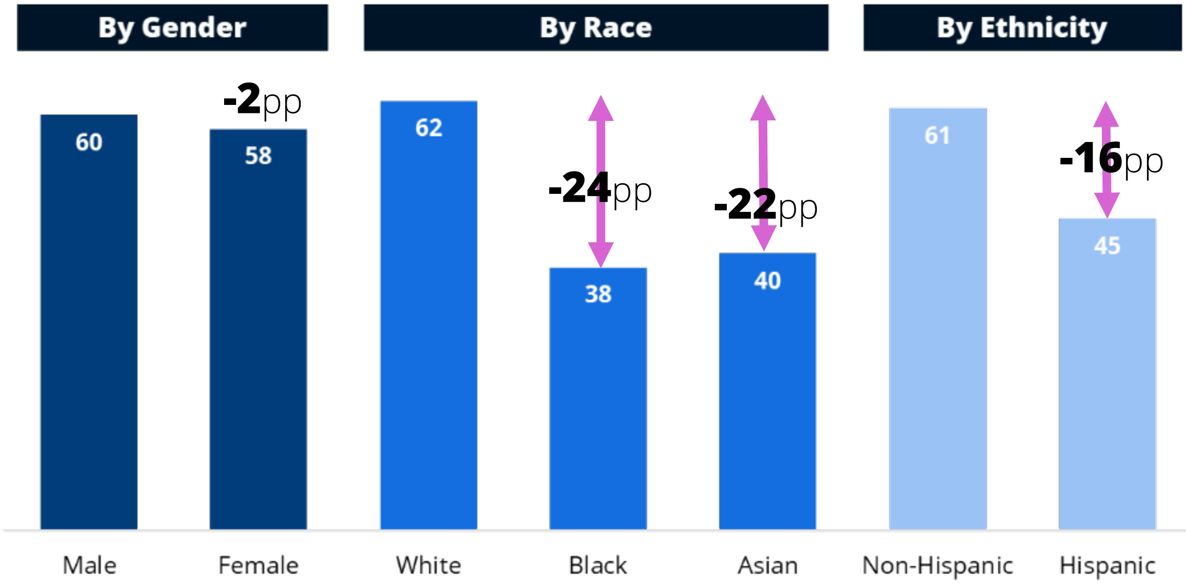
Local Enterprises

Lending Needs

Nationally, the commercial lending landscape is plagued by racial and gender-based inequities. As of 2022, only 38% of Black and 40% of Asian small business owners received all funding they requested, compared to 62% of white applicants; similarly, the share of male applicants receiving all funding requested was two percentage points higher than that of female applicants (see Figure 3). As a result, the unmet credit needs among entrepreneurs of color is estimated to be 15-25% higher than those of white entrepreneurs. [24] The racial disparity in small business lending persisted during the pandemic: only 37% of small, Black-owned businesses (i.e., with $250,000 or less in 2020 revenue) received loans through the Paycheck Protection program (PPP), compared to 52% of small, white-owned businesses. [25]

[24] Joint Committee on Financial Services Testimony of Massachusetts Public Banking in support of S.665/H.1223 An Act to Establish a Massachusetts Public Bank
[25] Reimagine Main Street, Back to Business: Are Small Businesses Rebounding from COVID-19?

Figure 3. Share of Small Businesses Receiving All Requested Funding by Gender, Race, and Ethnicity



***Source**: U.S. Federal Reserve, Availability of Credit to Small Businesses, 2022.*

These inequities have, in turn, caused disenfranchisement among prospective borrowers. Many businessowners report a lack of trust in banking and government institutions, including fear of being rejected and reluctance to carry debt in general. These concerns often keep business owners from applying for the credit they need to grow, perpetuating a dynamic of inequality that entrenches racial wealth disparities.

Though CDFIs play an important role in filling these gaps, their capacity to grow is constrained. Most CDFIs finance their operations through a combination of grants, donations, and commercial bank loans; however, the financial resources at their disposal are insufficient to meet market demand.

Additionally, existing providers have gaps in various products and services, particularly in growth capital, lines of credit, and credit enhancements for CFIs that serve small businesses. These include, but are not limited to, the following:

- Banks do not offer loans and revolving credit products at or below $150,000, especially for sole proprietors and very small businesses.
- Small businesses need bridge loans to cover the period between contract award and first payment received.
- More flexible underwriting rules are needed that recognize that different businesses' potential ability to repay is not tied to financial history, current assets, or other factors that have historically been used by the financial industry and that have correlated with reduced access for people of color.

Proposed Products and Services

In light of these gaps, the Bank proposes to provide the following products and services to meet market demand:

Table 2. Local Enterprise Products and Services

Need	Solution
Growth capital between CDFI cap and commercial bank minimum	Provide loans between $350,000 and $1 million to support businesses that are growing but still too small to receive adequate support from traditional banks.
Startup capital	Provide microloans between $50,000 and $100,000 for entrepreneurs and business owners in early stages.
Lines of credit	Provide line of credit servicing for businesses, especially those whose accounts receivable are on longer terms and whose accounts payable are on shorter terms (for example, construction businesses) to provide liquidity for immediate needs.
Credit enhancement to serve customers perceived as riskier	Establish a loan loss reserve fund for CDFIs to extend more loans to nontraditional borrowers who may lack standard credit indicators.
Marketing funds	Design a line of credit for brands that want to subsidize the cost of local marketing for their local partners.

Green Investments and Environmental Justice

Lending Needs

San Francisco has a long history of climate action, having reduced local greenhouse gas (GHG) emissions by 41% since 1990. Despite these advances, more work is needed. As of 2019, the City emitted nearly 5 million metric tons of carbon dioxide (MMT CO_2e), of which 47% were from transportation-related activities and 41% were from building operations.[26] The City has taken a bold step forward in committing to net-zero emissions by 2040 through its policy-setting 2021 Climate Action Plan, specifically highlighting five primary emitting activities to prioritize (see Figure 4).

[26] San Francisco Climate Action Plan, 2021.

Figure 4. Pillars of the San Francisco Climate Action Plan

***Source**: City of San Francisco Climate Action Plan, 2021.*

The 2021 Climate Action Plan advances several strategies in support of this ambitious goals; however, their implementation will require significant funds. In April 2021, the City's Budget and Legislative Analyst's Office estimated the full electrification of the city's housing stock to cost between $3.5 and $5.9 billion. Meanwhile, the San Francisco Metropolitan Transportation Agency (SFMTA) estimated planned transit system expansion to cost $10 billion. Summarizing these and other costs, the University of California, Berkeley's Center for Law, Energy, and the Environment (CLEE) estimated in November 2022 that implementing the Climate Action Plan could require up to $21.9 billion.[27] While federal, state, and private funds will be committed to this effort, the magnitude of the demand indicates a significant need that the Bank could address.

Although several City, CFI, and CDFI programs exist, individual loan amounts and annual volumes are low in the context of a growing appetite for implementing green solutions for businesses, building- and homeowners, and individuals. Challenges related to green financing include, but are not limited to, the following:

[27] https://www.law.berkeley.edu/wp-content/uploads/2022/11/Funding-San-Francisco-Climate-Action-Nov.-2022.pdf

- Climate change solutions require long-term financing; many public infrastructure projects are operating "hand-to-mouth" and receiving one-year grants or receiving funding from the City's annual budget, but most desired solutions and change would require long-term financing.
- Zero-emission appliances rules and even larger decarbonization efforts focused on green energy generation will require large financial investments.
- Short-term loans, smaller loans and credit lines are needed to help finance initial project costs.
- While the structure of federally funded green finance in San Francisco has yet to be defined, there will likely be a need for co-financing for programs supported by the federal Greenhouse Gas Reduction Fund program created by the Inflation Reduction Act.

Proposed Products and Services

In light of these gaps, the Bank proposes to provide the following products and services to meet market demand:

Table 3. Green Investments and Environmental Justice Products and Services

Need	Solution
Short-term debt for building electrification	Provide affordable, short-term financing for building- and homeowners to electrify appliances (water heaters, furnaces, etc.), specifically targeting low-income communities.
Public funding and patient capital for pollution cleanup	Provide longer-term (3-10 years) and low-interest loans to finance long-term infrastructure projects for environmental remediation.
Subsidy and finance for electric vehicle (EV) infrastructure	Harness federal funding and private financing to meet rapidly accelerating demand for EV charging infrastructure.
Tax credits for solar and storage	Leverage federal tax credits to support solar and storage in low-income communities.

B. Organizational Structure

The Bank will be a mutual nonprofit corporation as permitted under California law. The Bank will not have a holding company structure.

C. Affiliate Transactions

There are no affiliate companies of the Bank and no affiliate transactions are contemplated at this time. The Bank does not anticipate making any Regulation O loans or extensions of credit.

D. Legal Form

The Bank will be a nonprofit mutual benefit corporation organized under California law. Upon receipt of the approval to organize from the California Department of Financial Protection and Innovation ("CDFPI"), and upon the issuance of the requisite permit by the CDFPI, the Bank will be capitalized by the City and County of San Francisco.

Initially, the Bank does not intend to form subsidiaries or service corporations. However, if the Bank identifies a business segment that it would like to pursue as subsidiary or service corporation under the Bank during its first three years of operation, the Bank will seek prior regulatory approval for such subsidiary or service corporation.

E. Present Condition

The Bank is not yet an operating company. The resources needed to organize the Bank have not yet been contributed by the City and County of San Francisco. There are currently no operating companies, no office networks, staff, or customer base. Following is a list of strengths and weaknesses of the proposed Bank.

Strengths

- Board and Management: Experienced Board and Management with backgrounds in finance working with CFIs, CDFIs and other local financial entities. The Board and Management will be supported by a large Bank Oversight Commission that will provide advisory services to Banks Board and Management and assist in marketing Bank within the market area.
- Marketing and Business Plan Implementation: The Bank will be focused in only a few areas of lending and will concentrate on working with CFIs and CDFIS to expand the marketing efforts to the targeted clientele.
- Market Opportunity: The focus of the lending products is designed to provide financing to businesses and residents of San Francisco that do not have easy access to credit and will enhance the economic growth of the city.
- Competitive Banking Opportunity: The Bank will work with local CFIs and CDFIs to expand credit within the market. While the major banks will continue to provide financial products in the market, the major banks are not looking at long term partnerships or advancing credit to support a significant percentage of businesses and residents within the market. The San Francisco market can support the Bank as well as other financial entities.
- Capital: The Bank will be capitalized with a minimum of $50 million in initial capital. This level of capital is deemed to be sufficient to support the growth of the Bank to achieve acceptable operations within the three-year de novo period while producing capital ratios in excess of regulatory requirements for well-capitalized institutions, even in the stress tested scenarios as presented in this Business Plan. The proposed capital level is deemed to be sufficient to provide the lending limits necessary to support the loan size demand of the Bank’s targeted commercial clients.

Weaknesses

Note: the weaknesses of the proposed Bank are typical to any business startup and particularly for any de novo financial institution:

- No prior operating history and the expectation of initial operating losses.
- Adverse changes in local economic conditions may negatively affect profitability.
- Economic downturns could produce losses in the loan portfolio, thus impairing earnings.
- Competition from other financial institutions and from non-bank entities could adversely impact the performance of the Bank.

- Fluctuations in interest rates may impact earnings.
- Loss of senior executive officers could adversely impact the Bank.
- Inability to generate deposits or raise funds through other sources could negatively impact liquidity or raise the Bank's funding costs.
- Existing and future increasingly complex and extensive compliance and regulatory requirements may add to overhead costs and reduce profit, especially in the early years of operation.
- Earthquakes or other natural disasters could adversely affect the Bank's operations and those if its clients.
- Terrorist attacks, cyber threats, and public health emergencies may affect the economy and Bank operations.

F. Location

In order to efficiently serve the intended businesses and individual customers, the Bank proposes to operate from a single office in San Francisco. To reduce operating costs, the Bank does not anticipate opening branches.

Details on the expected lease terms for above location are included in the "Non-Interest Expense – Occupancy and Equipment Expense" section of the Financial Projections of this Business Plan.

G. Expansion Plans

At this time, there are no expansion plans or plans for the Bank to be involved in a merger or other form of acquisition.

III. Marketing Plan

Overview

Based on the current overall economic, local market, and competitive data, the Bank has reasonable prospects to achieve its financial objectives.

The "Market" section of the Plan presents data in support of the conclusion that the Bank's proposed target market presents a considerable opportunity for the Bank to generate its contemplated volume of loans and deposits.

The "Economic Component" section of the Plan examines the national and local economic outlook, demonstrating the economic environment in which the Bank plans to start its operation.

The "Competitive Overview" section of the Plan analyzes the banking trends in San Francisco, evidencing the need for a local institution to offer the level of service lacking at the large out of area institutions currently dominating the local banking industry.

Business Development Strategy

A. Product Strategy

1) Products and Services

The Bank proposes to provide the products and services described in "II.A. Business and Market Niche." A comprehensive list is shown in Table 4.

Table 4. Consolidated List of Proposed Bank Products and Services

Lending Area	Need	
Affordable Housing Development and Homeownership	**Patient and equity-like capital**	Provide longer-term (10+ years) and low-interest (no more than 2 percent) loans—potentially structured as equity equivalent products—to CFIs and CDFIs to finance long-term projects.
	Short-term financing	Provide pre-development loans to pay for a wide variety of expenses such as architectural and engineering fees, acquisition costs, among others.
	Gap financing	Help developers address mismatches between costs and revenue and to cover unexpected increases in labor and material costs through gap financing.
	Credit enhancement to serve customers perceived as riskier	Establish credit enhancement products to facilitate home loans to nontraditional borrowers who may lack standard credit indicators.
	Guarantees	Set up guarantees—construction loan guarantees, completion guarantees, operating deficit, and tax credit—for affordable housing developers.
	Alternative products	Support the creation of alternative products and markets for less-common structures like land banks, community land trusts, and tenancy-in-common.
Local Enterprises	**Growth capital between CDFI cap and commercial bank minimum**	Provide loans between $350,000 and $1 million to support businesses that are growing but still too small to receive adequate support from traditional banks.
	Startup capital	Provide microloans between $50,000 and $100,000 for entrepreneurs and business owners in early stages.
	Lines of credit	Provide line of credit servicing for businesses, especially those whose accounts receivable are on longer terms and whose accounts payable are on shorter terms (for example, construction businesses) to provide liquidity for immediate needs.
	Credit enhancement to serve customers perceived as riskier	Establish a loan loss reserve fund for CDFIs to extend more loans to nontraditional borrowers who may lack standard credit indicators.
	Marketing funds	Design a line of credit for brands that want to subsidize the cost of local marketing for their local partners.
Green Investments and Environmental Justice	**Short-term debt** for building electrification	Provide affordable, short-term financing for building- and homeowners to electrify appliances (water heaters, furnaces, etc.), specifically targeting low-income communities.
	Public funding and patient capital for pollution cleanup	Provide longer-term (3-10 years) and low-interest loans to finance long-term infrastructure projects for environmental remediation.

	Subsidy and finance for electric vehicle (EV) infrastructure	Harness federal funding and private financing to meet rapidly accelerating demand for EV charging infrastructure.
	Tax credits for solar and storage	Leverage federal tax credits to support solar and storage in low-income communities.

Initially, the Bank does not plan to have any subsidiary operations. To the extent that the Bank in the future creates operating subsidiaries, subject to prior regulatory approval, to provide certain services described in this application, all intercompany and deemed affiliate transactions as between those subsidiaries and the Bank will be done pursuant to the Affiliate Transaction Policy, intercompany agreements, and in compliance with the laws and regulations concerning transactions among bank affiliates. Such operating subsidiaries may include those used for the purposes of tax advantaged loan portfolio maintenance, provisioning of wealth management services.

2) Product Offering Methods

The following will serve as the Bank's primary distribution channels:

- The Bank will establish partnerships with CFIs and CDFIs to identify customers. This network of local organizations, in addition to programs managed by City departments, will provide referrals for loans and other products. Additionally, the Bank will work directly through this network to purchase assets from CFI and CDFI balance sheets, make loan participations with them, and make loans and offer other financial products directly to them. The Bank will invest resources prior to opening to ensure that it has a robust network of partner financial institutions to generate the required loan volume from the Bank's commencement of operations.
- The Bank will have an appropriate operating infrastructure and control mechanism in place prior to the rollout of products and services. The costs of rolling out products and services are tied to the infrastructure, core data processing requirements and capabilities, furniture, fixtures, and equipment, as well as staff costs. These costs are captured in the pre-opening costs, which represent the expense of establishing the Bank and introducing the Bank's products and services, including the investment in the Bank's premises and equipment, and the non-capitalized pre-opening expenses.
- The Bank will establish strategic alliances and a referral program with third parties, including nonprofits, to assist its customers in obtaining comprehensive solutions to their banking needs. The Bank will create a Vendor Management Policy that will serve as a guide in the evaluation, selection, and management of third-party vendors.

