



Comptroller of the Currency
Administrator of National Banks

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

**Conditional Approval #537
July 2002**

June 26, 2002

Martha Pampel
Associate General Counsel
Federal Regulatory Coordination
Household International, Inc.
2700 Sanders Road
Prospect Heights, IL 60070

Re: Application for Household Bank (SB) N.A., Las Vegas, NV to purchase and assume assets of Beneficial National Bank USA, New Castle, DE - (CAIS #2002-WO-02-0003).

Application for Household Bank (Nevada) N.A., Las Vegas, NV to merge with and into Household Bank (SB) N.A., Las Vegas, NV - (CAIS #2002-WE-02-0003).

Dear Ms. Pampel:

This is to inform you that on June 26, 2002 the Office of the Comptroller of the Currency ("OCC") has conditionally approved the above referenced applications.¹ We have found that your proposals meet the requirements for conditional approval. This approval is granted based on a thorough review of all information available, including commitments and representations made in the applications and the merger agreements and those of your representatives.

The above applications to us describe additional transactions expected to consummate on July 1, 2002. Household Bank (SB), N.A. ("HBSB") will purchase and assume certain assets of Beneficial National Bank USA ("BNB") under 12 CFR § 5.33. Next, Household Bank (Nevada), N.A. will merge with and into HBSB under 12 U.S.C. § 215a and § 1828(c). Beneficial Corporation, as the sole shareholder, expects to dissolve BNB under 12 USC § 181

¹ In addition, this includes approval for the application by Beneficial National Bank USA, New Castle, DE to declare and pay a dividend-in-kind to Beneficial Corporation (CAIS #2002-WO-02-0009). You provided the description of the consummation activities as follows: First, Household Bank f.s.b. will distribute its capital stock in Household Bank (SB) NA to its parent company Household International Inc. ("HII"). HII will subsequently transfer the same capital stock to Household Finance Corporation, a subsidiary of HII. Beneficial National Bank USA will pay a dividend-in-kind of certain account assets to Beneficial Corporation under 12 CFR § 5.66.

immediately upon completion of the purchase of the assets by HBSB. Following the above transactions, HBSB will make a permanent capital reduction and simultaneously issue up to \$1 billion in subordinated debt.²

The transactions in the applications meet the applicable statutory and policy factors and are, therefore, conditionally approved. OCC reviewed the relevant factors under applicable law and regulation. The transactions are all among affiliates, so they have no impact on competition. The transactions will introduce additional operating control and efficiencies that support the management of and financial health of the reorganizing companies, enhancing their future prospects. The resultant bank will offer the full range of services offered by each of the constituent banks. The most recent CRA rating of each of the merging banks was satisfactory.³

This conditional approval is subject to the following “condition 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. As such, the condition is enforceable under 12 U.S.C. § 1818. The condition is:

No later than three days after consummation of the merger of Household Bank Nevada, N.A. into HBSB, the board of directors of HBSB and Household Finance Company (“HFC”) shall execute an operating agreement (“Operating Agreement”) with the OCC on terms and provisions acceptable to the OCC. The Operating Agreement shall require, among other things, that HBSB will maintain, at all times, specified minimum levels of capital and liquidity, and that HFC will ensure that HBSB has, at all times, adequate capital and liquidity to support its operations. The boards of directors of HBSB and HFC shall fully implement and ensure continued adherence to the terms and provisions of the Operating Agreement.

Until consummation of the transactions, the OCC has the right to alter, suspend, or revoke preliminary approval should any interim development be deemed by the OCC to warrant such action.

As a reminder, you should advise me in writing five days in advance of the desired effective date for the merger so we may issue the necessary certification letter. Please note that the effective date may be on or after the date of this letter but must be in accordance with any other required regulatory approvals.

² This letter transmits approval for HBSB to make an \$850 million reduction in permanent capital (CAIS #2002-WO-12-0013), and issue up to one billion dollars in subordinated debt (CAIS #2002-WO-12-0014).

³ The OCC did not receive any public comments concerning the transaction to merge Household Bank (Nevada), N.A. with and into HBSB.

The OCC will issue a letter certifying consummation of the transactions when we have received the following:

1. Secretary's Certificates for each entity, certifying that a majority of the board of directors approved the transactions, if not previously provided.
2. Executed merger agreements with Articles of Association for the resulting bank attached.
3. A copy of the approval by the Office of Thrift Supervision for the capital stock transfer of HBSB from Household Bank f.s.b. to HII.

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 U.S., any agency or entity of the U.S., or an 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.

A separate letter is enclosed requesting your opinion of our service in processing your applications. We would appreciate your response so we may evaluate our service. If you have questions, please contact Steven M. Strasser, Licensing Analyst or me at (202) 874-5060.

Sincerely,

-signed-

Alan Herlands
Director for Licensing Operations

Enclosure: Survey Letter