



PUBLIC DISCLOSURE

February 27, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Varo Bank, National Association
Charter Number 25147

100 Montgomery St., Suite 1200
San Francisco, CA 94104

Office of the Comptroller of the Currency

25 Jesse St. at Ecker Square, Suite 16
San Francisco, CA 94105

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated Satisfactory.

CONCLUSIONS:

Varo Bank, N.A., (Varo or Bank) substantially achieves its plan goals for a satisfactory rating.

- The Bank exhibits an excellent level of qualified investments. The Bank exceeded the investment goals for outstanding performance in both assessment areas (AA) as set forth in its CRA Strategic Plan for the 2020 to 2022 evaluation period.
- The Bank exhibits good penetration of savings accounts to customers in low- and moderate-income (LMI) geographies. The Bank exceeded the savings account goals for satisfactory performance in both AAs as set forth in its CRA Strategic Plan.
- The Bank exhibits a good level of community development (CD) services. The Bank exceeded the service goals for outstanding performance set forth in its CRA Strategic Plan in the Salt Lake City CSA for 2021 and 2022 and achieved its service goals for satisfactory performance in the Broader AA in 2022 but fell short of its Broader AA goal for 2021. The Bank did not achieve its goals for 2020 in either AA due to limitations caused by the COVID-19 pandemic.

Description of Institution

Varo Bank, N.A is headquartered in Draper, Utah and operates nationally. Varo is a de novo bank that began operating as a national bank on August 1, 2020. Varo is a wholly owned subsidiary of Varo Money, Inc., a bank holding company headquartered in San Francisco, CA. Varo is a digital bank with no branch locations but maintains offices in San Francisco, CA, and Charlotte, NC.

As of December 31, 2022, Varo had total assets of \$476.4 million, total loans of \$30.7 million (6.4 percent of total assets), total deposits of \$275.9 million, and tier 1 capital of \$151.3 million. Total loans include \$21.1 million in credit cards, \$8.6 million in other revolving credit plans, and \$1.0 million in other loans. Total deposits are comprised of demand deposit accounts (DDAs) to individuals, partnerships, and corporations.

Varo focuses on serving banking needs primarily through the internet and has a specialized business model that differs from traditional banks. The Bank operates throughout the United States and aims to serve LMI consumers. Varo's products are offered through mobile, online, and phone-based banking channels. The Bank does not maintain branches or accept cash or mailed deposits. Check deposits are accepted through the mobile app, and cash deposits are accepted at over 90,000 retail locations using Green Dot Reload. Varo does not operate any ATMs but partners with Allpoint to provide customers access to more than 55,000 fee-free Allpoint ATMs worldwide in stores like Target, CVS, and Walgreens.

Varo's deposit products include checking and savings accounts. The Bank's deposit products are designed to support financial inclusion by being affordable and easily accessible and encouraging wealth-building. Varo does not impose monthly maintenance fees or foreign transaction fees and the accounts do not have a minimum balance requirement or allow overdrafts. Varo also offers auto-saving features like Save Your Pay and Save Your Change to make saving easier.

Varo offers two lending products, Varo Believe and Varo Advance. Varo Believe is a secured credit card with no fees, interest, or upfront security deposit. The product requires no initial credit check and is more accessible for consumers with a low credit score or no credit history. Varo reports payment history to the three major credit bureaus and allows customers to view and monitor their credit scores directly in the Varo Bank app for free. Varo Believe requires a Varo bank account with direct deposit and can only be funded from a Varo bank account. Varo Advance allows customers to borrow up to \$250 with no interest but there is an advance fee of between \$4 and \$15, based on advance amount, for advances over \$20. Varo Advance requires an active bank account for at least 30 days plus direct deposit. Varo Advance can be used immediately, anywhere, anytime, for any unexpected expense allowing customers a convenient way to access extra cash. Only one advance is allowed at a time