3) Secondary Market Activity

The Bank will buy and sell loan participations with CDFIs and CFIs but at this time there will be no hedging or loan securitization activity. The Bank also does not expect to use forward take-outs. The Bank will work with CDFIs and CFIs related to servicing of the various loans that are on the books of the Bank.

4) Primary Sources

Marketing/Promotional activities

The Bank's marketing and promotional activities will include building a reputation for the provision of relevant products and services and responsive support to the identified target markets; and working closely with CFIs and CDFIs within the market.

Because communities of color harbor mistrust of financial institutions due to pervasive discriminatory lending, the Bank and its partners (i.e., CFIs and CDFIs) should perform targeted outreach to Black, Brown, and women entrepreneurs to rebuild confidence and encourage participation.

Advertisement

In addition to a web presence, to augment its business development efforts, the Bank may, on a limited basis, run occasional print ads in local newspapers featuring its products, partnerships with local CFIs and CDFIs, and testimonials.

5) e-Commerce

Currently, the Bank has no plans to enter into any arrangements with e-commerce financial product platforms to market or deliver its banking services through the Internet.

B. Market Analysis

1) Target Market

The Bank will target three specific markets: affordable housing development and homeownership; local enterprises (small business); and green investments and environmental justice. As described in "A. Product Strategy," these markets have hundreds of millions if not billions of dollars in unmet demand. The Bank will partner with CFIs and CDFIs to address this gap and provide services to local communities.

The geographic focus of the Bank will be on the region defined by the boundaries of the City and County of San Francisco. The Bank will serve projects or businesses located within, and persons residing in, the City and County boundaries.

2) Target Market Demographics

Table 5. City and County of San Francisco Demographics

Demographic Statistics	San Francisco County, California	
Total Population	**865,933**	
Age		
0 - 14 Years	100,691	11.6%
15 - 24 Years	76,273	8.8%
25 - 64 Years	551,016	63.6%
65 and Older	137,953	15.9%
Race		
White Alone	376,056	43.4%
Asian Alone	297,680	34.4%
Two or More Races	72,602	8.4%
Some Other Race Alone	67,137	7.8%
Black or African American Alone	45,135	5.2%
American Indian and Alaska Native Alone	4,212	0.5%

Native Hawaiian and Other Pacific Islander Alone	3,111	0.4%
Hispanic or Latino by Race		
Not Hispanic or Latino:	732,692	84.6%
White Alone	339,050	46.3%
Asian Alone	295,385	40.3%
Other Races	98,257	13.4%
Hispanic or Latino:	133,241	15.4%
Other Races	93,940	70.5%
White Alone	37,006	27.8%
Asian Alone	2,295	1.7%
Household Income (In 2021 Inflation Adjusted Dollars)		
Households:	361,222	
Less than $10,000	16,285	4.5%
$10,000 to 49,999	72,570	20.1%
$50,000 to 99,999	62,678	17.4%
$100,000 to 149,999	53,873	14.9%
$150,000 or More	155,816	43.1%
Educational Attainment for Population 25 Years and Over		
Population 25 Years and Over:	688,969	
Less than High School	77,300	11.2%
High School Graduate (Includes Equivalency)	78,359	11.4%
Some College	123,258	17.9%
Bachelor's Degree	243,795	35.4%
Master's Degree	110,417	16.0%
Professional School Degree	35,420	5.1%
Doctorate Degree	20,420	3.0%

Source: U.S. Census Bureau. (2022). 2017-2021 American Community Survey 5-year Estimates.

Table 6. City and County of San Francisco Employment by Industry

Total Employment by Industry Sector		
Professional, Scientific, and Technical Services	143,123	18.6%
Health Care and Social Assistance	92,724	12.0%
Accommodation and Food Services	82,620	10.7%
Educational Services	55,754	7.2%
Information	50,615	6.6%
Finance and Insurance	48,555	6.3%
Retail Trade	44,277	5.7%
Administration & Support, Waste Management and Remediation	43,102	5.6%
Other Services (excluding Public Administration)	31,380	4.1%
Transportation and Warehousing	30,349	3.9%
Public Administration	28,833	3.7%
Construction	24,574	3.2%
Management of Companies and Enterprises	21,334	2.8%

Arts, Entertainment, and Recreation	18,083	2.3%
Real Estate and Rental and Leasing	16,182	2.1%
Wholesale Trade	14,801	1.9%
Manufacturing	12,365	1.6%
Utilities	11,960	1.6%
Agriculture, Forestry, Fishing and Hunting	256	0.0%
Mining, Quarrying, and Oil and Gas Extraction	7	0.0%

Source: U.S. Census Bureau. (2021). Longitudinal Employment-Household Dynamics.

C. Economic Component

1) Economic Forecast

Note: To be completed by the City at the time when it prepares the final application. As that may be 1-3 years from now, current economic forecasts will be irrelevant to the application.

2) Implications for Banking

Refer to the Executive Summary for an overview of needs for the Bank's products and services that will form the baseline demand in future economic scenarios.

Note: To be completed by the City at the time when it prepares the final application. As that may be 1-3 years from now, current economic forecasts will be irrelevant to the application.

D. Competitive Analysis

2) Potential Competition

The Bank will focus efforts on working with local CDFIs and CFIs and that the products and services are to be designed to coordinate with CFIs and CDFIs. As such, the Bank views these institutions as potential partners with whom to deliver services rather than competitors.

The Bank will face competition from various financial institutions including national and regional banks operating within the Bank's market area. The Bank could also face competition from financial technology companies as those companies offer products and services traditionally provided by banks either directly or through partnerships with other banks.

IV. Management Plan

A. Introduction

The governance structure outlined within this Plan seeks to establish an entity that is accountable to the goals, values, and communities of the City and County of San Francisco and that will uphold those goals through effective and independent corporate and financial management. This governance structure reflects feedback received from the CDFPI and the Federal Deposit Insurance Corporation ("FDIC") on control and conflict issues and ensures that the Bank is held accountable to the high standards demanded for an institution that is capitalized and funded by City funds. As a result, the Bank's proposed governance seeks to make the entity independent from political influence while enabling it to fulfill its public mandate.

Mission and Principles

Mission

The San Francisco Public Bank will promote an economy that upholds equity, social justice, and ecological sustainability.

Principles

- Public Ownership: Remain a publicly owned entity that reinvests profits in support of its mission.
- Local Control: Operate for the benefit and on behalf of the communities of San Francisco.
- Community Wealth Building: Promote community ownership and community wealth building.
- Public Welfare and Restorative Finance: Invest to enhance the welfare of all the people of San Francisco, especially communities underserved by mainstream commercial banks and that have suffered from the historical legacy of wealth disparities and harmful social, economic, and environmental practices.
- Cooperation: Cooperate with existing community institutions and organizations, strengthening the lending capacity of credit unions, community development financial institutions, and community financial institutions by partnering, rather than competing, with them on financial products and services.
- Accountability and Transparency: Ensure community oversight, accountability, and transparency in Bank operations.
- Indigenous Rights: Act within a reparations framework to honor its presence on Ohlone land, protect sacred sites, support Indigenous land trusts, and uphold Indigenous people's right to Free, Prior, and Informed Consent.
- Harm Avoidance: Refrain from investing in sectors that exacerbate negative socioeconomic and environmental outcomes, including predatory lending, fossil fuels, tobacco, firearms, other weapons, prisons and detention centers, and businesses holding a record of labor law violations.

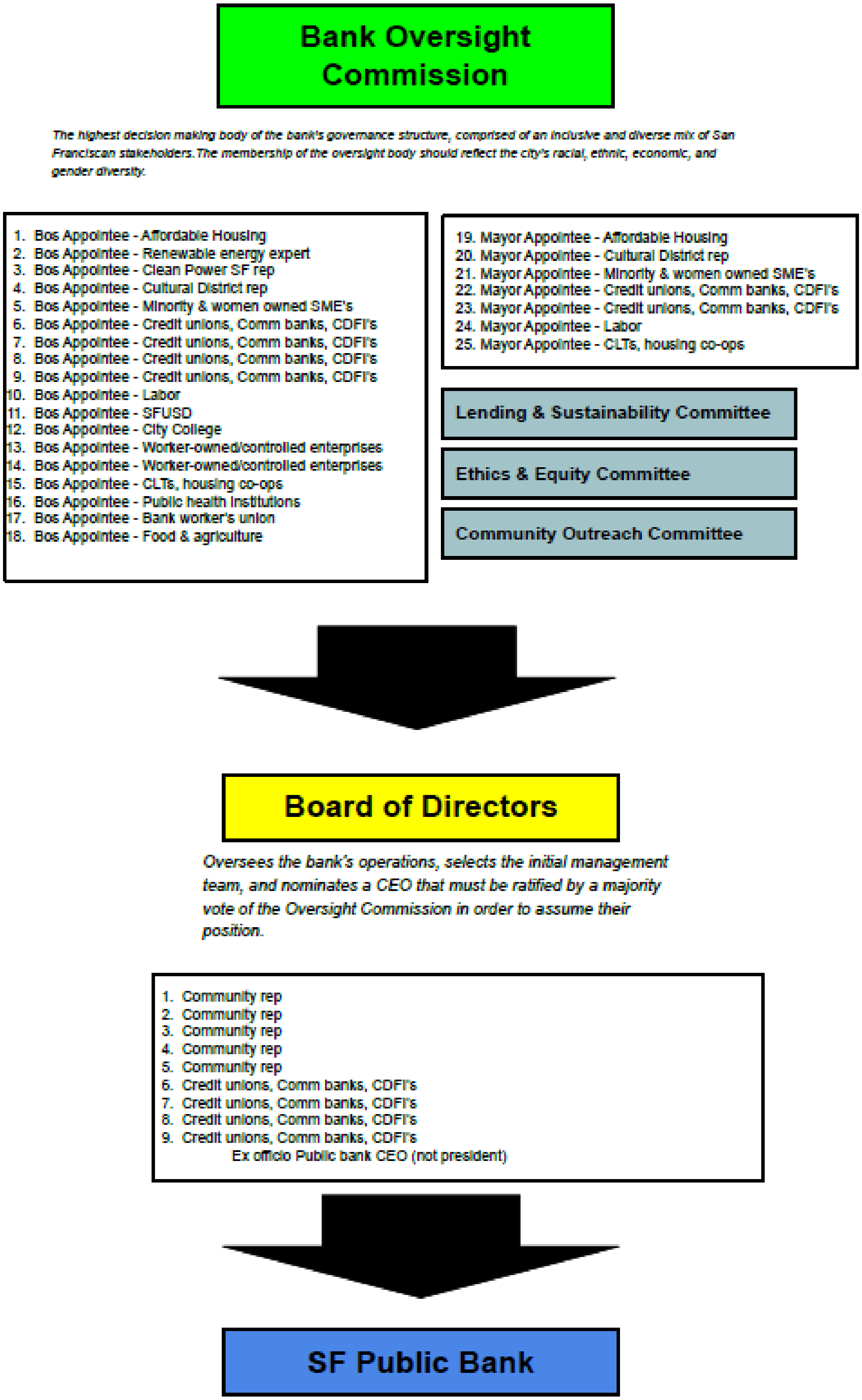
B. Governance Model

Two-Tiered Governance Model

The City has evaluated various public bank governance models from around the world. Based upon this research and global best practices (see a case study below), the City proposes a two-tier governance model. The top tier of Bank governance is the 25-member Bank Oversight Commission ("BOC") and the second tier is a 9-member Board of Directors ("Board"). The BOC advises the Board but does not make any decisions related to the operation of the Bank with the exception of the election of the Board, serving in a traditional shareholder role. The Board oversees the Bank's operations, selects the initial management team, and oversees the execution of the business plans.

To fulfill the principle of local control, BOC and Board members will be required to be residents of or conduct business within San Francisco. Waivers on this requirement will be made available in exceptional circumstances.

Figure 5. Visualization of the Two-Tiered Governance Model



Case Study: Banco Popular y de Desarrollo Comunal, Costa Rica

- Year established: 1969
- Total assets: $6.24 billion (in 2020)
- Return on assets: 1.35%
- Net profit (after tax): $62 billion (in 2020)

The Popular and Community Development Bank ("Banco Popular") is a public bank in Costa Rica that combines retail and development functions. It is known for its bottom-up approach to corporate governance, which enables it to internalize popular demands and operational oversight in legally binding and public-interest ways. This approach contributes to the bank's credibility and effectiveness within Costa Rica's society and economy.

Despite not being conceived initially as a public bank with a governance structure in which Costa Rica's constituents could have direct say, the Banco Popular underwent a democratization process in the early 1980s to become more representative and connected to citizens in the working class. The most notable effort was the formation of the Bank's Assembly of Working Men and Women as the highest representative decision-making body.

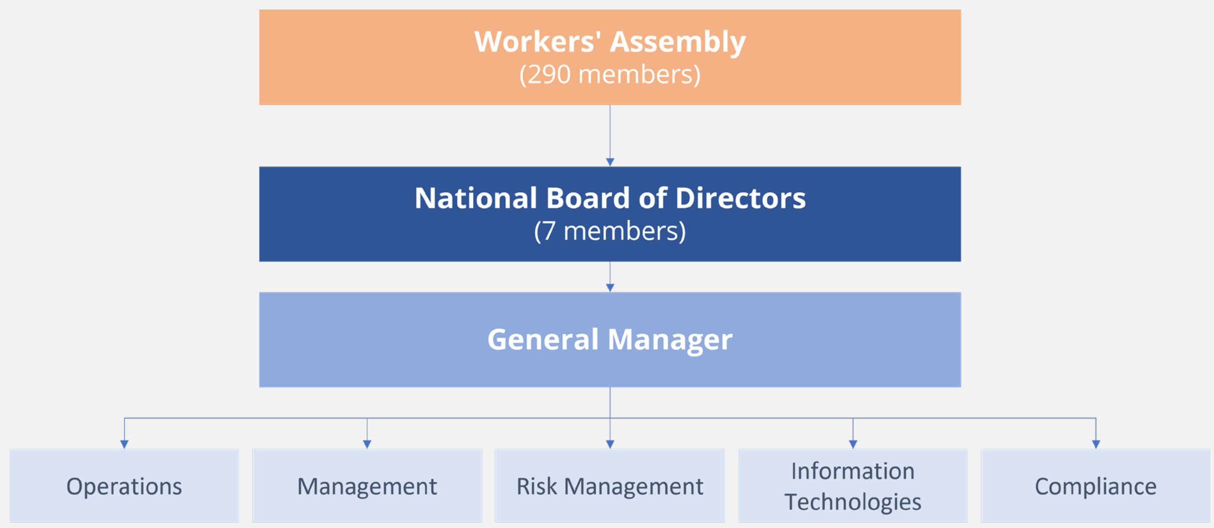
The Workers' Assembly was created to be legally responsible for giving general direction to the bank's activities. It is responsible for appointing representatives to the bank's National Board of Directors, reviewing audit reports, integrating recommendations against discrimination, and providing democratic direction and accountable oversight to the bank. The Workers' Assembly comprises 290 representatives from various social and economic sectors, including artisans, cooperatives, trade unions, elected every four years from a pool of social organizations registered with the Ministry of Labor. This selection process allows the assembly to represent about 1.2 million account holders within the bank, equal to about 20% of Costa Rica's population.[28]

In addition to this decision-making body, the Bank also has a National Board of Directors (NBD) as the highest administrative unit in charge of its day-to-day operations. It is composed of 7 members, 4 of which are designated by the Workers' Assembly (at least two must be women), and three are appointed by the Government Executive of Costa Rica (at least one must be a woman). The NBD is subordinate to the Workers' Assembly.

The Bank's commitment to democratic governance goes beyond creating decision-making and management bodies and strives to hear public demands to guide banking operations. For example, in 2008, Banco Popular conducted a nationwide consultative process, which resulted in the creation of five new guidelines for the Workers' Assembly. These guidelines reflected the bank's competitive market operations and social developmental role, including promoting a social economy driven by values of solidarity and the primacy of people over capital, offering quality services, competitive management operations, regional and local development, and being an entity for national development.

[28] Marois, T. (2021). *Public banks: Decarbonisation, definancialisation and democratisation*. Cambridge University Press.

Figure 6. Governance Structure of the Banco Popular



The Board Oversight Commission Structure and Committees

The BOC will be composed of an inclusive and diverse mix of San Franciscan stakeholders; reflect the racial, ethnic, economic, and gender diversity of San Francisco; and act as the Bank's shareholder body. 18 members of the BOC shall be appointed by the Board of Supervisors and 7 members of the BOC shall be appointed by the Mayor.

BOC members will be appointed for a four-year term with a staggered approach. The initial BOC will have six BOC members appointed for a one-year term, six appointed for a two-year term, six appointed for a three-year term and seven appointed for a four-year term. This staggered approach will provide for consistency in the BOC and ensure that each member of the BOC will be entitled to serve two terms before being termed out.

