

**SUPPLEMENT VOLUME**

**Regarding**  
**Application by Nave Holdings LLC Under Section 3(a)(1)**  
**of the Bank Holding Company Act**

**Submitted by**  
**Organizers of Nave Bank**  
**to the**  
**Federal Reserve Bank of New York**

**December 15, 2021**

## **Exhibits**

Exhibit A: Nave Holdings Post-Approval Membership \*  
Exhibit B: Nave Holdings LLC Formation Documents  
Exhibit C: Nave Holdings LLC Operating Agreement\*  
Exhibit D: Parent Company Balance Sheet \*

Annex 1: Business Plan\*

*\* Indicates that the exhibit is confidential and will be provided in a separately bound document.*

**Exhibit B**

**Nave Holdings LLC Formation Documents**



Government of Puerto Rico  
Department of State

Transaction Date: 29-Sep-2021  
Register No: 473693  
Order No: 2115727

## Government of Puerto Rico

### Certificate of Formation of a Limited Liability Company

#### Article I - Limited Liability Company Name

**The name of the Domestic Limited Liability Company is: NAVE HOLDINGS LLC**

**Desired term for the entity name is: LLC**

#### Article II - Principal Office and Resident Agent

Its principal office in the Government of Puerto Rico will be located at:

Street Address **208 Ponce de León Avenue, 14th Floor, Suite 1434, SAN JUAN, PR, 00918**  
Mailing Address **PO BOX 6428, SAN JUAN, PR, 00914**  
Phone **(787) 238-1039**

The name, street and mailing address of the Resident Agent in charge of said office is:

Name **Blanco Fuertes & Associates LLC**  
Street Address **208 Ponce de León Avenue, 14th Floor, Suite 1434, SAN JUAN, PR, 00918**  
Mailing Address **PO BOX 6428, SAN JUAN, PR, 00914**  
Email **mblanco@blanco-fuertes.com**  
Phone **(787) 238-1039**

#### Article III - Nature of Business

This is a For Profit entity whose nature of business or purpose is as follows:

**Any purpose for which limited liability companies may be organized under the laws of the Commonwealth of Puerto Rico.**

#### Article IV - Authorized Persons

The name, street and mailing address of each Authorized Person is as follows:

Name **Blanco Fuertes & Associates LLC**  
Street Address **208 Ponce de León Avenue, 14th Floor, Suite 1434, SAN JUAN, PR, 00914**  
Mailing Address **PO BOX 6428, SAN JUAN, PR, 00914**  
Email **mblanco@blanco-fuertes.com**

#### Article V - Administrators

Faculties will not end by presenting this Certificate.

**Article VI - Terms of Existence**

The term of existence of this entity will be: **Perpetual**

The date from which the entity will be effective is: **29-Sep-2021**

**Supporting Documents**

<b>Document</b>	<b>Date Issued</b>
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**STATEMENT UNDER PENALTY OF PERJURY**

IN WITNESS WHEREOF, I/We Blanco, Miguel, the undersigned, for the purpose of forming a limited liability company pursuant to the laws of Puerto Rico, hereby swear that the facts herein stated are true. This 29th day of September, 2021.



Government of Puerto Rico  
 Department of State  
 Transaction Date: 04-Nov-2021  
 Register No: 473693  
 Order No: 2125521



## Amendment to Articles of Incorporation

### 473693 - NAVE HOLDINGS LLC

*A resolution was adopted setting forth (a) proposed amendment(s) to the Certificate of Incorporation of said corporation, declaring said amendment(s) to be advisable.*

*RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the following Article(s)*

### Amendment Description

Article Four of the Certificate of Formation of Nave Holdings LLC be, and it hereby is, amended to read as follows: "ARTICLE FOUR -AUTHORIZED PERSONS" The name, street and mailing address of the Authorized Person is as follows:

Name: BF&A Corporate Services, LLC  
 Street Address: 208 Ponce de León Avenue, 14th Floor, Suite 1434, San Juan, Puerto Rico, 00918  
 Mailing Address: PO Box 6428, San Juan, PR 00914  
 E-mail: mblanco@blanco-fuertes.com"

### Supporting Documents

Document	Date Issued
Administrator Resolution	03-Nov-2021

### STATEMENT UNDER PENALTY OF PERJURY

IN WITNESS WHEREOF, I, LOPEZ, GABRIELA [Attorney/Paralegal - Attorney] the undersigned, being authorized to file amendment(s) for the corporation, hereby swear that the facts herein stated in this certificate are true, this 4th day of November, 2021.



## CERTIFICATE OF AMENDMENT

I, **Omar J. Marrero Díaz**, **Secretary of State** of the Government of Puerto Rico,

**CERTIFY:** That on **November 04, 2021**, at **01:01 PM**, **NAVE HOLDINGS LLC**, registry number **473693**, performed the following amendment:

### Change of Resident Agent

#### Previous

**Blanco Fuertes & Associates LLC**  
208 Ponce de León Avenue, 14th Floor, Suite  
1434, SAN JUAN, PR, 00918  
PO BOX 6428, SAN JUAN, PR, 00914  
mblanco@blanco-fuertes.com  
(787) 238-1039

#### Current

**BF&A Corporate Services, LLC**  
208 Ponce de León Avenue, 14th Floor, Suite  
1434, SAN JUAN, PR, 00918  
PO BOX 6428, SAN JUAN, PR, 00914  
mblanco@blanco-fuertes.com  
(787) 238-1039



**IN WITNESS WHEREOF**, the undersigned by virtue of the authority vested by law, hereby issues this certificate and affixes the Great Seal of the Government of Puerto Rico, in the City of San Juan, Puerto Rico, today, **November 4, 2021**.

**Omar J. Marrero Díaz**  
Secretary of State

## **Annex 1**

### Business Plan



**NAVE BANK**

**CONFIDENTIAL BUSINESS PLAN AND PROJECTED FINANCIAL STATEMENTS**

**DECEMBER 14, 2021**

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## I. EXECUTIVE SUMMARY

This Business Plan presents the business goals, objectives, and strategy of Nave Bank (the “Bank”), a proposed *de novo* bank to be chartered under the laws of the Commonwealth of Puerto Rico and to be insured by the Federal Deposit Insurance Corporation (the “FDIC”). The Bank will maintain its principal and only office and principal operations in San Juan, Puerto Rico. It will be a wholly-owned subsidiary of Nave Holdings LLC (the “Company”), a Puerto Rico limited liability company with its principal place of business in San Juan, Puerto Rico. The organizers of the Bank (the “Organizers”) are submitting an application to the Puerto Rico Office of the Commissioner of Financial Institutions (the “OCIF”) seeking approval to organize the Bank. The Organizers are also applying to the FDIC for deposit insurance for the Bank. In addition, the Organizers are requesting the approval of the Board of Governors of the Federal Reserve System (the “Federal Reserve”) for the Bank to become a member of the Federal Reserve System and for the Company to become a bank holding company under the Bank Holding Company Act of 1956, as amended (the “BHCA”). Lastly, the Bank seeks designation as a “minority depository institution,” as defined in the Financial Institutions Reform, Recovery, and Enforcement Act, and it intends to apply for certification as a “community development financial institution.”

The Bank intends to be a mission-based digital bank serving primarily individual and business customers in Puerto Rico who are presently unsatisfied, underserved, or unbanked. [REDACT].

As Sections II.D and II.E of the Business Plan will explain in greater detail, the Organizers desire to utilize the authority granted under the Puerto Rico bank charter to offer core banking products and services [REDACT]. The anticipated success of this model is demonstrated in the financial information presented as Exhibit A of this Business Plan.

Section IV of the Business Plan discusses the commitment of the Organizers to meeting the credit needs of the local community and discusses the management structures and procedures the Bank will implement to comply with the Community Reinvestment Act of 1977, as amended (“CRA”).

The Organizers wish to highlight that the Bank will have access to managerial resources that will provide a sound footing for success. The Organizers have assembled a team of highly skilled individuals, including some with extensive ties in the local community, to serve as members of the senior management and/or the Board of Directors of the Bank and the Company. As the biographical information provided in Section V and Exhibits C and G of this Business Plan evidences, these individuals are familiar with the challenges of establishing and managing a bank in this economically developing community, have demonstrated experience in operating banking institutions and include members of the community.

Finally, the Organizers and the proposed members of the Board of Directors of the Bank have in-depth knowledge of the intricate laws governing Puerto Rico banking institutions, including the CRA; laws governing the management composition of the Bank; laws governing affiliate transactions, financial accounting and auditing; customer privacy; customer information security; physical security; anti-money laundering compliance and third-party outsourcing, among

others. The Organizers also have retained the services of a nationally-recognized law firm as well as a Puerto Rico-based law firm, each familiar with the operations of community-focused banks.

