

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Altos Bank
Los Altos, California

Application for Federal Deposit Insurance

ORDER

The undersigned acting on behalf of the Board of Directors of the Federal Deposit Insurance Corporation (“FDIC”) pursuant to delegated authority, has fully considered all available facts and information relative to the statutory factors enumerated in Section 6 of the Federal Deposit Insurance Act, including financial history and condition, capital adequacy, future earnings prospects, general character of management, risk to the fund, convenience and needs of the community and consistency of corporate powers, as they relate to the application for Federal Deposit Insurance with membership in the Deposit Insurance Fund for Altos Bank, a proposed new state nonmember bank to be located in Los Altos, California, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED, for the reasons set forth in the attached Statement, that the application submitted by the proposed bank for Federal Deposit Insurance be, and the same hereby is, approved, subject to the following conditions:

1. That beginning paid-in capital funds shall not be less than \$25,000,000.
2. That the Bank’s Tier 1 capital to assets leverage ratio (as defined in the appropriate capital regulation and guidance from the FDIC) shall be maintained at not less than eight percent (8%) throughout the first three years of operation and that an adequate allowance for loan and lease losses will be provided.
3. That the Bank shall pay no dividends during the first three years of operations without prior written non-objection of the FDIC’s San Francisco Regional Director and the California Department of Financial Protection and Innovation (“CDFPI”).
4. That any changes in proposed management or the proposed ownership of 10 percent or more of stock, including new acquisitions of or subscriptions to 10 percent or more of stock, shall be approved by the FDIC prior to opening.
5. That an accrual accounting system shall be adopted for maintaining the financial records of the institution.
6. That the Bank shall obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance is effective and shall submit to the appropriate FDIC Regional Director, (i) a copy of the audited annual financial statements and the independent public auditor’s report thereon within 90 days after the end of the depository institution’s fiscal year, (ii) a copy of any other reports by the independent auditor (including any management letters) within 15 days after their receipt by the institution, and (iii) written notification within 15 days when a change in the institution’s independent auditor occurs.

7. That prior to the effective date of Federal Deposit Insurance, the Bank shall obtain sufficient fidelity coverage in a sufficient amount to conform to generally accepted banking practices.
8. That during the first three years of operation, the Bank shall obtain the written non-objection of the appropriate FDIC Regional Director for any proposed change to the board of directors or to any senior executive officer position. Such notice shall be submitted at least 30 days prior to the proposed election to the board or appointment, and shall include a complete Interagency Biographical and Financial Report for each individual proposed for election or appointment. The term "senior executive officer" shall have the meaning set forth in 12 C.F.R. 303.101.
9. That during the first three years of operation, the Bank shall obtain the written non-objection of the appropriate FDIC Regional Director prior to implementing any change(s) in the duties, responsibilities, or authorities of any director or senior executive officer. Such notice shall be submitted at least 30 days prior to the proposed change(s), and the notice shall fully describe the reason(s) for such change(s). The term "senior executive officer" shall have the meaning set forth in 12 C.F.R.303.101.
10. That prior to executing final employment agreements and compensation arrangements for any senior executive officer, and prior to the Bank commencing operations, the Bank shall submit copies of, and obtain the appropriate FDIC Regional Director's written non-objection to the final employment agreements and compensation arrangements (including a written description of salary, benefits, deferred compensation, stock compensation or incentives, and bonus and severance payments, as applicable) for the Bank's senior executive officers. The term "senior executive officer" shall have the meaning set forth in 12 C.F.R. 303.101.
11. That the Bank shall establish the appropriate infrastructure, including developing satisfactory policies and procedures and hiring personnel with sufficient expertise, prior to launching the government-guaranteed lending program.
12. That prior to distribution to potential investors, the institution shall submit to the appropriate Regional Director for review and non-objection the final stock offering circular to be distributed in conjunction with the sale of the institution's shares. Such offering circular shall fully disclose all proposed relationships and transactions between the institution and any director, officer, organizer, investor, or control party whose direct and indirect control of the institution's shares following the offering, when aggregated, will equal or exceed 10 percent of the institution's capital.
13. That prior to the effective date of Federal Deposit Insurance, a complete shareholder list shall be provided to the appropriate Regional Director, which shall include the following for each beneficial owner or control party: name, number of shares owned or controlled directly or indirectly, dollar amount of shares owned or controlled directly or indirectly, and percentage of shares owned or controlled directly or indirectly. The shareholder list shall also identify any related direct or indirect interests in shares, whether such interests are held as owner, control party, beneficiary, trustee, or investment advisor, or whether due to another similar relationship that, following the offering and when aggregated, will equal or exceed 10 percent of the institution's shares.