Given the Bank's unique operating model, the CRA Strategic Plan establishes performance goals for the Bank's savings product, CD investments, and CD service hours. Varo has designated two assessment areas (AA). The Salt Lake City-Provo-Orem Combined Statistical Area (SLC CSA) is its primary AA. The primary AA is drawn around the Bank's headquarters in Draper, Utah, to cover the Salt Lake City Metropolitan Statistical Area (MSA) and expanded to include two MSAs and a Micropolitan Statistical Area, which make up the greater SLC CSA. The Bank's second AA (Broader AA) includes the portion of the State of Utah that is not in the SLC CSA and all states in the western region of the United States. The states that serve as the Broader AA are Alaska, Arizona, California, Colorado, Hawaii, Idaho,

Montana, Nevada, New Mexico, Oregon, Utah (excluding Salt Lake City-Provo-Orem CSA), Washington, and Wyoming.

As a de novo institution, this is the Bank's first CRA evaluation. There are no legal, financial, or other factors impacting Varo's ability to meet the credit needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period is August 1, 2020 through December 31, 2022. Varo's evaluation goals are set forth in a CRA Strategic Plan that was approved by the OCC on June 30, 2020 and covers a five-year period. The plan took effect on August 1, 2020, when Varo began operations as a national bank.

The evaluation scope included savings accounts, CD investments, and CD services as outlined by the CRA Strategic Plan.

Selection of Areas for Full-Scope Review

Both of the Bank's designated AAs received full-scope reviews.

Ratings

The Bank's overall rating is based on the performance as agreed upon in the strategic planning application process.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Utah

CRA Rating for the State of Utah: Satisfactory

The major factors that support this rating include:

- Varo exhibits an excellent level of qualified investments.
- Varo exhibits a good level of community development (CD) services.
- Varo exhibits good penetration of savings accounts to customers in low- and moderate-income (LMI) geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN UTAH:

The Bank substantially achieves its plan goals for a satisfactory rating within the state of Utah and Broader AA.

DISCUSSION OF PERFORMANCE IN SALT LAKE CITY-PROVO-OREM COMBINED STATISTICAL AREA AND BROADER AA:

Bank Services

Bank services performance is good. Varo exceeded the savings accounts goals established for satisfactory performance in each year of the evaluation period but only met its goal for outstanding performance in 2020. Varo’s goal for satisfactory performance was to open new savings accounts to customers residing in LMI census tracts during each calendar year that represented at least 0.50 percent of savings accounts opened in each corresponding year in the SLC CSA and at least 5 percent of savings accounts in the Broader AA. The Bank’s goal for outstanding performance was to encourage at least 20.0 percent of the new LMI account owners to participate in one of its auto-savings programs.

CRA Strategic Plan - Bank Services Goals and Actual Performance

Salt Lake City-Provo-Orem CSA				
Year	Satisfactory Performance		Outstanding Performance	
	Percent New Accounts in LMI Tracts		Percent New Accounts in LMI Tracts with Auto-savings*	
	Goal for Satisfactory	Actual	Goal for Outstanding	Actual
2020	0.5%	35%	20.0%	21%
2021	0.5%	39%	20.0%	12%
2022	0.5%	40%	20.0%	9%

* A savings account is enrolled in an automatic savings plan (Save Your Pay "SYP"/Save Your Change "SYC") if there has been at least one SYP or SYC transaction made since the account was opened.

In the SLC CSA, Varo opened 9,857 savings accounts during the evaluation period, of which 3,857 accounts, or 39.1 percent, were to depositors residing in LMI tracts in the SLC CSA. Of the accounts in LMI geographies, 11.4 percent utilized an auto-savings feature. Varo exceeded its goals for opening

accounts to depositors in LMI census tracts each year of the evaluation period but only met its goal for outstanding performance in 2020.

