

# **FEDERAL DEPOSIT INSURANCE CORPORATION**

Re: Varo Bank, NA  
(In organization)  
Draper, Salt Lake County, Utah  
Application for Federal Deposit Insurance and Consent to Merge

## **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 relevant to the consideration of the statutory factors enumerated in section 6 of the Federal Deposit Insurance Act ("FDI Act"), including financial history and condition, capital adequacy, future earnings prospects, general character of management, risk to the Deposit Insurance Fund, convenience and needs of the community, and consistency of corporate powers, as they relate to the application for Federal Deposit Insurance for Varo Bank, NA ("Bank"), a proposed new national bank to be located at 11781 South Lone Peak Way, Draper, Utah, 84020, and has concluded that the application should be approved. Similarly, having considered the requirements and statutory factors enumerated in section 18(c) of the FDI Act in connection with the Bank's application for consent for a merger transaction with its parent company, Varo Money, Inc. ("Company"), the undersigned has concluded that such merger transaction should be authorized as necessary in connection with this proposal.

Accordingly, it is hereby **ORDERED**, for the reasons set forth in the attached Statement, that the application submitted by the Bank for Federal Deposit Insurance and, as necessary, consent to merge, be, and the same hereby is, approved, subject to the following conditions:

1. That initial paid-in capital funds of not less than \$104,400,000 be provided through the transfer of assets and liabilities of the Company.
2. That the Bank's Tier 1 leverageratio (as defined in the capital regulations of the institution's primary Federal regulator) be maintained at not less than ten percent (10%) or greater throughout the first three years of operation, and that an adequate allowance for loan and lease losses ("ALLL") be provided from the date insurance is effective.
3. That the Bank shall pay no dividends during the first three years of operations without the prior written approval of its primary Federal regulator.
4. That prior to Bank opening, any noncash contributions to capital be supported by a current independent appraisal or market valuation provided to the FDIC. Such valuation must fully document the net capital value, including any loans, investments, fixed assets, or other assets contributed to the Bank, along with any liabilities or other obligations.

5. That the Bank shall operate within the parameters of the business plan submitted as part of the application for Federal Deposit Insurance. During the first three years of operation, the Bank shall provide prior written notice to, and obtain non-objection from, its primary Federal regulator for any proposed major deviation or material change from the submitted business plan.
6. That the Bank must receive written approval from its primary Federal regulator for the purchase of assets and assumption of liabilities from an affiliate to capitalize the Bank pursuant to 12 C.F.R. § 223.42(i) prior to the Bank opening. In addition, all assets purchased from affiliates in connection with the formation of the Bank must comply with the prohibition on the purchase of low quality assets contained in Section 23A(a)(3) of the Federal Reserve Act, as implemented in Regulation W, 12 C.F.R. 223.15(a), including the definition of "low quality assets" in 12 C.F.R. 223.3(v).
7. That any changes in the Bank's proposed management or the proposed ownership or control of ten percent (10%) or more of the Bank's stock, including new acquisitions of or subscriptions to ten percent (10%) or more of stock, shall be approved by the FDIC prior to the Bank's opening for business.
8. That the Bank shall adopt an accrual accounting system for maintaining the financial records of the Bank in accordance with U.S. Generally Accepted Accounting Principles, and maintain separate accounting and other business records, including customer account records, and that the Bank's books and records shall be maintained under the control and direction of authorized Bank officials and available for review by the primary Federal regulator at the Bank's main office located in Draper, Utah.
9. That prior to the Bank's opening, full disclosure shall be made to all proposed directors of the Bank of the facts concerning the interest of any insider in any transactions being effected or contemplated, including the identity of the parties to the transaction and the terms and costs involved. An "insider" is a person who: (i) is or is proposed to be a director, officer or incorporator of the Bank; (ii) is a shareholder who directly or indirectly controls ten percent (10%) or more of any class of the Bank's outstanding voting stock; or (iii) is an associate or related interest of any such persons.
10. That during the Bank's first three years of operation, the Bank shall provide notice to, and obtain the prior written non-objection of, its primary Federal regulator for any proposed change to the board of directors or to any senior executive officer position of the Bank. Such notice shall be submitted at least thirty (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.
11. That prior to the Bank executing final employment agreements and compensation arrangements for any director or senior executive officer of the Bank, and prior to the Bank commencing operations, the Bank shall submit copies of, and obtain the FDIC San Francisco Regional Director's written non-objection to, such final employment

agreements and compensation arrangements not previously reviewed by the FDIC as part of the application for Federal Deposit Insurance.