14. That during the first three years of operations, the Bank shall notify the appropriate FDIC Regional Director of any plans to establish a loan production office at least 60 days prior to opening the facility.
15. That the Bank must operate within the parameters of the Business Plan submitted to the FDIC. During the first three years of operation, the institution shall seek the prior non-objection of the FDIC San Francisco Regional Director for any proposed major deviation or material change from the submitted Business Plan, at least 60 days prior to implementation of any such major deviation or material change.
16. That Federal Deposit Insurance shall not become effective until the applicant is authorized to operate as a California-chartered bank by the California Department of Financial Protection and Innovation (“CDFPI”).
17. That if the Bank does not commence operations within twelve months from the date of this ORDER, the consent granted herein shall expire, unless the Corporation approves a request for an extension of the deadline prior to the expiration.
18. That until Federal Deposit Insurance becomes effective, the FDIC retains the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

By Order of the Regional Director of the San Francisco Regional Office, acting pursuant to delegated authority for the Board of Directors of the FDIC.

Dated at San Francisco, California this 9th day of September, 2024.

/s/
Paul P. Worthing
Regional Director
San Francisco Region

FEDERAL DEPOSIT INSURANCE CORPORATION

RE: Altos Bank (In Organization)
Los Altos, California

Application for Federal Deposit Insurance

STATEMENT

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (“FDI Act”) (12 U.S.C. § 1815), the Federal Deposit Insurance Corporation (“FDIC”) received an Interagency Charter and Federal Deposit Insurance Application filed on behalf of Altos Bank (“Bank”), a proposed new community bank that will operate from one single location in Los Altos, California. The application is intended to establish a newly chartered state nonmember commercial bank. The organizers concurrently applied to the California Department of Financial Protection and Innovation (“CDFPI”) for a state bank charter to form a de novo commercial bank to be known as Altos Bank.

Notice of the Federal Deposit Insurance application, in a form approved by the FDIC, was initially published pursuant to the FDI Act on May 15, 2023. The organizers, after changing the name of the proposed institution to its current name of “Altos Bank” from “Entrust Bank,” made a second publication on December 12, 2023. The minimum opening capital of \$25,000,000 will be realized from a public offering.

The Bank’s business plan is to operate a state-chartered nonmember community bank that provides banking services in the Santa Clara and San Mateo Counties. The Bank will offer traditional products and services and will be overseen by an experienced management team, including a diversified and knowledgeable Board of Directors who is committed to serving the local communities.

The Bank will operate with sufficient capital and managerial resources to accomplish the strategies and goals in the business plan. The Bank will be capitalized with an amount sufficient to achieve and maintain a Tier 1 Capital to Assets Leverage Ratio, as defined in the capital regulations of the FDIC, of not less than eight percent (8.00%) throughout the Bank’s first three years of operation. Projected growth and future earnings prospects appear attainable. The Bank’s plans appear to satisfy the convenience and needs of the community. Corporate powers to be exercised are consistent with the purposes of the FDI Act, and no undue risk to the Deposit Insurance Fund is evident.

Accordingly, based upon a careful evaluation of all available facts and information, and in consideration of Section 6 of the FDI Act (12 U.S.C. §1816), the San Francisco Regional Director, pursuant to delegated authority, has concluded that approval of the applications are warranted, subject to certain prudent conditions.

**REGIONAL DIRECTOR
DIVISION OF RISK MANAGEMENT SUPERVISION
FEDERAL DEPOSIT INSURANCE CORPORATION**