



Comptroller of the Currency
Administrator of National Banks

Western District Office
1225 17th Street, Suite 300
Denver, Colorado 80202
720-475-7650; Fax: 301-333-7010

Conditional Approval #671
January 2005

December 13, 2004

William A. Stern, Spokesperson
Citizens Bank, National Association (Proposed)
Goodwin Proctor LLP
53 State Street, Exchange Place
Boston, MA 02109

Re: **Application to Establish a *De Novo* Charter**
Citizens Bank, National Association - Proposed, Albany, New York
OCC Control No.: 2004-WE-01-0018
Related Applications:
Business Combination: 2004-WE-02-0042
Dividend-in-Kind: 2004-WE-12-0359
Reduction in Capital: 2004-WE-12-360
Residency Waiver: 2004-WE-12-361
Fiduciary Powers: 2004-WE-12-0369
Material Noncash Contribution: 2004-WE-12-0377

Dear Mr. Stern:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of Citizens Bank, National Association (proposed Bank). On December 10, 2004, the OCC granted preliminary conditional approval of your charter application after a determination that your proposal met certain regulatory and policy requirements. Your request for trust powers is also approved.

This preliminary conditional approval is granted based on a thorough evaluation of all information available to the OCC, including the representations and commitments made in the application and by the Bank's representatives. We also made our decision to grant preliminary conditional approval with the understanding that the proposed Bank will apply for Federal Reserve membership and will obtain deposit insurance from the Federal Deposit Insurance Corporation (FDIC).

The OCC has granted preliminary conditional approval only. Final approval and authorization for the Bank to open will not be granted until all preopening requirements are met. Until final approval is granted, the OCC has the right to alter, suspend, or revoke this preliminary conditional approval should the OCC deem any interim development to warrant such action.

This preliminary conditional approval is subject to the following condition:

- 1) The Bank: (i) shall give James W. McPherson, Deputy Comptroller, 250 E Street SW, Mail Stop 6-1, Washington, DC 20219-0001 and a copy to Examiner-in-Charge Carolyn G. DuChene, c/o Legal Department, Mail Code SU530, 1215 Superior Avenue, Cleveland, Ohio 44114 at least sixty (60) days prior written notice of the Bank'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. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice. For the first three years of operation, the Bank also must provide a copy of such written notice to the FDIC's New York Regional Office, 20 Exchange Place, New York, NY 10005.

Final approval will not be granted until and unless the Federal Reserve acts favorably on your application to acquire the Bank. You must furnish the OCC with a copy of all related filings to the Federal Reserve, including registration material. Also send this information to Senior Licensing Analyst Geryl N. Race in our Western District Office.

The OCC poses no objection to the following person(s) serving as executive officer(s), directors, and/or organizers as proposed in the application:

<u>Name</u>	<u>Title</u>
Richard M. Kulbeida	President and Chairman of the Board
James R. Keyes	Director and Regional President – Vermont
James B. Fitzgerald	Director
Stephen D. Steinour	Director
Robert M. Mahoney	Director
David E. Mietlicki	Chief Financial Officer
Robert T. Gormley	Interim Chief Credit Officer
Brad B. Kopp	Vice President, Trust Operations

Prior to the Bank's opening, the Bank must obtain the OCC's prior written determination of no objection for any additional organizers or executive officers, or directors appointed or elected before the person assumes the position. For a two-year period after the Bank commences business, the Bank must file an Interagency Biographical and Financial Report with the OCC and receive a letter of no objection from the OCC prior to any new executive officer or director assuming such position.

The OCC also granted your request to waive the residency requirements of 12 USC 72 for all of the members of the board of directors of the Bank. This waiver is granted based upon a review of all available information, including the filing and any subsequent correspondence and telephone conversations, and the Bank's representation that this waiver will not affect the board's responsibility to direct the Bank's operations in a safe, sound, and legal manner. The OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

The “Charters” booklet in the *Comptroller’s Licensing Manual* provides guidance for organizing your bank. The booklet is located at the OCC's web site: <http://www.occ.treas.gov/corpbook/group4/public/pdf/charters.pdf>. The booklet contains all of the steps you must take to receive your charter.

As detailed in the booklet, you may establish the corporate existence of and begin organizing the Bank as soon as you adopt and forward Articles of Association and the Organization Certificate to Senior Licensing Analyst Geryl N. Race in this office for our review and acceptance. As a “body corporate” or legal entity, you may begin taking those steps necessary for obtaining final approval. The Bank may not begin the business of banking until it fulfills all requirements for a bank in organization and the OCC grants final approval.

The OCC will not permit Citizens Bank, National Association to open until it receives from the Federal Reserve Bank its determination and waiver that Charter One Bank, National Association is not a bank holding company during various phases of this multi-step transaction.

Enclosed are standard requirements and minimum policies and procedures for new national banks. The Bank must meet the standard requirements before it is allowed to commence business and the Board of Directors must ensure that the applicable policies and procedures are established and adopted before the Bank begins operation.

1. The Bank must submit to the Examiner-in-Charge Carolyn G. DuChene, c/o Legal Department, Mail Code SU530, 1215 Superior Avenue, Cleveland, Ohio 44114 for review, and prior written determination of no supervisory objection, a complete description of the Bank’s final information systems and operations architecture as well as the information systems risk assessment and management plan. This should include a schematic drawing and discussion of the following items:

Vendor due diligence and contracts; electronic banking security mechanisms and policies; information systems personnel; internal controls; audit plans; and operating policies and procedures, including, but not limited to, vendor management, web linking, customer authentication and verification, and business resumption contingency plans.

2. The Bank must have performed an independent security review and test of its electronic banking platform. The Bank must have this review performed regardless of whether the platform is operated in-house or by one or more third-party service providers. If the Bank outsources the technology platform, it can rely on testing performed for the service provider to the extent that it satisfies the scope and requirements listed herein. The review must be conducted by an objective, qualified independent source (Reviewer). The scope should cover:
 - All access points, including the Internet, Intranet, or remote access.
 - The adequacy of physical and logical protection against unauthorized access including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access.

By written report, the Reviewer must confirm that the security measures, including the firewall, have been satisfactorily implemented and tested. For additional guidance, refer to "The Internet and the National Bank Charter" booklet of the *Comptroller's Licensing Manual*, pages 37-38, Information System Security. The booklet is located at the Electronic Banking section of the OCC's Web site:
<http://www.occ.treas.gov/corpbook/group4/public/pdf/internetbc.pdf>.

3. The Bank must have a security program in place that complies with the "Interagency Guidelines Establishing Standards for Safeguarding Customer Information" specified at 12 CFR 30, Appendix B.

Under separate cover, the OCC will send to you 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 only in electronic form at our web site: <http://www.occ.treas.gov/corpapps/corpapplic.htm>. Please indicate the mailing address that you would like these publications and all future correspondence sent if it is different from the Spokesperson's address above. Once the bank is opened all correspondence will be sent to the approved address unless the OCC is directed otherwise.

On December 10, 2004 the Comptroller of the Currency approved your proposal to purchase the assets and assume the liabilities of Charter One Bank, National Association by Citizens Bank, National Association.

The business combination of Citizens Bank, National Association and Charter One Bank, National Association is legally authorized as an interstate purchase and assumption transaction under the Riegle-Neal Act, 12 USC 215a-1 and 1831u(a), and the resulting bank is authorized to retain and operate the branches acquired under 12 USC 36(d) and 1831u(d)(1) as branches of Citizens Bank, National Association.

The district office must be advised in writing in advance of the desired effective date for the purchase and assumption, so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period and any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A Secretary's Certificate for each institution, certifying that a majority of the board of directors approved the purchase and assumption.
- An executed purchase and assumption agreement.
- A Secretary's Certificate from each institution, certifying that the shareholder approvals have been obtained, if required.

If the purchase and assumption is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

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The Comptroller of the Currency has approved Charter One Bank, National Association's Material Noncash Capital Contribution and Reduction in Capital in the amount of approximately \$2.5 billion as outlined in your letter of October 14, 2004. In addition, the OCC approves Charter One Bank, National Association's Dividend in Kind of 100% of its ownership in Citizens Bank, National Association to Citizens Financial Group, Inc.

The change in capital should be completed within one year of the date of this letter.

The approvals contained in this letter are subject to the following condition:

The approvals contained in this letter represent a multiple step transaction represented in a letter dated October 14, 2004. The failure on the part of Citizens Financial Group, Inc., Charter One Bank, National Association, and Citizens Bank, National Association to complete all the transactions may void all the above approvals at the discretion of the OCC.

The conditions of 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 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

The OCC has reviewed your request contained in your *de novo* charter application, for an exception from the prohibition on the purchase of low-quality assets from affiliates contained in 12 U.S.C. 371c(a)(3) and Regulation W, 12 C.F.R. 223.15(a). Citizens Bank, National Association proposes to purchase the assets and assume the liabilities of the affiliated Charter One Bank, National Association, that are located in the states of New York and Vermont, which contains low-quality assets as defined in 12 C.F.R. 223.3(v).

The OCC hereby approves the Citizens Bank, National Association's purchase of the above accounts. Accordingly, the Bank qualifies for the exemption in 12 C.F.R. 223.42(i) and its purchase of the Charter One Bank, National Association's accounts will not violate the low-quality asset prohibition.

In connection with the Citizens Bank, National Association's purchase of assets and assumption of deposit liabilities from Charter One Bank, National Association, Savings Association Insurance Fund insured deposits will transfer to the Bank Insurance Fund which insures Citizens Bank, National Association. Citizens Financial Group, has requested the OCC's approval to exercise the conversion transaction option available in 12 U.S.C. 1815(d)(3). Citizens Financial Group maintains that they meet the requirements of 12 U.S.C. 1842(d)(3) to exercise the option, which we have confirmed, and therefore grant approval.

These approvals are granted based on a through review of all information available, including the representations and commitments made in the applications and by the bank's representatives.

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 (U.S.), any agency or entity of the United States, or any officer or employee of the U. S., 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 U. S.

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You should include the CAIS control number on any correspondence related to this filing. If you have questions, contact Senior Licensing Analyst Geryl N. Race at (720) 475-7655.

Sincerely,

/s/ David J. Rogers

David J. Rogers
Licensing Manager

Enclosures: Standard Requirements
Minimum Policies and Procedures