To accomplish the organization, the Organizers have prepared this Business Plan in support of the following applications:

- An application to the OCIF for a permit to organize the Bank in Puerto Rico pursuant to the Puerto Rico Banking Act.
- An application to the FDIC, pursuant to Section 5(a)(1) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1815(a)), and the regulations of the FDIC at 12 C.F.R. Part 303, Subpart B, seeking approval to obtain federal deposit insurance for the Bank.
- An application to the Federal Reserve pursuant to Sections 9 and 19(h) of the Federal Reserve Act (12 U.S.C. § § 321 and 466) for the Bank to become a member bank.
- An application to the Federal Reserve pursuant to Section 3(a) of the BHCA, seeking approval for the Company to acquire all of the capital stock to be issued by the Bank and, thereby, become a bank holding company within the meaning of the BHCA.

## **II. FORMATION OF THE BANK**

### **A. Structure of the Organization**

The Bank will be a wholly-owned subsidiary of the Company. The following discussion provides a high-level overview of the Bank’s corporate structure and certain related entities.

#### **1. The Company**

The Company was formed in September 2021 as a Puerto Rico limited liability company. The Company’s physical offices are currently located at 1608 Ponce de Leon, San Juan, Puerto Rico. The Company was formed to organize and own the Bank and [REDACT]. It is expected that the Company will be “well-capitalized” as defined in the Federal Reserve’s Regulation Y upon commencement of operations. The Company will be required under applicable law and Federal Reserve policy to serve as a source of financial and managerial strength for the Bank.

The Bank will be a wholly-owned subsidiary of the Company, which, in turn, will be owned by a diverse group of shareholders [REDACT]. As further described in Section V.B below, responsibility for management and direction of the business and affairs of the Bank will be vested in a Board of Directors of the Bank, which will consist of five members, the majority of whom will be bona fide residents of Puerto Rico, consistent with the Puerto Rico Banking Law (7 L.P.R.A. § 62).

The members of the Board of Managers of the Company will be individuals with substantial community banking and financial services experience, and local business and community leaders who are intimately familiar with the Bank’s target market. Brief biographies

of the Bank’s Board of Directors and senior management are included in Exhibits C and G of this Business Plan.

2. The Bank

The main and only office of the Bank will be located at 1608 Ponce de Leon, San Juan, Puerto Rico, in the center of the Bank’s market area. The Bank will lease office space at 1608 Ponce de Leon, San Juan, Puerto Rico.

3. Blue Ocean

B. Blue Ocean Solutions LLC is a Delaware limited liability company established in May 2021. Blue Ocean Solutions PR LLC is a Puerto Rico limited liability company established in June 2021 (collectively “Blue Ocean”). Blue Ocean is wholly-owned by [REDACT], which provides financial and technical support to Blue Ocean. Blue Ocean was established to [REDACT]. Upon the formation of the Bank, [REDACT] intends to contribute Blue Ocean and/or its assets to the Bank. It is anticipated that in exchange for its contribution of Blue Ocean or the assets of Blue Ocean, [REDACT] will receive up to [REDACT] of the Company at a value of [REDACT]. The value of the contributed assets will include the actual costs as incurred by Blue Ocean in connection with the formation of the Bank. [REDACT] also intends to acquire additional units of the Company for cash on the same financial terms as other investors. [REDACT] Financing and Structure

The only investor in the Bank will be the Company. In connection with its formation, the Bank will issue 1,000 shares of common stock, \$0.01 par value per share, to the Company, and the Company will make a minimum capital contribution of \$[REDACT] as full payment for the Bank common stock. The proceeds will be held in cash, cash equivalents, and investment-grade securities to be used for general corporate purposes, to fund the Bank’s initial capitalization, and for possible future capital contributions to the Bank. Thus, at formation, the Bank will be capitalized in the amount of at least [REDACT] far in excess of the minimum capital funds requirement of the Puerto Rico Banking Law.<sup>1</sup>

The Company will raise the capital required to implement the Business Plan by issuing voting and/or non-voting common units in [REDACT]. The Company currently expects to raise a total of approximately [REDACT] however, the ultimate amount of capital raised could exceed that amount depending in part on market conditions.

The level of funding was chosen based on pro forma projections with appropriate reserves to ensure that the Bank will at all times qualify as a “well-capitalized” institution under the Prompt Corrective Action guidelines of the Federal Reserve at 12 C.F.R. § 208.43.

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<sup>1</sup> 7 L.P.R.A. § 35 requires a minimum capital investment of \$5,000,000 represented by common stock and a reserve fund of \$1,000,000.

The Board of Managers of the Company is prepared to approach new and existing investors for additional capital funding should the need arise, in order to sustain unexpected losses, less than projected results, or to fund additional growth.

The Organizers expect that investors in the Company will be qualified individuals and institutional investors. The Organizers anticipate that [REDACT]. Qualified individuals and other institutional investors will hold the remaining voting common units and equity of the Company. Each investor will conduct its own due diligence and make its own independent decision to invest.

The Organizers are aware of certain relationships among the anticipated investors or between the investors and the Bank. See Exhibit D for detailed information.

The Organizers anticipate that no bank holding company within the meaning of the BHC Act will acquire or control more than 5% of any class of voting securities of the Company. In the unlikely event that a registered bank holding company will own or control more than 5% of any class of voting securities of the Company, all appropriate applications and/or notices will be filed, and all required approvals will be received before this investment is effected.

### C. Reasons for the Formation of the Bank

The genesis of the idea to form a Puerto Rico bank began when the Organizers recognized that Puerto Rico [REDACT].

Puerto Rico boasts a population of more than 3.2 million people, placing it 30<sup>th</sup>, just behind Connecticut, in order of most populated states and territories of the United States. Despite its size, Puerto Rico has a disproportionately low number of financial institutions that dominate the Puerto Rico banking market. Between 1995 and 2019, the number of banking institutions in Puerto Rico dropped from 21 to 6. Today, the top three banks in Puerto Rico have 92% of the island's deposits, compared to the top four banks in the continental U.S., which have 35% of the country's deposits<sup>2</sup>.

In addition, 27% of Puerto Rico's population is considered unbanked, living primarily on cash-based payments with no access to the financial system, compared to 6% of the population in the continental U.S. Although approximately 66% of Puerto Rico's population has a smartphone and 72% have Internet access, only 54% utilize online banking services (see below)<sup>3</sup>. Existing financial institutions in Puerto Rico rely heavily on charging onerous fees and higher lending rates than those offered in the continental U.S., and it can take hours of waiting in line to open an account on the island. As such, 73% of Puerto Rico's population requiring banking services is subject to subpar product offerings, a fragmented banking experience, and overpriced services due to a lack of meaningful industry competition. From a public policy perspective, having a strong and dynamic banking sector that competes fairly against other financial sectors and outside entities will help fuel Puerto Rico's economic activity. The lack of affordable products combined with the

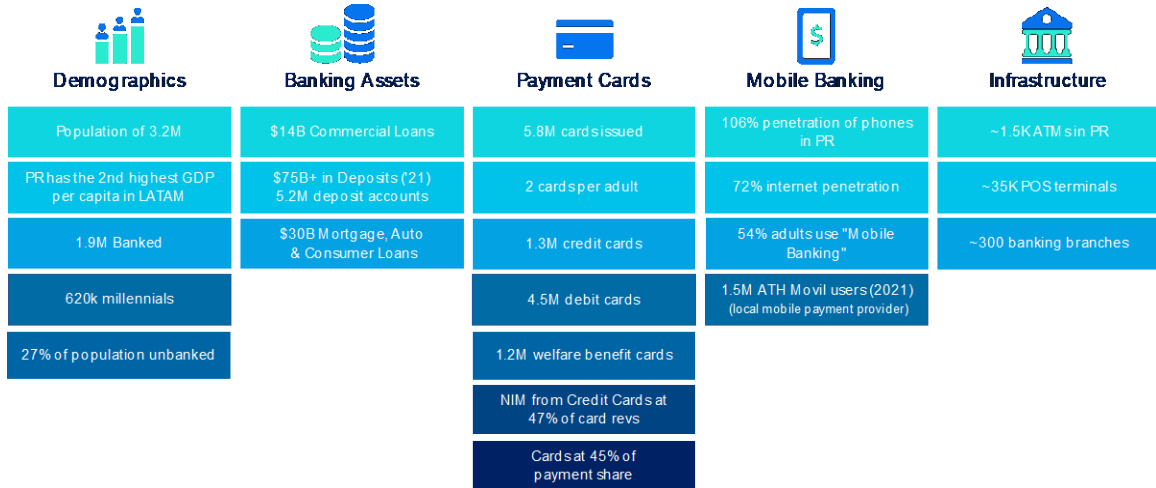
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<sup>2</sup> Source: Office of the Commissioner of Financial Institutions of Puerto Rico.

<sup>3</sup> Source: Verisk Financial, 2020 Puerto Rico Country Report.

high smartphone/internet penetration rates in Puerto Rico delivers a market that is eager to embrace a bank that offers a convenient and low cost digital financial solution.

**Puerto Rico Statistics**



Source: Verisk Financial, 2020 Puerto Rico Country Report. All data 2019 unless noted otherwise.

**Local Product Offering: Puerto Rican Banks**

The three primary incumbent banks in Puerto Rico, [REDACT] have an established offering of checking and saving accounts catering to the Puerto Rican public. There is no [REDACT].

The costs and minimums associated with local checking and savings accounts make it difficult for consumers to easily find [REDACT] in the Puerto Rican market. [REDACT].

