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Comptroller of the Currency  
Administrator of National Banks

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Large Bank Licensing  
Mail Stop 7-13  
250 E Street, SW  
Washington, DC 20219

**Conditional Approval #732  
March 2006**

February 13, 2006

Ms. Courtney D. Allison  
Senior Vice President and Assistant General Counsel  
Wachovia Corporation  
Legal Division NC0630  
One Wachovia Center  
301 South College Street  
Charlotte, NC 28288

Re: Applications to convert Western Financial Bank, Irvine, CA to a national bank and to merge Wachovia Bank, National Association, Charlotte, NC into the converted bank  
OCC Control Nos.: 2005-ML-01-0007 and 2005-ML-02-0007

Dear Ms. Allison:

This is to inform you that, on February 13, 2006, the Office of the Comptroller of the Currency (“OCC”) approved the application by Western Financial Bank (“WFB”), Irvine, California, to convert into a national banking association with the title of Western Financial Bank, National Association (“WFBNA”), under 12 C.F.R. § 5.24. The OCC also approved the application to merge Wachovia Bank, National Association (“WBNA”), Charlotte, North Carolina, with and into WFBNA, under 12 U.S.C. §§ 215a, 1828(c), and 1831u. The resulting bank will be named Wachovia Bank, National Association (the “Resulting Bank”) and its main office will be located in Charlotte, North Carolina. The Resulting Bank will also adopt the articles of association of WBNA.

These approvals are granted based on a thorough review of all information available, including commitments and representations made in the applications, merger agreement, and those of the banks’ representatives. In addition, these approvals are granted based on our understanding that the merger will occur immediately after the conversion. The approvals are subject to the following conditions:

1. WFB shall not effect the conversion to a national bank charter until: (a) all required regulatory approvals relating to the conversion and the merger have been obtained, (b) all post approval waiting periods applicable to the merger have expired, and (c) the merger of Westcorp with and into Wachovia Corporation has occurred.<sup>1</sup>

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<sup>1</sup> WFB is a wholly owned subsidiary of Westcorp and WBNA is a wholly owned subsidiary of Wachovia Corporation.

2. The Resulting Bank may continue to conduct the activity of WFS Web Investments, Inc. for a period not to exceed two years from consummation of the transaction. Unless, during this period, the bank demonstrates to the OCC that the activity conforms to activities permissible for a national bank, the bank must divest of the activity prior to the end of the period.
3. The Resulting Bank may continue its ownership of Western Consumer Services, Inc., so long as the subsidiary remains inactive or, if the bank decides to activate the subsidiary, the bank must comply with the applicable filing requirements to seek approval for the subsidiary as an operating subsidiary.

Please be advised that these conditions 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.

### **Review of Statutory Factors**

The conversion of WFB to a national banking association is legally authorized under 12 C.F.R. § 5.24 and 12 U.S.C. § 1464(i)(5). In addition, the converted bank is legally authorized to retain all of its branches under 12 U.S.C. § 1464(i)(5) or 12 U.S.C. § 36(c). The merger of WFBNA and WBNA is legally authorized as an interstate merger transaction under the Riegle-Neal Act, 12 U.S.C. §§ 215a-1 and 1831u(a). Accordingly, the Resulting Bank is authorized to operate the main office of WBNA as its main office, and to operate as branches the main office of WFBNA and the branches of both banks under 12 U.S.C. § 36(d) and 1831u(d)(1). In addition, WBNA currently exercises fiduciary powers as authorized by the OCC and, after the merger, the Resulting Bank is authorized to continue to exercise fiduciary powers in the same manner and to the same extent as WBNA.

The OCC reviewed the proposed merger transaction under the criteria of the Bank Merger Act, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have significant anticompetitive effects. The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider “. . . the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including in overseas branches.” 12 U.S.C. § 1828(c)(11). We considered these factors and found them consistent with approval under the statutory provisions.

The Community Reinvestment Act (“CRA”) requires the OCC to take into account the applicants’ record of helping to meet the credit needs of the community, including low- and moderate-income (“LMI”) neighborhoods, when evaluating certain applications, including conversions and mergers. 12 U.S.C. § 2903; 12 C.F.R. § 25.29. The OCC considers the CRA performance evaluation (“PE”) of each institution involved in the transaction. A review of the record of these applications and other information available to the OCC as a result of its regulatory responsibilities revealed no evidence that the applicants’ records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

WBNA plans to bring its products, policies, and CRA programs to the California market. WBNA’s latest PE, dated June 30, 2003, and issued by the OCC, assigned an “Outstanding” rating. The PE noted the bank’s excellent levels of community development lending, investments, and services in most assessment areas. The PE also noted that WBNA had creative and innovative investments, services, and loan products. The OCC found no evidence of illegal discrimination or other illegal credit practices.

WFB’s latest PE, dated April 3, 2003, and issued by the Office of Thrift Supervision, assigned a “Satisfactory” rating. The PE noted an excellent volume of automobile loan originations and an overall excellent distribution of those loans among areas and persons of differing income. The PE also indicated that WFB makes an adequate level of community development investments and provides a relatively high level of community development services. No substantive fair lending violations were identified.

### **Review of Public Comments**

The OCC received numerous comments supporting WBNA’s merger with WFB. However, one commenter indicated that while it was not protesting the applications, it wished to offer several cautionary notes.<sup>2</sup> The commenter expressed concern with WFB’s CRA record and, in particular, its auto lending program. The commenter, however, failed to offer any specific information concerning these alleged deficiencies.