All 25 members of the BOC shall be subject to a public hearing and vote by the Board of Supervisors. All future appointees to the BOC shall also be subject to an initial public hearing. In addition, members of the BOC shall not be subject to removal by their respective appointing officers. The following table sets forth the appointing authority and qualifications for the 25 members of the BOC:

Table 7. Bank Oversight Commission Appointments

Seat	Appointing Authority	Qualification
1	Board of Supervisors	Affordable housing advocate
2	Board of Supervisors	Renewable energy expert
3	Board of Supervisors	CleanPowerSF representative
4	Board of Supervisors	Cultural District representative
5	Board of Supervisors	Minority or women small-to-medium enterprise (SME's) owner

6-9	Board of Supervisors	Credit union, community bank, or CDFI representative
10	Board of Supervisors	Organized labor representative
11	Board of Supervisors	SFUSD representative
12	Board of Supervisors	City College representative
13-14	Board of Supervisors	Worker-owned or controlled enterprise representative
15	Board of Supervisors	Community land trust or housing cooperative advocate
16	Board of Supervisors	San Francisco public health institution representative
17	Board of Supervisors	Bank worker's union representative
18	Board of Supervisors	Food and agriculture sector representative
19	Mayor	Affordable housing advocate
20	Mayor	Cultural District representative
21-22	Mayor	Minority or women small-to-medium enterprise (SME's) owner
23	Mayor	Credit union, community bank, or CDFI representative
24	Mayor	Organized labor representative
25	Mayor	Community land trust or housing cooperative advocate

As the BOC will not make decisions on day-to-day management and loans, the Bank does not foresee conflicts of interest for BOC members who represent organizations that the Bank would partner with or lend to.

The BOC shall focus its work into three committees that will provide advice to the Board: Lending & Sustainability, Ethics & Equity, and Community Outreach. These are advisory roles to the Bank and will assist the Board in modifying the Business Plan for the Bank, which remains the responsibility of the Bank Board.

The BOC will initially meet monthly and reconsider the frequency of meetings once the Bank exits its de novo review period.

It is noted that AB 857 restricts public banks to local agency banking, infrastructure lending, wholesale lending, participation lending, and only retail activities where those activities are not already provided by local financial institutions. As a result, AB 857 restricts public banks from most direct personal lending and provides fewer opportunities for self-dealing among commissioners or directors. Nevertheless, in addition to standard Form 700 filings and other ethics training required in San Francisco civil service, the BOC and the Board will adopt policies to prevent conflicts of interest such as requiring members to report their conflicts to the BOC's Ethics & Equity Committee Chair and the Board and abstain from any discussion or votes regarding such conflicts.

The Board is ultimately responsible for managing the activities of the Bank and has fiduciary duties including answering to regulators. However, as a means of providing communication and transparency, two members of the BOC will be able to attend meetings of the Bank Board under observation rights with no voting capacity. In addition, the two BOC members that will attend the Bank Board meetings will execute confidentiality agreements in order to protect privacy of customer information and will not be able to attend meetings with the various regulatory agencies for the Bank without specific consent from the regulatory agencies.

The BOC Committees and Responsibilities are as follows:

Lending & Sustainability

Advise on the framework for the Bank's loan policy, consistent with the Bank's lending priorities and prohibitions, as well as applicable regulatory requirements. This framework shall be further evaluated and finalized by the Board. The intended framework should reflect the Bank principles described in the "Mission and Principles" section.

Ethics & Equity

- Identify a set of equity outcomes that can serve as benchmarks for public bank impact and success (e.g., eliminate displacement, ensure equitable access to small business finance, reduce GHG emissions, etc.)
- Oversee compliance with AB 857 and other relevant laws and regulations.
- Monitor that the operations of the Bank are conducted in accordance with the governance documents, appoint external auditors to audit the Bank's financial statements, and oversee the performance of audits.
- The Chair of the Ethics & Equity Committee accepts information on BOC members' and Directors' conflicts of interest.

Community Outreach

- Publish and share an annual report in an accessible, visual, and multilingual format.
- Hold annual town hall events to present public bank priority lending and investment areas alongside equity metrics, for example, race/ethnicity, gender, migration status, neighborhoods and communities served, and community impact. Provide space for the public to comment and advise the BOC on how to fulfill the Bank's mission to serve local communities.
- Organize focus group sessions every two years around specific priority themes, such as lending and investment areas, that convene community experts to help comment, problem solve, provide analysis, and make recommendations.
- Hold informational recruitment events to recruit potential members of the BOC.

Interfacing with City and County of San Francisco

The BOC will serve as the body that liaises between the Bank and the City and County of San Francisco government, reporting on the Bank's performance and impact and maintaining open communications with City agencies and entities that may be involved in activities complementary to the Bank's.

BOC members will be required to execute a Job Description and Qualifications, a copy of which is attached at Exhibit A to this Governance Plan. In addition, BOC members will be subject to Bank's Code of Conduct Policy.

The Bank Board of Directors, Board Committees, and Management Structure

The Bank Board will initially consist of nine directors: the President and Chief Executive Officer, and eight outside directors. The outside directors will include individuals with banking, bank directorship, CDFI, and/or professional/business experience, primarily in the Bank's lending areas. The Bank Board will be responsible for monitoring and evaluating the performance of the President and CEO. The executive management team will include individuals that possess significant experience in CFIs, CDFIs, and managing business lines relevant to those in the Bank's business model. The Executive Management team also must have strong risk management and governance backgrounds, finance, and other experience relevant to the Bank's business model. Bank Directors must inform the Board of any conflicts of interests prior to adopting resolutions.

Governance

Within the Bank the following governance structure is proposed:

- Except for the Asset Liability Committee ("ALCO"), Board level committees will be chaired by outside independent directors.
- The proposed Chief Financial Officer ("CFO") will chair ALCO and the proposed President and CEO will be a voting member of that committee.
- As Executive Management team members, the Chief Credit Officer ("CCO"), CFO, Chief Risk Officer ("CRO") will be presenting and leading discussions in committee meetings but will not be voting members of any Board committee with the exception of the CFO on ALCO and the CCO and CEO on Loan Committee.
- The Board will allow for an even distribution of committee assignments without being overly taxing on any one member.

The proposed outside Board members will be experienced businesspeople and will have sat or sit on corporate or non-profit boards.

Bank Directors will be required to execute a Job Description and Qualifications, a copy of which is attached at Exhibit B to this Governance Plan. In addition, Bank Directors will be subject to Bank's Code of Conduct Policy.

Proposed Directors

The following table lists the desired and expected experience of the proposed directors.

Table 8. Director Roles and Qualifications

Role	Qualifications
Chief Executive Officer	Experienced CEO of a CFI, CDFI, or regional bank C-suite officer.
Outside Director 1	Experienced CFI or CDFI director, C-suite officer, or CDFI officer with financial expertise.
Outside Director 2	Experienced CFI or CDFI director, C-suite officer, or CDFI officer with financial expertise.

Outside Director 3	Experienced CFI or CDFI director, C-suite officer, or CDFI officer with financial expertise.
Outside Director 4	Experienced CFI or CDFI director, C-suite officer, or CDFI officer with financial expertise.
Outside Director 5	Experienced CFI or CDFI director, C-suite officer, or CDFI officer with financial expertise.
Outside Director 6	Subject-matter expert in affordable housing with financial experience.
Outside Director 7	Subject-matter expert in local enterprise lending with financial experience.
Outside Director 8	Subject-matter expert in green investments with financial experience.
Non-Voting Attendee 1	*Member of BOC with observation rights and confidentiality agreement.*
Non-Voting Attendee 2	*Member of BOC with observation rights and confidentiality agreement.*

Board Committees

The following table provides a list of Board committees with their core functions and proposed composition. An outside independent director will serve as the Board's Chairperson.

Table 9. Committee Function and Membership

Committee	Core Function	Proposed Membership*
Audit/Risk Committee	Oversee the audit function. Monitor and set policy around operational, information security, market, and financial and credit risks. Oversee compliance, ERM, and CRA areas.	3-4 outside directors CRO is management liaison
Loan Committee	Set credit policy and monitor management of credit risk.	CEO/CCO and 3-4 outside directors
Asset-Liability Committee	Manage the Bank's asset and liability profile and interest rate risk management.	CFO/CEO and 3-4 outside directors
HR/Governance Committee	Oversee HR/compensation policies and procedures. Ensure appropriate corporate governance.	3-4 outside directors CEO is management liaison

** The executive officers will participate in all committees as needed.*

The following section provides summaries of duties and meeting frequency of each committee. Please note that in the initial period of the Bank's operations, the Board-level committees are likely to meet more frequently than the meeting frequency detailed in the following descriptions. Initially the committees will meet to review and refine the initial sets of policies and procedures, as recommended by management. The committees will evaluate and recommend monitoring systems and reports as a way of ensuring that systems are in place and are closely monitored to review reports and schedules associated with the relevant committee duties.

Audit/Risk Committee

(Meets at least quarterly)

Audit Duties

- Fulfill duties delineated in the Bank's Audit Policy.
- Serve as an independent body reporting to the full Board.
- Attend regulatory examination, external audit, and credit review meetings.
- Select and appoint independent registered public accounting firm for the financial audit.
- Supervise the audit function to verify that auditors, internal and external, are independent of Bank management and are objective in their findings.
- Monitor management performance in the correction of deficiencies noted in an audit or regulatory examination.
- Hire the Bank's internal audit manager and loan reviewer and monitor such review activities.
- Ensure that the internal audit manager can be terminated only with the approval of the committee.
- Review annual CPA audits, state and federal examinations and report findings to the Board of Directors.
- Ensure financial risk management functions are independent and communicate risk management concerns to the full Board.
- Review all operations, accounting, and administration policies prior to submission to the full Board.
- Coordinate, monitor and report to the Board the status of the Bank's compliance with federal and state banking laws and agency regulations.

Risk Duties

- Formulate compliance and enterprise risk management plans.
- Monitor systems to ensure compliance.
- Establish overall risk tolerance for the Bank.
- Establish a system of internal controls, independent testing, and auditing to ensure compliance with the Bank Secrecy Act.
- Establish procedures to ensure effective identification and monitoring of high-risk accounts and areas.
- Establish objectives and priorities for information technology projects.
- Review and approve the implementation of major operating systems including core data and item processing.

- Review and approve significant changes or enhancements to alternate customer delivery channels including Internet banking and automated voice response systems.
- Review and approve significant local and wide area network changes and upgrades.
- Review and approve information technology policies for compliance with regulatory guidelines.
- Review and approve the Bank's Disaster Recovery & Contingency Plan and the Bank Security Policy on an annual basis.
- Monitor information technology performance for its contribution towards the attainment of the Bank's overall strategic plan.
- Ensure operational risk management functions are independent and communicate risk management concerns to the full Board.
- Determine frequency of employee and Board training.
- Review all operations and administration policies prior to submission to the full Board.
- Oversee the Community Reinvestment Act ("CRA") compliance (if required).
- Coordinate, monitor and report to the Board the status of the Bank's compliance with federal and state banking laws and agency regulations.

Loan Committee

(Meets at least monthly)

Duties

- Establish the credit risk tolerances and ensure that an adequate reserve has been provided against potential losses in the credit portfolio.
- Require that management report on the handling of credit risk and their compliance with Board decisions regarding acceptable levels of risk.
- Review and recommend changes to Credit Policies and Procedures.
- Review and approve the delegation of loan approval authorities, as appropriate, if such approval is consistent with the Credit Policy and deemed a non-material change by the Committee.
- Require that management report on the monitoring of loan officer compliance with lending policies.
- Verify that management follows proper procedures to recognize adverse trends, identify problems in the loan portfolio and maintain an adequate allowance for loan and lease losses.
- Review and recommend for full Board approval the Bank's ALLL methodology and no less than quarterly, review Management's recommendation of the Bank's ALLL.
- Meet as needed to review loan request and make credit decision on loans requiring Board Approval in accordance with the Bank's Credit Policy.

Asset-Liability Committee (ALCO)

(Meets at least quarterly)

Duties

- Fulfill duties required by the Bank's Asset-Liability and Funds Management ("ALM") and Investment policies.
- Review and recommend changes to ALM and Investment Policies.
- Oversee actions relating to market rate, liquidity, and capital risk exposures.

- Approve management strategies regarding interest risk exposure, investment securities, deposit programs, and lending initiatives.
- Approve investment strategies and review investment positions in securities.

Human Resources/Governance Committee

(Meets at least quarterly)

Human Resources Duties

- Review and approve management's recommendations for title, promotion, salary and bonus for the Bank's executive officers and allocations for other employees of the Bank.
- Establish, review, and monitor personnel policies of the Bank.
- Review and approve incentive compensation plans and other employee benefits and similar plans.
- Review performance evaluations of executive officers.
- Review and oversee total compensation and personnel practices to ensure that the Bank is competitive and meets all regulatory requirements.

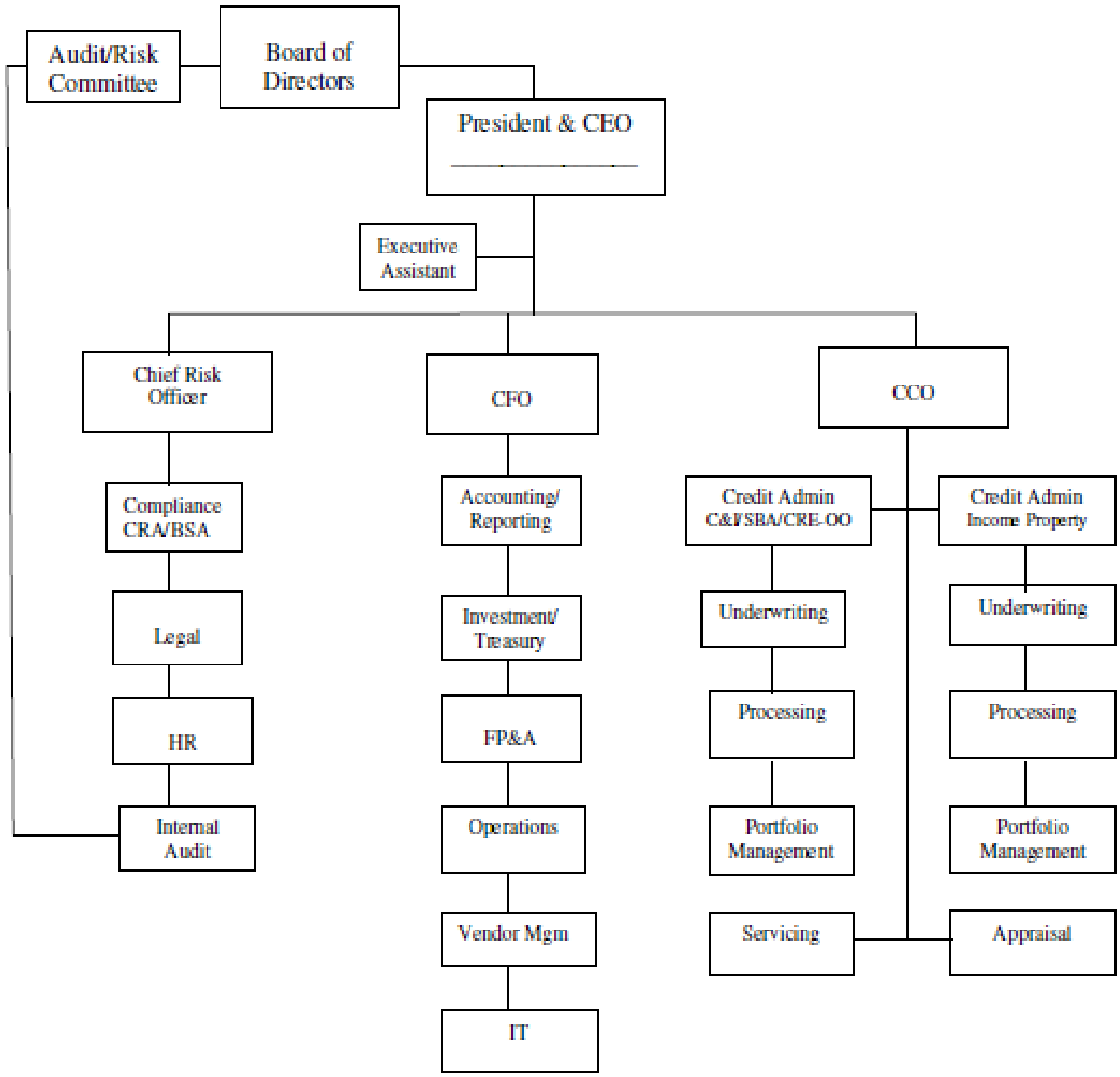
Governance Duties

- Review and advise with respect to issues and policies affecting the governance of the Bank; periodically reviewing the Bank's Affiliate Transaction Policy, Code of Ethics and Conduct Policy, and Succession Planning Policy in coordination with the BOC.
- Conduct the process of director independence, evaluation, self-assessment, and selection for recommendation for appointment to the Board and its committees.
- Conduct succession planning in accordance with the Bank's Succession Plan for the role of the Chief Executive Officer, and in consultation with the Chief Executive Officer concerning other appointed executive officers.
- Review and recommend director candidates for review and approval of the BOC serving in the capacity as Bank's shareholder.

