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Decision of June 27, 2011

By the [Division of Banks](#)

DECISION
RELATIVE TO THE PETITION OF
PEOPLE'S UNITED FINANCIAL, INC., BRIDGEPORT, CONNECTICUT
TO ACQUIRE
DANVERS BANCORP, INC., DANVERS, MASSACHUSETTS

People's United Financial, Inc. (the "Petitioner" or "People's United"), Bridgeport, Connecticut, has petitioned the Board of Bank Incorporation (the "Board") pursuant to Massachusetts General Laws chapter 167A, sections 2 and 4 for approval to acquire ownership and control of Danvers Bancorp, Inc., Danvers, Massachusetts and its subsidiary bank, Danversbank, Danvers, Massachusetts. The Petitioner is the bank holding company for People's United Bank, Bridgeport, Connecticut. The Petitioner's application before the Board is part of a multi-step transaction in which Danvers Bancorp, Inc. will merge with and into the Petitioner. A merger of the subsidiary banks, Danversbank with and into People's United Bank is, by statute, subject to the approval of the Division of Banks (the "Division").

Notice of the application was published and posted as directed by the Board, thereby affording opportunity for interested parties to submit comments. Other standard procedures informing the public of this matter before the Board were implemented. The Board held a public hearing on the petition of People's United on May 24, 2011. The comment period on the proposed transaction ended on May 27, 2011. Prior to the public hearing and within the public comment period Danvers Bancorp, Inc. held its stockholders' meeting on this proposed transaction and the stockholders voted in favor of the transaction by more than 80%.

At the Board's request at the public hearing and then subsequent thereto, the Petitioner supplemented its application with documents submitted on May 26, 2011 and June 9, 2011. The Board has reviewed the application and the oral testimony received at the public hearing, the supplemental filings filed thereafter, and a comment received. The review focused on the statutory and administrative criteria applicable to such transactions which include, among other things, whether competition among banking institutions will be unreasonably affected; whether public convenience and advantage would be promoted; and the record of performance under the Community Reinvestment Act ("CRA") by the subsidiary banks of the holding companies. As in any transaction, consideration is also given to the financial and management components of a proposed acquisition. The additional statutory requirements set out in sections 2 and 4 of said chapter 167A, including provisions on an interstate transaction, were also significant factors in the Board's deliberations on the matter before it.

One such statutory provision requires the Board to have received notice from the Massachusetts Housing Partnership Fund (the "MHPF") that satisfactory arrangements have been made by the Petitioner consistent with statute and the MHPF's various affordable housing loan programs. The Board received notice from the MHPF that arrangements satisfactory to it had been made for this transaction in a letter dated May 19, 2011.

People's United is a Delaware corporation and savings and loan holding company under the Home Owners Loan Act of 1933, as amended. People's United was formed for the purpose of effectuating the conversion of People's Mutual Holdings from a mutual holding company structure to a stock holding company structure. People's United is regulated by the Office of Thrift Supervision (the "OTS") and subject to OTS examination, supervision and reporting requirements. At March 31, 2011, People's United had total assets of approximately \$25 billion. As a bank holding company, one of People's United's primary purposes is to serve as a source of strength for its subsidiaries and affiliates. In this case, one of People's United's principal assets is 100% ownership of the capital stock of People's United Bank, a federally-chartered stock savings bank which is also subject to OTS examination, supervision and reporting requirements.

People's United Bank, ("the Bank") a diversified financial services institution, was established as a state-chartered bank in Connecticut

in 1842. The Bank reorganized under the mutual holding company structure in 1988. The Bank converted to a federally-chartered mutual holding company and a federal savings bank charter. In April 2007, People's United completed a conversion from a mutual holding company structure to a full publicly owned stock company. The Bank provides commercial banking, retail and small business banking, as well as insurance, retail investment, wealth management, brokerage and financial advisory and trust services to personal and business customers. It has its main office in Bridgeport, Connecticut and operates through its network of approximately 340 branches in Connecticut, Vermont, New Hampshire, Maine, Massachusetts and New York. On December 28, 2007, this Board approved the application of People's United to acquire Chittenden Corporation, Burlington, Vermont and its six subsidiary banks. In Massachusetts, Flagship Bank and Trust Company, Worcester, and The Bank of Western Massachusetts, Springfield, were subsidiaries of Chittenden and acquired by People's United. After subsequent transactions, those two banks were merged with and into the Bank. On November 9, 2010 the Board approved People's United's petition to acquire ownership and control of LSB Corporation, North Andover, Massachusetts and its subsidiary bank, River Bank, North Andover, Massachusetts. The merger of the banks was effective on November 30, 2010. In April 2010, People's United Bank acquired certain assets and the deposits of Butler Bank, Lowell, Massachusetts, which was closed by the Massachusetts Commissioner of Banks who appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver.

