Office of the Comptroller of the Currency

Washington, DC 20219

Conditional Approval #1138
November 2015

October 8, 2015

Leonard D. Davenport
President and Chief Executive Officer
CertusBank, N.A.
2 West Washington Street, Suite 700
Greenville, SC 29601

Re: Application for Substantial Asset Change by CertusBank, N.A., Greenville, South Carolina
OCC Control No.: 2015-HQ-145108 Charter No.: 24975

Application for Merger of CertusBank, N.A., with and into CBSUB, Inc., Wilmington, Delaware
OCC Control No.: 2015-HQ-145171

Dear Mr. Davenport:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the above referenced applications (Applications) submitted by CertusBank, N.A., Greenville, South Carolina (Bank). These approvals are granted after a thorough evaluation of the Applications, other materials supplied by the Bank's representatives, and other information available to the OCC, including commitments and representations made in the Applications and during the application process. The OCC's approvals are subject to the conditions set out herein.

I. The Transactions

The Applications relate to a series of transactions pursuant to which the Bank proposes to terminate its national bank charter. The Bank's Board of Directors has adopted a "De-Banking Plan" for the transfer of all of the Bank's deposits, and substantially all of its assets and other liabilities. The Bank has applied for OCC approval for a substantial asset change under 12 C.F.R. § 5.53 to consummate the De-Banking Plan, which includes, among other transactions, purchase and assumption transactions with Community & Southern Bank, Atlanta, Georgia (C&S); Bank of North Carolina, Thomasville, North Carolina (BNC); and Queensborough National Bank & Trust Company, Louisville, Georgia (Queensborough) (collectively, P&A Transactions). In the P&A Transactions, the Bank will dispose of its remaining deposits, and substantially all of its remaining assets and liabilities.[1] After the P&A Transactions are completed, the Bank will become eligible to terminate its insurance of accounts with the Federal

[1] The P&A Transactions are each subject to regulatory approval by the appropriate federal banking regulator of the acquiring institution, and, for the acquiring institutions that are state-chartered, the state banking regulator.

Deposit Insurance Corporation (FDIC) pursuant to 12 C.F.R. Part 307. After the completion of the P&A Transactions and the termination of deposit insurance, the Bank proposes to merge with and into its nonbank affiliate CBSUB, Inc., Easley, SC, (CBSUB) pursuant to 12 U.S.C. § 215a-3 and 12 C.F.R. § 5.33(g)(5). The Bank expects the P&A Transactions and the merger with and into CBSUB to occur by the end of October 2015.

II. Discussion

A. Substantial Asset Change

The Bank applied to the OCC for prior approval of a substantial asset change under 12 C.F.R. § 5.53. Under § 5.53(b), a national bank must obtain the prior written approval of the OCC for a substantial asset change, which includes the sale or other disposition of all, or substantially all, of its assets in a transaction or series of transactions. Through the transactions contemplated in the De-Banking Plan, including the P&A Transactions, the Bank will transfer all of its deposits and substantially all of its assets and other liabilities.

One of the purposes of 12 C.F.R. § 5.53 is to address supervisory concerns raised by so called "dormant" bank charters by providing the OCC with regulatory oversight and a means to monitor them. The Bank plans to merge into CBSUB, a nonbank affiliate, after the completion of the P&A Transactions. Thus, OCC concerns over the continuation of "dormant" charters are addressed and the transaction is consistent with the language and purpose of § 5.53.

12 C.F.R. § 5.53(d)(3) requires the OCC, in reviewing a substantial asset change application, to consider the capital levels of any resulting national bank; the conformity of the transaction to applicable law, regulation, and supervisory policies; the purpose of the transaction; the impact of the transaction on the safety and soundness of the national bank; and the effect of the transaction on the national bank's shareholders, depositors, other creditors, and customers. The OCC may deny the application if the transaction would have a negative effect in any of these respects. The OCC has considered the factors for approval under 12 C.F.R. § 5.53 and found them consistent with approval, subject to the Bank's compliance with conditions 1 and 2, which are intended to help ensure the Bank meets the applicable approval standards.