12. That prior to Bank opening, the Bank shall hire a chief compliance officer and a chief information security officer, both with requisite knowledge, experience, and capabilities to fulfill the responsibilities of those positions.
13. That during the Bank's first three years of operation, the Bank shall obtain the written non-objection of its primary Federal regulator prior to the implementation of any stock benefit plans, including stock options, stock grants, or other similar stock-based compensation plans benefitting Bank employees not previously reviewed by the FDIC as part of the application for Federal Deposit Insurance.
14. That prior to the effective date of Federal Deposit Insurance, the Bank shall obtain adequate fidelity coverage.
15. That the Bank shall obtain an audit of its financial statements by an independent public accountant ("independent auditor") annually for at least the first three years of operation and submit to the FDIC's San Francisco Regional Office: (i) a copy of the audited annual financial statements and the independent auditor's report within ninety (90) days following the end of the Bank's fiscal year; (ii) a copy of any other reports by the independent auditor (including management letters) within fifteen (15) days after receipt by the Bank; and (iii) written notification within fifteen (15) days when a change in the Bank's independent auditor occurs.
16. That Federal Deposit Insurance shall not become effective until the Bank has been granted a charter and has authority to conduct a banking business, and its establishment and operation as a depository institution has been fully approved by the OCC.
17. That this approval is conditioned upon the Company obtaining all necessary and final approvals from the Board of Governors of the Federal Reserve System to become a bank holding company.
18. That prior to the effective date of Federal Deposit Insurance, a complete shareholder list for the Company and the Bank shall be provided to the FDIC, 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 Bank or holding company's stock.
19. That this approval is conditioned on the facts as currently known by the FDIC. If there are any material events prior to the opening of the Bank for business, the Bank shall

notify the FDIC as soon as the Bank becomes aware of the event, and this approval may be withdrawn or modified.

20. That if Federal Deposit Insurance has not become effective within one (1) year from the date of this ORDER, or unless, in the meantime, a written request for an extension of time by the Bank has been approved by the FDIC, the consent granted shall expire at the end of this time period on said date.
21. That until Federal Deposit Insurance becomes effective, the FDIC retains the right to alter, suspend, or withdraw its commitment should any interim development be deemed by the FDIC to warrant such action.

By Order of the Associate Director, Division of Risk Management Supervision,  
acting pursuant to delegated authority for the Board of Directors of the FDIC.

Dated at Washington, D.C.

this 7th day of February, 2020.

/S/

By: \_\_\_\_\_

Patricia A. Colohan  
Associate Director

# **FEDERAL DEPOSIT INSURANCE CORPORATION**

Re: Varo Bank, National Association  
(In organization)  
Draper, Salt Lake County, Utah  
Application for Federal Deposit Insurance and Consent to Merge

## **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 on behalf of Varo Bank, National Association ("Bank"), a proposed national bank, to be located at 11781 South Lone Peak Way, Draper, Salt Lake County, Utah. The organizers have applied to the Office of the Comptroller of the Currency ("OCC") for a national bank charter and have received preliminary conditional approval. In connection with the Bank's application for Federal deposit insurance, the Bank has also filed an application requesting the Corporation's consent for a merger transaction with its parent company, Varo Money, Inc. ("Company"), under Section 18(c) of the FDI Act (12 U.S.C. §1828(c)).

The Bank will be a wholly-owned subsidiary of the Company, a Delaware corporation with its main offices in San Francisco, California, which has raised funds to begin development of the business that will be conducted by the Bank. The Company intends to file an application to become a bank holding company with the Board of Governors of the Federal Reserve System in the first quarter of 2020.

While the Bank will have no branches, deposit-taking ATMs, or offices open to the public, it will be a full service bank with nationwide operations. Its business model combines a traditional retail banking approach with modern technology by offering banking products (including traditional loan and deposit products) through mobile, online, and phone-based banking channels.

The financial projections indicate the Bank will be "Well Capitalized." Initial paid-in capital funds of not less than \$104,400,000 will be provided through the transfer of assets and liabilities of the Company. Additionally, during the first three (3) years of operation, the Bank will be required to maintain a Tier 1 leverage ratio of ten percent (10%) or greater. The Bank may also be required to maintain higher minimum capital requirements as dictated by the Bank's own operating plan or as the OCC may require pursuant to its regulatory authority.

The FDIC must consider the statutory factors of Section 6 of the FDI Act (12 U.S.C. §1816) when evaluating an application for deposit insurance. These factors relate to the financial history and condition of the depository institution; the adequacy of capital and management; the future earnings prospects; the risk to the Deposit Insurance Fund; the convenience and needs of the community to be served; and the consistency of corporate powers with the FDI Act.

For the purposes of this proposal, the financial history and condition, capital and management are considered satisfactory, and projections for future earnings prospects are favorable. Corporate powers to be exercised are consistent with the purpose of the FDI Act. The Bank's plans demonstrate a commitment to serving the convenience and needs of the community. No undue risk to the Deposit Insurance Fund is evident.

Accordingly, based upon careful evaluation of all available facts and information, and in consideration of the factors of Section 6 of the FDI Act, the Associate Director, Risk Management Supervision, acting under delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions. Similarly, having considered and favorably resolved the requirements and statutory factors enumerated in Section 18(c) of the FDI Act in connection with the Bank's application for consent for a merger transaction with the Company, such merger transaction should be authorized as necessary in connection with proposal.

**ASSOCIATE DIRECTOR  
RISK MANAGEMENT SUPERVISION  
FEDERAL DEPOSIT INSURANCE CORPORATION**