At March 31, 2011, People's United had total assets of approximately \$25 billion, as stated above, and total deposits of approximately \$18.1 billion. People's United's regulatory capital ratios exceeded the OTS's criteria for classification of a "well capitalized" institution as of March 31, 2011.

Danvers Bancorp, Inc., a Delaware corporation headquartered in Danvers, Massachusetts, is a bank holding company that conducts business principally through its wholly owned subsidiary Danversbank, a Massachusetts-chartered stock savings bank. Danversbank was founded in 1850 as a Massachusetts-chartered savings bank. Danversbank offers a wide range of commercial and retail banking services, including commercial and industrial loans, commercial real estate loans, owner-occupied residential mortgages and consumer loans, treasury management, debit and credit card products, online banking and investment management services. Danversbank operates a total of 28 branches, all in Massachusetts and more than half in Essex County. At March 31, 2011 Danvers Bancorp, Inc. had total assets of approximately \$2.8 billion and total deposits of approximately \$2.1 billion. Both Danvers Bancorp and Danversbank were "well capitalized" for bank regulatory capital purposes as of March 31, 2011.

The Petitioner has submitted materials to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. The application contained an analysis utilizing the various tests used by federal agencies. Traditionally, however, this Board has not limited its review to those previously cited federal standards in its consideration of whether competition will be unreasonably affected. Rather it is the position of this Board to consider a transaction in light of its impact on the citizens, communities and banking structure in the Commonwealth on a community-by-community basis, as well as on the overall banking structure of the Commonwealth of Massachusetts instead of by variously grouped markets. The Board is aware that under the federal analysis People's United Bank and Danversbank compete in one geographic market, the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area, where they rank 17th and 11th, respectively, in terms of deposit market share. The Bank and Danversbank have market shares of 0.81% and 1.18%, respectively. Upon consummation of the transaction, the Herfindahl-Hirschman Index ("HHI") would increase by only two points from 1,037 to 1,039, the combined organization would rank ninth in market share by deposits, and numerous competitors would remain in the market. Consequently, such a combination would not have a significantly adverse effect on competition or on the concentration of banking resources in the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area.

The Petitioner's filings demonstrate that after the merger there will be three branches of the resulting institution in Andover, Massachusetts and four branches of the resulting institution in the City of Boston if People's United should exercise its right, acquired from Danversbank, to open an approved yet unopened branch to be located at 45 Milk Street. These two analyses demonstrate to the Board that consummation of the transaction will not result in undue concentration of banking resources in banking markets or municipalities in Massachusetts. Upon review, the Board does not believe the transaction will unreasonably affect competition for the reasons cited as well as the fact that a number of diverse financial institutions will continue to provide competitive deposit and credit services throughout the affected areas and banking markets served by the continuing institution.

The Petitioner states that the enhanced financial strength of the combined banks will ensure that the resulting institution will be able to offer financial products and services at competitive rates. As stated above, the transaction will permit People's United Bank and Danversbank to pool their financial resources, to reduce costs, to diversify risk, and to better serve their communities by offering a broader array of products and services to consumers and businesses. Customers of Danversbank will have access to numerous added products and services including but not limited to: brokerage, retirement planning, insurance services, as well as expanded commercial loan capacity. Customers of Danversbank will be provided with fee free access to People's United Bank's network of approximately 500 ATMs. The Board has also considered the Petitioner's analysis of "net new benefits" related to the transaction with respect to the statutory criteria. The term includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors. Testimony by the Petitioner and in response to questions by the Board addressed all of the components of the statutory test. The Board has considered the application and testimony submitted by the Petitioner and finds that consideration of public convenience and advantage including net new benefits weigh in favor of approving the proposed transaction.

Related to the issue of public convenience and advantage is the record of performance under CRA by the subsidiary banks which are the parties to this transaction. Such a review for a state-chartered bank includes examination by personnel of the Division as well as analysis of concerns received by the bank's community and its response to those concerns fairly raised. For other institutions, the Board looks to a publicly available descriptive rating and evaluation by a federal or state bank regulatory agency. The Board has noted that the Petitioner's subsidiary bank, People's United Bank, has an "Outstanding" rating in its most recent examination of

performance under CRA by the OTS conducted as of October 5, 2009. The Board has noted that Danversbank has a "Satisfactory" rating at its most recent examination conducted by the FDIC and a "High Satisfactory" CRA performance rating by the Division in the most recent joint examination which was as of July 14, 2008.

The Petitioner states the extent to which the proposed transaction results in additional job growth depends on the Petitioner's ability to develop and grow the franchise in the market area currently served by Danversbank. The Petitioner states, furthermore, that internally, the financial strength of the combined institution will result in expanded operations and employee base as well. Externally, job creation will result from the significant loan programs and commercial lending business of the combined institution. Past decisions of the Board have accepted that this component can be met by a prospective direct and indirect increase in employment. (See for example the *Decision of the Board of Bank Incorporation relative to the Petition of Bank of America Corporation, Charlotte, North Carolina to acquire FleetBoston Financial Corporation, Boston, Massachusetts* (March 31, 2004).)