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<sup>2</sup> Several of the items raised were issues that are not among the statutory criteria that the OCC considers in rendering decisions on conversion or merger applications. Those concerns included WBNA’s commitment to diversity with respect to management personnel and third-party suppliers. WBNA responded that it is committed to ensuring that supplier diversity is an integral part of its strategic sourcing and procurement processes. In addition, WBNA indicated it seeks to incorporate diversity in all aspects of its business.

As previously mentioned, WBNA plans to incorporate its CRA program into the operation of the merged entity. It also plans to incorporate its fair lending program, which includes comprehensive testing and training, as well as measures to prevent predatory lending. Representatives of WBNA met with over 30 community organizations in Southern California in the fall of 2005 in order to begin assessing community needs. WBNA represented that it is committed to maintaining its outstanding CRA record in its California operations.

The commenter also expressed concerns with WBNA's record and commitment to minority small business lending. The commenter stated that WBNA lags behind other large banks in the number and dollar amount of Small Business Administration ("SBA") loans to minorities. WBNA pointed out that it actively markets to minority firms and is committed to meeting the needs of minority small businesses. WBNA indicated that it expects to increase its SBA lending to minorities during 2006 by creating a more efficient SBA Express loan process. In addition, it plans to hire an SBA Express Manager and a support staff by April 2006.

#### **Subsidiaries and Other Assets**

Currently, WFB owns, directly and indirectly, various subsidiaries that will become subsidiaries of the Resulting Bank. Most of the subsidiaries conduct activities that are permissible for national banks, and the Resulting Bank may retain these. WFB also holds three subsidiaries as follows:

1. Westfin Insurance Agency, Inc., a direct subsidiary of WFB, is an insurance agency formed under California law that is also licensed in Arizona, Nevada, New Mexico, and Texas to sell life, health, disability, property and casualty insurance coverages. Westfin also sells fixed annuities to the general public. Westfin is located in Irvine, California, which has a population of greater than 5,000, precluding the Resulting Bank's continued operation of Westfin under 12 U.S.C. § 92. Accordingly, the application included a Notice pursuant to 12 C.F.R. § 5.39 requesting authority for the Resulting Bank to retain Westfin as a financial subsidiary. Pursuant to 12 C.F.R. § 5.39(i), the Resulting Bank is approved to conduct the activity described in the Notice in a financial subsidiary.
2. WFS Web Investments, Inc., an indirect subsidiary of WFB, holds a non-controlling investment in an Internet based automobile finance service company. The activity of WFS Web Investments may not be permissible for a national bank. Accordingly, under OCC policy, the applicants requested that the Resulting Bank be permitted to continue to conduct the activity of WFS Web Investments for a period not to exceed two years from consummation of the transaction and committed to divest of the activity within this period. The OCC grants the request subject to Condition 2.

3. Western Consumer Services, Inc., a direct subsidiary of WFB, historically conducted real estate development activities through two California limited liability companies (“LLCs”). The purpose of the LLCs was to acquire, develop and ultimately sell single- family residences. Western Consumer Services also held properties that were prohibited to be held by WFB due to regulatory guidelines. The applicants represented that Western Consumer Services does not currently hold any real estate investments or conduct any real estate development activities, and is inactive. Since such activities are not permissible for national bank operating subsidiaries, WBNA committed not to reactivate this entity except to conduct activities approved by the OCC as permissible for a national bank operating subsidiary. The Resulting Bank may retain Western Consumer Services subject to Condition 3.

WFB is a member of the Federal Home Loan Bank of San Francisco (“FHLBSF”), however, the Resulting Bank does not intend to maintain the membership. At the time the Resulting Bank ceases to be a member of the FHLBSF, it must use its best efforts, including contacting the FHLBSF or the Federal Housing Finance Board, to dispose of any stock in the FHLBSF. The OCC will consider this stock a nonconforming asset for any period that the Resulting Bank is not a member of the Federal Home Loan Bank System.

### **Consummation Procedures**

The Large Bank Licensing unit must be advised in writing in advance of the desired effective date for the conversion and merger so that the OCC may issue the necessary conversion authorization and merger certification letter. The effective date must follow the applicable Department of Justice’s waiting period and any other required regulatory approval.

The OCC will include the appropriate branch authorizations in its letter authorizing the conversion and certifying the consummation of the merger. The OCC will not issue this letter until we have received:

1. A “Conversion Completion Certification” (enclosed) certifying that all of the steps required to convert Western Financial Bank to a national banking association have been completed.
2. A Secretary’s Certificate for each institution certifying that a majority of each bank’s board of directors approved the merger.
3. An executed merger agreement with Articles of Association for the resulting bank attached.

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4. A Secretary's Certificate from each institution certifying that the shareholder approvals have been obtained, if required.

If the transaction is not consummated within six months from the approval date, the approval will automatically terminate unless the OCC grants an extension of the time period.

A separate letter is enclosed requesting your feedback on how we handled your applications. We would appreciate your response so we may improve our service.

If you have questions regarding this letter, please contact me at (202) 874-4957 or by email at: [largebanks@occ.treas.gov](mailto:largebanks@occ.treas.gov). Please reference the application control number in any correspondence.

Sincerely,

*signed*

Robert A. Sihler  
Senior Licensing Analyst

Enclosures: Conversion Completion Certification  
Survey Letter