



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

February 5, 2004

Conditional Approval #622
March 2004

Harriet M. Wolfe, Esq.
EVP and General Counsel
Webster Bank
145 Bank Street, Webster Plaza
Waterbury, CT 06702

Re: Application from Webster Bank, Waterbury, Connecticut, to convert to a national bank charter with the title Webster Bank, National Association (Webster or Bank) and retain branches in Connecticut.

Application Control Numbers: 2003-NE-01-0019 and 2003-NE-12-0288

Dear Ms. Wolfe:

The Office of the Comptroller of the Currency (OCC) has reviewed your application, dated September 19, 2003, as amended, to convert Webster Bank to a national bank and retain all of its Connecticut branches. After a thorough review of all information available, and reliance upon the representations and commitments made in the application and by the bank's representatives, we find that the conversion application meets the requirements for approval to convert to a national bank as discussed below.

Title: Webster Bank, National Association

Location: Waterbury, Connecticut

A federal savings bank that was chartered and in operation and which operated one or more branches before November 12, 1999, may convert to a national bank and retain branches if, upon conversion, the resulting national bank will meet all applicable financial, management, and capital requirements (12 U.S.C. 1464(i)(5)). Moreover, regulations of both the OCC (12 C.F.R. 5.24) and the Office of Thrift Supervision (12 C.F.R. 552.2-7) permit the direct conversion of a federal savings bank to a national bank. OCC regulations provide that a

conversion will be permitted if the financial institution can operate safely and soundly as a national bank and in compliance with applicable laws (12 C.F.R. 5.24(d)). OCC regulations further provide that a conversion application may be denied if a significant supervisory or compliance concern exists; if approval is inconsistent with law, regulation, or OCC policy; if the applicant fails to provide requested information; or if the conversion would permit the applicant to escape supervisory action by its current regulator (12 C.F.R. 5.13 & 5.24(d)).

The OCC has determined that the Bank satisfies the requirements set forth in 12 U.S.C. 1464(i)(5) and 12 C.F.R. 5.24(d) and that none of the factors set forth in OCC regulations that would justify denial are present. Additionally, the Community Reinvestment Act (“CRA”) requires the OCC to take into account an applicant’s record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, when evaluating certain applications, including conversions. At its most recent Performance Evaluation, dated January 14, 2002, the Office of Thrift Supervision assigned the Bank an “Outstanding” CRA rating. Based upon the OTS’ evaluation, we find that approval of the proposed transaction is consistent with the CRA. Consequently, the OCC determined that the conversion may be approved.

Moreover, we have determined that retention, following conversion, of the Connecticut branches also is permissible under the standards set forth in 12 U.S.C. 1464(i)(5), as set forth above, and 12 U.S.C. 36(c), which permits a national bank to establish and operate branches at any point within the state in which the bank’s main office is situated if branching is so authorized by state statutory law for state banks.

This conversion approval is subject to the following conditions:

1. Within sixty (60) days of consummating the conversion, Webster shall submit to the Supervisory Office for its written determination of no supervisory objection, a written Information Technology Infrastructure Plan to ensure the safe and sound operation of the Bank. The Plan must include technology, staffing and budgetary needs, as well as an implementation time line. After securing the OCC’s supervisory non-objection to the Plan, the Board of the Bank shall immediately adopt, implement, and thereafter ensure adherence to the Plan.
2. Within sixty (60) days of consummating the conversion, Webster shall submit to the Supervisory Office for its written determination of no supervisory objection, a written credit risk strategy that defines the Bank’s credit risk tolerance/appetite. The strategy should establish such benchmarks as portfolio limits, risk rating segmentation limits, and underwriting exception triggers. After securing the OCC’s supervisory non-objection to the Plan, the Board of the Bank shall immediately adopt, implement, and thereafter ensure adherence to the strategy.
3. Webster (i) shall give the Supervisory Office at least sixty (60) days prior written notice of Webster’s intent to significantly deviate or change from its business plan or

operations and (ii) shall 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.¹ The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a Bank's notice.

Please be advised that the conditions of this approval are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. 1818 and, as such, are enforceable under 12 U.S.C. 1818.

This approval is based in part upon the institution's representation that, prior to conversion, the capital structure will be realigned to comply with the minimum capital requirements of 12 U.S.C. 35, 36, 52, and 371d to the extent applicable.

Webster Bank, National Association will also retain two previously-made community development investments under the investment authority of 12 U.S.C. 24(Eleventh) (the "Statute") and 12 C.F.R. Part 24 (the "Regulation") concerning national bank investments in community and economic development entities, community development projects, and other public welfare investments.

First, the Bank made an equity investment of \$1,000,000 in the Community Economic Development Fund 1, LLC (the "LLC"), which provides funding to the Community Economic Development Fund Foundation, Inc. (the "CEDFF"). The CEDFF is a nonprofit organization whose primary beneficiaries are communities targeted for redevelopment and job growth in Connecticut, including those that are state-designated Urban Enterprise Zones or Enterprise Corridor Zones. Second, Webster Bank made an investment of \$500,000 in the Connecticut Housing Investment Fund, Inc. (the "Fund.") The Fund is a nonprofit organization established to finance affordable housing and neighborhood revitalization projects throughout Connecticut. The aggregate amount of Webster National Bank's investments under the Statute and the Regulation will total \$1,500,000, which is less than 5 percent of its capital and surplus, and the investments do not expose the Bank to unlimited liability. The investments, therefore, are consistent with the Statute and the Regulation.

