



Strategic Business Plan 2023-2025

**Approved: Board of Directors
(Date)**



SAMPLE

2022 Planning TIMELINE
to Create 2023-2025 Strategic Business Plan

August 23, 2022

**During Special Strategic Planning Overview Session with Board of Directors,
CEO discusses management's *strategic planning process*,
seeks approval of '*strategic direction*' and '*2023-2025 Strategic Goals*'**

August 24, 2022

**During Management Committee Retreat,
CEO conveys APPROVED '*strategic direction*' and '*strategic goals*'
to achieve during 3-yr plan period of 2023-2025**

August 25, 2022

**Members of Management Committee
work to create DETAILS associated with
"2023 Annual Goals"**

September 15, 2022

**CEO presents 'Draft' 2023-2025 Plan
to Board of Directors for
Discussion/Critique
(and Potential Approval on this Date or at subsequent meeting)**

October 1, 2022

**Management Committee Begins Tracking 2023 Annual Goals
as head-start prior to January 1, 2023**

January 1, 2023

**"Tracking Progress" of
2023 ANNUAL GOALS Takes Effect
(Monthly via Management Committee)
(Quarterly via Board of Directors)**



2023-2025 `Strategic Business Plan

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Section 1: Foundation

- . History of the Bank
- . Core Values
- . Vision Statement
- . Our Strategy (should be *supported* via Strategic Goals and then Annual Goals)
- . Strategic Risk Management (*prepared by Risk Manager*)
- . Organization Chart

Section 2: Financial Analysis (*Prepared by CFO*)

- . 2024-2025 Pro Forma Balance Sheet & Income Statement
- . 2023 Consolidated Budget
- . Loan and Deposit Growth Detail
- . Key Financial Ratios to Accomplish During 2023
- . Custom Peer Group

Section 3: Key Goals

Part A: Strategic Goals, 2023-2025 (*prepared by CEO/Exec Team, Approved by Board*)

- . Grow Assets to \$X by 12/31/23, \$Y by 12/31/24 and \$Z by 12/31/25
- . Generate Net Income of \$X by 12/31/23, \$Y by 12/31/24 and \$Z by 12/31/25
- . Achieve Net Loan Growth of \$X by 12/31/23, \$Y by 12/31/24 and \$Z by 12/31/25
- . Achieve Return on Avg Assets (ROAA) of 1.5%
- . Achieve Return on Avg Equity (ROAE) of 13%
- . Improve Efficiency Ratio to 60% or Lower

Part B: Annual Goals, 2023 (*using Strategic Goals as guide, these prepared by full management team*)

- . Build a model to target specific, competitive growth opportunities in our existing markets
- . Successfully complete our Culture Initiative, begun in 2022
- . Implement a plan to establish Service Expectations throughout the Organization
- . Create a Digital/Payments Strategy
- . Create a Retail Banking Strategy
- . Assess/embrace Credit Administration/Commercial Loan Production processes to support loan growth
- . Reduce Non-Interest Expense by 4 basis points
- . Perform comprehensive Facilities Assessment (Retail & Operations) and develop facilities plan

Section 4: Tracking Progress (*The MOST IMPORTANT Part of ANY Strategic Plan!*)

- . Management Team (Monthly)
- . Board of Directors (Quarterly)



Section One

FOUNDATION

- . History of the Bank**
- . Core Values**
- . Vision Statement**
- . Mission Statement**
- . Our Strategy**
- . Strategic Risk Management**
- . Organization Chart**



Our Core Values

Members of the MDP Class of 2022-2023 from Andy Davies:

Always remember...

A Bank's CULTURE is a direct reflection of its CORE VALUES.

Integrity
Trust
Respect
Dependability
Teamwork
Welcoming Spirit
Winning Attitude
Community-Mindedness



Our Vision:

**First Coastal Bank
*will be the most
admired and respected
community bank
in the markets we serve,
as judged by our customers,
our team members,
our peer banks
and our communities.***



First Coastal Bank

Our Mission

**Independence... Community... Customer-First...
A total commitment to provide quality financial services.**

To Our Customers:

We pledge to operate our bank in a safe and sound manner.

***We will listen to your needs and respond with prompt,
professional and accurate services.***

To Our Team Members:

We will provide leadership to ensure a pleasant, safe and stable work environment.