Organizational Structure/Officers

The Bank's organizational structure will be relatively flat with the Chief Financial Officer, the Chief Credit Officer, and the Chief Risk Officer (Compliance Officer), reporting directly to the President/Chief Executive Officer. The following is the Bank's proposed organizational structure, as depicted on a simple chart:

Figure 7. Proposed Bank Organizational Structure



Proposed Executive Officers

The Bank will be managed by a qualified Executive Management team comprised of experienced bankers with extensive commercial banking experience and proven skills in credit analysis and administration, financial analysis and risk management, regulatory compliance, personnel management, and public service experience.

The Executive Management team includes the President and Chief Executive Officer, Chief Credit Officer, Chief Financial Officer, and Chief Risk Officer. These individuals will be experienced bankers with extensive relevant banking experience that qualifies them to carry out their duties and responsibilities.

Following is a table listing the summary biographies of the proposed executive officers, followed by a more detailed biography of each officer.

Note: To be completed by the City at the time when it prepares the final application once management has been identified.

Table 10. Proposed Management Team

NAME	POSITION	EXPERIENCE
To be confirmed at a later stage.	President/CEO	Experienced CEO of a CFI, CDFI, or regional bank C-suite officer
To be confirmed at a later stage.	CCO	Formerly CCO of a CFI or regional bank
To be confirmed at a later stage.	CFO	Formerly CFO of a CFI, CDFI or regional bank
To be confirmed at a later stage.	CRO	Former CRO or Head of Operations for CFI or regional bank

Duties of the Executive Officers

The following are the primary duties of the Executive Management team:

Duties of the President/Chief Executive Officer

- Responsible for the day to day and overall management of the Bank to adhere to the Bank's Business Plan.
- Ensure the overall safety, soundness, and security of the Bank.
- Maintain the overall adequacy and soundness of the organization's financial structure, especially relating to operational issues.
- Participate in strategic planning and provide advice on the effective ways to meet the growth and earnings goals and objectives of the Bank.
- Provide overall leadership of the Management Officer Team, which consists of the Chief Executive Officer, Chief Financial Officer, Chief Credit Officer, and Chief Risk Officer.
- Provide leadership in establishing current and long-range objectives, policies, and plans, subject to the approval of the Board.
- Coordinate the Board's responsibility to monitor adherence to the business plan, including review of performance to budget and an annual strategic review.
- Direct the overall marketing and business development activities of the Bank.
- Responsible, with the Chief Financial Officer, for overseeing the investment portfolio and controlling expense areas.
- Responsible, with the Chief Credit Officer, for overseeing the loan portfolio and credit quality.
- Coordinate communication throughout the organization.
- With the Chief Financial Officer, present and interpret the major financial reports for directors, BOC, and regulatory agencies.

- Act as the principal representative of the Bank with the press, major customers, community and industry associations, other businesses, and regulatory agencies.
- Meet with major customers, BOC, City and County of San Francisco, the financial community and the public.
- Keep abreast of changes in the market, legislative issues, and the current competitive practices with the financial industry.
- Directly supervise senior officers.
- Serve as a member of the Board and as a member of Board committees as determined.
- Provide coordinating role between directors and management for all Board and Board committee activities as well as any other director-related matters.
- Provide on-going employee training to business development and customer-facing staff to ensure that the customer banking experience meets the vision and expectation of the Bank, its directors and management.
- Participate in community and business-related organizations and attend major civic events to maintain visibility throughout the community and develop new customer relationships.
- Help establish company brand and image.
- Participate in the development of new products and services for each business line of the Bank.
- Identify target markets that will be receptive to the products and services offered by the Bank.
- Develop marketing campaigns and associated collateral materials. Track results of the marketing campaigns.
- Perform any other duties specified by the Board.

Duties of the Chief Financial Officer

- Manage and ensure the quality of the Bank's financial and accounting functions, including:
    - General accounting and financial reporting, including call reports, financial (statements, and income tax reporting
    - Internal controls, risk management and in association with the CRO, MIS
    - Budgeting and forecasting
    - Asset-liability management (Chair the Asset-Liability Committee)
    - Treasury and investment management
    - Insurance procurement, alongside CRO
    - Prepare reports for monthly director meetings.
    - With the Chief Executive Officer, present and interpret the major financial reports for directors, the shareholders, and regulatory agencies.
    - Prepare material for Bank's financial audit firm and respond to all audits.
- Recommend and prepare policies and procedures for proper financial control of the Bank.
- Manage the Finance and Accounting Department.
- Act as a liaison with correspondent banks, Federal Reserve Bank, other related depositories and outside transfer agents.
- Assist the CRO with the development and oversight of the operational risk management programs including facilities/bank security, monthly certifications, BSA oversight, disaster recovery planning and financial reporting requirements.
- Oversee backroom/centralized operations.
- Oversee the Bank's vendor management program.

- Develop personal banking relationships with a select group of customers including those requiring specialized and/or more complicated transactions.
- Liaison with IT, data, and item processing providers
- Oversee the Information Technology function of the Bank including liaison with third party vendors including Network and core processors in association with the Information Security Officer.
- Oversee IT management to maintain current IT program including risk assessments, software changes, contingency planning, user access, incident response and information security program.
- Facilitate the completion of IT related risk assessments and Disaster Recovery testing.
- Liaise with outside IT support group to monitor information security requirements and reports.
- Assist the CRO in the development, implementation and coordination of policies and procedures in the following areas: employment, compensation, benefits, group health insurance, workers' compensation, training, employee relations, employment related compliance, safety, and other related functions.
- Interact with other senior officers on personnel policies and practices.
- Working closely with the CCO, review the allowance for loan and lease loss analysis to ensure compliance with currently promulgated GAAP.
- Provide a consulting and analytic resource on a wide variety of financial and planning matters, including the structuring of proposed transactions, product development, and business opportunities.

Duties of the Chief Credit Officer

- Responsible for the overall quality and diversity of the loan portfolio.
- Develop and monitor loan policies and loan concentration limits.
- Make decisions on both administrative and operational matters pertaining to lending.
- Serve on the Loan Committee and act as a principal spokesperson for the lending function.
- Supervise the collection of non-performing and charged-off loans and manage OREO properties to disposition.
- Work closely with legal counsel to resolve litigation expeditiously while minimizing legal and collection expense.
- Prepare monthly and quarterly lending activity and portfolio condition reports for Board of Directors, committees, and regulatory agencies.
- Prepare the quarterly allowance for loan and lease loss analysis and work closely with the CFO to ensure compliance with currently promulgated GAAP.
- Responsible for ensuring that lending activities are in compliance with regulatory requirements.
- Oversee the credit staff and implement training programs on credit administration and the approval process.

Duties of Chief Risk Officer

- Conduct compliance responsibilities to ensure internal controls and compliance efforts are maintained. This will be accomplished by developing, recommending, and maintaining policies, procedures, and programs to reflect changes in law and regulations to minimize risk.
- Monitor and test the Bank's compliance program.
- Review all disclosures, mailers, and marketing material to ensure compliance.

- Coordinate BSA/AML/CIP/OFAC and regulatory compliance, audit and risk assessment matrix review and monitoring activities, including periodic review of departments.
- Maintain and oversee internal certification program including follow up to any corrective actions identified.
- Head the management level Enterprise Risk Management Committee.
- Present status of the audit plan, BSA/AML/CIP/OFAC, compliance management programs, internal/external risk assessments, and information security program to Bank management, Audit/Risk Committee and or Board on a regular basis.
- Monitor audit exceptions and recommendations and the resulting response and follow-up to verify required corrective action has been implemented.
- Attend training and maintain knowledge of procedures to ensure compliance with laws and regulations governing financial institutions, as they apply to BSA/AML/CIP/OFAC, regulatory compliance, audit, and enterprise risk management.
- Serve as the Bank's BSA Officer. Manage interfaces regarding the overall BSA/AML/CIP/OFAC program.
- Conduct staff training related to BSA/AML/CIP/OFAC and regulatory compliance programs.
- Oversee and monitor fair lending and CRA compliance.
- Manage the Bank's online compliance training program including program design and job function specific profiles.
- Manage and support the Bank Information Security Officer to ensure IT internal controls and compliance efforts are maintained.
- Manage the Bank's legal and reputational risk and all outside legal firms.
- With other members of Executive Management team, ensure corporate and director compliance with by-laws and state and federal laws and regulations.
- Oversee the Bank's insurance policies and programs.
- Represent the Bank as appropriate in its relationships with regulators and auditors.

Bank Board and BOC Member Training

Training will be scheduled at regular Bank Board meetings, with appropriate subjects such as board governance, BSA, operational regulations, and related topics of importance to general board education. Training will be conducted by management and, when applicable, by legal counsel, the Bank's accounting firm, auditors or other qualified professionals. Other training will be opportunistic and dependent upon the timing of appropriate training offered by trade associations, regulators, and other groups. BOC members will also be able to attend training sessions.

Training sessions periodically presented by the FDIC, California Department of Financial Protection and Innovation and other banking regulators are effective means for a director to remain abreast of the current regulatory environment and to determine the red flags that should elevate a director's concerns about the condition of the Bank. The Bank will encourage all members of the Bank Board and all BOC members to periodically attend these type of training sessions.

The Bank will establish training programs to include (but not be limited to) the following outline.

<u>Director Handbooks:</u> All Bank Board members and BOC members will be given the FDIC's "Pocket Guide for Directors" and the Comptroller of the Currency's "The Director's Book", "Detecting Red Flags in Board

Reports", and "Internal Controls". In addition, the directors will be provided the "Basics for Directors" from the Kansas City Federal Reserve Bank and the Atlanta Federal Reserve's "Director Guide to Credit". The Bank will conduct training sessions and encourage participation in third party programs that focus on the fiduciary duties of the directors, insider transactions, ethical principles, and the responsibilities of Board committees. There also will be training related to the public banking model and the communication with the City of San Francisco.

Compliance Program: Training will be conducted to address bank compliance issues, such as the general laws and regulations impacting the industry, as well as discussions on the responsibilities of management, the Board, and Board committees. Legal counsel or appropriate consultants will be requested to provide Board and management training on the Bank Secrecy Act/AML laws and regulations, CRA Compliance, Fair Lending and Regulation O. Other training will emphasize the regulations concerning consumer protection, privacy rules, electronic fund transfers, truth-in-savings, and fraud detection. Additional special training will highlight recently enacted changes to banking regulations and other issues of heightened concerns of the bank regulatory agencies.

Audits and Regulatory Examinations: Training will be scheduled on topics such as director responsibility for, participation in, and oversight over the external audit function, as well as the regulatory examination process. This will combine Bank and insiders reporting requirements, insider trading, restrictions on transferability, beneficial ownership, securities law liabilities and the impact of recent regulatory changes.

Lending Regulations: Sessions will be scheduled to focus on lending regulations, including disclosure requirements and the avoidance of common violations. This program will cover consumer laws an analysis of credit risk, loan approval limits, and underwriting criteria.

Board Governance and Practices: Training will be conducted on the following practices: fiduciary duties and responsibilities, corporate governance and best practices, board deliberative and reporting processes, accurate and complete meeting recordation, minute preparation, review and preservation, and related matters. The collective experience on the board in terms of banking and other board experience will be an invaluable asset in the development and execution of training programs.

Bank Secrecy Act (“BSA”) Training: All Bank personnel, including Bank directors, will be provided Bank Secrecy and customer identification training, ensuring the following minimum issues are addressed:

- The importance placed on on-going education, training, and compliance with BSA.
- Employee accountability for ensuring BSA compliance.
- Comprehensive training, including the identification and treatment of business lines that carry a greater potential for BSA violations.
- Training personnel from all areas of the Bank.
- Training and training updates on a frequent basis.
- Explanation of the Bank’s BSA/CIP policies, procedures, and processes.
- Analysis of the different forms of money laundering and terrorist financing.
- Description of the penalties for noncompliance with internal policies and regulatory requirements.

Memberships / Seminars: The Bank will consider becoming a member of the American Bankers Association (ABA), Western Bankers Association (WBA) and/or the California Community Banking

Network (CCBN). To enhance director education and training, the Bank may utilize training material from other bank trade associations. All Bank Directors and BOC members will be encouraged to attend at least one seminar/educational program annually on relevant director training. The FDIC, ABA, WBA, CCBN, Bankers Compliance Group, law firms and independent bank service providers offer such training on a regular basis. The President/CEO or designee will be responsible for providing directors with information regarding upcoming training programs.

V. Records, Systems, and Controls

A. Control Systems

The Bank plans to place significant emphasis on risk mitigation as an integral component of the overall organizational culture. The emphasis will be critical to achieving the Bank's strategic goals and objectives. Accordingly, the Bank will develop an Enterprise Risk Management ("ERM") program that would be designed to identify, evaluate, treat, report on, and monitor priority risks. The ERM program efforts will be led by the Chief Risk Officer, with oversight by the Board of Directors and its Audit/Risk Committee. The Bank plans to manage its operations to attain a reasonable risk/return relationship, which will serve as a guideline for acceptable credit risks, market risks, and liquidity risks. The Bank will also focus on risk management in numerous other areas, including with respect to asset/liability management, regulatory compliance, legal, human resources, technology/operations, and financial reporting, and internal controls.

The Bank will use the services of third-party vendor to conduct accounting, internal control, and electronic processing functions. Prior to opening, the Bank will contract with a reliable accounting firm for financial audits and with qualified third parties for internal audit and electronic processing functions. The use of third-party vendors for such services is preferable, as most available systems are rated reliable, standardized, scalable, well-tested, up-to-date, and affordable.

The Bank's Audit/Risk Committee will have the ultimate responsibility of interviewing, selecting, and recommending to the Board the outside accounting firm for the annual financial audits and tax work, as well as third-party service providers for the Bank's internal controls audits and services and the Bank's electronic processing systems. The selection of third-party vendors will be made in conformity with applicable regulations.

The Bank's selection process will include discussion on innovation, processes, and procedures that may minimize the impact of the pandemic on Bank operations and maximize its ability to deliver its core banking services efficiently.

The Bank's Vendor Management policy will be reviewed, modified, and ratified by the Board on an annual basis. This policy will ensure that due diligence is conducted in advance of contracting with a vendor. This due diligence is necessary to minimize threats to the operations and reputation of the Bank.

The Audit/Risk Committee will evaluate proposals from various accounting firms specializing in auditing and reviewing commercial banks. Management and the Board will initially focus their discussions on selecting a firm or firms to audit the Bank on an annual basis and provide any consulting or other guidance to management on internal controls related to the finance functions of the Bank. The Bank will maintain its accounting system in conformity with generally accepted accounting principles and with the

Statements of Financial Accounting Standards. Reports for regulatory agencies will be prepared in accordance to the Regulatory Call Report Instructions.

The Bank’s data system structure is as follows:

Proper firewalls and security required to protect the integrity of the Bank’s data maintained within the data processor’s system and the data transmitted to the Bank is a critical factor in the selection of the electronic data processor. Effective computer access firewalls must be in place for all data accessible online and through use of any wireless access. The proper level of access security must be in place internally to ensure records are maintained reliably with verifiable points of entry that prevent fraud or misappropriation of funds by Bank staff or others. ds to contract with a third-party network services provider that specializes in providing such service.

The following depicts the Bank’s proposed security structure.

The Bank will have the necessary software, systems, and training to ensure strict conformance with such regulatory issues as the Bank Secrecy and follow-up acts (“BSA”), Anti Money Laundering (“AML”) and Know Your Customer (“KYC”) compliance, privacy regulations and other customer compliance issues required by federal and California banking regulations.

The Bank’s Audit/Risk Committee will have oversight of financial reporting and will ensure the integrity of the Bank’s records, systems, and controls. The financial and business experience of the Audit/Risk Committee members responsible for the oversight of the Bank’s records and controls should ensure that the Bank implements the accounting and internal control systems that provide the safety and soundness necessary for proper banking operations. The committee will also include a qualified outside director which will be identified during the regulatory review process.

B. Internal Audit

The Bank plans to use external auditors to perform the internal audit functions. There are a number of highly capable consultants and firms that specialize in bank internal controls, financial audit, loan review, compliance audit and other review activities. Members of senior management have used such auditors in prior banking activities with highly satisfactory results. The Bank will contract with the service providers, in conformity with a Board-approved vendor management policy.

The Bank will use a third-party loan reviewer to prepare independent reviews of the loan portfolio. The Audit/Risk Committee will contract to have a compliance review audit preformed to ensure that the Bank’s initial systems, policies, and procedures have been established in conformity with banking requirements. The third-party internal auditor will be provided independence of action and unhindered system review.

