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## Decision of December 27, 2006

By the [Division of Banks](#)

### **DECISION RELATIVE TO THE PETITION OF NEW ALLIANCE BANCSHARES, INC., NEW HAVEN, CONNECTICUT TO ACQUIRE WESTBANK CORPORATION, WEST SPRINGFIELD, MASSACHUSETTS**

New Alliance Bancshares, Inc. (the "Petitioner" or "New Alliance"), New Haven, Connecticut, has petitioned the Board of Bank Incorporation ("the Board") pursuant to Massachusetts General Laws chapter 167A, sections 2 and 4 to acquire Westbank Corporation, West Springfield, Massachusetts, and its subsidiary bank, Westbank ("Westbank"), headquartered in West Springfield, Massachusetts.

The Petitioner's application before the Board is part of a multi-step transaction in which it is contemplated that following this acquisition Westbank will merge with and into New Alliance's banking subsidiary, New Alliance Bank (the "Bank"), New Haven, Connecticut, pursuant to an Agreement and Plan of Merger dated July 18, 2006. The bank merger application is subject to approval of the Commissioner of Banks.

As directed by the Board, notice of the application was published and posted and a public hearing was held, thereby affording an opportunity for interested parties to attend or submit comments. Other standard procedures informing the public of this matter before the Board were implemented. The public hearing was held on December 12, 2006. Representatives of New Alliance and Westbank Corporation offered testimony and responded to questions from the members of the Board. Following the hearing, the public comment period remained open so that interested parties could submit any additional comments. On December 13, 2006, Westbank Corporation shareholders approved the transaction. The comment period closed on December 15, 2006. No further public comments were received.

Petitioner is a Delaware corporation headquartered in New Haven, Connecticut. The Bank is, according to testimony submitted, the third largest bank headquartered in Connecticut and the sixth largest headquartered in New England. As of September 30, 2006, it had \$7.2 billion in assets and \$3.8 billion in deposits. It operates 71 branches in 6 counties in Connecticut. The Bank is a full service community bank which offers numerous and varied consumer and commercial deposit and loan products. The Bank also offers trust services and has its own broker dealer subsidiary. In addition, New Alliance recently announced an agreement to purchase an investment advisory firm that will further increase New Alliance's assets under management and investment capacities.

Westbank Corporation is a bank holding company headquartered in West Springfield, Massachusetts. Its primary activity is to function as a holding company for Westbank, a state-chartered trust company also headquartered in West Springfield, Massachusetts. At September 30, 2006, Westbank held approximately \$820 million in total assets, \$606 million in total deposits, and \$455 million in loans. In addition to a main office in West Springfield, Westbank operates fifteen branch offices, four of which are located in northeastern Connecticut.

As an interstate transaction and pursuant to requirements of chapter 167A, the reciprocity laws of Petitioner's home state are subject to the review of the Commissioner of Banks. Specifically, the Commissioner must determine whether the proposed transaction is authorized under the laws of Connecticut for a Massachusetts-based company, under conditions no more restrictive than those imposed by Massachusetts. Based on a review of the applicable law, and consistent with previous

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rulings involving Massachusetts-based banks acquiring Connecticut-based banks, the Commissioner has concluded that the proposed transaction is permissible under the Commonwealth's Interstate Bank Act.

Prior to approving an application under chapter 167A, the Board must have received notice from the Massachusetts Housing Partnership Fund (the "MHPF") that satisfactory arrangements have been made by the Petitioner consistent with statute and MHPF's various affordable housing loan programs. In a letter dated December 7, 2006, the Board received notice from the MHPF that satisfactory arrangements had been made for this transaction.

The Board's review of this transaction focuses on the applicable statutory and administrative criteria which include, among other things, whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage will be promoted. In determining whether the public convenience and advantage are promoted by the proposed transaction, the Board considers, among other things, whether there has been a showing of "net new benefits." Net new benefits are defined as initial capital investments, job creation plans, consumer and business services, commitment to maintain and open branch offices within a bank's delineated local community, and such other matters as the Board may deem necessary or advisable. The Board also considers the record of performance under the Community Reinvestment Act ("CRA") for the subsidiary banks involved in the transaction and any relevant public testimony or commentary submitted into the record.

On the issue of whether competition will be unreasonably affected by the proposed transaction, the Board considers, but does not rely exclusively on, the guidelines used by federal authorities to review bank mergers. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The starting point in the federal analysis is the Herfindahl-Hirschman Index ("HHI"), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in an affected market into a single value. However, the Board's analysis of a transaction is not confined to the consideration of concentration ratios to evaluate competitive conditions; it also considers the competitive effect of the proposed transaction in light of its impact on the citizens, communities, and banking structure of the Commonwealth on a community by community basis. According to the Petitioner's application, the transaction will have minimal impact on competition in the geographical areas in which the institutions are located because the current market area of New Alliance Bank does not overlap with that of Westbank. In the four counties in which Westbank operates, the FDIC shows 55 FDIC insured institutions operating at June 30, 2006, with the largest market shares held by Bank of America at 15% and TD BankNorth at 11%. Westbank's current 2.2% of market share does not provide it with a dominant position. Petitioner states that New Alliance will have to compete as it has in its current markets with personal touch, involvement of local people in local institutions, and attention to customer needs. In addition, because the large number of financial institutions with offices in the relevant geographic market areas, the combined institution will continue to face significant competition for the attraction and retention of deposits and origination of loans. Based upon the small market share of Westbank, the lack of current market overlap between New Alliance and Westbank, and the number of remaining competitors in the affected market, the Board finds that the transaction will not unreasonably interfere with competition. Rather, the greater Springfield area will continue to have access to competitive products and services offered by a diverse number of commercial banks, savings banks, cooperative banks, credit unions and non-bank providers.