We will show respect for individuals and their ideas.

***We will provide challenges for those who are willing to accept them
and opportunities for personal development.***

To Our Shareholders:

We must endeavor to protect and to earn a reasonable return on your investment.

***We will continually develop the organization and foster its growth
through sound banking practices.***

**Our uniqueness as an independent bank lies in providing
quality, personalized financial services and
constant innovation.**

**As always, we will continue meeting the needs
of our customers
and communities today
with a vision of improving for tomorrow.**



Our Strategy:

***We will continue to focus on
sound, profitable organic growth
within our existing markets***

while we also

***evaluate additional opportunities
that may arise that could
improve the Bank's
strategic position.***

Members of the MDP Class of 2022-2023 from Andy Davies:

This is what I call a 'dual strategy' that this bank is following.

Think of it like this:

*"We're going to STAY FOCUSED ON and FOLLOW our existing ORGANIC GROWTH strategy,
while we (on behalf of our shareholders)
keep our eyes and ears open for other potential 'opportunities'.
(Examples: an acquisition or a merger of equals).*

Strategic Risk Management

“RISKS” can impact the Bank’s strategic objectives. Therefore, sound risk management is integrated within the execution of the Bank’s strategic plan.

“RISK OVERSIGHT” is the responsibility of the Board of Directors. The Audit Committee of the Board monitors the results of various risk audits performed by management to determine the effectiveness of the Bank’s risk management process.

The Board communicates the level of risk it is willing to accept relative to achieving the Bank’s strategic objectives. The Board reviews various risk measurements to monitor the level of risk and determine the adequacy of the Bank’s responses to specific risks.

“RISK MANAGEMENT” with the organization is the responsibility of Executive Management, though all employees play a role. A risk management framework provides guidance for addressing risks. The processes and practices in the framework are coordinated by Jane Doe, SVP and Director of Risk Management

“STRATEGIC RISK ANALYSIS”
The following pages outline potential risks to the Bank’s strategic objectives.
If realized, these risks and events could have an adverse impact on the Bank’s growth and success.

The risks are separated into two distinct categories:

. ECONOMIC AND MARKET RISKS OUTSIDE OUR CONTROL:

. INTERNAL, MANAGEABLE RISKS:

Risks specific to First Coastal Bank’s operating environment and manageable with appropriate mitigation.

Economic and Market Risks Outside Our Control

- . Lingering effects of COVID-19, with potential, even likelihood, the pathogen will circulate for years, or even decades, leaving society to co-exist with COVID-19 as it does with other endemic diseases like flu, measles and HIV- implying lasting modifications to personal and societal behavior.
- . Impact of global, US, state and local market overall economic conditions on our ability to achieve our loan, deposit and non- interest revenue goals, interest rate margins and desired asset quality performance
- . Significant and unexpected fluctuations in interest rates
- . Actions of our competitors:
 - . related to loan rates, terms and underwriting standards which impact deposit pricing and terms
 - . affecting recruitment of talent in all our markets
 - . impacting our development of digital technologies and products
- . Changes in liquidity levels within the financial industry
- . Potential political unrest, natural disasters, pandemics, terror attacks
- . Unanticipated federal or state regulatory actions, regulations or expenses
- . Unanticipated changes in federal, state and local taxation
- . Damage to company's reputation (e.g. negative social media)
- . Legal and accounting expenses associated with growth
- . Changes in capital requirements
- . Changes in technology, product delivery channels and end-user demands and acceptance
- . Increase in non-bank competition
- . Economies of scale that can provide competitive advantage to larger banks
- . Changes in the needs of business owners and consumers
- . Changes in the secondary market for residential mortgages affecting our mortgage area
- . Changes in financial accounting rules (GAAP)
- . Changes in regulatory pressure towards IT, compliance and audit
- . Unanticipated changes to tax law/code
- . Change in shareholder expectations

Business Risk

- **Shifting business model to move more aggressively to grow the commercial banking business line:**
 - Redirecting incentives for sales team to support expansion of commercial banking business line, including focus on core deposit growth and promotion of treasury services
 - Adapting and mainstreaming personalized service culture for commercial clients
 - Maintaining management focus on service culture and associate engagement as business model evolves

Human Resources:

- **Talent – The Bank depends on its associates to propel growth and maintain outstanding service levels that provide a competitive advantage**
 - Maintaining focus on developing capabilities of existing associates and acquiring new talent as bank grows
 - Maintaining focus on associate engagement and bank's culture as incentive structures are realigned to support accelerated growth goals
- **Succession Planning:**
 - attraction, retention and succession of key personnel, including the Board of Directors, CEO, C-Suite and all levels of management
- **Training:**
 - creation of structured curricula, addressing internal and external training opportunities

Strategic risk

Arises from failure to regularly evaluate performance in achieving key goals within our strategic business plan

Credit Administration and Lending:

- **Within our lending line of business:**
 - ensuring we maintain appropriate underwriting
 - understanding that commercial real estate & consumer loans generally carry greater credit risk than 1-4 family residential loans
 - being aware that a significant portion of our loan portfolio is secured by real estate, and events could negatively impact the real estate market
 - the fact that repayment of commercial business loans is primarily dependent on cash flows of borrowers, which may be unpredictable, and the collateral securing these loans may fluctuate in value
- **potential credit quality deterioration within existing loan portfolio**
- **failure to properly address existing problem credits**



Section Two

Financial Analysis

**. 2024-2025 Pro Forma
Balance Sheet & Income Statement**

. 2023 Consolidated Budget

. Loan and Deposit Growth Detail

**. Key Ratios of Budget
vs. History and Peer Group**

. Custom Peer Group



Section Three KEY GOALS

Part One: Strategic Goals (2023-2025)

Part Two: Key Organic Growth Goals to Accomplish Between Jan 1-Dec 31, 2023



2023-2025

Strategic Goals

(to successfully accomplish by December 31, 2025)

- . **Grow Assets to \$X by 12/31/23,
\$Y by 12/31/24 and \$Z by 12/31/25**

- . **Generate Net Income of \$X by 12/31/23,
\$Y by 12/31/24 and \$Z by 12/31/25**

- . **Achieve Net Loan Growth of \$X by 12/31/23,
\$Y by 12/31/24 and \$Z by 12/31/24**
*(may want to show 'production' needed for each year to
achieve desired NET LOAN GROWTH)*

- . **Achieve ROAA of 1.5%**
(or show a RANGE of X% to Y%)

- . **Achieve ROAE of 13%**
(or show a RANGE of X% to Y%)

- . **Improve Efficiency Ratio to 60% or Lower**



2023 Annual Goals

(to successfully accomplish by December 31, 2023)

- . Build a model to target specific, competitive GROWTH OPPORTUNITIES in our existing markets
- . Successfully complete our CULTURE INITIATIVE, begun in 2022
- . Implement a plan to establish SERVICE EXPECTATIONS throughout the Organization
- . Create a DIGITAL/PAYMENTS STRATEGY
- . Create a RETAIL BANKING STRATEGY
- . Assess and enhance CREDIT ADMINISTRATION/COMMERCIAL LOAN PRODUCTION processes, procedures and tools to support loan growth
- . Reduce NON-INTEREST EXPENSE by 4 Basis Points
- . Perform a comprehensive FACILITIES ASSESSMENT (Retail and Operations) and develop a facilities' plan



Section Four

Tracking Progress

Monthly and Quarterly

**By Management Team
By Board of Directors**

“Tracking Progress”

of 2023 Key Goals within our Strategic Plan:

Period: January 3, 2023- December 31, 2023

“Tracking Progress” is important so that we ensure:

- . we achieve good results from our step-by-step actions
- . any impediments are quickly identified, addressed and resolved by keeping all engaged
- . we remain flexible and shift priorities as conditions dictate
- . we measure any gaps between our “2023 annual goals” and “execution” of those goals

Monitoring the status of our 2023 key goals within our Strategic Plan is the responsibility of the Bank’s Leadership Team. We will follow the following plan throughout 2023:

Leadership Team:

MONTHLY (beginning in January 2023), Leadership Team will meet and:

- . review status of all 2023 key goals and tactical actions
- . assess financial performance month-to-month and quarter-to-quarter
- . make adjustments to any parts of our 2023 Plan as conditions warrant

Board of Directors:

MONTHLY (beginning in January 2023), Board will:

- . review status of key segments of Plan as brought to board by (John Doe) as CEO

QUARTERLY (during meetings of April, July, October, 2023), Board will:

- . review, at (John Doe’s) direction, details of the entire Plan