The third-party audits of the data processing system are typically conducted by the data processing company or by a consortium of the users of the data processing system. By using a proven financial data processing company, the review of the data security system will have received regular reviews by the regulators in the course of their review of other financial institutions using the same service provider. The Bank will only contract with a proven data processing company which, as part of its due diligence verification, can demonstrate that their system and interfaces are safeguarded against unwarranted intrusions from any logical points of access. The Bank will ascertain that data intrusion audits have been conducted to verify the safety and integrity at public access points, including telephone or Internet access.

C. Compliance Management

Compliance Program

The Bank will implement a compliance program comprised of the following principal components:

- *Compliance Policies and Procedures*, designed in accordance with the related laws and regulations, as applicable to the Bank's operations. The policies and procedures will provide personnel with the information and methodology needed to perform a business transaction in conformity with applicable laws and regulations. The Audit/Risk Committee will be responsible for reviewing and updating these policies and procedures when business and regulatory environment changes or as necessary. The Bank may enlist third-party banking compliance experts to provide support in the regulatory compliance process. Use of such services will allow the Board and Executive Management to remain apprised on current and proposed changes in banking regulations and will assist them in ensuring safe and sound banking operations in strict compliance with banking regulations.

- *Compliance Training* of the Board, management, and staff. The Audit/Risk Committee will establish a regular training schedule for directors, management, and staff. Training will be conducted in-house and through external training programs or seminars. All of the proposed directors will attend training sessions to become knowledgeable in compliance and proper bank board governance. Bank regulators, correspondent banks, compliance analysts, and bank trade associations will be consulted for assistance with regulatory compliance issues. Management will periodically assess employees on their knowledge and comprehension of compliance regulations. The compliance training program will be updated with current, comprehensive, and accurate information on products, services and business operations of the Bank, consumer protection laws and regulations, internal policies and procedures and emerging issues in the public domain.

- *Compliance monitoring* process will identify procedural or training weaknesses within the Bank to prevent any regulatory violation. This process will include a regular review of the following by the Audit/Risk Committee: product offerings' disclosures and calculations; document filing and retention procedures; posted notices, marketing literature, and advertising; state usury and consumer protection laws and regulations; third-party service provider operations; and internal compliance communication systems that provide updates and revisions of the applicable laws and regulations to management and staff. Changes to regulations or changes in the Bank's business operations, products, or services will trigger a review of existing compliance procedures. The Audit/Risk Committee will be directly involved in the planning, development, and implementation of the Bank's services and products. The annual performance evaluation process will ensure that each employee is following internal compliance policies and procedures. The compliance monitoring process will review issues, such as employee turnover, problems identified during past audits or examinations, regulations changes, new products, the opening of a new location, or other non-routine events.

- *Consumer Complaint Response.* The Bank will handle consumer complaints promptly. All written complaints from customers will be directed to the CRO and/or Compliance Officer for review, follow-up and remediation. The Board-level Audit/Risk Committee will require full disclosure from management of written consumer complaints, and the steps taken to resolve legitimate customer complaints. All complaints related to the Bank's performance in connection with Community Reinvestment Act will be forwarded to the CRO and Compliance/CRA Officer for review and action. The CRA Officer will maintain in-coming and out-going communication on CRA issues. The Audit/Risk Committee will monitor the resolution of CRA complaints.

Compliance Audit

A compliance audit will be performed to provide an independent review of the Bank's compliance with consumer protection laws and regulations and adherence to internal policies and procedures. The compliance audit will also ensure that systems are in place to monitor and respond to future changes in the regulatory systems. The Audit/Risk Committee will determine the scope and the frequency of the various compliance audits. Audit reports and findings will be reported to the Audit/Risk Committee. The audit report will include:

- Scope of the audit;
- Deficiencies or modifications identified;
- Number of transactions sampled by category of product type; and
- Descriptions of, or suggestions for, corrective actions and time frames for correction.

As directed by the Board, senior management will provide prompt responses to the audit report and any deficiency findings. The Audit/Risk Committee will receive a copy of compliance audit reports and will oversee efforts to correct deficiencies and any required changes. The committee will also require management verification that the corrective actions are effective and in place. Work papers of the audit will be prepared, retained, and available for review upon request by the regulatory examiners.

D. Financial Audits

The Bank's annual audit process will be conducted in conformity with generally accepted accounting principles and with banking regulations. The Board and its Audit/Risk Committee ultimately hold the responsibility to ensure that an annual financial audit is conducted by an independent public accounting firm.

Once the Bank is in organization, the Audit/Risk Committee will evaluate proposals for financial audits from a number of accounting firms with banking specialization. The Audit/Risk Committee will select the accounting firm and will contract directly with that firm. The independent public accounting firm will report directly to the Audit/Risk Committee. It is the responsibility of the Board, with authority delegated to the Audit/Risk Committee, to ensure that the scope of the external audit program is appropriate for the Bank. An accurate and comprehensive audit of the Bank's financial condition requires the full and complete backing of the Audit/Risk Committee, the Board, and all levels of Bank management. All staff members of the Bank must comply fully with the requests made by the independent public accountant. Any staff member, who prevents the independent auditor from having complete access to financial records, will be subject to immediate termination.

To ensure independence throughout the audit function, the public accounting firm that audits the Bank's financial statements will not be permitted to provide, contemporaneously with the audit, the following services:

- Bookkeeping or other accounting record and financial statement services
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions
- Actuarial services
- Internal audit outsourcing services
- Management and human resources functions
- Broker or dealer, investment adviser, or investment banking services; and
- Legal services and expert services unrelated to the audit.

E. Outsourcing

The Bank's staff will perform all procedures pertaining to financial, operational, and credit policies; the documentation, assessment, and approval of loans; reconciliation of financial statements and quantitative analytics; business and strategic planning, as well as other banking functions to direct the Bank's operations in a safe, sound, and lawful manner.

The basic banking services that will be outsourced include financial audits, internal audits (e.g., compliance, BSA, stress testing frameworks), external loan review validation (e.g. credit process and risk grading, CECL, note department), compliance review and outside testing, electronic data processing, and item processing.

The Bank will outsource its online banking system and automated customer telephonic systems.

Some of these functions may be included in the Bank's core data processing software package. The overall network services function, which includes the monitoring of data security, the integrity of computer firewall, and the assessment of the system's vulnerability to hacking and/or computer virus contamination will be functions expected to be outsourced. Testing results and audit recommendations given to third-party vendors will be reviewed by Bank personnel, and recaps of the findings will be reported to the Board. The use of third-party companies to perform these functions is commonplace in the banking industry, especially among CFIs. Nonetheless, the Bank will have on staff personnel who will have responsibility for monitoring and testing the Bank's information technology process.

The Bank will consider engaging a third-party firm to provide HR, payroll, and benefit administration services, such that it can instantly obtain the economies of scale and more competitive benefits packages and costs that large group employers enjoy.

As the Bank grows in assets and earnings, some of these out-sourced activities may be brought in house, if their costs are justified. Data processing, item processing, and website design are functions that are well suited to be outsourced regardless of the size of the Bank. The Bank expects to provide its customers with advanced front-end and back-end support through arrangements with third party vendors that specialize in providing transactional processing and check clearing functionality to other financial institutions. This arrangement allows for a minimum of capital expenditures and permits growth to progress in an efficient manner. There are no current contracts with third-party vendors to conduct these functions. The proposed executive managers are aware of the service providers for these important functions and will solicit proposals, contract specifics, timelines, and bids for these services.

Prudent business planning and practices require that backup systems are developed to ensure that the mission-critical systems and functions provided by third party service providers would seamlessly continue despite unintended issues such as power outages or weather-related service disruptions. The third-party service providers should have redundant systems to support the continuance and integrity of the Bank's core business activities and records.

The Bank will select audit companies that are current and well-regarded as experts with existing accounting methodologies and with appropriate banking regulations and requirements to serve the Bank well in reviewing operations and systems to determine that the Bank is functioning in a safe and sound manner and in full compliance with applicable regulations.

VI. Financial Management Plan

A. Capital and Earnings

Capital Goals

The Bank will be initially capitalized with $50 million which is sufficient to cover the projected pre-opening organizational expenses (salaries, consulting, legal, insurance, etc.) and capitalized assets (fixtures, furniture, equipment, systems, software, security deposits, etc.) and provide a solid foundation to support the growth contemplated by the business plan in a safe and sound manner.

The Bank plans to have sufficient initial capital to fully support the level of anticipated balance sheet growth. This will provide the footings for the Bank to achieve monthly profitable operations by the end of the third year and the de novo period, and thereafter, to generate earnings sufficient to support the future growth of the Bank while at all times maintaining a "well-capitalized" status.

In general, the following statements summarize the Bank's capital management goals:

- Establish a core capital base through the Bank's initial capitalization.
- Maintain the following minimum capital ratios through the de novo period:
    - Total Risk-Based Capital Ratio above 10.5%
    - Tier 1 Risk-Based Capital Ratio above 9.0%
    - Common Equity Tier 1 Risk-Based Capital Ratio above 9.0%
    - Tier 1 Leverage Ratio above 9.0%

The minimum ratios indicated above are the greater of: (1) "well capitalized" for purposes of Prompt Corrective Action; (2) where applicable, capital ratios that would result in a 2.5% capital conservation buffer pursuant to Capital Rules for FDIC Supervised Banks and Basel III standards; or, (3) in the case of the Tier 1 Risk-Based Capital Ratio, Common Equity Tier 1 Risk-Based Capital ratio and Tier 1 leverage ratio, a level commensurate with the Bank's de novo status.

In addition, the Bank will maintain a minimum Tangible Shareholders' Equity to Tangible Total Assets ratio of over 8% during the first three years of operation.

- Following the three-year initial start-up period, the plan necessary to achieve a reasonable level of profitable operations while focusing on the Bank's mission. The Bank is not designed to maximize profitability but to have a reasonable level of performance with the intent to help further build the economy and business and residents withing San Francisco. The Bank's performance will increase the level of equity capital through the retention of earnings to support future growth.

- Control the degree of capital leverage through capital planning and the quarterly measurement, monitoring, and management of the economic value of equity taking into consideration the anticipation of the mismatch or "gap" between rate-sensitive assets and liabilities, excessive growth periods or relevant changes in the structure of the Bank. Continually monitor the volume, mix and maturities of assets and liabilities. Develop and abide by specific guidelines for controlling interest rate risk and market risk.
- Develop and implement programs and strategies to increase revenues and control expenses.
- Ensure the safety and soundness of the Bank and the insured deposits.

Earnings

The following table summarizes the expected earnings goals of the Bank during the first three years of operation.

Table 11. San Francisco Public Bank, Proposed. Profitability Measurements.

	For the 12 Month Period Ending		
	1st Year	2nd Year	3rd Year
Return on Average Assets	(2.38%)	(0.70%)	(0.37%)
Return on Average Equity	(3.71%)	(1.96%)	(1.60%)
Net Interest Income/Average Assets	3.84%	3.37%	2.57%
Non-Interest Income/Average Assets	0.05%	0.03%	0.02%
Non-Interest Expenses/Average Assets	4.93%	3.13%	2.23%
Net Interest Margin	4.05%	3.45%	2.57%
Efficiency Ratio	126.86%	92.26%	85.91%

The principal goal of the Bank is to establish the infrastructure that supports a safe, sound, and well-capitalized banking operations and to grow the Bank's business segments.

Upon opening, and upon receipt of the necessary regulatory approvals, the Bank will expense the non-capitalized pre-opening and other accrued organizational costs. These include costs related to regulatory filings, legal, staff, consulting and other non-capitalized expenses associated with the organizing and opening of the Bank. The capitalized pre-opening expenses such as purchase of furniture and equipment, tenant improvements to the leased premises, system design and implementation, software to support operations, and other capital purchases, will be depreciated based upon appropriate estimates of economic useful lives and using the straight-line method of depreciation consistent with generally accepted accounting principles.

It is anticipated that the Bank will reach monthly profitability at the end of its third year of operations. Prior to reaching monthly profitability as the Bank is developing and growing earning assets the volume of earning assets and the corresponding net interest income and other revenues will not be sufficient to cover overhead costs, including the up-front costs of putting in place the appropriate infrastructure (people, premises, and systems) that are required to support its operations in a safe and sound manner as contemplated in its business plan. Thereafter, it is expected that the Bank would generate consistently increasing profits to support the contemplated balance sheet growth.

Business generation, services offered, and expense control will be key to reaching the Bank's earning goals. The Bank is expected to work closely with CFIs and CDFIs to build market share and generate interest income by providing the core products to its targeted clients. The Bank will utilize its experienced staff effectively to achieve its earning goals, hiring bankers and support staff who have implemented plans similar to the Bank's in its target market area.

The Bank will proactively manage expenses to operate within budget.

Capital Raising

Following the receipt of approval to incorporate from the DFPI and upon regulatory approval of the Bank's capital plan, the City of San Francisco will capitalize the Bank. This initial capital combined with the Bank's retained earnings will be sufficient to ensure compliance with regulatory capital requirements.

Regulatory Capital Requirements

Based on the financial model, the projected level of initial capital is deemed sufficient to support the Bank's growth during its de novo period, resulting in capital ratios well above the minimum requirements for well-capitalized institutions as well as the stricter capital requirements of a de novo institution, including Tier 1 Leverage Ratio in excess of 9.0 percent.

Table 12.San Francisco Public Bank, Proposed. Projected Capital Levels (in thousands).

	For the 12 Month Period Ending		
	1st Year	2nd Year	3rd Year
Shareholders' Equity	$48,165	$47,349	$46,697
Tier 1 Leverage Ratio (Minimum 9.0% de novo for first 3 years)	51.10%	29.87%	20.30%
Common Equity Tier 1 Risk-Based Capital Ratio (Minimum 9.0% de novo for first 3 years)	94.42%	44.74%	27.69%
Tier 1 Risk-Based Capital Ratio (Minimum 9.0% de novo for first 3 years)	94.42%	44.74%	27.69%
Total Risk-Based Capital Ratio (Minimum 10.5%)	95.67%	45.99%	28.94%
Tangible Equity/Tangible Assets (Minimum 8.0% DFPI guideline)	49.01%	28.96%	21.55%

Capital Adequacy

The Bank's proposed capital structure is adequate for the projected internal and external risks, as well as the planned fixed assets expenditures, technology, organizational, and other expenses needed to grow the Bank to approximately $235 million in assets by the end of the third year of operations. The planned initial capitalization will also be sufficient to support the credit needs of the Bank's market, enabling the Bank to accommodate credits to one borrower of up to a range of approximately $5 million (unsecured) to $10 million (secured) which should be adequate for a majority of the Bank's customers.

The Bank will continually measure and assess trends in risks that may adversely impact capital levels. It is the Bank's goal to address any emerging risks on a proactive and comprehensive basis, in order to avoid rapid deterioration in asset quality, profitability, and overall operations, and ultimately maintain targeted capital levels.

There are no unusual off-balance sheet activities contemplated by the Bank. In general, off-balance sheet activities contemplated by the Bank will be limited to unfunded loan commitments typically associated with commercial lines of credit and, to a lesser extent, standby letters of credit.

Debt Service

The business plan does not anticipate that the Bank will be owned by a holding company or that there will be debt issued to capitalize the institution. Consequently, there are no anticipated debt service requirements.

Options, Warrants

The business plan does not anticipate the use of options, warrants, and/or other benefits associated with the Bank's capital.

Dividend Policy

No dividends are anticipated.

B. Liquidity and Funds Management

Identifying and Measuring Liquidity Risk

The Bank will maintain liquidity consistent with safe and sound operations and within regulatory definitions including full compliance with the joint agency policy statement on liquidity contingency planning. The Bank's Board of Directors will have the ultimate responsibility for liquidity risk management. The Board is responsible for understanding the nature and level of the Bank's liquidity risk, establishing the tolerance of such risk, and approving policies to ensure liquidity is preserved.

The Bank will measure, monitor, and control liquidity, asset and liability volume and composition, loan and deposit pricing, interest rate risk, market pricing risk, and capital adequacy. The Board will review the Bank's liquidity position, as well as the internal and external factors that impact liquidity, at least quarterly at a regularly scheduled Board meeting and through the presentation of the Bank's quarterly financial performance presentations. Part of the Board's oversight will be the assessment of contingency plans for funding.

The Board will establish minimum requirements and guidelines for liquidity management in order to ensure that the Bank maintains the funds necessary to meet its cash needs and financial obligations on a timely basis, at a reasonable cost, and with a minimum of financial loss, consistent with sound practices to strengthen operational resilience. Specifically, the Bank must be able to meet immediate cash withdrawal requirements, fund customers' lines and letters of credit, and fulfill short-term credit needs. Management will ensure that primary and backup sources of liquidity will be available for Bank operations.

The key factors that determine the Bank's liquidity are reliability and stability of deposits; the maturity and structure of investment portfolio; the maturity and structure of loan portfolio; and the potential for unexpected loan demand and/or deposit volatility from customers. A significant portion of assets will be loans that re-price with changes in market rates or other reference rates that the Bank may establish from time to time. The liability side of the balance sheet will be composed principally of deposits concentrated in money market accounts, checking accounts, and certificates of deposit maturing within a year. The

Bank will manage its investment portfolio in an effort to reduce the mismatch between the maturities or re-pricing of assets and liabilities. The Bank may utilize borrowings from the Federal Home Loan Bank and will structure the maturity of these borrowings to balance the re-pricing of its loan portfolio.

