Office of the Comptroller of the Currency

WHOLESALE BANK

PUBLIC DISCLOSURE

May 3, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Prudential Bank Trust, FSB
Charter Number: 708672

280 Trumball Street
Hartford, CT 06103

Office of the Comptroller of the Currency

National Trust Banks Field Office
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New York, NY 10173

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, nor should it 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.

INSTITUTION'S CRA RATING: Outstanding

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of qualified investment activity and community development services.
- The bank exhibits an excellent responsiveness to credit and community development needs in its assessment area.
- The bank occasionally demonstrates complex community development services.

Scope of the Examination

We evaluated Prudential Bank & Trust's ("PB&T" or "Bank") performance under the Community Reinvestment Act ("CRA") for the period January 1, 2010 through June 30, 2012. We accomplished this by reviewing the level and nature of the bank's qualified community development ("CD") investments and services in meeting the credit needs of its assessment area ("AA") during the evaluation period. CD activities were considered in light of the bank's financial capacity, size, local economic and demographic factors, market competition and any legal impediments. At the prior examination, dated May 5, 2008, the bank was rated Outstanding.

If a bank has adequately addressed its AA needs, the OCC considers the bank's CD activities that also benefit areas outside of its AA in the evaluation of its performance. We found that the bank has adequately addressed the needs of its AA. Therefore, qualified investments and community development the bank engaged in outside of its AA were given positive consideration in evaluating the bank's state performance.

Description of Institution

PB&T is a one branch, FDIC insured, limited purpose trust institution based in Hartford, CT. PB&T is a direct wholly owned subsidiary of Prudential IBH Holdco, Inc. ("Holdco"), which is a direct wholly owned subsidiary of Prudential Financial Inc. ("PFI") "), the global insurance conglomerate based in Newark, NJ. PFI owns the capital stock of PB&T and is currently a unitary thrift holding company. PB&T maintains a national presence via the Prudential corporate footprint.

PB&T was formed in 2004 through the merger of three institutions: CIGNA Bank & Trust, FSB; Prudential Savings Bank, FSB; and the original Prudential Bank and Trust. CIGNA Bank & Trust, FSB provided banking and trust services to CIGNA's retirement plan sponsors and participants. The two Prudential institutions were the direct lines to the PFI consumer banking operation, but their results did not meet corporate expectations and were divested in 2007. The bank does not originate loans. Assets consist of investments and mortgage backed securities. The CRA regulation allows institutions with a wholesale designation to satisfy CRA performance criteria by meeting the requirements of 12 C.F.R. 563e.25. Specifically, all qualified investments and community development services that benefited the assessment area were considered. The institution has chosen to meet its CRA responsibilities, in part, through qualified investment activities of its affiliates, namely The Prudential Foundation and The Prudential Insurance Company of America. The following table provides financial information on the bank's year-end performances on a consolidated basis.

Table 1: Consolidated Financial Information (000s)

	Year-end 2010	Year-end 2011	As of 6/30/12	Year-end 2012
Net Tier 1 Cap	196,204	238,821	242,377	18,214
Total Int Inc	18,923	17,262	25,642	30,632
Net Op Inc	12,299	11,849	16,575	20,070
Total Assets	2,035,472	2,026,127	356,093	66,064

Source: Consolidated Report of Condition and Income and bank reported data.

On November 17, 2011, PB&T notified the Office of the Comptroller of the Currency ("OCC") of their intent to restructure from a full-service, insured thrift to an insured trust-only thrift. On January 11, 2012, the Bank filed notice with the Federal Reserve Board ("FRB") requesting approval to de-register the parent company as a Savings Loan Holding Company ("SLHC"). PB&T thought its best course of action was to restructure PB&T as an insured trust-only thrift and continue to provide its retirement business clients trust and custody services through PB&T, and to continue offering private funds to the clients of its asset management business line.

Effective October 18, 2012, the OCC granted conditional approval for PB&T to amend its charter to an insured trust-only thrift and approved a capital distribution to its direct parent, Holdco. Effective October 31, 2012, the FRB approved Holdco's and PFI's application to deregister as a SLHC. In 2012, because of PB&T's transition to an insured trust-only thrift, the balance sheet reduced from the approximately $2 billion reported at year-end 2011. The asset management business line remains relatively unchanged. Fiduciary assets are all non-managed and the overwhelming majority of accounts consist of employee benefit accounts with the remainder being custody accounts.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area.