[REDACT]

Below is a summary of the checking and savings account offerings available in Puerto Rico:

Checking Account Offerings	FirstBank	OFG	BPPR
Checking accounts	6 offerings	2 offerings	7 offerings
Can an account be opened online?	No	Yes, but requires emailing documents (ID and Address verification)	Yes, e-account if you already have another account open with the bank. If new customer, no.

Lowest opening requirement \$ for checking	\$0, Cuenta Perfecta	\$25, Libre	\$0, e-account
Free/Cheapest Account	<b>Cuenta Uno:</b> \$2. If e-statement selected, \$1.5 <b>Cuenta Perfecta:</b> Free when you enroll for direct deposit OR maintain an average balance of \$500.	<b>Libre:</b> free if registered for e-statement	<b>e-account:</b> free if direct deposit, online banking login, OR electronic payment

Savings Accounts Offerings	FirstBank	OFG	BPPR
Savings accounts	4 offerings	3 offerings	4 offerings
Lowest opening requirement	\$1, Easy Savings	\$5, Ahorro Club	\$0, Club de Ahorro, U Save, ATH Pop
Free/Cheapest Account	<b>EasySavings:</b> free if balance \$250 or higher for month	<b>Ahorro Club:</b> Free but requires direct deposit	<b>Club del Ahorro, U Save:</b> Free – cannot open digitally

### U.S. Bank Presence in Puerto Rico

Some products offered by U.S. based financial institutions are available in Puerto Rico, but it is important to note that U.S. financial institutions do not actively market their products in Puerto Rico and therefore have very low market awareness and market share. Puerto Rican commercial banks, credit unions and auto financing companies control 90%+ of the local market share for mortgages, commercial loans, auto loans and deposits. U.S. financial institutions have a stronger local presence in the credit card market, where it is estimated that U.S. issuers control 30% - 40% of credit cards issued in Puerto Rico<sup>4</sup>.

[REDACT]

[REDACT]

Few U.S. neobanks of significant scale offer accounts to customers with a Puerto Rican address. The majority of neobanks specify that their products are only available to customers located within the “mainland” U.S. [REDACT]

[REDACT]

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<sup>4</sup> Source: Office of the Commissioner of Financial Institutions (OCIF). Data is as of Dec. 2018.



There is one dominant local peer-to-peer network in Puerto Rico called [REDACT], operated by [REDACT] claims to have [REDACT] services work locally in Puerto Rico and by integration with Puerto Rican banks, but services such as [REDACT] only work in the mainland U.S.

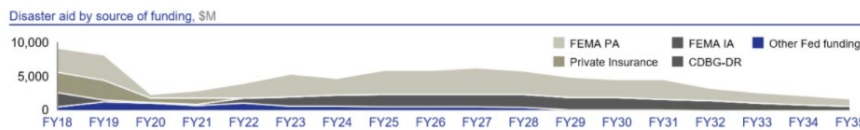
**D. Puerto Rico Economic Outlook**

While natural disasters and the pandemic have been significant challenges for Puerto Rico, the island will receive over \$80+ billion in disaster recovery and \$14B+ in COVID-19 response funding from the Federal government.<sup>5</sup>

This unprecedented level of federal support—which represents over 100% of Puerto Rico’s Gross National Product—provides a once in a generation opportunity to build resilient infrastructure, invest in economic growth, improve government. As the Federal Oversight & Management Board (“FOMB”) of Puerto Rico states in its 2021 Fiscal Plan: “this creates a unique window of opportunity for the Government of Puerto Rico to take the transformative steps needed to create the conditions for growth, spur private sector innovation and investments, and improve opportunity and quality of life for residents.”

**Projected Private and Public Disaster Relief Funding Roll Out**

	FY18, \$M, %	FY19, \$M, %	FY20, \$M, %	FY21, \$M, %	FY22, \$M, %	FY23, \$M, %	FY24, \$M, %	FY25-FY35 \$M, %	Total, \$M	Total, %
<b>FEMA Public Assistance, Hazard Mitigation, Mission Assignments<sup>1</sup></b>	3,607	3,773	544	1,028	2,106	3,309	2,440	29,070	45,877	55%
<b>FEMA Individual Assistance<sup>1</sup></b>	2,050	241	145	52	50	50	-	-	2,587	3%
<b>CDBG-DR</b>	-	-	-	125	737	1,328	1,618	16,416	20,223	24%
<b>Private insurance</b>	3,001	2,895	606	936	-	-	-	-	7,437	9%
<b>Other federal funding</b>	509	1,237	1,014	704	1,058	632	624	1,963	7,740	9%
<b>Total</b>	<b>9,168</b>	<b>8,146</b>	<b>2,308</b>	<b>2,844</b>	<b>3,950</b>	<b>5,318</b>	<b>4,681</b>	<b>47,449</b>	<b>63,865</b>	<b>100%</b>
<b>CDBG cost share</b>	-	-	-	21	96	177	216	2,700		



<sup>1</sup> Includes federal assistance for 2010/2010 earthquake

Source: Puerto Rico Oversight & Management Board 2021 Fiscal Plan

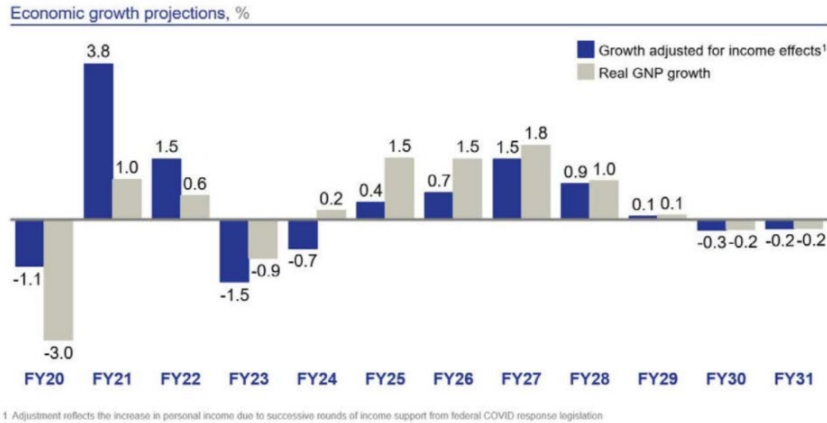
The FOMB believes Puerto Rico is poised to reignite growth, reversing the trends of negative growth over the past decade by focusing on economic growth and structural reform. Several of the reforms being targeted include human capital, welfare, and education reforms to advance successful participation in the formal labor market, reforms to streamline core business processes (e.g., paying taxes, registering property, and obtaining permits) to enable job creation by attracting greater levels of investment into the economy, and reforms to facilitate reliable power and stable infrastructure for businesses and households. These reforms coupled with

<sup>5</sup> Source: Financial Oversight and Management Board for Puerto Rico.

federal aid and economic activity will generate economic growth for Puerto Rico over the coming decade as illustrated below.

Furthermore, the nature of post-COVID work has created a favorable environment for professionals and companies looking to relocate to Puerto Rico. Act 60 provides a spectrum of advantageous tax benefits that are attracting export driven companies as well as entrepreneurs and professionals across technology, medical and financial services, among others.

### Economic Growth Rate After Measures, Structural Reforms, and Disaster Relief Funding



Source: Puerto Rico Oversight & Management Board 2021 Fiscal Plan

#### E. Description of Proposed Retail Business

The Bank will offer a full suite of banking services across retail and business segments. While the product needs of each segment differ, there is a consistent need for [REDACT].

##### 1. Retail Banking Business

###### a. Opportunity

Incumbents largely underserve consumers in Puerto Rico. The main pain points of retail banking in Puerto Rican banks generally fall into three primary categories:

[REDACT] The Bank intends to address the pain points noted above [REDACT].

It is worth noting that incumbent Puerto Rican banks generally serve individuals with relatively high FICO scores, leaving a significant part of the population with credit scores below [REDACT] without access to suitable loan products. [REDACT].

As of November 2021, there is no digitally native FDIC-insured bank in Puerto Rico. The Bank anticipates that the Bank's primary competition will be [REDACT]

Although the Bank will offer its banking services to consumers across all U.S. states and territories, Puerto Rico is the Bank's primary market, and its people, is the Bank's primary

objective, to provide an affordable banking solution to the unsatisfied, underserved and underbanked Puerto Rican consumer.

b. Proposed Consumer Products and Services

The Bank will offer a full spectrum of [REDACT] products and services. The Bank's business strategy is [REDACT] As a provider of digital offerings, the Bank expects to have [REDACT]. The Bank anticipates this will allow the Bank to increase financial inclusion by serving customers that may otherwise be underserved by existing institutions.

The branchless nature of the Bank, and the ability to leverage state-of-the-art technology, are expected to [REDACT] The Bank intends to provide existing clients with multiple high added value products. Please see below.

[REDACT]

As a branchless bank, the Bank will [REDACT]The Bank's deposits will be utilized to support its lending activities as described below in the "Consumer Retail Business" section. Consumer lending activities include [REDACT] The Bank will also develop full commercial lending capabilities across different sectors in a balanced and measured portfolio (discussed below in the "Description of Proposed Commercial Banking Business"). [REDACT].