Liquidity will be managed to minimize the need for high cost and volatile funding, especially during adverse business conditions. In evaluating liquidity, the following will be considered:

- Present and future earnings capacity
- Cash flow projections
- Current liquidity position
- Future funding needs, loan demands, pay-offs and sales
- Anticipated investment transactions
- Deposit maturities and forecast trends and seasonality of customer deposits
- Other sources of funds
- Borrowing capacity with state funds, FHLB (i.e., both securities and loan backed), and correspondent banks.

The Board will establish ranges for liquidity ratios and review these ratios at its committee meetings. At a minimum, the following liquidity indicators will be reviewed:

- Liquidity
- Loans/Deposits
- Funding Concentrations
- Brokered Deposits
- Volatile Liability Dependency
- Borrowing Capacity with FHLB

The following table presents the Bank's projected liquidity ratios during the first three years of operation.

Table 13. San Francisco Public Bank, Proposed. Liquidity Ratios.

	For the 12 Month Period Ending		
	1st Year	2nd Year	3rd Year
Liquidity Ratios	58.87%	44.58%	36.77%

Monitoring and Controlling Liquidity Risk

The Board will establish procedures to monitor and control liquidity risk. The Board will provide policy guidelines regarding the investment portfolio, loan sale strategies (as appropriate) and deposit generation.

Liquidity management will ensure sufficient cash to support daily banking operations, fund loans and repay maturing deposits. Management will prepare and distribute to the Board regular reports designed to monitor liquidity.

The following are the primary reports to be presented to the Board regarding liquidity:

- ***Liquidity risk report*** shows level and trend of liquidity risk using various measures.

- ***Funds provider report*** lists concentration and source of large amounts of funding.
- ***Funds flow analysis*** provides balance sheet trends and weighs the liquidity risks of each major category.
- ***Cash flow or funding gap report*** identifies over various time frames when funds will be needed for asset-related commitments, deposit withdrawals and borrowing redemptions.
- If needed, a ***contingency funding plan*** incorporates the funding gap report to forecast funding requirements and sources under varying assumptions and responses to included worse case outcomes involving run-off or excessive asset growth.

The Board, will be watchful for the following trouble signs involving liquidity:

- A liquidity measure that falls outside of the limit established by the Board.
- A significant increase in the risk profile associated with a sector of the bank or product line, such as a decline in asset quality or an unforeseen decline in earnings performance.
- Spike in asset growth funded by wholesale or potentially volatile liabilities.
- Any undue concentrations in a category of assets or liabilities.
- Above market funding costs, which may be reflective of market concerns about the Bank's risk profile.
- Real or perceived negative publicity regarding the Bank, including actual or potential downgrades of the Bank's credit rating (including without limitation, publicity concerning the Bank's clients that might impact liquidity through specific reserves).
- Increasing spread (relative to local competition) paid on deposits and rising requests from depositors for the early withdrawal of funds.
- An elimination of or a decrease in the Bank's credit lines from its correspondent banks and an associated increased use of brokered or other volatile funds.
- Increased collateral requirements or demand for collateral to back the Bank's credit exposure.

Contingent funding sources will provide a safety net against unforeseen illiquidity. The primary liquidity contingency plan will be the arrangements for backup sources of funding. These funding arrangements will be made, motivated by an abundance of caution, in advance of an actual need to obtain borrowings. Borrowing facilities will be sought by arranging back-up lines through correspondent banks through the pledging of excess Federal funds and marketable securities. The Bank will become a member of the Federal Home Loan Bank System for the opportunity to obtain advances secured by a blanket lien on the loan portfolio; however, terms for such FHLB advances are less favorable until the Bank has achieved profitability. Consequently, during its initial period of operations, the Bank will focus upon deposit generation to provide liquidity.

Borrowings

The business plan does not project the use of borrowings, as the Bank is expected to have sufficient liquidity during the first three years of operation. However, maintaining backup borrowing capability is a prudent operating strategy, providing the Bank with a safety net for unplanned illiquidity. The Bank will establish access to borrowing sources before significant funding needs arise and will establish contingency plans for outside funding and liquidity. Sources of funding will include arrangements with correspondent banks, other community banks, and advances allowed as a member within the Federal Home Loan Bank system.

The Board will review and approve borrowing arrangements.

Investment Securities

Liquidity is planned to be invested in a combination of sources including Fed funds, maturity laddered U.S. Treasury bills and notes, U.S. Government agency debt and MBS securities, comparable maturity commercial bank certificates of deposit, investment grade corporate debt securities and other liquid securities. In general, the guiding principle for the investment portfolio will be the preservation of principal and the adequacy of liquidity. The Bank does not intend to chase yield by extending the duration of its investment portfolio or by taking on excessive credit risk on its investments. The securities in the liquidity portfolio will be selected to minimize risk, including interest rate, market pricing, and credit risk. Deviation from the Investment Policy will require explicit Board approval.

The Bank will comply with regulatory requirements relating to permissible investments to be held in the securities portfolio.

Permissible investments are defined as:

- Direct obligations of the U.S. Government;
- Obligations of Federal Agencies fully guaranteed or sponsored by the U.S. Government, which may include: notes and similar instruments, mortgage backed securities, and SBA guaranteed securities;
- Investment-grade municipal securities;
- Investment-grade corporate debt securities;
- Certificates of deposit fully insured by the FDIC;
- Banker's acceptances from an issuing bank with an acceptable credit rating. The acceptances must be readily marketable, with the maturity not to exceed 365 days. Investment in acceptance of one bank is limited to the maximum allowable by banking regulations;
- Federal Funds –placed with banks approved by the Board; and
- Other earning assets, including securities purchased under agreement to resell and commercial paper.

The following table depicts the projected investment portfolio composition.

Table 14. San Francisco Public Bank, Proposed. Investment of Excess Liquidity (in thousands).

	For the 12 Month Period Ending		
	1st Year	2nd Year	3rd Year
Cash and Due From Banks	$2,000	$2,000	$2,000
Interest-Bearing Due From Banks	$20,895	$35,743	$39,072
Investment Securities	$9,970	$10,150	$10,300
Agency MBS	-	-	-
Time Deposits/Term Advances with Banks	$25,000	$25,000	$35,000
Fed Funds	-	-	-
Total	**$57,865**	**$72,893**	**$86,373**

C. Sensitivity to Market Risk

Interest Rate Risk Strategies

Management will manage the Bank's interest rate risk in accordance with its Asset Liability and Funds Management policy. The Bank will generally strive to manage towards a neutral asset-liability position, while continuously monitoring its asset/liability pricing and composition relative to trends in the market and competitors.

Note: To be completed by the City at the time when it prepares the final application once interest rate conditions at time of application are known. As that may be 1-3 years from now, current economic forecasts will be irrelevant to the application.

The primary objectives of the Bank's interest rate risk management process will be to minimize the reductions in both net interest income and the economic value of the Bank's equity resulting from changes in future interest rates. The Bank will minimize interest rate and market risk by managing the re-pricing terms of its assets and liabilities. The preferred structure of the balance sheet will be assets and liabilities that re-price with market rates at certain intervals, typically based upon a spread over the prime rate, the Bank's reference rate, the SOFR and the ability to reprice spread to achieve an equivalent total rate at substitution, or other market rate. The Bank will continually assess ways to improve any re-pricing mismatch between fixed rate assets and floating-rate liabilities.

Varying interest rate and yield curve assumptions will be utilized to determine the impacts on earnings and capital from differing interest rate environments. Such deviations will be maintained within the limits specified in the interest rate risk and related sections of the Bank's Asset / Liability and Funds Management Policy using the measurement procedures, risk reduction activities, and controls specified in that policy.

Identifying and measuring Interest Rate Risk

The Bank will employ standard techniques and metrics to identify interest rate risk, especially in assessing re-pricing or maturity mismatch risk, basis risk, yield curve risk, and option risk. Key assumptions include but are not limited to expected future interest rates, prepayment rates of loans or securities, deposit decay and rollover rates; draws on unfunded commitments, and collateral advance rates for secured financings. All assumptions, estimates and projections used to measure interest rate risk will be documented and reviewed by the Bank Board if market conditions, Bank products, or other material conditions change.

At least quarterly, the Bank Board will consider an analysis of the impact of a plus and minus 100, 200, 300, and 400 basis points change in interest rate on the following:

- Net interest income and the variation caused by changing rate and yield curve relationships on the difference between interest income and interest expense of the Bank.
- Economic value of equity and other related changes in the present value of future cash flows due to movements in interest rates.

The analysis will include the impact on the volume and the demand for products based on the changes in the yield curve as well as the level of rates, as well as variations in market value, particularly of investment securities, due to changes in interest rates.

The following reports would be received and reviewed by Asset/Liability Committee:

- Reports reflecting net interest income sensitivity
- Reports reflecting economic value of equity sensitivity
- Reports reflecting compliance with interest rate risk policy limits and any interest rate risk policy violations

The Bank will use a proven third-party vendor model to conduct interest rate risk management and analysis. On an annual basis the Interest Rate Risk model will be back-tested for reasonableness, comparing the 12-month model forecast to the Bank's actual results incorporating the actual change in rates. Furthermore, on an annual basis, the internal auditor, or other qualified third-party vendor, will conduct a review of the IRR program to include:

- Compliance with policies and risk limits;
- Accuracy and completeness of data inputs into the measurement systems;
- Documentation and reasonableness of assumptions; and
- Comparison of prior model output compared to actual results.

Sensitivity to Interest Rates

The Bank will seek to minimize adverse effects from changes in interest rates by prudently matching asset and liability re-pricings and maturities, in order to minimize the negative impact to earnings from interest rate changes and to operate within Board approved policy limits.

The Board will establish ratios for risk tolerance and sensitivity to interest rate changes. Operating ranges will be established for the primary ratios of interest rate risk.

Hedging

The Bank does not intend to invest in hedge instruments, such as futures, options, interest rate swaps, or other derivative investments. Any potential use of hedging instruments will be as an interest rate risk management tool and not as an income-generating instrument and will need to be approved by the Board.

D. Credit Risk

Identifying and Measuring Credit Risk

The Bank will identify and measure credit risk through a risk rating system that will regularly assess the risk profile of the loan portfolio and will provide the Board and management with information on the quality, trends and potential for problems within the loan portfolio. The risk rating will be used in determining the adequacy of the loan loss reserve as well as loan pricing.

Having a well-managed Credit Policy and Guidelines that remain up to date and reflects current Bank and market conditions is key to ensuring that Management are able to successfully execute its duties in accordance with the Bank's risk appetite and mission. To ensure policies remain updated, the Bank's Credit Risk Management Committee will review and recommend modifications to the Credit Policy and Guidelines to the Board of Directors for approval on an ongoing basis but no less frequently than annually to reflect current economic conditions, the Bank's financial position, changes in loan demand and the competitive environment, and changes to laws and regulations.

The Board of Directors or its delegated committee(s) is charged with:

- Approving and periodically reviewing credit policies and guidelines of the Bank including CECL allocations, OREO, review and delegate loan approval authorities, review and approval of Credit Policy at least annually, and other salient credit matters.
- Appointing credit, risk, and review committees, as necessary, to carry out the credit process for the Bank and meet its regulatory requirements.

Among other duties, the Board or an appointed committee is charged with:

- Establishing the credit risk tolerances and ensuring that an adequate reserve has been provided against potential losses in the credit portfolio.
- Requiring that management report on the handling of credit risk and their compliance with Board decisions regarding acceptable levels of risk.
- Reviewing and recommending changes to Credit Policies and Procedures.
- Reviewing and approving the delegation of loan approval authorities, as appropriate, if such approval is consistent with the Credit Policy and deemed a non-material change by the Committee.
- Requiring that management report on the monitoring of loan officer compliance with lending policies.
- Verifying that management follows proper procedures to recognize adverse trends, identify problems in the loan portfolio and maintain an adequate allowance for loan and lease losses.
- Reviewing and recommending for full Board approval the Bank's ALLL methodology and no less than quarterly, reviewing Management's recommendation of the Bank's ALLL.
- Meeting as needed to review loan request and make credit decision on loans requiring Board Approval.

The CCO will be charged by the Board with overseeing and maintaining the credit risk of the Bank, including the quality, safety, and soundness of the Bank's credit portfolio as well as:

- Approving or declining loans within authorized limits.
- Overseeing the Credit Administration function including loan underwriting and portfolio management.
- Delegating loan approval authorities to those within the Bank in accordance with the approved credit policy.
- Assuring the quality and completeness of loan documentation and management information reporting of the loan portfolio.
- Initiating and administering the Bank's credit policies, guidelines, and procedures.
- Evaluating and reporting portfolio risk and adequacy of the Allowance of Loan and Lease Losses.
- Working in conjunction with the Chief Risk Officer to provide assurance that all lending related compliance and CRA procedures meet regulatory standards.
- Overseeing credit risk management and Special Assets.
- Approval of major borrower overdrafts and analyzing of past due loans.

The Bank will establish a Credit Risk Management Committee ("CRMC") that is tasked with monitoring, reviewing, and making policy and guidelines recommendations to better manage credit risk and governance within the Bank. The CRMC shall meet quarterly, or more frequently as needed, to monitor and administer the Bank's credit framework, including:

- Review of policy and guidelines,
- Monitoring of the quality and condition of the loan portfolio including policy and guideline exceptions and portfolio concentrations,
- Review of risk rating migrations including delinquencies, non-accruals, and charge offs,
- Review of loans downgraded within twelve months of origination,
- Discussion of market and industry trends and regulatory changes,
- Recommendation and vetting of new loan products or changes to underwriting or product criteria for existing loan products.

The Bank will emphasize prudent and disciplined underwriting while implementing a flexible and responsive decision-making process. The Bank's underwriting standards will include approval requirements that vary depending on the size and type of loan and the Bank's aggregate exposure to the borrower.

Credit Administration is responsible for assigning a loan risk rating to their loans, both at inception and as changing circumstances and updated financial reporting warrant a review and potential update of the risk grade. The review by Credit Administration is part of the Bank's portfolio management function and is independent of Relationship Managers to ensure the rating remains objective.

The loan risk rating will be indicated on each loan write-up and also on the documentation checklist. No loan will be boarded without having a grade assigned. Changes to loan grades already on the system may only be entered by Loan Servicing, as documented in a form that is managed by the CCO and approved by those with the appropriate delegated authority.

The Bank utilizes Loan Risk Ratings numbered 1 through 10 as defined below. Ratings 1 through 6 are Pass grades with 6 being Pass-Watch. Ratings 7 through 10 implement the interagency definitions of Special Mention (7), Substandard (8), Doubtful (9), and Loss (10).

The CCO reviews the assigned risk rating and is responsible for confirming or changing the grade. The CCO has final risk rating authority. Periodic independent credit reviews will be conducted by qualified loan review consultants, which will be engaged by the Audit and Risk Committee, to review risk ratings and report the finding to management and the Board of Directors.

In addition to individual loan ratings, the Bank will ensure that a risk management framework is in place to maintain a diversified portfolio. Diversification pertains to loan products, industry, geographic location and borrowing relationship/sponsor risk. The Bank will ensure that inherent risks associated with concentrations of credit are monitored and controlled. Although some concentrations of credit are inevitable, the effective management of concentrations of credit will help to avoid the risk of significant loss due to adverse economic or other negative effects on industries or related borrowers, as well as assist the Bank in achieving a broader diversification in its loan portfolio.

Loan Review Program

The Bank's loan review program will include a combination of independent loan review and internal reviews.

The specific goals of the credit review are to:

- Identify actual and potential loan problems;

- Ensure the collateral position has been perfected and there is sufficient collateral;
- Identify organizational weaknesses and estimate the risk posed by such problems as well as to potential and actual concentrations of credit;
- Provide an objective assessment of asset quality to management and the Board of Directors;
- Test the accuracy of assigned risk ratings;
- Identify weak products or underwriting practices;
- Provide accurate risk ratings that can be used to derive an adequate and accurate ALLL;
- Ensure that self-dealing does not exist;
- Determine compliance with laws, regulations, regulatory guidance, and Bank lending policy; and
- Ensure that proper financial information is gathered, and that adequate analysis is performed.

Prompt identification of problem loans is necessary to increase the likelihood of full collection of principal and interest.

To systematically review credits for identification of problem loans and for appropriate risk rating, the Bank will utilize a variety of portfolio monitoring tools including:

- Quarterly trend analysis and portfolio reviews to discuss credits within a scope established by the CCO, including the results of financial information received, including the evaluation of covenant compliance and an assessment of the borrower's repayment capacity.
- The Bank may utilize third-party credit reporting to track borrower business and guarantor FICO scores as a method of determining any business or guarantor decline in performance that may warrant a change in risk rating.
- If a credit appears on the Bank's delinquency report, Management should investigate the cause to assess any change in risk rating, if appropriate.
- If the Bank receives an evaluation of collateral value (e.g. audits, inspections, appraisals), then that officer should determine the impact of the new value on the risk rating of the credit and re-grade accordingly.