Broader AA				
Year	Satisfactory Performance		Outstanding Performance	
	Percent New Accounts in LMI Tracts		Percent New Accounts in LMI Tracts with Auto-savings*	
	Goal for Satisfactory	Actual	Goal for Outstanding	Actual
2020	5.0%	47%	20.0%	20%
2021	5.0%	50%	20.0%	10%
2022	5.0%	46%	20.0%	7%

* A savings account is enrolled in an automatic savings plan (Save Your Pay "SYP"/Save Your Change "SYC") if there has been at least one SYP or SYC transaction made since the account was opened.

In the Broader AA, Varo opened 264,670 savings accounts during the evaluation period, of which 127,422 accounts, or 48.1 percent, were to depositors residing in LMI tracts in the Broader AA. Of the accounts in LMI geographies, 9.5 percent utilized an auto-savings feature. Varo exceeded its goals for opening accounts to depositors in LMI census tracts each year but only met its goal for outstanding performance in 2020.

Community Development Services

CD services performance is good. Varo exceeded the CD service goals established for outstanding performance in the SLC CSA in 2021 and 2022 but only exceeded its goal for satisfactory performance in the Broader AA in 2022. Cumulatively, Varo exceeded its goals for satisfactory performance but did not meet the goals for outstanding performance. Due to the de novo status of the Bank and the timing of its inception in August 2020, the COVID-19 pandemic impacted the Bank’s ability to provide CD services in 2020 as restrictions on in-person gatherings caused the Bank to cancel certain qualifying events. As such, the lack of CD services in 2020 does not negatively impact the Bank’s performance under this criterion.

Varo’s CD service hour goals are based on the number of management level staff in each of its AAs. At the time of the plan submission, Varo had 12 managers in Draper, UT, or the SLC CSA, and 41 managers in San Francisco, or the Broader AA. In 2020, the CD service goal was one hour per manager in the corresponding AA for satisfactory performance and at least two hours per manager for outstanding performance. In 2021 and 2022, the goals for satisfactory performance were two hours per manager in each respective AA and at least three hours per manager in each AA for outstanding performance.

CRA Strategic Plan CD Services Goals and Actual Performance

Salt Lake City-Provo-Orem CSA			
Year	Goal for Satisfactory	Goal for Outstanding	Actual CD Service Hours
2020	12	18	0
2021	24	36	58
2022	24	36	51

Varo provided 109 hours of financial literacy and career development mentoring to LMI students in the SLC CSA during the evaluation period. The Bank exceeded the CD service goals for outstanding performance in 2021 and 2022.

Broader Assessment Area			
Year	Goal for Satisfactory	Goal for Outstanding	Actual CD Service Hours
2020	41	61	0
2021	83	123	82
2022	83	123	98

Varo provided 154 hours of financial literacy and career development mentoring to LMI students and 26 hours of board service to such organizations in the Broader AA during the evaluation period. The Bank exceeded the CD service goals for satisfactory performance in 2022 and was just short of its goal in 2021.

Combined AA			
Year	Goal for Satisfactory	Goal for Outstanding	Actual CD Service Hours
2020	53	79	0
2021	107	159	140
2022	107	159	149

The plan also includes the Bank’s intention to meet the cumulative goals in each individual year of the plan. As such, cumulatively, Varo has met the performance goals for satisfactory performance in 2021 and 2022.

Varo also provided 37 hours of financial literacy to LMI students outside the Bank’s AAs. The strategic plan does not address CD activities outside of the AAs, so these hours are not included in the performance data. Additionally, the Bank provided 100 hours of food packaging and distribution services for foodbanks both inside and outside of the AAs. While the CRA Strategic Plan envisions services for humanitarian needs, this service is neither financial in nature nor does it reflect technical assistance within the expertise of staff providing the service. As such, CD services provided outside the AAs or not financial in nature are not included in the performance results.