As noted above, the Bank will offer a variety of products and services. The products and services are described briefly below and in greater detail in materials included in Exhibit E. The graphic below illustrates the anticipated product offerings by the Bank.

[REDACT]

c. Consumer Retail Business

The Bank will offer a full suite of retail banking services. While the product needs of each segment differ, there is a consistent need for a modern digital solution that operates with a high degree of transparency and a best-in-class technology foundation worthy of the digital age.

i. Product Strategy

The Bank will have a full suite of consumer retail products. The chart below shows that the key products will cover consumer deposits, consumer loans, and cash management services.

[REDACT]

- Deposit Products: The Bank will offer a variety of deposit products to serve the consumer's needs. For a detailed description of the deposit products offered by the Bank, refer to Exhibit E.
- Loan Products: The Bank will offer consumer loan products ranging [REDACT], among others. Incumbent Puerto Rico banks generally serve customers with a credit score higher

than [REDACT] leaving others behind. The Bank intends [REDACT] For more details, refer to Exhibit E.

- Cash Management Products: Consumer cash management products will consist of [REDACT]. Over time, the Bank intends to offer [REDACT]. For more details, refer to Exhibit E.

ii. Organizational Structure & Human Capital

The Consumer division will consist of professionals across [REDACT]. These individuals will be recruited for their expertise and experience in consumer banking, based on economic cycles and general proficiency and professional experience. Please refer to Exhibit Q for more information.

iii. Target Market Segments

The Bank will focus on a broad offering. With [REDACT]. This way, they can benefit from a highly functional and digitally accessible [REDACT]. In fact, we believe the Bank's introductory [REDACT] product will qualify for [REDACT] certification,<sup>6</sup> which would be the first [REDACT] certified account in Puerto Rico.

The Bank will also focus on serving [REDACT]. Over time, the Bank will also seek to serve [REDACT].

F. Proposed Commercial Banking Business

1. Opportunity

Puerto Rico's economy is to be bolstered by \$80+ billion of U.S. Federal funding from the pandemic, hurricane reconstruction assistance, Small Business Administration financing, among other sources over the next decade<sup>7</sup>. The banking sector in Puerto Rico will be instrumental in partnering and collaborating with local businesses that will benefit from this capital injection of funds as they provide the necessary services to rebuild Puerto Rico. A digital bank can offer [REDACT]

The Bank seeks to provide a commercially-minded and digitally-native service supported by a group of experienced bankers. The Bank's goals are to:

- Provide credit and depository services to the Puerto Rican commercial market via an affordable digital channel and best in class customer experience.

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<sup>6</sup> [REDACT]

<sup>7</sup> See note 6 above.

- Provide access to banking for small businesses and low and moderate income communities overlooked by incumbent banks utilizing state of the art [REDACT] technology.
  2. [REDACT] Pain Points

The Bank believes there are three key pain points in Puerto Rico's commercial banking:

[REDACT]

3. Value Proposition

In order to address the needs mentioned above, the Bank will [REDACT]

[REDACT] The following characteristics will differentiate the Bank from these competitors and benefit its customers:

[REDACT]

Please refer to Exhibit E for detailed information on the different products and services to be extended to clients.

4. Product Strategy

The Bank will have a full suite of commercial credit products. The table below shows that the key products will cover [REDACT].

[REDACT]

- **Lending and credit products:** The Bank will offer a variety of loan products depending on the client sector and needs. Please refer to the financial projections for a detailed breakdown of assumptions regarding loan portfolio construct and yields. For a detailed description of Credit Products, please refer to Exhibit E.
- **Depository services:** The Bank's business deposit products will [REDACT]. Please refer to the financial projections for a detailed breakdown of assumptions regarding the cost of deposits. The Bank intends to drive deposits [REDACT] (see Exhibit E).
- **Cash management and treasury services:** The Bank will provide a broad range of cash management services. This will be implemented [REDACT]. For a detailed description of products and services, please refer to Exhibit E.

5. Organizational Structure & Human Capital

The structure of the Commercial Banking division will be as follow:

The Bank's business banking team will consist of professionals [REDACT]. These individuals will be recruited based on their connections across the local economy, their expertise across varying economic cycles, and general proficiency and professional experience.

Please refer to Exhibit Q for more information on the organizational structure.

6. The Bank's Business Banking Target Market

[REDACT]

The Bank will target [REDACT] The portfolio will consist of a diversified and well-balanced mix across industries.

7. The Bank Lending Business and Portfolio Composition

Puerto Rico's commercial banking system had \$50 billion in outstanding loans as of December 31, 2020. Commercial loans amounted to \$5.5 billion or 11% of this total, while commercial real estate loans rounded \$7.5 billion or 13%, and constructions and development loans amounted to 2%<sup>8</sup>.

The Bank expects to generate [REDACT]s. The Bank estimates [REDACT].

[REDACT]

Composition of the commercial loan business across [REDACT]. We estimate that [REDACT] of the total client base of the Bank will fall into this segment, and will generate [REDACT] of all loans granted in terms of gross value.

[REDACT]

[REDACT]. This segment will represent [REDACT] share of the total amount of loans, in dollar amount, to be granted by the Bank. We estimate that [REDACT] of the total client base of the Bank will generate [REDACT] of loan volume.

[REDACT]

G. Customer Service Approach

- **Customer Service:** The key objectives of the Bank's customer service strategy are [REDACT]. In pursuit of this, [REDACT], the Bank will rely on [REDACT]. Furthermore, the Bank will monitor customer success metrics closely to increase customer satisfaction and net promoter score. Puerto Rican incumbent banks [REDACT]. The Organizers consider [REDACT]

**User-centric [REDACT] accessibility:** The Bank brings banking to the user and meets the user where they are through [REDACT].

**Business process orchestration [REDACT]:** Customer service workflows will [REDACT]

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<sup>8</sup> Source: Office of the Commissioner of Financial Institutions of Puerto Rico.

Given the strong [REDACT], the Bank believes it will be offering [REDACT].

### **III. MARKETING STRATEGY**

The Bank intends to market its products and services across both online and offline channels. The Bank is forecasting an initial marketing budget [REDACT]. The Bank will revisit the marketing budget in subsequent periods [REDACT].

#### **A. Marketing Channels & Objectives**

The primary online marketing channels the Bank will target are [REDACT]. Online marketing channels will be managed with [REDACT].

Offline marketing channels will [REDACT].

[REDACT]

#### **B. Media Mix Across Marketing Channels**

The media mix (or allocation across different marketing channels) will be frequently adjusted depending [REDACT]. The Bank will prioritize [REDACT]. The marketing team will continuously refine the media mix across marketing channels for each marketing objective. As a starting point, the marketing mix will approximate the following levels of investment across different online and offline channels:

[REDACT]

### **IV. COMMUNITY REINVESTMENT ACT**

Please see Exhibit K for a detailed description of the Bank's CRA plan (the "Plan").

The Organizers are committed to furthering the purposes of and compliance with CRA. The Bank's CRA program will be designed to meet the spirit and intent of CRA. The CRA assessment area will be MSA 41980 (San Juan-Carolina-Caguas, PR). The Bank intends to seek approval for the Plan and is in the process of informally seeking suggestions from members of the public in the Bank's proposed assessment area. The Bank will publish public notice of the Plan and seek Federal Reserve approval of the Plan at the appropriate time.

The Bank recognizes that a local bank can contribute substantially to its local economy. For instance, the banking sector has the second-highest salary level among all major economic sectors on the island; and 44% of Puerto Rico's finance and insurance employees are in the banking sector, as reported by the Puerto Rico Department of Labor and Human Resources. The banking sector is also the largest tax contributor because of its size and because other large financial sectors enjoy significant tax exemptions, and those that provide products and services from the mainland U.S. do not pay taxes to the local treasury<sup>9</sup>. Puerto Rico's local banking sector also has a very

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<sup>9</sup> Source: PR Department of Labor and Human Resources - Labor Market in Puerto Rico

active role in developing low- and moderate-income (“LMI”) communities in Puerto Rico, providing loans to finance revitalization and stabilization projects, affordable housing, economic development, and community services activities – in addition to making philanthropic contributions. A local bank is also essential to public sector agencies and corporations for performing transactions such as utility payments or license renewals.

The Plan is expected to focus on combined cumulative lending and investment, along with community development services, as follows:

- Direct community development lending.
- Small business lending, investments, and services in the Metropolitan Statistical Area (“MSA”).
- Funding qualified grants for community development organizations.
- Committing officers and employees to participate with organizations serving LMI households and communities in its assessment area.
- Active participation with national organizations to serve the unbanked and underbanked population, many of which also fall into the LMI population.
- Working with local, regional, and/or national organizations to provide direct financial education and literacy services. It could also include efforts to promote initiatives in education, public policy, product development, or others designed to facilitate access to financial services for underbanked/unbanked populations and LMI individuals. Collaborations aimed at improving financial literacy and economic security of LMI individuals and communities will also be part of the Plan.

Grants and charitable contributions made by the Bank that meet the primary purpose of community development will be considered qualified for CRA credit under the cumulative loans/investments goal if they meet the needs of LMI persons within the assessment area. Nonetheless, they will not be limited to grants and charitable contributions specifically focused on the primary assessment area.