As part of the effective management of the Bank's portfolio as well as to mitigate any potential losses to the Bank, problem loans within a scope defined by the CCO based on aggregate exposure, will be subject to additional quarterly reporting and monitoring.

On a periodic basis, the Bank will engage an external qualified resource to review the quality of the loan portfolio and to ensure that management and staff are adhering to loan policies described in this document and general prudent risk management practices. The frequency and scope of the review may change as the portfolio expands, but it is anticipated to occur semi-annually. The scope is subject to input by the examiner and the Audit/Risk Committee, but generally will include all classified loans and watch loans, and include as much of the portfolio as reasonable as determined by the CCO and the Loan and Audit/Risk Committees, focusing first on the largest credit relationships and proceeding down in size. This review is to remain independent from the Bank's operation and will be coordinated and overseen by the Audit/Risk Committee. Findings and recommendations will be addressed by the CCO and presented to the Audit/Risk Committee and the Board in a timely manner.

Allowance for Loan and Lease Losses

It is the policy of the Bank to maintain at all times a reserve for potential loan losses that is adequate to absorb all estimated losses in the Bank's loan portfolio. The existence of an effective loan review system that identifies credit quality problems in an accurate and timely manner is key to the effectiveness of this policy. The loan review system will respond to internal and external factors affecting the Bank's credit risk and will ensure the timely charge-off of loans, or portions of loans, for which a loss has been confirmed.

The Bank will establish a systematic methodology for determining the Allowance for Loan and Lease Losses (ALLL) based on both actual, historical loss data as well as qualitative considerations that may affect the loan portfolio and in conformity with CECL. The Bank will document the supporting rationale employed in estimating the appropriate level of the ALLL, including the analysis of all significant factors affecting the collectability of the portfolio. It is the policy of the Bank to maintain an ALLL estimation process that is sound, well documented and based on reliable information and be of such quality that regulators, auditors, investors and directors may rely on it.

It is noted that the de novo nature of the Bank precludes use of historical loss experience during the early stages of its existence, and so the methodology described below will be modified as necessary, and the use of peer group ALLL practices may be more prevalent in establishing an appropriate ALLL.

Specifically, the ALLL methodology will be designed to:

- Include a detailed analysis of the loan portfolio on a regular basis;
- Consider all loans (whether on an individual or group basis);
- Identify loans to be evaluated for impairment on an individual basis under SFAS No.
- 114 and segment the remainder of the portfolio into groups of loans with similar risk characteristics for evaluation and analysis under SFAS No. 5;
- Consider all known relevant internal and external factors that may affect loan collection;
- Be applied consistently but, when appropriate, be modified for new factors affecting collectability;
- Consider the particular risks inherent in different kinds of lending;
- Consider current collateral values (less costs to sell), where applicable;
- Require that competent and well-trained personnel perform analysis, estimates, reviews and other loan loss allowance methodology functions;
- Be based on current and reliable data;
- Be well documented, in writing, with clear explanations of the supporting analysis and rationale; and
- Include a systematic and logical method to consolidate the loss estimate and ensure the loan loss balance in accordance with GAAP.

Banks may segment their loan and lease portfolios into as many components as practical. Each component would normally have similar characteristics, such as risk classification, past due status, type of loan, industry, or collateral. Segmentation is intended to allow for the estimation of inherent loss in pools of homogeneous loans based on historical losses.

Management will periodically conduct a review of available risk grading and loan loss information by searching charge-off ledgers, board reports, Reports of Examination, etc. This search is intended to identify similar pools of loans that could be isolated and tracked to estimate inherent loan losses.

For larger "Substandard" loans and all "Doubtful" loans, an individual analysis of each loan is performed to estimate the inherent loss based on existing facts, conditions, and values. The Bank will not reserve for probable losses of accrued interest, due to its policy of reversing the interest due and uncollected when a loan is placed on non-accrual.

The CFO, CRO, and CCO will report to the Board of Directors on a quarterly basis. The quarterly review will include an analysis of portfolio trends, concentrations in the loan portfolio, and an evaluation of the local economy and other factors that could have an influence on the adequacy of the reserve. Upon such review, the Board of Directors will approve increases or decreases in the

Bank's provision for loan losses in order to provide for an adequate balance in the loan loss reserve.

The review will take into account the following factors:

- An evaluation of the estimated future losses in all significant problem loans.
- Levels of, and trends in, delinquencies and non-accruals.
- The results of any independent review of loan portfolio quality.
- Trends in portfolio volume and terms of loans.
- Effects of any changes in lending policies and procedures, including those for underwriting, collection, charge-off and recovery.
- Experience, ability and depth of lending management and staff.
- National and local economic conditions and trends.

There is no fixed period of time that should be used in determining a historical average. During periods of economic stability, a relatively long period may be appropriate. However, during periods of significant economic expansion or contraction, the Bank may use a shorter historical time period in order to more accurately estimate the Bank’s inherent losses in the current economic climate. Although historical loss experience provides a good starting point, the historical loss rate must be adjusted for current conditions and recent trends when estimating future losses. Management will consider the following qualitative factors when adjusting historical loss averages:

- Changes in the experience, ability and depth of lending personnel.
- Changes in practice relating to underwriting, collection and the loan review system.
- Changes in national, state, and local economic conditions.
- Changes in the nature of the portfolio and levels of concentrations.
- Changes in levels of classified loans.
- Changes in levels of delinquencies and non-accruals.

The Bank will reserve for unfunded commitments. Management will periodically analyze the actual usage of un-funded commitments for various pools of loans.

Problem Loan Reports on, at minimum, Pass-Watch, Special Mention, Substandard and Doubtful credits will be reviewed by Credit Administration on a quarterly basis. As part of this process, the CCO will review the larger classified loans for possible specific allocations. Any specific allocation will be based on either a collateral valuation or an abnormal probability of loss in accordance with the Bank’s impairment guidelines. The final level for the ALLL will be a combination of the Bank’s general reserve and specific allocations.

The Bank will follow ASC 450-20 (formerly FAS 5) and ASC 310-10 (formerly FAS 114) and FDIC rules and regulations which relate to the impaired status of certain loans, leases and other assets. Impaired loans may be measured, either individually or in aggregate with other loans with similar risk characteristics, using one of three methods:

- The present value of expected future cash flows discounted at the loan's effective interest rate.
- The loan's observable market price.
- The fair value of the collateral if the loan is collateral dependent.

All impaired loans are to be reported at least quarterly to the Board.

Loans are to be charged off when deemed to be un-collectible and/or when continuing to carry them as an asset of the Bank is no longer considered prudent. This will include instances where loss exposure exists due to an inability to collect, protracted repayment, or lack of collateral coverage. Charge-offs are to be taken immediately upon the occurrence of one or more of the following events:

- A classification of "Loss" by internal or external loan review or by regulatory examiners.
- When the loan is considered a statutory bad debt in that principal or interest is past due for 180 days or more, unless the loan is "well secured" and "in the process of collection". Consumer installment loans shall be charged off when delinquent 120 days or more.
- The filing by the borrower of a voluntary or involuntary petition in bankruptcy of 90- day delinquent, unless the loan is well secured and in the process of collection.

Credit Administration shall present a report quarterly to the Board of Directors or its' delegated committee(s) concerning the adequacy of the ALLL. The CRO and CFO shall maintain an ALLL Adequacy File. This file will contain the data and analysis that supports the recommended ALLL balance. At a minimum, this file will contain:

- The calculations used to estimate the required ALLL balance;
- The summary of criticized loans;
- The analysis that supports the pool allocations;
- Qualitative factor adjustment worksheets;
- A narrative to support each qualitative factor adjustment worksheet; and
- Trend analysis for delinquencies and non-accrual loans.

In analyzing the appropriate allowance levels, the Bank will evaluate the inherent risks within the loan portfolio, taking into account that multifamily loans are expected to comprise a sizeable portion of the loan portfolio – estimated at $40.7 million, $92.3 million and $151.8 million of total loans by the end of years 1, 2, and 3, respectively.

Below is the projected Provision and ALLL for the first three years of operation.

Table 15. San Francisco Public Bank, Proposed. Provision for Loan Losses and Loan Loss Allowance (in thousands).

	For the 12 Month Period Ending		
	1st Year	2nd Year	3rd Year
Beginning loan loss allowance	$1,020	$2,037	$3,797
Provision for loan losses	$1,020	$1,287	$1,490

Less charge offs	-	-	-
Ending loan loss analysis	$1,020	$2,307	$3,797
Total loans	$40,788	$92,270	$151,817
Allowance/total loans (%)	2.50%	2.50%	2.50%

VII. Monitoring and Revising the Plan

Board Monitoring

Under the guidance of the directors, the CEO, CCO and CFO will establish a comprehensive budgeting and variance reporting process to monitor operations and to ensure that the Bank achieves its growth, risk management, and profitability goals. The Executive Management team will ensure that the planning process is comprehensive in order to convey an accurate view of the current condition of the Bank, its likely growth, and its sensitivity to changes in market, financial and economic conditions.

The Bank's strategic planning and budgeting process will take into account external economic fluctuations, market conditions, competitive environment and internal capabilities. The budget will incorporate detailed projections of balance sheet and income statement items, including a forecast of the earnings and costs associated with various products and services, as well as administrative expenses. Detailed income and cost budgets will be prepared by month for a year period, highlighting production goals for the major categories of loans and deposits. These budgets will be reviewed at least quarterly to assess actual performance relative to budget. This review of the budget will serve as a proxy to determine the Bank's adherence to its basic business plan. The directors will evaluate the Bank's progress in achieving growth, profitability, and market share. The Board will evaluate growth and profitability through qualitative and quantitative financial statement review, as part of its monthly monitoring process. Customer identification and market penetration will be key indicators of the success in achieving the goal of the Bank's business plan.

Plan Revision

The evaluation of the Bank's business plan will be a dynamic process. Factors triggering an adjustment or alteration in Bank strategies will be identified during the annual planning process and performance metrics against plan will be reviewed at the regular monthly Board meetings. Director, management and advisory board involvement in local business organizations/community associations will provide a first alert of impending changes in the local market. When changes in economic conditions are evident in the marketplace, alternative strategies for maintaining profitability will be considered to ensure that planned results and budgets remain on target. Such alternative strategies will include adjusting the mix or pricing of assets and liabilities; purchasing or selling assets; modifying staff levels; implementing or altering incentive programs; and reviewing variable expense items.

VIII. Alternative Business Strategy

The Bank's Baseline model, presented in the following section, reflects the likely financial outcome based upon the Bank's business model, prior experience of the Management team, the potential demand for the Bank's products and services in its target market. The Baseline model has been developed applying informed cost and growth assumptions taking into account the current economic environment and the current interest rate environment – which for modeling purposes remains constant throughout the initial three years of operation.

It is management's view that the Baseline forecast represents realistic asset growth assumptions, and cost estimates that appear reasonable based upon the volume estimates. Based upon their past experience, management believes that the projected lending and deposit volumes are highly achievable. Should actual volumes fall short of forecast, staffing will be trimmed from the planned levels and the marginal costs associated with higher production would not be incurred.

An alternative business scenario has been developed to stress test the financial performance of the Bank and provide a sensitivity analysis. A summary of the results of these alternative forecasts to the Baseline model is included at the end of the Financial Projections section. Overall, it is anticipated that the initial capital would provide an adequate cushion for the Bank to maintain required minimum capital thresholds under the alternative scenario.

IX. Financial Projections

A. Pro Forma Financials

The Bank's opening day pro-forma balance sheet is presented below. The Bank's financial projections for the first three years of operations are presented as "Base Case".

The following is the Bank's opening day pro-forma statement of condition. This statement takes into consideration capitalized asset purchases/investments and operating expenses incurred during the pre-opening/organization timeframe:

Table 16. San Francisco Public Bank, Proposed. Pro Forma Statements of Condition – Beginning of Business.

Assets	Amount	Liabilities	Amount
Cash and due from financial institutions	$49,700	Deposits	$0
Securities	$0	Other	$0
Loans	$0	**Total Liabilities**	**$0**
Premises	$0	**Capital**	
Furniture, fixtures, and equipment	$300	Total Capital	$50,000
Other assets	$0	Less pre-opening and accrued organizational exp	($0)
Total Assets	**$50,000**	**Total Liabilities and Capital**	**$50,000**

The Bank's non-capitalized start-up costs are projected at $__ million [TO BE CONFIRMED IN FINAL DELIVERABLE], consisting primarily of legal and application consulting fees, as well as consulting compensation to proposed staff needed to develop the business plan and policies and procedures, oversee the installation of the management information systems, create accounting and general ledger systems, and perform other duties requisite for the establishment of the Bank.

X. Baseline Model

See the following pages for:

- Three-year balance sheet
- Three-year profit and loss statement
- Three-year financial rations
- Year 1 (2024) assumptions
- Year 1 (2025) assumptions
- Year 3 (2026) assumptions

Note: Please ignore current formatting for these draft model printouts, which will be updated in the final deliverable.

The City will need to update calendar years once it knows when it is submitting the application to regulators.

SFPB
2024-2026 BUDGET PROJECTION Version 6.1
STATEMENT OF CONDITION
(in thousands)

	2024	2025	2026
ASSETS			
Cash and Due from Banks	2,000	2,000	2,000
Federal Reserve Interest Bearing	10,000	10,000	10,000
Investment Securities	9,970	10,150	10,300
Interest-Bearing due from banks	10,895	25,743	29,073
Term Advances/CDs	25,000	25,000	35,000
Total Liquid Assets	57,865	72,893	86,373
Gross Loans	40,788	92,270	151,817
Less:			
Allowance for Credit Losses	(1,020)	(2,307)	(3,797)
Deferred Loan Fees	(18)	(97)	(297)
Net Loans	39,750	89,866	147,723
Bank Premises and Equipment, Net	277	256	236
Accrued Interest Receivable	193	301	368
Other Assets	200	200	200
TOTAL ASSETS	98,286	163,516	234,900
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits:			
Appropriations	25,000	58,000	94,000
CRA Credit Deposits	25,000	58,000	94,000
TOTAL DEPOSITS	50,000	116,000	188,000
Accrued Interest Payable	41	87	123
Other Liabilities	80	80	80
TOTAL LIABILITIES	50,121	116,167	188,203
EQUITY			
Contributed Capital	50,000	50,000	50,000
Retained Earnings	-	(1,815)	(2,752)
YTD Earnings	(1,815)	(936)	(751)
Unrealized Gain (Loss) on Mkt Sec. and Translation	(20)	100	200
TOTAL EQUITY	48,165	47,349	46,697
TOTAL LIABILITIES AND EQUITY	98,286	163,516	234,900
	0	**0**	**0**
TOTAL RISK WEIGHTED ASSETS	**51,031**	**105,605**	**167,895**

SFPB
2024-2026 BUDGET PROJECTION Version 6.1
STATEMENT OF OPERATIONS
(in thousands)

	2024	2025	2026
Interest Income on Loans	1,032	3,250	5,089
Interest on Investments	2,396	2,840	2,497
Subtotal Interest Income	3,427	6,090	7,587
Loan Fee Income (Cost)	1	6	52
Total Interest and Fee Income	3,428	6,096	7,639
Interest Expense - Appripriation Funds	251	799	1,217
Interest Expense - CRE Credit Funds	251	799	1,217
Total Interest Expense	503	1,598	2,434
NET INTEREST INCOME	2,925	4,498	5,204
Credit Loss Provision	1,020	1,287	1,490
Net Interest Income after Provision	1,906	3,211	3,714
Noninterest Income	36	37	38
Noninterest Expense	3,757	4,184	4,504
Net Income GAAP	(1,815)	(936)	(751)