Petitioner submitted a variety of information relating to the public convenience and advantage that will result from the proposed transaction. Petitioner explains that the Westbank acquisition is a logical geographical extension up the I-91 corridor as many people in the Hartford and Springfield markets work, live, or have other connections to the other city. This natural geographic fit will be beneficial for Westbank customers who work, live or travel in Connecticut. Customers will have access to New Alliance's broader ATM network and branches. Commercial customers will benefit from the larger lending limits and additional resources of New Alliance. Some of these additional services include merchant processing services, certified lender status under the Small Business Association's "7(a)" loan program, a commercial repurchase product, cash management services, online banking and bill payment services. Trust customers will benefit from New Alliance's larger Trust Division and investment management expertise. New Alliance will offer all of the consumer products and services it offers in Connecticut to its customers in Massachusetts. These consumer products and services include expanded cash management and trust and investment offerings, affordable housing loan programs, mobile home loans, boat loans, and investor home equity loans. New Alliance will retain most of Westbank's consumer offerings, including "18-65" free checking.

Petitioner submitted to the Board a supplemental filing to its application dated December 6, 2006 further describing the net new benefits resulting from the proposed transaction, including information addressing capital investment in the community, job creation plans, the executive officer residency

requirement set forth in G.L. c. 167, §4, and other community benefits. Related to the net new benefits analysis, Petitioner asserts that the Westbank communities will benefit from its Foundation's mission to serve the needs of the communities in which New Alliance does business. Petitioner also states that it will continue Westbank's historic relationships with community events including the Eastern States Exposition (the "Big E") and sponsorship of the "Credit for Life Program", a financial counseling program for urban and suburban high school students.

New Alliance is not closing any of the Westbank branches. Although no specific de novo branches have been planned, Petitioner states that it is looking for additional opportunities for branches or acquisitions in Massachusetts. The Petitioner has budgeted \$1.5 million for initial facilities improvements to Westbank's branches and approximately \$650,000 in technology upgrades. All existing branch personnel have been offered continuing positions with the Petitioner. Other personnel of Westbank will be retained in a variety of positions. Additionally, new hires include a loan originator for low to moderate income loans and two financial advisors.

Based on all of the material submitted by the Petitioner and testimony at the hearing, the record demonstrates that, if the proposed transaction is approved, Westbank customers would have expanded access to banking venues, as well as access to new and enhanced products offerings. Additionally, the Board finds that Petitioner's community outreach efforts will benefit the communities served by Westbank. Based on all of these factors, the Board's review weighs in favor of the finding that the public convenience and advantage will be promoted. The Board further concludes that the criteria for net new benefits has been established.

The Board's review of this transaction includes an assessment of the subsidiary banks' performance under the Community Reinvestment Act ("CRA"). Such assessment for a state-chartered bank includes examination by Division of Banks personnel, as well as an analysis of the legitimate concerns raised by the community and the bank's response to those concerns. For other institutions, the Board reviews the descriptive rating and evaluation by the applicable federal or state bank regulatory agency. Here, the relevant evaluations were submitted as part of Petitioner's application materials. In its most recent CRA examination as of September 6, 2005, performed by the Federal Deposit Insurance Corporation, New Alliance Bank received a "Satisfactory" rating. Westbank also received a "Satisfactory" rating in its most recent CRA examination as of January 19, 2005 conducted by the Federal Deposit Insurance Corporation, which conducts examinations of state-chartered banks on an alternating schedule with the Division of Banks.

Finally, the Board reviews the financial structure, tax consequences, and operational aspects of the transaction. It has reviewed the consolidated financial statements of the parties and the details of the proposed transaction, and is satisfied with the Petitioner's capital ratios and projections. Information regarding the tax consequences of the proposed transaction was provided by Petitioner and also discussed with the Board.

The Board's review of all statutory and administrative criteria applicable to the acquisition of Westbank Corporation by New Alliance supports approval of the transaction.

#### Conclusion

Based on the record of this matter and considered in light of all relevant statutory and administrative requirements, the Board concludes that competition among banking institutions in the Commonwealth will not be unreasonably affected and that the transaction will promote the public convenience and advantage. Specifically, the Board finds the transaction will benefit the customers of Westbank, and further finds that the banks involved in this transaction have a satisfactory record of performance under the CRA. In accordance with these findings and pursuant to the statutory authority cited herein, the Board approves the application and authorizes New Alliance to acquire 100% of the stock of Westbank Corporation and Westbank.

The approval granted herein is subject to the condition that all related transactions are completed within one year of the date of this Decision.

Steven L. Antonakes

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Commissioner of Banks

Alan L. LeBovidge

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Commissioner of Revenue

Board  
of Bank  
Incorporation

Timothy P. Cahill

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Treasurer and Receiver  
General

December 27, 2006

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Date