The scope of the Bank’s CRA program will include:

- Implementation of a CRA policy and program.
- Ascertainment of Community Credit Needs.
- Establishment of CRA related investment, lending, and service goals.
- Delivery of training programs.

#### A. Financial Literacy

Financial literacy has proven to be a key to future success in informing, educating, and serving banking customers. The Bank will invest in efforts to improve the financial education of individuals in Puerto Rico. [REDACT]. The Bank will be developing educational content of its own while also partnering with companies [REDACT] that provide a full spectrum of readily available educational financial literacy content for schools and adults.



A Zelle Consumer Payments Behavior survey<sup>10</sup> found that over 90% of respondents leverage personal finance websites and word of mouth for their financial education. Leveraging this behavior, [REDACT] that will cover various topics, including “how-to guides” about budgeting and saving, understanding and improving credit scores, buying a first home, preparing for retirement, among others.

According to the non-profit American Public Education Foundation, financial illiteracy is an American epidemic, and the problem is growing. In its 2021 “Report Card” on financial literacy, the organization graded Puerto Rico with an “F,” the worst possible score. The rating was driven by the lack of state-mandated financial education in schools and a lack of standards across grade levels. The Bank will pursue partnerships with similarly minded organizations [REDACT] to ensure the next generation has access to proper financial education via online modules, articles, and other digital formats.



## B. Minority Depository Institution and Community Development Financial Institution

The Bank anticipates that it will be designated as an MDI. The Federal Reserve considers an institution to be an MDI if most of its board members consist of minority individuals and the community that the institution serves is predominantly minority. Puerto Rico’s population is mostly Hispanic American. Official languages in Puerto Rico are Spanish and English, Spanish being the predominant one. A majority of the proposed members of the Bank’s Board of Directors are minority individuals.

The Federal Reserve, through its Partnership for Progress (“PFP”) program, offers support to MDIs through one-on-one discussions with minority bankers to determine their needs and goals; online content on topics relevant to minority-owned institutions as expressed by minority bankers; outreach programs designed specifically for the minority-owned institution audience; technical

<sup>10</sup> See <https://www.prnewswire.com/news-releases/updated-report-card-on-financial-literacy-reveals-america-is-failing-its-children-301332611.html>; [https://www.zellepay.com/sites/default/files/2021-03/April\\_2021\\_Financial\\_Literacy\\_Confidence\\_Study\\_Zelle.pdf](https://www.zellepay.com/sites/default/files/2021-03/April_2021_Financial_Literacy_Confidence_Study_Zelle.pdf)

assistance tailored to meet the needs of minority-owned institutions; links to online tools and resources; and training programs to increase examiner awareness of minority-owned institutions.

As an institution dedicated to serving market niches that traditional financial institutions often underserve, the Bank believes it will qualify and intends to apply for certification as a community development financial institution (“CDFI”). CDFI certification is the U.S. Department of the Treasury’s recognition of specialized financial institutions serving low-income communities. Puerto Rico is mostly composed of low-income communities. With a median household income of \$20,000, the island's median household income is less than half of the median household income in the poorest U.S. state (i.e., Mississippi, with a median household income of \$46,000).<sup>11</sup>

[REDACT].

#### C. Role of Management and Directors

The Bank’s Board of Directors will oversee CRA activities conducted by the Bank, including reviewing and approving the CRA policy and program. The Bank’s senior management will be responsible for developing and managing CRA-related functions. The Bank’s staff will be in charge of identifying potential CRA loans, grants, and investments for the Bank. The Bank’s Community Development and Reinvestment Committee will review recommendations governing potential CRA opportunities and determine whether the Bank will undertake such transactions.

A report that describes CRA activities undertaken by the Bank will be provided to the Bank’s Board of Directors quarterly. The Bank’s Board of Directors will review performance concerning measurable goals and objectives and the purpose of CRA. Additionally, the Bank’s Board of Directors will ensure that the Bank’s CRA obligation is considered in the business plans and that the organization’s activities support the CRA policy and program appropriately.

#### D. CRA Officer

The Bank’s CRA program will be administered by a Community Development/CRA officer employed by the Bank (the “CRA Officer”). The Bank’s CRA Officer or designee will recommend community development loans, as well as investments and services to the Community Development and Reinvestment Committee. The proposed projects and initiatives must address affordable housing, small business financing, revitalizing distressed communities, and/or providing essential services to LMI individuals. The CRA Officer will also obtain information on affiliate community development activities relevant to the Bank’s CRA efforts.

##### a. Training

The Bank’s CRA Officer will ensure that CRA training is conducted for all affected employees, management, and the Bank’s Board of Directors. The CRA Officer will also attend

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<sup>11</sup> Source: United States Census Bureau; <https://www.census.gov/>

training on community development strategies conducted by accredited institutions and organizations.

b. Technical CRA Compliance Requirements

The Bank's CRA Officer will maintain the Bank's CRA Notice and Public File in proper order and ensure that the appropriate public documents are made available for public examination without charge.

V. **ORGANIZERS AND MANAGEMENT**

A. Organizers

The Organizers have made a substantial commitment of time, resources, and reputation for the formation of the Bank. In support of the formation of the Bank, the Organizers intend to assemble a highly skilled Board of Directors and senior management team who will be responsible for various functional areas within the organization.

B. Boards of Directors

The Company is expected to have an eight-member Board of Managers, while the Bank will have a five-member Board of Directors. The Bank's Board of Directors will consist of a subset of the Company's Board of Managers. Puerto Rico law requires that a majority of the Bank's directors be bona fide residents of Puerto Rico.

1. Bank

The proposed directors and officers of the Bank have been selected based on expertise and demonstrated performance; knowledge of the Puerto Rico market; responsiveness to recommendations from auditors and regulators; avoidance of conflicts of interest; technical knowledge of laws, rules, and regulations applicable to the Bank and its proposed business, including its proposed fiduciary functions; and a willingness to serve the legitimate banking needs of the community. Biographical information for the proposed directors and senior management is provided as Exhibits C and G.

The Bank has identified the following people to serve on the Bank's Board of Directors (the state of residence of each proposed director is also indicated below):

- a. **Carlos M. Garcia** [REDACT], (Massachusetts)
- b. **Fabio Garcia Passalacqua** (Puerto Rico)
- c. **Emilio Martino** (Puerto Rico)
- d. **Francisco Antonio Navarro-Sertich** [REDACT], (Puerto Rico)
- e. **Mari Evelyn Rodriguez** (Puerto Rico)

The majority of the Bank's Board of Directors will be bona fide residents of Puerto Rico. Certain members of the Bank's Board of Directors will also be senior management involved in the day-to-day operations of the Bank; initially only [REDACT], is the only member of senior management expected to be a director of the Bank.

## 2. Company

The Company's Board of Managers will comprise of the five Bank directors and three additional Company board members. The Company's Board of Managers will include the following members:

- a. [REDACT]
- b. **Carlos M. Garcia** [REDACT], (Massachusetts)
- c. **Fabio Garcia Passalacqua** (Puerto Rico)
- d. **Emilio Martino** (Puerto Rico)
- e. **Francisco Antonio Navarro-Sertich**, [REDACT] (Puerto Rico)
- f. **Mari Evelyn Rodriguez** (Puerto Rico)

## 3. Responsibilities and Committees

The Bank's Board of Directors will be responsible for overseeing the Bank's compliance, business, and operations. The Bank's Board of Directors will meet at least once a month, consistent with Puerto Rico's law. The Bank's Board of Directors' supervision of the institution will be carried out, in part, through certain committees, including joint committees of the Company and the Bank. At least initially, and until the Bank's Board of Directors is expanded, oversight of the Bank's loan, compliance management, and CRA activities will be performed by the Bank's Board of Directors as a whole.

The Executive Chairman will provide leadership and direction to the Bank's Board of Directors, scheduling and setting the agenda of board meetings, presiding over board meetings, and maintaining good relations among board members. [REDACT]. The Executive Chairman, together with the other members of the Board of Directors, shall be responsible for overseeing the conduct of the Bank's business. The Chief Executive Officer will be responsible for running the Bank's day-to-day operations in compliance with applicable laws, rules, regulations, and the principles of safety and soundness. Please refer to Exhibit L for further information.

