

BUSINESS PLAN GUIDELINES FOR USE WITH CONDITIONAL STATE BANK CHARTER APPLICATION

Preparation and Use

The business plan should be an integral part of the management and oversight of a financial institution (institution). It should establish the institution's goals and objectives. It is a written summary of how the business will organize its resources to meet its goals and how the institution will measure progress.

The plan must reflect sound banking principles and demonstrate realistic assessment of risk in light of economic and competitive conditions in the market to be served. An institution with a special purpose or focus (for example, credit card, trust only, cash management, or bankers' bank) should address this special or unique feature in detail in the appropriate sections of the plan.

The business plan should cover three years and provide detailed explanations of actions that are proposed to accomplish the primary functions of the institution. The description should provide enough detail to demonstrate that the institution has a reasonable chance for success, will operate in a safe and sound manner, and will have adequate capital to support the risk profile.

For any institution with an Internet or alternative electronic delivery channel, the plan should contain a clear and detailed definition of the market the institution plans to serve and the products and services it will provide through electronic channels. Because the Internet has a potential global market and can reach anyone with Internet access, the selected information on market area and products and services is essential. The marketing plan should explain how the institution would achieve brand recognition.

Guidelines should be followed to the extent possible. If certain portion(s) of the guidelines are not applicable, so state.

Confidentiality

Any Applicant desiring confidential treatment of specific portions of the plan and projections must submit the request in writing. The request must discuss the justification for the requested treatment. The Applicant's reasons for requesting confidentiality should specifically demonstrate the harm (for example, loss of its competitive position, invasion of privacy) that would result from public release of information (see Neb. Rev. Stat. § 84-712.05 (Supp. 2009) and/or 5 U.S.C. 552). Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) labeled "Confidential." The Applicant should follow the same procedure when requesting confidential treatment for the subsequent filing of supplemental information to the plan.

The Applicant should contact the Department Legal Division for specific instructions regarding requests for confidential treatment. The Department will determine whether the information will be treated as confidential and will advise the Applicant of any decision to publicly release information labeled as "Confidential."

BUSINESS PLAN

I. Executive Summary

Describe the highlights of the plan.

II. Description of Business

- A. Describe the institution's business and any special market niche, including the products, market, services, and nontraditional activities.
- B. If in a holding company structure, discuss the operations of the organization, including a brief detail of the organizational structure and interaction between the institution and its affiliates.
- C. Describe the extent, if any, that there are or will be transactions with affiliated entities or persons.
- D. Discuss the legal form and stock ownership of the institution and any investment in subsidiaries or service corporations.
- E. Discuss any growth or expansion plans, including additional branches, other offices, mergers, or acquisitions.

III. Marketing Plan

- A. Product Strategy
 - 1) List and describe the general terms of the planned products and services, including activities of any subsidiaries. Discuss any plans to engage in any subprime or speculative lending, including plans to originate loans with high loan-to-value ratios.
 - 2) Describe the institution's plans to engage in any secondary market/mortgage banking activity, including loan participations. Discuss plans to use forward take-out commitments or engage in loan securitization. Describe any plans to engage in hedging activity to mitigate the risks of this activity. Also, discuss plans to retain recourse and servicing.
 - 3) Describe the primary sources of loans and deposits and the major methods to solicit them. If using brokers or agents, provide full details of the nature and extent of all such activities, including sources, amounts, fees, and any intended tie-in of compensatory arrangements with the broker or agent.
 - 4) Describe any arrangements with e-commerce businesses (for example, links to another's Web site to shop, order, or purchase goods and/or services online).

B. Competitive Analysis

- 1) Discuss the overall marketing/advertising strategy, including approaches to reach target market through the marketing of brand, products, and services. Outline the specific medium that will be used, including timing and level of advertising efforts.

IV. Management Plan — Directors and Officers

- A. Provide the number of organizers and/or directors. Provide a list of board committees and a brief explanation of the responsibilities of each committee.
- B. Describe the organizational structure and provide an organizational chart, indicating the number of officers and employees. Describe the duties and responsibilities of the senior executive officers. Describe any management committees that are or will be established.
- C. Discuss the institution's plans to address management succession, including any management training program or other available resources.

V. Records, Systems, and Controls

- A. Describe management's proposed internal audit function. The description should set forth the independence of the department and the scope and frequency of audits. If external auditors will be used for internal audits, provide similar information for the external auditors.
- B. Describe the compliance management programs, addressing independence, scope, frequency, and staff qualifications. Discuss how the institution will respond to consumer complaints.
- C. State plans for an annual audit by independent public accountants.

VI. Financial Management Plan

- A. Capital and Earnings
 - 1) Discuss the capital goals and the means to achieve them.
 - 2) Discuss the earnings goals in terms of return on assets, net interest margin, or other profitability measurements, and summarize the strategies to achieve those goals.
 - 3) Discuss the plan for raising capital and for financing growth, with particular emphasis on conformance with regulatory capital requirements.

- 4) Discuss the adequacy of the proposed capital structure relative to internal and external risks, planned operational and financial assumptions, including technology, branching, and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any off-balance-sheet activities contemplated.
- 5) Describe the debt service requirements for any debt that will be issued at the holding company level to capitalize the institution.
- 6) Discuss the use of options, warrants, and/or other benefits associated with the institution's capital.
- 7) Summarize the dividend policy.

B. Liquidity and Funds Management

- 1) Discuss how the institution will identify and measure liquidity risk.
- 2) Discuss the institution's plan to monitor and control its liquidity risk, including funding sources (deposits, borrowings, securitizations). Include holding company support, if any.
- 3) Describe any plans to borrow funds from any financial institutions or other sources, including the amount, composition, interest rate, maturity, purpose, and collateral.
- 4) Discuss the type of investment securities the institution plans to purchase.

C. Sensitivity to Market Risk

- 1) Discuss the institution's objectives, strategies, and risk tolerance for interest rate risk.
- 2) Discuss how the institution will identify and measure interest rate risk.
- 3) Discuss the plan for asset and liability portfolio in terms of sensitivity to interest rate changes and the impact of earnings and capital and net portfolio value. Discuss the risk limits to control interest rate risk.
- 4) Describe any plans to use hedging activities (for example, futures, options, interest rate swaps, or other derivative instruments).

D. Credit Risk

- 1) Discuss how the institution will identify and measure credit risk.
- 2) Describe the loan review program, addressing independence, scope, frequency, and staff qualifications.
- 3) Describe the methodology used to determine the allowance for loan and lease losses.

VII. Monitoring and Revising the Plan

- A. Describe how the board of directors will monitor adherence to the business plan.
- B. Describe how the board of directors will adjust and amend the plan to accommodate significant or material economic changes.