At the public hearing, the Board questioned the Petitioner on the proposed transaction's employment ramifications. By statute, job creations plans are a component of the net new benefits test to be analyzed by the Board. The fact that this petition is the third transaction in the Commonwealth by People's United since April of 2010, as well as the initial comments in the submitted application, were the basis for the Board's additional scrutiny which resulted in two supplemental filings. The last submission presented a much clearer and more definitive picture of the Petitioner's plans for its future operations in the Commonwealth particularly in the general area of its recent transactions and this proposed acquisition.

The Board is keenly aware of the economies sought to be achieved which are part of a holding company acquisition transaction. Similarly, the Board recognizes that the resolution of a failed bank will not result in continued employment for all of the closed institution's staff. For market transactions, as here, the burden is on the Petitioner to put before the Board information on the net new benefits, including jobs, which will occur if approval is granted.

In its latest filing, the Petitioner reaffirmed what it had previously publicly stated that expanding its Massachusetts banking operations is a strategic priority. People's United also emphasizes that its strong capital position gives it the resources to support future growth. The filing provides details to support both direct and indirect positive trends to its contributions to the Commonwealth's workforce. Similarly, it also further addresses the severance benefits and transitional assistance that will be provided employees when jobs are eliminated. The totality of the information in the Petitioner's application, testimony and supplemental filing complete the record on this significant factor in the Board's deliberation on this proposed transaction. In these deliberations the Board has recognized that within these most recent economically distressed times, on regional, national and global fronts, that People's United has not in its core operating structure implemented job freezes or notable layoffs.

The complete record now reflects the Petitioner's plans to expand its banking facilities in the Commonwealth; increase its commercial lending bankers, as well as its retail lending sales force; and employ additional wealth management staffing. Its commitment to adding branch offices in the next few years will result in the hiring of approximately 45 to 50 retail employees over that period. The supplemental filing indicates People's United will double the number of commercial bankers and risk officers currently employed by it and Danversbank over the same time span. Additional employees will be located in Massachusetts from the expansion of its asset based lending program. Similarly, about a dozen new employees will be added for the wealth management business lines. The Petitioner's intent to recruit and hire experienced mortgage account officers as well as within its business banking services are also discussed. All of these initiatives in conjunction with its existing business lending activities support indirect job creation across a variety of industries in Massachusetts according to the Petitioner. The Board finds that People's United response not only satisfied the job creation plan factor but also significantly enhanced its response to all component parts of the statutory test of net new benefits resulting from a holding company transaction.

The financial and managerial aspects of any transaction are a significant consideration of the Board as they may affect the continuing holding company's ability to serve the banking public and to actively compete with other financial institutions as well as to maintain its capital ratio standards for a safe and sound institution. The acquisition is being accomplished by the merger of the two holding companies in a transaction financed by an exchange of 55% stock and 45% cash. The cash consideration payable to eligible stockholders is being paid by People's United from cash on hand. From the numerous submissions as part of such a multi-step corporate transaction, the Board has before it information on the compensation benefits which would flow to named individuals should a transaction be approved. The sources of such compensation such as contracts and stockholder approved plans, as well as the acquisition agreement itself, are also known to the Board. The significant differences in the financial impact on individuals working at Danvers Bancorp, Inc. and Danversbank have not gone unnoticed by the Board and were raised at the public hearing and were the subject of a separate requested supplemental filing. Upon consummation of the transaction, People's United will remain a well capitalized holding company under applicable bank regulatory guidelines. The Board is aware that the management organization of People's United will remain unchanged but for the addition of one director of Danvers Bancorp becoming a director of the Petitioner. The Board's consideration of the financial and managerial factors are supportive of approval of this transaction.

The application, supporting documents, as well as the testimony received at the public hearing, have established a comprehensive record on this petition, which has been reviewed consistent with statutory provisions and the policies of the Board. Based on the record of this matter considered in light of all relevant statutory and administrative requirements, the Board finds that public convenience and advantage will be promoted and that competition among banking institutions will not be unreasonably affected and that the record of performance under CRA by the subsidiary banks involved in this transaction are consistent with its approval. Having considered the record established on this application, the Board has found that the applicable statutory and administrative criteria have been met. Accordingly, the Board has concluded that the petition should be approved.

In accordance with the findings expressed herein and pursuant to statute, the Board hereby approves the petition and authorizes People's United Financial, Inc. to acquire Danvers Bancorp, Inc. provided that the transaction is completed within one year of the date of this Decision.

Board of Bank Incorporation

David J. Cotney

Commissioner of Banks

Navjeet K. Bal

Commissioner of Revenue

Steven Grossman

Treasurer and Receiver-General

June 27, 2011

Date