The Bank's Board of Directors will establish certain committees, including the following:

- **Asset and Liability Committee:** The Asset and Liability Committee (“ALCO”) will be responsible for assisting the Bank’s Board of Directors in its oversight responsibilities of the Bank’s asset/liability management, funding and investment processes, and ensuring compliance with all pertinent policies and regulatory requirements. The ALCO will also be responsible for ensuring compliance with the Bank’s Investment Policy, which will be approved annually by the Board of Directors in accordance with Puerto Rico banking regulations.
- **Audit Committee:** The Audit Committee will be a committee of the Company, as permitted by 12 C.F.R. § 363.1(b), which will provide governance guidance and oversight to the Company and the Bank by reviewing both entities’ management’s actions as they carry out applicable financial reporting responsibilities. In support of this objective, the Audit Committee will oversee the general integrity of the internal control environment, including the Company and the Bank’s Risk Management Program, the Credit Review Program, and Internal Audit functions. The Audit Committee will serve as an independent and objective party to monitor the integrity of the Company’s financial reporting process and its associated and internal control and risk management systems. The Audit Committee will meet the independence requirements of 12 C.F.R. § 363.5(c)(1). The Audit Committee will also provide oversight over operational risks and will be responsible for approval of applicable primary risk policies and reviewing certain associated frameworks, analysis, and reporting established by management, including overseeing reputational and conduct risks within its scope of responsibility.
- **Compensation Committee:** The Compensation Committee’s purpose will be to lead in establishing the Bank’s compensation philosophy, oversee the development and administration of the Bank’s compensation programs, review and approve the compensation of senior executives (e.g., Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, Chief Risk Officer, Chief Technology Officer, Chief Marketing Officer, and Head of Lending), and prepare any report on executive compensation required by the rules and regulations of the FDIC.
- **Credit Risk Committee:** The Credit Risk Committee’s purpose will be to assist the Board of Directors in its oversight of credit underwriting and portfolio credit quality.

See Exhibit F for a draft of the Board of Directors Compensation and Expense Policy.  
See Exhibit L for other compensation information for the Executive Chairman.

### C. Senior Management

All of the Bank’s senior management will report to the Chief Executive Officer directly or indirectly. The Bank anticipates employing the following:

1. [REDACT], President and Chief Executive Officer
2. [REDACT]

3. [REDACT], Chief Operating Officer and General Counsel
4. [REDACT], President of Commercial Banking
5. [REDACT], Chief Financial Officer
6. [REDACT], Chief Risk Officer
7. [REDACT], Senior Executive of Technology

For biographical information about the Bank's senior management please refer to Exhibit G.

The Bank anticipates entering customary employment arrangements with the senior management. In addition, the Bank anticipates that management will participate in employee equity and bonus plans at the discretion of the Company's and Bank's Boards of Directors. Exhibit L includes a form of offer letter that describes the benefits the Bank intends to provide to officers and employees, a table listing proposed salaries for executive officers, and other compensation information for certain executive officers. A summary of the proposed equity incentive compensation of directors and officers is provided as Exhibit P.

a. Management Relations and Transactions

The Bank anticipates the possibility that it may make loans to the officers and directors of the Company and the Bank and their related interests from time to time. Any such transactions will comply with Regulation O.

Exhibit L includes a form of offer letter that describes the benefits the Bank intends to provide to officers and employees, a table listing proposed salaries for executive officers, and other compensation information for certain executive officers. A summary of the proposed equity incentive compensation of directors and officers is provided as Exhibit P.

The Bank will conduct an annual assessment of employees at all levels to measure performance standards. The annual employee performance assessment will include a development plan that details any required training to assist the individual in performing their responsibilities.

The Organizers have had substantial success in recruiting individuals (in addition to Board members and investors). The Bank does not anticipate difficulty attracting senior management with sufficient banking experience, given that it will have established a competitive compensation and benefits program based on market conditions.

b. Management Committees Reporting to the Bank's Board of Directors

- **Compliance Committee:** The Compliance Committee will oversee all aspects of compliance by the Bank. This includes overseeing the implementation of the Bank's Compliance Program, ensuring that the Bank complies with all applicable laws,

regulations, codes of conduct and standards of good practice. The Compliance Committee shall also ensure that compliance issues are resolved expeditiously.

- **Loan Committee:** The Bank's management will serve on a Loan Committee that will assist in the day-to-day lending operations of the Bank. The Loan Committee will be composed of members of the management designated by the Bank's Board of Directors at least annually. The Loan Committee will meet at least quarterly. The Loan Committee will be responsible for administering the overall credit policy of the Bank, based upon the loan policy approved by the Bank's Board of Directors. The credit policy will cover account management, supporting risk decision models, and systems. The Loan Committee will review and recommend for approval of the Bank's Board of Directors new lines of business and reserve levels based on portfolio performance, economic environment, and other factors. The Loan Committee will be subject to the oversight of the Bank's Board of Directors' Credit Risk Committee.
- **Technology/IT Steering Committee:** The Technology/IT Steering Committee's purpose will be to assist in corporate governance and oversee responsibilities for the Bank's investments, operation, and strategy in relation to technology and information systems. It will provide strategic leadership for IT by aligning IT strategic objectives and activities with the Bank's strategic objectives and processes, providing appropriate advice and recommendations, and ensuring open communication between various areas of the Bank to promote collaborative planning.

#### D. Employees

At launch, the Bank will employ approximately [REDACT] employees. These employees will provide support in the areas such as technology, operations, compliance, marketing, financial, and other support teams. The Bank's main and only office will be at 1608 Ponce de Leon, San Juan, Puerto Rico.

The Bank's management will establish all hiring requirements, make all personnel decisions and develop policies and procedures for personnel management. These policies and procedures include processes and systems for:

1. Promoting and replacing employees,
2. Recruiting employees, including proper screening of new employees,
3. Reviewing employee performance at least annually,
4. Employee compensation and salary administration, and
5. Training employees and their leaders.

#### E. Training

The continuous education of the Bank's Board of Directors, senior management, and staff is essential to maintaining an effective compliance program. As such, the Bank's legal and compliance departments will make presentations periodically to the Bank's Board of Directors and senior management concerning regulatory requirements and developments affecting the operation and management of the Bank. These presentations should be sufficient to enable them to understand the Bank's responsibilities and the commensurate resource requirements.

In addition, both management and staff will receive specific, comprehensive, and timely training on requirements for compliance with Federal consumer financial laws that reinforce and help implement written policies and procedures. Such training will be tailored to the Bank's risk profile, business strategy, operations, and the particular responsibilities of the staff receiving it, including those responsible for product development, marketing, and customer service. Such training will also include prohibitions against unlawful discrimination and unfair, deceptive, and abusive acts and practices.

#### F. Major Investor Relations and Transactions

Please see Exhibit D for details concerning relationships among major investors.

The Bank will receive several marketing and advertising services and administrative services from some of the investors. [REDACT]. The Bank has also considered the status of [REDACT], as a former employee of [REDACT]. The Bank does not believe that this individual should be treated as a director representative of [REDACT]. As defined in 12 C.F.R. § 225.31(e)(2), a "director representative" is an "individual that represents the interests of a first company through service on the board of directors of a second company." The definition also provides a list of examples that "*generally* would be considered director representatives of a first company," including "[a]n individual who was an officer, employee, or director of the first company within the prior two years" (emphasis added). Thus, the regulation by its express terms does not *require* such a former employee to be considered a director representative and permits a conclusion that such a former employee is not a director representative. Here, the transaction's intent and structure are that of a divestiture; [REDACT] does not nominate or appoint [REDACT] to any board, and [REDACT] has no interest in representing [REDACT]. Accordingly, the Bank believes that [REDACT] does not represent the interests of [REDACT] on the [REDACT].

Although non-affiliated third parties will provide services as described in this Business Plan, it is also anticipated that the Company will enter into service agreements (the "Service Agreements") with some such third-party service providers, under which they will provide services to the Company and the Bank. The Bank will then reimburse the Company for the fair market value of the services provided to the Bank in compliance with Section 23B of the Federal Reserve Act. In the future, the Company itself may provide certain services to the Bank. All servicing relationships between affiliates and the Bank will be based upon arm's length terms. Transactions with affiliates will be structured to remain in compliance with Section 23A and Section 23B of the Federal Reserve Act.

#### G. Accounting and Internal Controls



The Bank will subject its key accounting and financial transaction processes to ongoing control reviews. The internal control accounting systems are the policies and procedures the Bank will have in place to ensure accuracy and reliability across the accounting reports. The Finance unit will be responsible for operating and complying with applicable laws and regulations.

The Finance unit's objective is to play the role of a trusted advisor to the business, ensuring financial data and reports are accurate, reliable, and timely. It will be responsible for the integrity and control of the Bank's financial books and records, and the process by which reports are generated. This includes reliability on regulatory reporting, management reporting, separation of duties, and access control to safeguard data.

Major controls include conducting reconciliation, transaction authorization level, asset data, and backup computer files to prevent financial data loss. The Finance's unit oversees the integrity of the Bank's balance sheet and income statement reports and variance analysis. The data produced by the Finance unit includes information on each of the Bank's departments, accompanied by insightful analytics with highly effective controls. It also focuses on strengthening the independent controls and the control environment throughout the Company to support the business in its efforts to grow responsibly.

The Finance unit will be responsible for submitting financial books and finance-related local regulatory reports.

#### 1. Financial Control Reviews

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requirements, the Bank will perform an annual assessment of the effectiveness of the existing internal control programs, environment, and structure. To support an internal control assessment for each business or utility that supports the Bank, the following types of supporting documentation will be required and reviewed:

- Internal Audit Reports
- External Audit Reports
- Regulatory Examination Reports

Based upon the review, the Bank's management will prepare a management report with the following:

- An attestation report on internal control structure and procedures for financial reporting by an independent certified public accountant.
- A statement of management's responsibilities for preparing the annual financial statements; and establishing and maintaining an adequate internal control structure and procedures for financial reporting.