Description of Assessment Area

The CRA requires each financial institution to identify an assessment area in which it intends to focus its lending, qualified investments, and community development services.

PB&T has only one assessment area ("AA") which is comprised of Hartford, Middlesex and Tolland Counties. Hartford County is part of the Hartford-West Hartford-East Hartford CT Metropolitan Statistical Area (MSA) #25540 as well as Middlesex and Tolland Counties. The AA contains 283 geographies. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income (LMI) geographies. It has not changed since the prior CRA examination.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	283	13.07%*	14.84%*	50.88%*	20.49%*
Families	307,794	18.71%**	17.08%**	25.55%**	38.65%**
Business	135,509	14.13%***	15.55%***	45.23%***	24.38%***

Source: 2011Projected Demographic Data ; * 0.71% of tracts do not have income designation;
** Represents families by income level; ***0.71% of businesses do not have income designation

There are 29 established financial institutions in the AA with 393 branches in operation. Based on FDIC's Deposit Market Share Report as of June 30, 2012, the top five regional institutions operate 214 branch offices and account for slightly over 70 percent of the market share. PB&T with its lone branch holds less than a one percent market share and ranks twenty-sixth in terms of deposit size.

There are 472 thousand housing units in the AA. The majority of the units are owner-occupied (63 percent) followed by 32 percent in rental units and 5 percent in vacancies. The total number of households paying more than 30 percent of their income in rent is 53,809 (11 percent). The weighted average gross monthly rent is $658, with the majority of renters (45 percent) renting units in middle-income census tracts ("CTs"), followed by 16 percent renting in moderate-income CTs, 24 percent in upper-income CTs and 14 percent in low-income CTs.

According to the Greater Hartford Association of Realtors, the housing market in the area did not rebound in 2011 and some experts are of the opinion that the sale of foreclosed properties, as well as short sales was a factor pushing down the median home sale value. Many local real estate experts agree that property values have slid an average of 20 percent since the housing downturn began in 2007.

Based on 2011 Business Demographic Data, there are a total of 135,509 established businesses and farms in the AA. Of the total number of businesses operating in 2011, approximately 65 percent reported revenues of less than $1 million. This revenue category, when further segregated into less than $500,000 and $500,000 to $1 million, reflects that a significant portion of the revenues (62 percent) were earned by businesses in the less than $500,000 category. Businesses exceeding $1 million in revenues accounted for four percent of total businesses. Over 23 percent of the businesses did not report any revenues in 2011.

Businesses in the AA tend to be very small in nature. Nearly 61 percent of the businesses have an employee base of 1-4 persons. Local businesses are primarily service-oriented in mission and are single location entities.

According to the Connecticut Department of Labor, the Hartford MSA experienced a 23-month recession that lasted 25 months ending in March 2012. This was the average for the state of Connecticut and mirrors the country's recession duration. The Hartford MSA had the lowest percentage loss in jobs during the recession. It has now recovered a higher percentage of jobs than has been recovered across the country, as well as the state of Connecticut. It ranks right behind Danbury, CT in terms of the percentage of jobs recovered.

Nicknamed the "Insurance Capital of the World", Hartford houses many of the world's insurance company headquarters and insurance remains the region's major industry.

We contacted two local community organizations regarding community credit needs and business opportunities. The organizations rely on donations and grants from local financial institutions to service the community. With respect to community development needs, the contacts identified affordable housing loans to encourage home ownership as well as loans to small businesses to encourage economic growth.

Conclusions about Performance

Summary

The bank's combined level of qualified investment activity and community development services is high considering the opportunities available in the AA.

The bank demonstrates excellent responsiveness to credit and community development needs in its AA. Some of the community needs include affordable housing as well as support for community development organizations providing services to low- and moderate-income families. The qualified investments in the assessment area are mortgage-backed securities comprised of mortgage loans to low- and moderate-income families. Community development services address affordable housing needs, education, and other services to low- and moderate- income families.

The bank occasionally demonstrates complex community development services. An example of complex community development services involves the bank's active support of a non-profit organization that is dedicated to strengthening communities by working with diverse groups of people to build simple, decent affordable housing.