Lending and Investment Performance

CD investment performance is excellent. Varo exceeded the CD investment goals established for outstanding performance. The Bank originated nearly \$2.8 million in CD investments over the evaluation period. The Bank’s goal was to make CD loans and investments during calendar years 2020 and 2021 that represented at least 0.10 percent of the corresponding year’s total average assets in each AA and 0.15 percent of total average assets in 2022 for satisfactory performance. The Bank’s goal for outstanding performance was 0.15 percent of total average assets in 2020 and 2021 and 0.20 percent of total average assets in 2022.

CRA Strategic Plan Lending and Investment Goals and Actual Performance

Salt Lake City-Provo-Orem CSA					
Year	Goal for Satisfactory	Goal for Outstanding	Actual		
			\$ Volume Current Advances	Book Value Prior Advances	Dollar Volume/ Avg Assets
2020	0.10%	0.15%	1,290,492	0	0.39%
2021	0.10%	0.15%	0	1,251,367	0.25%
2022	0.15%	0.20%	0	1,218,406	0.22%

Broader AA					
Year	Goal for Satisfactory	Goal for Outstanding	Actual		
			\$ Volume Current Advances	Book Value Prior Advances	Dollar Volume/ Avg Assets
2020	0.10%	0.15%	1,027,459	0	0.31%
2021	0.10%	0.15%	143,500	997,382	0.22%
2022	0.15%	0.20%	326,418	745,675	0.19%

Cumulative					
Year	Goal for Satisfactory	Goal for Outstanding	Actual		
			\$ Volume Current Advances	Book Value Prior Advances	Dollar Volume/ Avg Assets
2020	0.20%	0.30%	2,317,952	0	0.70%
2021	0.20%	0.30%	143,500	2,248,749	0.47%
2022	0.30%	0.40%	326,418	1,964,081	0.40%

During the evaluation period, the Bank purchased two targeted mortgage-backed securities (MBS) and made grants totaling \$469,918. Varo did not grant any CD loans during the evaluation period. While the CRA Strategic Plan mentions CD loans, there are no specific goals for lending or investment, and the plan stated that CD investments would be the primary avenue for meeting or exceeding its CD Loan and Investment goals.

Examples of CD investments include the following:

- \$1.3 million MBS secured by mortgage loans granted to low- or moderate-income borrowers in the SLC CSA.
- \$1.0 million MBS secured by mortgage loans granted to low- or moderate-income borrowers in the Broader AA. This investment provided financing on two properties in California and one property in each of Colorado and Washington.
- \$470,000 in grants to two financial literacy organizations serving LMI students in the Broader AA.

Varo made \$1.8 million in qualifying grants that benefit geographies or individuals located outside of the Bank's AAs, but the CRA Strategic Plan does not address CD activities outside of the AAs. As such, grants made outside the AAs are not included in the performance results.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, loan products considered, and affiliate activities that were reviewed. The table also reflects the MSAs and non-MSAs that received comprehensive examination review

Time Period Reviewed:	08/01/2020 to 12/31/2022	
Bank Products Reviewed:	Savings accounts Qualified investments CD Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	NA	NA
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Other Information	
State of Utah		
Salt Lake City-Provo-Orem, UT CSA		
Salt Lake City MSA (41620)	<i>Counties of Salt Lake (035) and Toole (045)</i>	
Ogden-Clearfield MSA (36260)	<i>Counties of Box Elder (003), Davis (011), Morgan (029), and Weber (057)</i>	
Provo-Orem MSA (39340)	<i>Counties of Juab (023) and Utah (049)</i>	
Heber MicroMSA (non-MSA-25720)	<i>Counties of Summit (043) and Wasatch (051)</i>	
Broader Assessment Area		
Census Bureau Region 4 – West Region of United States	<i>States of Alaska (02), Arizona (04), California (06), Colorado (08), Hawaii (15), Idaho (16), Montana (30), Nevada (32), New Mexico (35), Oregon (41), Utah (49) (excluding Salt Lake City CSA), Washington (53), and Wyoming (56)</i>	

Appendix B - Summary of State Ratings

State Name	State Rating
Utah	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances. Census tracts ideally contain about 4,000 people and 1,600 housing units.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.