The Bank will utilize a periodic financial control review documenting any potential gaps in the control infrastructure resulting from major changes in processes, systems, organization, people, and other elements during the period and unless stated otherwise in the document, that no employee has brought any allegations of impropriety to management's attention during the quarter.

2. Annual Audit

a. Audit and Oversight

The Bank anticipates that there will be ongoing auditing, testing, and control reviews in order to maintain a sound information technology infrastructure system, which will accompany a strong board oversight, experience, and training. As part of its governance program, the Bank will establish a Technology/IT Steering committee led by the Chief Technology Officer and with the participation of the appropriate members of senior management. This committee will be charged with overseeing IT projects, budgets, expenditures, providers, policies, and risk assessment and remediation. The committee will meet and report to the Audit Committee.

On an ongoing basis, the Bank will initiate and maintain internal and external assessments, reviews, and audits to ensure the Bank's information security program and its information technology environment are adequate for compliance obligations and industry standards. Areas of assessment will include:

- physical processing and storage areas
- data access (physical and software)
- interconnectivity between the Bank and any third-party service providers
- data transmission

The Bank will maintain an ongoing enterprise risk management process. Reporting and assessment of the IT environment, operational processes, and risk management and mitigation will be executed via appropriate representation of IT management staff within that process.

Cybersecurity risk, both its identification and ongoing management, is of critical importance for the Bank. The Audit Committee will perform the identification, assessment, and mediation of this risk. However, the Bank anticipates that the Audit Committee will work closely with the Technology/IT Steering Committee and the appropriate senior management members. The collaboration will ensure that the Bank's IT strategic plan, and its tactical execution, remain in line with the Bank's established risk appetite, its infrastructure platform at the current time, its plan for growth, and the assessment of the current threat environment.

As permitted by Section 36 of the FDI Act, 12 U.S.C. § 1831(m), as added by FDICIA, and 12 C.F.R. § 363.1(b), the Bank will rely on independent accountants engaged by the Company to conduct an audit on an annual basis, in accordance with generally accepted accounting principles in the United States. These principles require that the independent accountants plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used

and significant estimates made by management and evaluating the overall financial statement presentation.

As required by 12 C.F.R. Part 363, independent certified public accountants will examine and report on management's assertion about the effectiveness of the Company's internal control structure and financial reporting as of the end of each year.

In addition, the Bank's audit function will conduct an audit of the Bank's compliance with various federal consumer financial laws based on the auditing schedule.

### 3. Compliance Management Function

The Bank will utilize a comprehensive risk-based compliance management program that will satisfy the need for regulatory compliance and require review of compliance issues as they emerge in products and services. The specific goals of compliance management are to:

- Identify and maintain an inventory of laws, rules, and regulations applicable to the Bank's business and assess risk levels.
- Develop, implement, maintain, and enforce comprehensive policies consistent with strategic direction.
- Develop and implement ongoing comprehensive monitoring systems.
- Develop and implement a comprehensive training program.
- Develop and implement a communications process that assures the dissemination, collection, and reporting of information concerning compliance with laws, rules, regulations, and compliance policies and procedures to the appropriate lines of authority.

The Bank's Board of Directors will designate a compliance officer. The compliance officer will have the independence and authority to cross-departmental lines to perform monitoring reviews and assist with corrective action. [REDACT].

The compliance officer will work with the third-party vendor and periodically provide reports to the Audit Committee of the Bank's Board of Directors concerning compliance plans and efforts, regulatory changes and their anticipated impact, and any recommendation to strengthen overall compliance with this program. Senior management will be responsible for the supervision of employees and must ensure that employees are familiar and continuously comply with applicable federal and state banking laws and consumer and commercial deposit and lending laws.

It is the responsibility of all employees to conduct themselves in their daily activities in full compliance with pertinent laws as embodied in applicable regulatory and internal policies and procedures and to bring to the attention of management any irregularities.

The Bank will use a risk-based approach to managing regulatory compliance. Compliance risk is determined based on the following factors:

- Results of audits, compliance reviews, and operational monitoring.
- Systemic issues identified in business escalation processes.
- Changes in laws and regulations, both proposed and enacted/effective.
- Changes to existing products, processes, systems, organizations, and service providers.
- Trends in industry practices, regulatory focus, and litigation.
- Participation in bank forums, conferences, committees, seminars, and continuing education.

Monitoring is essential to preventative compliance and the prompt identification of weaknesses and avoiding repeat errors. Compliance reviews, conducted by the compliance officer with support from outside compliance professionals, will provide the Bank's senior management and the Audit Committee of the Bank's Board of Directors with regular assessments of high-risk areas of the Bank.

#### 4. Internal Control Processes

Management will be held accountable for the proper maintenance and ongoing enhancements of internal controls within the Bank. The effectiveness of internal controls rests with the employees who create, administer, and monitor them. Integrity and ethical values are essential elements of a sound foundation for all other components of internal control. The Company has developed a code of conduct which the Company and the Bank will adopt. See Exhibit H for the Company's Code of Conduct. Functional area leaders will be responsible for ensuring the proper maintenance and updating of existing internal controls. The staff of the Bank will periodically be trained on the Internal Control processes and reviews.

#### 5. Consumer Privacy & Protection

As a digitally native financial institution, the privacy and security of the Bank's customer information is a primary concern. The written information security program maintained by the Bank will address the need for cybersecurity risk assessment and appropriate mitigation and remediation. Cybersecurity risk pertaining to customer information must be assessed as it exists within the Bank's internal systems, third-party service providers, customer-facing interfaces, and data transmission lines between them. The Bank will apply appropriate levels of auditing, testing, and controls as it relates to bank-managed systems or obtained and reviewed as it relates to third-party systems and platforms.

The digital framework of the Bank will extend to its internal operations, where the execution of processing on paper or other physical media will be reduced. The preference for digital documentation will allow stronger controls on customers' information through user access

management and electronic auditing tools. While minimized, physical security and the protection of customer data within physical media will be maintained. Access to the Bank's operational headquarters will be limited to appropriate and authorized personnel. Data within the headquarters will be managed within employee roles as well, so that only the appropriate members of the Bank have access to file rooms, file cabinets, and other storage locations, as is necessary for the execution of their role.

The Bank will implement a privacy and data security program that ensures that consumer customers (and other consumers in some circumstances) are provided with appropriate notices concerning the Bank's privacy policies and practices. The notifications will describe the conditions under which financial institutions may disclose non-public personal information to non-affiliated third parties and provide a method for consumers to prevent the Bank from revealing that information to most non-affiliated third parties for marketing purposes by "opting out" of such disclosure, subject to certain exceptions. All of the disclosures and "opting out" process will comply with Section 504 of the Gramm-Leach-Bliley Act of 1999 ("GLB Act"), 15 U.S.C. § 6804, and the regulations of the FDIC at 12 C.F.R. Part 332. The Bank will also implement data security safeguards that comply with applicable federal and state laws.

## 6. Anti-Money Laundering and Sanctions Compliance

The Bank will design an anti-money laundering program that meets the requirements of the Bank Secrecy Act, as amended and revised by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 and the regulations thereunder (*i.e.*, (i) enforcement of the federal government's ability to fight money laundering and terrorist financing by monitoring currency transactions and suspicious financial activities and (ii) denial to terrorists and other financial backers, as well as others, of the ability to obtain anonymous access to the U.S. financial system).

The Bank's program will:

- Establish internal policies, procedures, and controls.
- Designate a compliance officer with appropriate background and experience.
- Provide ongoing employee training.
- Utilize an independent audit testing function to test compliance.

Additionally, the Bank will implement policies and procedures concerning:

- Monitoring for and reporting suspicious activities, and monitoring and reporting currency transactions, as required, among others.
- Due diligence and, when appropriate, enhanced due diligence for correspondent banking accounts.
- Customer identification, including with respect to the beneficial ownership of legal entity customers.
- Compliance with the Office of Foreign Assets Control ("OFAC") (31 C.F.R. Chapter V) requirements and comparisons of names of customers with OFAC and other applicable governmental lists of names and sanctions.

## 7. Third-Party Outsourcing

As is common in the banking industry, the Bank will rely on services provided by third parties (including affiliates) to support a wide range of activities. The Bank will obtain processing and other administrative services from non-affiliated third parties. The Bank recognizes that certain functions are better performed and more cost-effective if they were outsourced to non-affiliated third-party vendors. [REDACT]

[REDACT]

The Bank's use of third-party service providers will comply with guidance issued by the federal banking agencies, including the Federal Reserve, concerning outsourcing and vendor management. This compliance action includes implementing adequate policies and procedures to monitor and mitigate risks associated with outsourcing (*e.g.*, the Interagency Guidelines on Customer Information Security (12 C.F.R. Part 208, Appendix D-2, also known as "IS Guidelines").

More specifically, the Bank will conduct reasonable due diligence to evaluate the ability of the third-party provider(s) to meet the Bank's needs. The third-party arrangements contemplated by the Bank will be with service providers that have expertise in providing a particular service and providing that service to depository institutions. Therefore, the third-party providers will have the experience and competence to manage and control the risks inherent to the Bank.