SFPB version 6.1
Ratios Analysis:
Source: Detail Spreadsheets

	2024					2025					2026				
Performance Ratios: (Per Avg. Assets)	**1st QTD**	**2nd QTD**	**3rd QTD**	**4th QTD**	**YTD**	**1st QTD**	**2nd QTD**	**3rd QTD**	**4th QTD**	**YTD**	**1st QTD**	**2nd QTD**	**3rd QTD**	**4th QTD**	**YTD**
Total Interest Income	4.27%	4.48%	4.56%	4.63%	4.50%	4.60%	4.71%	4.59%	4.34%	4.56%	3.93%	3.81%	3.69%	3.71%	3.78%
Interest Expense	0.22%	0.54%	0.76%	0.93%	0.66%	1.06%	1.19%	1.25%	1.23%	1.20%	1.20%	1.20%	1.19%	1.22%	1.20%
Net Interest Income	4.05%	3.94%	3.80%	3.69%	3.84%	3.54%	3.52%	3.35%	3.10%	3.37%	2.73%	2.61%	2.50%	2.49%	2.57%
Non Interest Income	0.06%	0.05%	0.04%	0.04%	0.05%	0.03%	0.03%	0.03%	0.02%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%
Non Interest Expense	6.58%	5.39%	4.55%	3.96%	4.93%	3.73%	3.31%	2.98%	2.68%	3.13%	2.57%	2.35%	2.13%	1.96%	2.23%
Allowance for Credit Losses (ACL)	1.78%	1.46%	1.23%	1.08%	1.34%	1.18%	1.03%	0.90%	0.81%	0.96%	0.86%	0.77%	0.70%	0.65%	0.74%
Provision: Taxes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Return on Average Assets	-4.24%	-2.86%	-1.94%	-1.30%	-2.38%	-1.34%	-0.79%	-0.51%	-0.36%	-0.70%	-0.68%	-0.49%	-0.31%	-0.10%	-0.37%
Break Even Yield	7.26%	6.20%	5.55%	5.07%	5.84%	4.92%	4.60%	4.30%	3.95%	4.40%	3.75%	3.52%	3.29%	3.15%	3.40%
Efficiency Ratio	159.75%	135.02%	118.41%	106.15%	126.86%	104.31%	93.30%	88.48%	85.59%	92.26%	93.36%	89.33%	84.41%	78.17%	85.91%
Margin Raios:															
Avg. Earning Assets to Avg. Assets	92.70%	94.33%	95.45%	96.29%	94.93%	96.58%	97.32%	97.86%	98.29%	97.60%	99.89%	100.14%	100.31%	100.46%	100.22%
Loan Yield	5.11%	5.05%	5.04%	5.05%	5.06%	5.01%	5.09%	4.94%	4.60%	4.89%	4.33%	4.16%	4.03%	4.04%	4.13%
Cost of Funds	2.00%	2.00%	2.00%	2.00%	2.00%	1.98%	2.00%	1.94%	1.81%	1.92%	1.68%	1.62%	1.56%	1.56%	1.60%
Net Interest Margin (Avg. Earning Assets)	4.37%	4.18%	3.98%	3.84%	4.05%	3.67%	3.62%	3.42%	3.16%	3.45%	2.73%	2.60%	2.49%	2.48%	2.57%
Capital Adequacy Ratios:															
Return on Average Equity	-4.96%	-4.08%	-3.28%	-2.55%	-3.71%	-3.04%	-2.08%	-1.52%	-1.19%	-1.96%	-2.52%	-2.02%	-1.38%	-0.48%	-1.60%
Equity / Assets (Tangible)	79.68%	66.07%	56.31%	49.01%	49.01%	41.78%	36.41%	32.25%	28.96%	28.96%	25.97%	23.55%	21.55%	19.88%	19.88%
Tier 1 Leverage Ratio	85.04%	69.80%	59.05%	51.10%	51.10%	43.81%	37.93%	33.43%	29.87%	29.87%	26.76%	24.18%	22.05%	20.30%	20.30%
Common Equity Tier 1 RCB Ratio	258.74%	164.55%	120.15%	94.42%	94.42%	73.97%	60.76%	51.54%	44.74%	44.74%	38.76%	34.17%	30.57%	27.69%	27.69%
Tier 1 Risk-Based Capital Ratio	258.74%	164.55%	120.15%	94.42%	94.42%	73.97%	60.76%	51.54%	44.74%	44.74%	38.76%	34.17%	30.57%	27.69%	27.69%
Total Risk-Based Capital Ratio	259.99%	165.80%	121.40%	95.67%	95.67%	75.22%	62.01%	52.79%	45.99%	45.99%	40.01%	35.42%	31.82%	28.94%	28.94%
Tangible Equity/Tangible Assets	79.68%	66.07%	56.31%	49.01%	49.01%	41.78%	36.41%	32.25%	28.96%	28.96%	28.96%	25.97%	23.55%	21.55%	21.55%
Other Ratios															
ALLL/Total Loans	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Total Loans / Total Deposits	81.58%	81.58%	81.58%	81.58%	81.58%	80.69%	80.16%	79.80%	79.54%	79.54%	79.97%	80.29%	80.55%	80.75%	80.75%
Total Loans / Total Assets	16.46%	27.57%	35.54%	41.50%	41.50%	46.89%	50.88%	53.98%	56.43%	56.43%	59.12%	61.31%	63.12%	64.63%	64.63%
Liquid Assets / Total Assets	82.98%	72.29%	64.62%	58.87%	58.87%	53.71%	49.89%	46.92%	44.58%	44.58%	42.06%	39.96%	38.23%	36.77%	36.77%

YEAR 2024	Q1	Q2	Q3	Q4	
Federal Fund Rate	**4.50%**	12/31/2024 Federal Fund Rate	4.50%	Loan Beta (fixed rate)	50%
Prime Rate	**7.50%**	12/31/2024 Prime Rate	7.50%	Deposit Beta	25%

Version *6.1*

Key Input and Assumptions

Loans

Loan Types	Amount Distribution		Current Loan Interest Rate					New Loan Interest Rate				
Monthly Run-Off Rate		0.00%										
	Current	Last Yr	Last Yr	Q1	Q2	Q3	Q4	Last Yr	Q1	Q2	Q3	Q4
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Affordable Housing	13.33%	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Green Energy	13.33%	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Small Business Support	13.33%	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
CFI	60.02%	0.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

Deposits

Deposit Types	Amount Distribution		Interest Rate				
Target Loan to Deposit Ratio		80.000%					
	Current	Last Yr	Last Yr	New-Q1	New-Q2	New-Q3	New-Q4
Appropriations	50.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CRA Credit Funds	50.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Investments

New Investment Amount	
US Agency Securities	10,000,000

Note: MBS paydown rate is based on the assumption 1-X% of the previous month balance

Investment Types	Amount Distribution		Current Investment Interest Rate					New Investment Interest Rate				
			Last Yr	Q1	Q2	Q3	Q4	Last Yr	Q1	Q2	Q3	Q4
Deposit in Banks	0		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Federal Reserve Interest Bear	0		4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Interest-Bearing due from banl	0		4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
US Agency Securities	0		4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Term Advances	0		4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Target General Reserves for Loan Loss		2.50%										

Forecast Annual Non-Interest Income

Other Loan Income	12,000
Mortgage Loan Fee Income	0
Deposit Service Charge and Other Income	12,000
International Operating Income	0
Life Insurance CSV Earning	0
Sublease Income	0
Gain (Loss) on Sale of Securities	0
Gain (Loss) on Sale of OREO	0
OREO Income	0
Misc. Income	12,000

Non-Interest Expense

ITEM DESCRIPTION	Rate
Payroll Tax % of Salary	11.00%
Group Insurance % of Salary	12.00%
401K Contribution % of Salary	3.00%
FASB 91 Direct & Deferred Costs % of Salary	10.00%
Occupancy Expense Increase Rate %	0.00%
Data Processing Increase Rate %	0.00%
Regulatory Assessments Increase Rate %	0.00%
Director Fees Increase Rate %	0.00%
Other Operating Expense Increase Rate	0.00%
Salary (Fixed Amoubt $)*	**155,000**
Incentive/Bonus (Fixed Amoubt $)	10,000
Legal Fee (Fixed Amount $)	3,000

Balance Sheet & Income Statement

Unrealized Gain (Loss) on Mkt Sec., net of taxes	(20)
Unrealized Gain (Loss) on Mkt Sec., gross	(30)
Accrued Interest Payable- Adjust Rate	0.00%
Bank Premises and Equipment, Net Depreciation Rate	0.67%
Tax Provision Rate	0.00%
Monthly Salary for CEO	25,000
Monthly Salary for CFO	20,000
Monthly Salary for CRO	20,000
Monthly Salary for CCO	20,000
Monthly Salary for CLO	20,000
Monthly Salary for seven (7) staff	50,000
Total Base Salary	**155,000**
FASB 91 Loan Fees	0.50%
Average monthly FASB 91 Capitalization	$ 15,500

YEAR 2025

			Q1	Q2	Q3	Q4				
1/1/2025 Federal Fund Rate	4.50%	Decrease in rates:			0.25%	0.50%	12/31/2025 Federal Fund Rate	3.75%	Version	6.1
1/1/2025 Prime Rate	7.50%	Decrease in rates:			0.25%	0.50%	12/31/2025 Prime Rate	6.75%	Loan Beta (fixed rate)	50%
									Deposit Beta	25%

Key Input and Assumptions

Loans

Loan Types	Amount Distribution		Current Loan Interest Rate					New Loan Interest Rate				
Annual Growth Rate												
Monthly Run-Off Rate	1.25%											
	Current	Last Yr	Last Yr	Q1	Q2	Q3	Q4	Last Yr	Q1	Q2	Q3	Q4
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Affordable Housing	15.41%	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.38%	5.13%
Green Energy	15.41%	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.38%	6.13%
Small Business Support	15.41%	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.38%	5.13%
CFI	53.76%	0.00%	4.50%	4.50%	4.50%	4.25%	3.75%	4.50%	4.50%	4.50%	4.25%	3.75%

Deposits

Deposit Types	Amount Distribution		Interest Rate				
Target Loan to Deposit Ratio	80.000%						
	Current	Last Yr	Last Yr	New-Q1	New-Q2	New-Q3	New-Q4
Appropriations	50.00%	0.00%	2.00%	2.00%	2.00%	1.94%	1.81%
CRA Credit Funds	50.00%	0.00%	2.00%	2.00%	2.00%	1.94%	1.81%

Investments

New Investment Amount

US Agency Securities

Note: MBS paydown rate is based on the assumption 1-X% of the previous month balance

Investment Types	Amount Distribution		Current Investment Interest Rate					New Investment Interest Rate				
			Last Yr	Q1	Q2	Q3	Q4	Last Yr	Q1	Q2	Q3	Q4
Deposit in Banks	0		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Federal Reserve Interest Beari	0		4.50%	4.50%	4.50%	4.25%	3.75%	4.50%	4.50%	4.50%	4.25%	3.75%
Interest-Bearing due from bank	0		4.50%	4.50%	4.50%	4.25%	3.75%	4.50%	4.50%	4.50%	4.25%	3.75%
US Agency Securities	0		4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Municipal	0		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Term Advances	0		4.75%	4.75%	4.75%	4.50%	4.00%	4.75%	4.75%	4.75%	4.50%	4.00%
Target General Reserves for Loan Loss	2.50%											

Forecast Annual Non-Interest Income

Other Loan Income	12,360
Mortgage Loan Fee Income	0
Deposit Service Charge and Other Income	12,360
International Operating Income	0
Life Insurance CSV Earning	0
Sublease Income	0
Gain (Loss) on Sale of Securities	0
Gain (Loss) on Sale of OREO	0
OREO Income	0
Misc. Income	12,360
Other Operating Expense Increase Rate	3.00%

Non-Interest Expense

ITEM DESCRIPTION	Rate
Payroll Tax % of Salary	11.00%
Group Insurance % of Salary	12.00%
401K Contribution % of Salary	3.00%
FASB 91 Direct & Deferred Costs % of Salary	10.00%
Occupancy Expense Increase Rate %	3.00%
Data Processing Increase Rate %	3.00%
Regulatory Assessments Increase Rate %	3.00%
Director Fees Increase Rate %	0.00%
Other Operating Related Expense Increase Rate	3.00%
Salary (Fixed Amount $)*	159,650
Incentive/Bonus (Fixed Amount $)	10,000
Legal Fee (Fixed Amount $)	4,000

Balance Sheet & Income Statement

Unrealized Gain (Loss) on Mkt Sec., net of taxes	100
Unrealized Gain (Loss) on Mkt Sec., gross	150
Accrued Interest Payable- Adjust Rate	0.00%
Bank Premises and Equipment, Net Depreciation Rate	0.67%
Tax Provision Rate	0.00%
Monthly Salary for CEO	25,750
Monthly Salary for CFO	20,600
Monthly Salary for CRO	20,600
Monthly Salary for CCO	20,600
Monthly Salary for CLO	20,600
Monthly Salary for seven (7) staff	51,500
Total Base Salary	**159,650**
FASB 91 Loan Fees	0.50%
Average monthly FASB 91 Capitalization	$ 17,165

YEAR 2026

				Q1	Q2	Q3	Q4				
1/1/2026 Federal Fund Rate	3.75%	Decrease in rates:		0.50%	0.25%	0.25%		12/31/2026 Federal Fund Rate	2.75%	Version	6.1
1/1/2026 Prime Rate	6.75%	Decrease in rates:		0.50%	0.25%	0.25%		12/31/2026 Prime Rate	5.75%	Loan Beta	50%
										Deposit Beta	25%

Key Input and Assumptions

Loans

Monthly Run-Off Rate		1.67%										
Loan Types	Amount Distribution		Current Loan Interest Rate					New Loan Interest Rate				
	Current	Last Yr	Last Yr	Q1	Q2	Q3	Q4	Last Yr	Q1	Q2	Q3	Q4
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Affordable Housing	17.77%	0.00%	5.27%	5.27%	5.27%	5.27%	5.27%	5.13%	4.88%	4.76%	4.63%	4.63%
Green Energy	17.77%	0.00%	6.27%	6.27%	6.27%	6.27%	6.27%	6.13%	5.88%	5.76%	5.63%	5.63%
Small Business Support	17.77%	0.00%	5.27%	5.27%	5.27%	5.27%	5.27%	5.13%	4.88%	4.76%	4.63%	4.63%
CFI	46.69%	0.00%	3.75%	3.25%	3.00%	2.75%	2.75%	3.75%	3.25%	3.00%	2.75%	2.75%

Deposits

Target Loan to Deposit Ratio		80.000%					
Deposit Types	Amount Distribution		Interest Rate				
	Current	Last Yr	Last Yr	New-Q1	New-Q2	New-Q3	New-Q4
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Appropriations	50.00%	0.00%	1.81%	1.69%	1.62%	1.56%	1.56%
CRA Credit Funds	50.00%	0.00%	1.81%	1.69%	1.62%	1.56%	1.56%

Investments

New Investment Amount												
US Agency Securities			0									
				Note: MBS paydown rate is based on the assumption 1-X% of the previous month balance								
Investment Types	Amount Distribution		Current Investment Interest Rate					New Investment Interest Rate				
			Last Yr	Q1	Q2	Q3	Q4	Last Yr	Q1	Q2	Q3	Q4
Deposit in Banks	0		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Federal Reserve Interest Beari	0		3.75%	3.25%	3.00%	2.75%	2.75%	3.50%	3.00%	2.75%	2.50%	2.50%
Interest-Bearing due from bank	0		3.75%	3.25%	3.00%	2.75%	2.75%	3.50%	3.00%	2.75%	2.50%	2.50%
US Agency Securities	0		4.75%	4.75%	4.75%	4.75%	4.75%	4.00%	4.00%	4.00%	4.00%	4.00%
Term Advances	0		4.00%	3.50%	3.25%	3.00%	3.00%	4.00%	3.50%	3.25%	3.00%	3.00%
Target General Reserves for Loan Loss		2.50%										

Forecast Annual Non-Interest Income

Other Loan Income	12,731
Mortgage Loan Fee Income	0
Deposit Service Charge and Other Income	12,731
International Operating Income	0
Life Insurance CSV Earning	0
Sublease Income	0
Gain (Loss) on Sale of Securities	0
Gain (Loss) on Sale of OREO	0
OREO Income	0
Misc. Income	12,731
Other Operating Expense Increase Rate	3.00%

Non-Interest Expense

ITEM DESCRIPTION	Rate
Payroll Tax % of Salary	11.00%
Group Insurance % of Salary	12.00%
401K Contribution % of Salary	3.00%
FASB 91 Direct & Deferred Costs % of Salary	10.00%
Occupancy Expense Increase Rate %	3.00%
Data Processing Increase Rate %	3.00%
Regulatory Assessments Increase Rate %	3.00%
Director Fees Increase Rate %	0.00%
Other Operating Related Expense Increase Rate	3.00%
Salary (Fixed Amount $)*	182,980
Incentive/Bonus (Fixed Amount $)	10,000
Legal Fee (Fixed Amount $)	5,000

Balance Sheet & Income Statement

Unrealized Gain (Loss) on Mkt Sec., net of taxes	200
Unrealized Gain (Loss) on Mkt Sec., gross	300
Accrued Interest Payable- Adjust Rate	0.00%
Bank Premises and Equipment, Net Depreciation Rate	0.67%
Tax Provision Rate	0.00%
Monthly Salary for CEO	26,523
Monthly Salary for CFO	21,218
Monthly Salary for CRO	21,218
Monthly Salary for CCO	21,218
Monthly Salary for CLO	21,218
Monthly Salary for Nine (9) staff	71,585
Total Base Salary	**182,980**
FASB 91 Loan Fees	0.50%
Average monthly FASB 91 Capitalization	$ 19,048

XI. Alternative Scenario

Note: The HR&A Team will include this in the final deliverable once we have received feedback on the draft model.