During the evaluation period, several new investments supporting affordable housing for low- and moderate-income families were funded. The bank keeps its Board of Directors apprised on a regular basis by providing reports regarding its CRA activities for review as well as for approval.

Qualified Investments

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Tier 1 Capital @ 6/30/12	25%
Total Investments/Total Income @ 6/30/12	237%

Our review consisted of the Bank's investment and grant activity, as well as its responsiveness to community development needs. The amount of qualified investments show an excellent level of responsiveness to community development needs. Management committed to maintain a significant percentage of assets in CRA-eligible investments. Over the evaluation period, the bank originated a significant number of Social Responsible Investment Commitments that constituted a substantial dollar amount of investments in the AA and the state of Connecticut for community development purposes. The social investments support non-profit and for-profit ventures that help to create healthy and sustainable communities in and outside of the AA. In addition, PB&T continues to make socially responsible investments in projects and organizations that develop and preserve affordable housing, improve access to quality education, and connect neighborhoods and residents to economic growth opportunities.

PB&T has purchased a significant dollar volume of mortgage-backed securities targeted to low- and moderate-income ("LMI") individuals and LMI geographies in the AA (MSA #25540) and in the state of Connecticut between 2010 and 2012. Management is committed to maintaining a significant percentage of assets in CRA-eligible investments. These securities comprised 5.77% of assets during 2010, 5.36% during 2011 and 9.41% during 2012. For the year 2010, purchased mortgage-backed securities with original balances totaled $157.2 million. This represents 856 CD investments made in the state of Connecticut of which $60.5 million were in the AA. During the year 2011, purchased mortgage-backed securities with original balances totaled $161 million. This represented 19 additional CD investments made in the state of Connecticut of which $327,365 were in the AA. No new purchases were made in 2012.

Table 5: Qualified Investment Activity as of 6/30/12 (000s)

	Benefits AA
Originated Investments	$60,859
Originated Grants	$71,860
Prior-Period Investments that Remain Outstanding	$0
Total Qualified Investments	$61,066

Community Development Services

In addition to the mortgage backed securities investments, the bank has originated a number of CD investments in the AA, as well as the state of Connecticut for CD purposes.

The Bank builds strong community relationships by encouraging and supporting employee involvement. Under the local initiative brand name, “Prudential Cares”, this initiative leads employee volunteerism while providing associates with a guide in using community service to enhance their business skills and leverages charitable contributions to support the community. As of June 30, 2012, the total number of employee volunteer hours was 3,158. Eighty-two employees are volunteering their time by serving on non-profit boards, with eleven of those contained in the AA.

The Prudential Social Investments support non-profit and for-profit ventures that share the bank’s dedication to creating healthy and sustainable communities. It makes socially responsible investments in projects and organizations. These investments provide a revolving line of credit to help stabilize neighborhoods in and outside of the AA by financing the acquisition and redevelopment of one to four family residential properties to non-profits and for developers as well as individuals.

The Prudential Foundation addresses the needs of targeted communities worldwide by investing in non-profit organizations. Their strategy focuses on education and youth development programs. It strives to increase employment opportunities while promoting entrepreneurship, as well as the creation of affordable housing.

In addition, the Prudential Community Resource Department has a mission of helping communities by investing financial resources, business expertise, and associate volunteer skills in programs that aim to increase human potential and individual self-sufficiency.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's ("bank") or Federal Savings Association's ("FSA") CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. 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 both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

CEBA: Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than $100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans. [*This definition is not needed for non-CEBA Limited Purchase or Wholesale Institutions*.]

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD): Affordable 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;

(ii) Designated disaster areas; or
(iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  a. Rates of poverty, unemployment, and population loss; or
  b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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.

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

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect. [*This definition is not needed if bank is designated a wholesale institution.*]

Median Family Income (MFI): The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income –** An income level that is less than 50% of the MFI.
- **Moderate-Income –** An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income –** An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income –** An income level that is 120% or more of the MFI.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

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

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, "PreTax Operating Income (TE)"*]

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information*. *If not applicable to institution being examined, definition is not required.*]

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1*) *or UBPR, page 11A, "Net Tier One"*]

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than $100 million, line 5c or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]

Wholesale Institution: An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.