The Bank's Board of Directors and management will adopt an Outsourcing Policy and Guide as an oversight program to monitor each service provider's controls, condition, and performance.

The Bank will also appoint an officer responsible for overseeing, controlling, and monitoring outsourced services and activities. [REDACT]

## 8. Business Continuation Plan

The Bank will develop a Business Continuity program designed to monitor and mitigate risks associated with disasters and recovery of critical business functions. The three key components of the Bank's Business Continuity program will be:

### a. Crisis Management

Effective crisis management is rooted in preparation, communication, and prioritization. The Bank will develop a full and comprehensive crisis management plan as the technology and personnel infrastructure is designed and installed along with those principles. In the event of a crisis, the key processes will include:

- Identifying the systems or platforms impacted.
- Assessing the impact to clients and employees of the Bank.

- Enacting plans for mitigation or recovery as applicable according to the defined Business Continuity Plan.
- Executing along the required communication paths to ensure that both clients and employees are aware of any current status and/or required actions.

The safety and security of the Bank's employees is a key priority, followed by the integrity of the Bank's customers' assets and data and the operability of the Bank's products and services.

b. Business Continuation

As a digitally native financial institution, the Organizers understand that a customer's consistent, reliable access to their funds and the products and services that the Bank offers to its customers must be maintained at a high level. The primary channels and systems in which the Bank anticipates to provide its services and support its customers include the following:

[REDACT]

c. Disaster Recovery

The structure of the IT infrastructure as outlined above under Business Continuity will extend into the Bank's plan for disaster recovery. While the specific steps required to address and recover any outage will ultimately be driven by the specific applications and structures put into place, both the Bank's internal systems and outsourced provider systems will be included in a documented disaster recovery plan. [REDACT]. The Bank's Board of Directors will appoint a senior officer to track and report on plan development and testing to ensure policy adherence.

H. Technology & Information Security

1. Technology Strategy

The Bank will construct its information technology platform [REDACT].

[REDACT]. All vendors under consideration will be required to provide adequate levels of audit and control results.

The Bank will maintain an appropriate staff level as required to support the digital user experience built for consumers. As the Bank executes its business strategy and delivers on the products and services outlined within, it will conduct an evaluation process to determine the highest value path when considering whether to continue developing platforms internally or outsource to a third party.

2. Bank Core Platform

[REDACT]

3. System architecture and IT Structure

As a *de novo* organization, the IT environment of the Bank will be designed [REDACT] the environment and programs needed to support the Bank's operational and customer

requirements as well as the underlying environment in which the Bank's employees operate. These systems are being implemented within three major segments.

**[REDACT]**

In addition to the technological security measures implemented for the Bank's network and overall environment, physical security will also be maintained. Access to the Bank's operational center will be restricted to appropriate personnel. The written information security program will outline requirements and protocols for [REDACT], and the Bank will provide regular training on proper security measures as it pertains to information technology systems.

The Organizers believe that a financial institution's overall information security ("IS") program is critical to the safety and soundness of said institution. The Bank will implement an IS program consistent with the requirements for the protection of customer information outlined in Section 501 and Section 505(b) of the GLB Act, 12 U.S.C. § 6801 and 12 U.S.C. § 6805(b), and the IS Guidelines and other banking agency guidance, and Puerto Rico banking regulations. The Board of Directors will ensure the adoption of a written security program for the Bank, and the Bank will designate a security officer to prepare and manage the security program. In addition, the Bank will adopt a Retention and Destruction of Documents Policy, as required by Puerto Rico banking regulations.

The Bank will also establish training and security awareness programs designed to implement IS policies and procedures. Independent individuals will regularly test the IS system to ensure that the controls and procedures of the program work properly. The Bank will exercise due diligence in the selection of service providers and closely monitor service providers to ensure that customer information is protected in compliance with the IS program and consistent with the IS Guidelines and the Bank's security program.

## I. Financial Management Plan

### 1. Financial Projections

The Bank's initial *pro forma* balance sheet, capital ratios, and income statement, as well as three-year earnings projections, are outlined in Exhibit A.

Below is a summary of assumptions, financial projections, and capital adequacy. The Bank's three-year *pro forma* income statement, balance sheet, capital adequacy, and key metrics are available in the accompanying financial excerpt.

#### a. Financial Assumptions

The Organizers of the Bank have invested substantial efforts to understand and accurately predict revenues and expenses through extensive research and analysis. The Bank's revenue and expense model is driven by demand for the depository, lending, service products, expected volume of customers, and labor and infrastructure costs. Specific considerations and assumptions are addressed in detail in the following discussions:



- **Key Financial Assumptions**

[REDACT]

[REDACT]

- **Key Model Drivers**

[REDACT]

2. [REDACT] Financial Performance Overview

[REDACT]

- a. Earnings Goals

[REDACT]

3. Sensitivity Analysis

The purpose of a sensitivity analysis is to measure the impact of changes to important financial assumptions on the Bank’s expected financial performance, as represented in the pro forma statements attached hereto as Exhibit A. To stress test its projections the Company engaged [REDACT] a market leader with over [REDACT] years of experience in asset liability management advisory. [REDACT] individual analyses to assess potential future outcomes related to earnings and capital, as well as document and test the soundness of the underlying growth assumptions. The various scenarios centered around assessing the effects of changes in interest rates or changes in interest earning asset growth on the Company’s projected earnings and capital adequacy.

[REDACT]

4. Capital and Earnings

- a. Capital Adequacy

The Bank’s intended capitalization will be designed for it to be considered at least a “well-capitalized” institution for purposes of all applicable capital adequacy regulations. The initial day-one capital provided to the Bank has been estimated to support this objective. It intends to maintain a “buffer” of capital to address business contingencies that may arise in the future. To the extent the Bank’s earnings are less than projected, additional capital injections from the Company will be used to maintain the Bank’s “well-capitalized” status. Below are the levels of capital adequacy anticipated by the Bank.

[REDACT]

- [REDACT]. The Company does not propose to use options, warrants, or other equity interests that would affect the Bank’s capital. [REDACT]. However, it intends to

implement an equity plan for the compensation of management and directors. [REDACT].

- **Dividend Policy:** The Bank will pay dividends when, as, and if declared by its Board of Directors.

b. Capital Structure and Sources

As described above, the Bank will be capitalized in a manner designed for it to be a “well-capitalized” institution for purposes of all applicable capital adequacy regulations. The initial day-one capital provided to the Bank has been estimated to support this objective. It will be sufficient to maintain a “buffer” of capital to address business contingencies that may arise in the future.

c. Adequacy of Proposed Capital Structure

The proposed capital structure is adequate to maintain the “well-capitalized” status of the Bank. It has been estimated based on the initial balance sheet position and estimated growth. [REDACT]. A detailed discussion of the various assumptions and projected expenses used to prepare the projected financial statements and establish the proposed capital structure appears in Section V.I.1.a.

d. Debt Service Requirements

[REDACT]

e. Options, Warrants, and Other Equity Interests

[REDACT]

f. Dividend Policy

The Bank will pay dividends when, as, and if declared by its Board of Directors.

5. Risk Management

i. Liquidity and Funds Management

The Bank will manage liquidity according to policies and practices commensurate with its business and in accordance with a proposed ALCO Policy. It will be the responsibility of the Bank’s Chief Financial Officer and the ALCO to monitor and control the Bank’s liquidity risk.

The Bank will establish and maintain a variety of funding programs and sources so that adequate, cost-effective funding will be available on an ongoing basis. The Bank will anticipate funding needs well in advance to assure the steady flow of cost-effective funding. The Bank’s funding will be derived from diversified sources:

[REDACT]

ii. Interest Rate Risk

The ALCO will oversee interest rate risk management, portfolio management, and liquidity planning. The ALCO will meet at least quarterly and provide the Bank's Board of Directors with reports regarding compliance with established policy, risk levels, and trends.

Under the direction of the Bank's Board of Directors, the ALCO will employ the following strategies for evaluating and minimizing exposure to interest rate risk:

[REDACT]

The Bank will use quantitative methods to measure and manage rate exposure regularly. The Bank's ALCO Policy contains further details about the methodology the Bank will use to identify and mitigate exposure to interest rate risk.

iii. Credit Risk

The Credit Review Department of the Bank will be an independent department responsible for examining the quality of the Bank's loan portfolios as well as other assets bearing credit risk, including, but not limited to the following areas: [REDACT].

Through reviewing these portfolios, the Credit Review Department will assess and monitor asset quality and credit process activities to ensure the portfolios meet acceptable risk levels. At the same time, they will identify both increased risk and potential losses so they can be appropriately managed proactively.

To ensure its ongoing independence, the Credit Review Department will report directly to the Audit Committee.

**VI. MONITORING AND REVISING THE PLAN**

The Bank's Board of Directors will meet to monitor adherence to the financial and operating performance of the Bank against the Business Plan at least quarterly. It will also put in place the necessary infrastructure to support and monitor the business strategy outlined in this Business Plan. The Board may adjust and amend the Business Plan based on significant or material economic developments.

**VII. CAPITALIZATION**

[REDACT]

**Exhibit List**

[REDACT]