This letter also constitutes official OCC authorization for Webster to operate its existing 111 branches located in Connecticut and one previously authorized, but unopened, branch to be located in Norwalk, Connecticut.² Attachment A lists each branch and assigns an OCC Branch Number for the 112 branches. Please retain this letter and Attachment A as the official branch authorization. Also, please notify this office within 10 days after you open the

¹ If such deviation is the subject of an application filed with the OCC, the OCC does not require any further notice to the supervisory office.

² We understand that Webster Bank, FSB, currently has one branch in New York and is also authorized to establish two additional New York branches. This approval does not address retention or operation of a branch at any New York site following consummation of the charter conversion. We understand, however, that Webster intends to file additional applications, which, if approved, would permit Webster Bank, N.A., to establish and operate branches at those sites.

Norwalk branch. If the unopened Norwalk, Connecticut branch is not opened within 18 months from the approval date, the authorization and approval for the unopened branch shall automatically terminate unless the OCC grants an extension of the time period. If, at some time in the future, the bank desires to close a branch, it must file a 90-day advance notice of the proposed branch closing with the OCC pursuant to 12 U.S.C. 1831r-1. Following the branch closing, a final closing notice should be submitted to this office.

Prior to or as of the date of the conversion:

1. Directors must own qualifying shares in conformance with 12 U.S.C. 72 and 12 C.F.R. 7.2005.
2. The institution must purchase adequate fidelity bond coverage in accordance with 12 C.F.R. 7.2013, which lists four factors the directors should consider to determine adequacy.
3. The board of directors must adopt and have in place policies, practices, and procedures to ensure the safe and sound operation of the bank. The board also must review those policies, practices, and procedures continually and ensure bank compliance with them. Attached are the minimum policies and procedures applicable to national banks.
4. Webster Bank, National Association must maintain liquidation accounts established when Webster Bank acquired institutions that converted from mutual to stock form.
5. The converting institution must notify the OCC if the facts described in the filing materially change at any time prior to consummation of the conversion.
6. The converting institution must apply to the Federal Reserve for membership.
7. The converting institution must ensure that all other required regulatory approvals have been obtained.
8. Webster holds a loan that is secured by shares of its parent, Webster Financial Corporation. Webster acquired the loan in its acquisition of The North American Bank & Trust Company on November 7, 2003. Webster shall determine whether this loan creates a violation of the limits on transactions with affiliates under 12 U.S.C. 371c. If the loan does create a violation, Webster shall conform or divest the loan prior to or as of the date of the conversion.

The OCC also approved your proposal to conduct fiduciary powers pursuant to 12 U.S.C. 92a. This approval constitutes a permit to conduct fiduciary powers requested in your application. Accordingly, you may begin exercising fiduciary powers simultaneously with your conversion to a national bank.

The board of directors should provide for the establishment and administration of the trust department (or fiduciary operation) either through the adoption of amendments to the bylaws, by appropriate resolutions, or both. After adoption, a copy of those provisions should be furnished to the trust officer(s) for guidance. You will note that 12 C.F.R. 9.4 places responsibility on the board of directors for the proper exercise of the bank's fiduciary powers. However, the board may decide whether it shall supervise the administration of all such powers directly or assign any function related to such powers to any director, officer, employee, or committee.

The board should also provide for:

- A proper delineation of duties for trust officer(s) and committee(s).
- The pledging of securities to secure trust funds on deposit in the bank as required by 12 C.F.R. 9.10(b).
- The designation of the officers or employees responsible for custody of the trust investments in conformity with 12 C.F.R. 9.13(a).
- The deposit of securities with state authorities where required by local law, according to 12 C.F.R. 9.14.

Following its conversion, Webster will retain as operating subsidiaries a number of entities that it currently owns. The Bank has represented that all subsidiaries of the converted bank will be operated in accordance with all applicable OCC regulations. In addition, you also represented that prior to the conversion the Bank will transfer to its parent holding company an 8 percent indirect interest in the Farmington Avenue Association limited Partnership, which is engaged in the development of a real estate parcel in Hartford, Connecticut.

You are also reminded that the OCC must review and have no objection to any changes of executive officers or directors that Webster makes prior to converting to a national bank.

Upon completion of the above procedures, please submit to the Northeastern District Office a letter certifying that you have completed all steps required to convert to a national banking association (see sample enclosed). Your letter should include the following documents as attachments if they have not already been submitted: Secretary's Certificate certifying shareholder approval of the proposed conversion (see sample enclosed); Articles of Association; Bylaws; Organization Certificate properly signed and executed; Oath(s) of directors; and List of directors.

When the institution has satisfactorily completed all of the above steps, the OCC will issue a letter officially authorizing the institution to commence business as a national banking association. At that time, you will receive the charter certificate. If the conversion is not

consummated within six months from the approval date, the approval shall automatically terminate unless the OCC grants an extension of the time period.

The OCC will send to you under separate cover an appropriate set of OCC handbooks, manuals, issuances, and selected other publications. This information does not include the *Comptroller's Licensing Manual*, which is available in electronic form on our website: <http://www.occ.treas.gov/corpapps/corpapplic.htm>.

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. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

All correspondence regarding this application should reference the application control numbers. If you have any questions concerning this letter, please contact Senior Licensing Analyst Sandya R. Reddy or me at (212) 790-4055.

Sincerely,

/s/ Anthony DosSantos

Anthony DosSantos
Licensing Manager

Enclosures: Attachment A – List of Authorized Branches
Minimum Policies and Procedures
Sample Letter Certifying Conversion Completion
Sample Secretary's Certificate of Authority for Conversion to National Bank
Survey Letter