B. Merger of the Bank with and into CBSUB, Inc.

In this merger, the Bank will merge into CBSUB, a nonbank affiliate. CBSUB will be the surviving entity, and the Bank will cease to exist.

The merger is authorized under 12 U.S.C. § 215a-3. Section 215a-3 authorizes a national bank to merge with a nonbank subsidiary or affiliate. The statute does not limit its scope to mergers in which the national bank is the surviving entity, and, therefore, a merger *into* a nonbank affiliate is within its scope. The OCC's implementing regulation, discussed below, expressly provides for mergers into a nonbank affiliate. However, the regulation limits these transactions to mergers involving a national bank that is not an insured bank. *See* 12 C.F.R. § 5.33(g)(5)(i). The Bank will not be an insured bank at the time of the merger.

The OCC's regulation implementing 12 U.S.C. § 215a-3 sets out substantive and procedural requirements for the merger of an uninsured national bank with its nonbank affiliate in which the nonbank affiliate is the resulting entity. *See* 12 C.F.R. § 5.33(g)(5). The regulation requires that the law of the state under which the nonbank affiliate is organized allow the nonbank affiliate to engage in such mergers. 12 C.F.R. § 5.33(g)(5)(1). The regulation also imposes the requirements that: (1) the national bank comply with the procedures of 12 U.S.C. § 214a as if it were merging into a state bank; (2) the nonbank affiliate follow the procedures for mergers of the law of its state of organization; and (3) shareholders of the national bank who dissent from the merger have the dissenters' rights set out in 12 U.S.C. § 214a. 12 C.F.R. § 5.33(g)(5)(ii)-(iv). The Bank has represented that it has complied or will comply with these procedural requirements.

The regulation also requires that the OCC consider the conformity of the transaction to applicable law, regulation, and supervisory policies; the purpose of the transaction; the impact of the transaction on safety and soundness of the national bank; and the effect of the transaction on the national bank's shareholders, depositors, other creditors, and customers. 12 C.F.R. § 5.33(e)(1)(i). The OCC has considered these factors and found them consistent with approval, subject to the Bank's compliance with conditions 3 and 4, which are intended to help ensure the Bank meets the applicable approval standards.

III. Conditions

The approval is subject to the following conditions:

1. Immediately following the consummation of each of the purchase and assumption transactions, the Bank shall provide updated financial information and projections to the OCC, including balance sheets with adjusting entries, cash flow projections, and remaining assets to monetize, for the remainder of the De-Banking Plan.

2. The Bank shall not consummate any additional steps in the De-Banking Plan, including the purchase and assumption transactions or the merger into its nonbank affiliate approved herein, if it receives a written objection from the OCC.

3. The merger of the Bank with and into CBSUB, Inc. shall not occur until after all of the deposits have been transferred through the purchase and assumption transactions and the Bank's FDIC insurance of accounts has been terminated.

4. If the merger of the Bank with and into CBSUB, Inc. does not occur within five business days after consummation of the final purchase and assumption transaction, and the subsequent termination of the Bank's FDIC insurance of accounts, the Bank shall immediately notify the OCC and submit a plan acceptable to the OCC to wind up its affairs and terminate its status as a national bank.

These conditions of approval are "conditions imposed in writing by a federal banking agency in connection with any action on an application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

IV. Consummation Requirements

If the P&A Transactions are not consummated within 30 days of the approval date, this approval will automatically terminate unless the OCC grants an extension of the time period in writing.

The OCC will not issue a letter certifying the consummation of the merger with CBSUB, Inc. and the termination of the Bank's charter until the below items are submitted to the satisfaction of the Senior Licensing Analyst listed below:

1. Written confirmation that the Bank is no longer FDIC-insured.

2. Certification that the Bank's charter certificate and all OCC Reports of Examination have been returned to the OCC or destroyed.

3. A copy of the final Certificate of Merger filed with the Delaware Secretary of State.

4. Copies of all required regulatory approvals.

V. Conclusion

This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, an agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. This approval is based on the Bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions, please contact Senior Licensing Analyst Lane Langford at (202) 649-6333 or at LangfordCL@occ.treas.gov. Please include the OCC control numbers on any correspondence.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing