

OFFICE OF THRIFT SUPERVISION

Approval of Holding Company Application and Acceptance of a Rebuttal of Control

Order No.: 2009-02

Date: January 8, 2009

Docket Nos.: 8484 and H-4565

The Hartford Financial Services Group, Inc., Hartford, Connecticut (Parent Company), and FT Acquisition Corporation, Hartford, Connecticut (Acquisition Corporation), have applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1467a(e)(1)(B) and 12 C.F.R. § 574.3, for permission to acquire Federal Trust Bank (Savings Bank), Sanford, Florida. In addition, Allianz SE, Munich, Germany, and other entities identified in Appendix A (collectively, the Rebuttal Parties) have filed a Rebuttal of Control, pursuant to 12 C.F.R. § 574.4(e) regarding their holding of more than 10 percent of the voting securities of the Parent Company.

Background

The Parent Company is an insurance and financial services company. Acquisition Corporation is a shell company formed recently to facilitate the proposed acquisition of the Savings Bank. In the proposed transaction, Acquisition Corporation's existence will cease.

The Savings Bank is a Deposit Insurance Fund (DIF)-insured, federally chartered stock savings bank with its home office in Sanford, Florida. The Savings Bank offers deposit products and mortgages through its eleven offices. The Savings Bank is the wholly owned savings association subsidiary of Federal Trust Company (Holding Company).

In the proposed transaction, the Parent Company proposes to acquire all of the outstanding common stock of the Holding Company, and thereby, acquire control of the Holding Company and Savings Bank. The Parent Company proposes to inject a significant amount of capital into the Savings Bank to re-capitalize the Savings Bank.

The Rebuttal Parties request that OTS accept their Rebuttal of Control. The Rebuttal of Control asserts that the Rebuttal Parties will not directly or indirectly acquire control of the Parent Company, the Holding Company or the Savings Bank. In support of the Rebuttal of Control, the Rebuttal Parties have submitted a draft Rebuttal of Control Agreement.

Holding Company Application

Section 10(e)(1)(B) of the Home Owners' Loan Act (HOLA) and the OTS Acquisition of Control Regulations (Control Regulations) provide that OTS must approve a holding company application seeking permission to acquire one savings association by a company other than a savings and loan holding company unless OTS finds the financial and managerial resources and future prospects of the company and association involved to be such that the acquisition would be detrimental to the savings association or to the insurance risk of the DIF. Also, OTS must consider the impact of any acquisition on competition. Further, 12 C.F.R. § 563e.29(a) requires that OTS take into account assessments under the Community Reinvestment Act (CRA) when approving savings and loan holding company acquisitions.

The Parent Company and Acquisition Corporation have requested waiver of the public notice and comment requirements of 12 C.F.R. § 574.6(d) and (e). OTS grants the requested waiver of these requirements due to the supervisory nature of the proposed transaction.

With respect to managerial resources, OTS has reviewed the backgrounds of the Parent Company and the Parent Company's officers and directors, and has reviewed the relevant information submitted in the application. The application materials indicate that the members of the Parent Company's board of directors and its officers possess experience in various business endeavors and have extensive financial and insurance industry experience. OTS also has consulted with insurance regulators of the Parent Company. Based on the relevant information, OTS concludes that the managerial resources of the relevant persons and companies are consistent with approval of the application. The Parent Company proposes to reconstitute the Savings Bank's board of directors and to replace certain members of the Savings Bank's senior management. OTS has reviewed the managerial resources of the proposed members of the Savings Bank's board of directors and senior management and concludes that managerial resources of these persons are consistent with approval of the application.

With respect to financial resources, OTS has considered the Parent Company's financial resources and the Savings Bank's proposed capitalization. The Parent Company demonstrated adequate resources and appears financially successful and stable. There is no information to suggest that the Parent Company's favorable long-term financial performance will not continue. The Savings Bank will meet all of its capital requirements and will be well capitalized, and will remain well capitalized under the OTS Prompt Corrective Action regulation based on the proposed capital infusion into the Savings Bank. OTS concludes that the Parent Company's and the Savings Bank's financial resources are consistent with approval of the application.

With respect to future prospects and the insurance risk to the DIF, OTS has considered the financial and managerial resources of the Parent Company and the Savings Bank. OTS is imposing condition 4 to help ensure that the Savings Bank operates pursuant to an acceptable business plan and changes to and from such a business plan are not detrimental to the Savings Bank. To help ensure that the Savings Bank's future prospects are consistent with approval, OTS is also imposing condition 5 to enable OTS to confirm that the Savings Bank is being

operated properly. OTS is imposing condition 7 to help ensure the officers and directors of the Savings Bank have the requisite character and responsibility. In addition, OTS is imposing condition 8 to help ensure that any new employment or retention contracts are consistent with OTS's policies and are not detrimental to the Savings Bank.

Because the Savings Bank will be controlled by the Parent Company and because the Savings Bank may have a number of ongoing interrelationships with the Parent Company's affiliates, OTS is imposing conditions 6 and 9, which reflect OTS's concerns about captive boards in the context of holding company structures where the Savings Bank is likely to have transactions with its affiliates and market products through affiliates. The conditions are designed to ensure that the Savings Bank's future prospects are consistent with approval.

OTS concludes that the future prospects of the Parent Company and the Savings Bank, and the risks to the DIF, are consistent with approval provided that the Parent Company and the Savings Bank comply with the conditions set forth herein.

The transaction will not result in any currently operating, unaffiliated insured depository institutions becoming affiliated. Accordingly, OTS finds no basis for objection to the transaction on anti-competitive grounds.

As for the CRA, the Parent Company does not control an insured depository institution, and therefore, is not subject to the CRA. The Parent Company previously owned a limited purpose Federal savings association that was not subject to the CRA. The Parent Company does not intend to change the CRA plan of the Savings Bank and the Savings Bank has a "Satisfactory" CRA rating. Accordingly, OTS concludes that there is no basis for objection to the Applicants' acquisition of the Savings Bank on CRA grounds.

Rebuttal of Control

The Control Regulations state that an acquiror is deemed, subject to rebuttal, to have acquired control of a savings association¹ if the acquiror, directly or indirectly, or through one or more subsidiaries or transactions or acting in concert with one or more persons or companies, acquires more than 10 percent of any class of voting stock of a savings association and is subject to any control factor, as described in 12 C.F.R. § 574.4(c).²

Parties attempting to rebut control are required to file a submission setting forth facts and circumstances supporting their contention that no control relationship would exist after the proposed acquisition. In addition, such parties must file a rebuttal of control agreement.

OTS may reject any control rebuttal that is inconsistent with the facts and circumstances known to it, or which does not clearly and convincingly rebut the presumption of control. If OTS concludes that it would be injudicious to rely on an acquiror's representations, based on

¹ The definition of "savings association" includes savings and loan holding companies. *See* 12 C.F.R. § 574.2(p) (2008).

² 12 C.F.R. §§ 574.4(b)(1)(i) and 574.4(c) (2008).

past activities of the acquiror, or other concerns, OTS may conclude that the acquiror has not clearly and convincingly rebutted a determination of control. In addition, an acquiror that is in conclusive control of a savings association may not rebut control of that savings association.

The Rebuttal Parties have filed a written submission setting forth facts and circumstances in support of their contention that no control relationship exists between the Rebuttal Parties and the Parent Company. The Rebuttal Parties represent that they acquired the Parent Company's shares for investment purposes only and in the ordinary course of business, and that they would not seek to exert control over the Parent Company, the Holding Company and the Savings Bank. The Rebuttal Parties would not acquire more than 25 percent of any class of the Parent Company's voting securities.

The Rebuttal Parties have submitted a rebuttal of control agreement that includes a material difference from the standard rebuttal agreement set forth at 12 C.F.R. § 574.100. The standard rebuttal agreement provides that a rebutting party will not engage in any intercompany transactions with the entity for which it is rebutting control, or any of that entity's affiliates, or be a party to any agreements with that entity or its affiliates. The Allianz Group has requested that OTS accept a rebuttal agreement that provides that the Allianz Group and the Parent Company and their affiliates be permitted to continue to engage in two types of existing relationships, provided that the revenues derived from the relationships are less than 0.5 percent of either company's revenue. The relationships have been negotiated on an arm's length basis and in the ordinary course of business at market rates and terms. The two relationships do not constitute a material portion of the Allianz Group's or the Parent Company's businesses. Further, unaffiliated parties in the marketplace would be available to provide such arrangements. OTS concludes, based on the representations made in the Rebuttal of Control, and review of the existing relationships, that the two relationships do not provide the Allianz Group with the ability to influence or control the Parent Company, and therefore, do not contravene the purposes of a rebuttal of control. On the basis of the facts presented, OTS concludes that the Rebuttal of Control meets the applicable approval standards.

Conclusions

Based on the foregoing analysis, the Rebuttal of Control is hereby accepted. Based on the foregoing analysis, OTS concludes that the holding company application meets the applicable approval criteria. Accordingly, the holding company application is hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated within 30 calendar days from the date of this Order;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Parent Company, the Holding Company and the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Parent Company, the Holding Company and the

Savings Bank, respectively, as disclosed in the application. If additional information having a material adverse bearing on any feature of the application is brought to the attention of the Parent Company, the Holding Company, the Savings Bank, or OTS since the date of the financial statements submitted with the application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;


3. The Parent Company, the Holding Company, and the Savings Bank must, within 5 calendar days after the effective date of the proposed transaction: (a) advise the Regional Director in writing of the effective date of the proposed transaction; (b) advise the Regional Director in writing that the transaction was consummated in accordance with all applicable laws and regulations, the application, and this Order; and (c) provide a reconciliation of the Savings Bank's capital to the Regional Director;
4. The Savings Bank must file with OTS, for the prior written non-objection of the Regional Director, a revised three-year business plan within 60 days after the consummation of the proposed transaction. The Savings Bank must operate within the parameters of its revised three-year business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan (including those initiated by the Parent Company) for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date;
5. For three years following consummation of the proposed transaction, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any material deviations;
6. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of the Parent Company or affiliates thereof, and who have not otherwise been determined by the Regional Director to lack sufficient independence. At least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Parent Company or any affiliate, and who is not an officer or employee of the Savings Bank, and who has not otherwise been determined by the Regional Director to lack sufficient independence. At least 50 percent of any audit committee established by the Savings Bank must be directors who are not officers or employees of the Savings Bank, the Parent Company or any affiliates, and who have not otherwise been determined by the Regional Director to lack sufficient independence;

7. For two years following consummation of the proposed transaction, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or senior executive officers or any significant changes in responsibilities of any senior executive officer;
8. For one year following consummation of the proposed transaction, the Savings Bank must receive the prior written non-objection of the Regional Director for any new employment or retention agreements for senior executive officers, and
9. For two years following the consummation of the proposed transaction, any contracts or agreements pertaining to transactions with affiliates and related interests of affiliated persons, as defined in 12 C.F.R. § 561.5(d), of the Parent Company and the Savings Bank not yet submitted for review must be provided to the Regional Director at least 30 days prior to their planned execution and receive the Regional Director's written non-objection prior to implementation of the contract or agreement.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

January 8, 2009.



Grovetta N. Gardineer
Managing Director
Corporate & International Activities

Appendix A

THE REBUTTAL PARTIES

Allianz SE
AZ-Argos 39 Vermögensverwaltungsgesellschaft mbH (AZ-Argos)
Allianz Finance II Luxembourg S.a.r.l,
Allianz Global Investors Advisory GmbH
Allianz Global Investors Kapitalanlagegesellschaft mbH
NFJ Investment Group L.P.
Oppenheimer Capital LLC
RCM (UK) Ltd