

Conditional Approval #1323
July 2024

June 13, 2024

Mr. Shawn Clarke
Chief Financial Officer
VersaBank
140 Fullarton Street, Suite 2002
London, Ontario N6A 5P2

Via Email

Subject: Substantial Asset Change Application, Residency and Citizenship Waivers
Stearns Bank Holdingford, National Association, Holdingford, MN
Charter Number: 23457
OCC Control Numbers: 2022-CE-5.53-329867, 2022-CE-Waiver-330597,
2022-CE-Waiver-330598

Dear Mr. Clarke:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application of Stearns Bank Holdingford, National Association, Holdingford, Minnesota (Bank) to effect a substantial asset change resulting from the addition of a business line, and to change its name to VersaBank USA, National Association. This conditional approval is granted after a thorough review of all information available, including the representations and commitments made in the application and by Bank's representatives.

Additionally, the OCC hereby grants a waiver of the citizenship requirement of 12 USC 72 for David Taylor, Telemaco Matrundola, Richard Jankura, and Gulamali Lalani. This waiver is based upon a thorough review of all information available, including the representations and commitments made in the application by Bank's representatives. The OCC reserves the right to withdraw this waiver at any time and, at our discretion, to request additional biographical and/or financial information on these individuals.

Additionally, the OCC hereby grants a waiver of the residency requirements of 12 USC 72 for the non-resident directors listed in your request for Stearns Bank Holdingford, National Association. The non-resident directors are David Taylor, Telemaco Matrundola, Richard Jankura, Gulamali Lalani, Barbara Chaffee, and Mark Holman. We understand that after their election, the Bank will have three directors who have resided within the state where the Bank is located or within 100 miles of the Bank's main office for at least one year immediately preceding their election, and six who have not. The Bank may continue to appoint directors who do not meet the residency requirements without applying for individual waivers, as long as the ratio of directors remains the same as in this approval. This waiver is based upon a thorough

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review of all information available, including the representations and commitments made in the application by Bank's representatives. The OCC reserves the right to withdraw this waiver at any time and, at our discretion, to request additional biographical and/or financial information on these individuals.

The Bank applied to the OCC for prior approval of a substantial change in its asset composition under 12 CFR 5.53. In the proposed transaction, the Bank will be acquired by VersaHoldings US Corp, which is a wholly owned subsidiary of VersaBank, a Canadian bank. The Bank's name will change from Stearns Bank Holdingford, National Association, to VersaBank USA, National Association (VersaBank USA). VersaBank USA will offer a receivable purchase program (RPP) product. The RPP product will produce significant asset growth.

In deciding a change in asset composition application, the OCC considers the capital level of the resulting institution; the conformity of the transaction to applicable law, regulation and supervisory policies; the purpose of the transaction, its impact on the safety and soundness of the bank; and any effect on the bank's shareholders, depositors, other creditors or customers. These factors are specified in 12 CFR 5.53(d)(3). The OCC also considers whether the directors are familiar with national banking laws and regulations; whether there is competent management, including a board of directors, with ability and experience relevant to the types of services to be provided; whether the capital is sufficient to support the projected volume and type of business; whether it is reasonable to expect and maintain profitability; whether it will be operated in a safe and sound manner; and whether the title misrepresents the nature of the institution or the services it offers. These additional factors are specified under 12 CFR 5.20(f)(2). The OCC reviewed all factors and deemed conditional approval consistent with regulatory requirements.

This approval is subject to the following conditions:

1. The Bank shall: (i) give the OCC's Minneapolis/Alexandria Office at least sixty (60) days prior written notice of its intent to significantly deviate or change from its business plan or operations,¹ and (ii) obtain the OCC's written determination of no objection before the Bank engages in any significant deviation or change from its business plan or operations. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice. This condition shall remain in effect during the Bank's first three years of operation.
2. The Bank must receive the \$90 million capital injection from the Bank's parent at closing, as stated in its application, before commencing operations. The Bank must maintain minimum capital levels commensurate with the prospective risk of the Bank's business plan, with a tier 1 leverage ratio of no less than 10.0 percent throughout the first three years of operation as shown in the Bank's business plan.
3. After the Bank commences business, the Bank must file an Interagency Biographical and Financial Report (IBFR) with the OCC and receive a letter of no objection from the

¹ If such deviation is the subject of an application filed with the OCC, no separate notice to the supervisory office is required.

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OCC prior to any new executive officer or director assuming such position. This condition shall remain in effect during the Bank's first two years of operation.

4. The Bank shall submit a written request for supervisory non-objection pursuant to OCC Interpretive Letter 1179 if it seeks to engage in any crypto-asset, distributed ledger, or stablecoin activities addressed in OCC Interpretive Letters 1170, 1172, or 1174.
5. The Bank shall submit a draft Community Reinvestment Act (CRA) Strategic Plan within 90 days of the closing of the transaction and a finalized CRA Strategic Plan within 12 months of the closing of the transaction.
6. The individual(s) who will serve as the Chief Risk Officer and CRA Officer must be an employee(s) of the Bank before commencing operations. The individual(s) must submit an IBFR and receive a letter of no objection from the OCC within 30 days of the closing of the transaction.
7. The Bank's President/Chief Executive Officer position and Bank Secrecy Act Officer position must be dedicated (non dual-hatted) employees residing in the United States.
8. The Bank must maintain its core processing system and associated records in the United States, as represented by VersaBank Canada.
9. The Bank must provide the OCC with unfettered access to VersaBank USA, National Association's systems and data as set forth in the September 25, 2023, letter from bank's counsel on behalf of VersaBank Canada.

The conditions of this approval are conditions "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

If all steps of the transaction are not consummated within six (6) months of the date of this letter, this approval shall automatically terminate, unless the OCC grants an extension of the time period. Within 10 days of consummating the final step in this transaction, the bank must advise the Licensing Office of the effective date of consummation, so the OCC may complete its records. If any of the terms, conditions, or parties to the transaction described in the application change, the OCC must be informed in writing prior to consummation to determine if any additional action or reconsideration is required. In such situations, the OCC reserves the right to require submission of an amended or new Substantial Asset Change application.

This 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, any 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. Our approval is based on the

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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, contact John J. Hansen at 202-316-9761 or john.hansen@occ.treas.gov. Please include the OCC control number on any correspondence related to this filing.

Sincerely,

/s/

Debra M. Burke
Director for Licensing