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Decision of February 26, 1998

Decision in the matter of the merger of the Hibernia Savings Bank, Quincy, Massachusetts with and into Eastern Bank, Lynn, Massachusetts

By the [Division of Banks](#)

Eastern Bank ("Eastern" or the "Petitioner"), Lynn, Massachusetts has petitioned the Division of Banks (the "Division") for approval to merge with The Hibernia Savings Bank ("Hibernia"), Quincy, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 168, section 34D. Under the terms of an Agreement of Merger (the "Agreement") dated as of October 22, 1997, Hibernia will merge with and into Eastern under the charter, by-laws and name of Eastern. The main office of Hibernia and all of its other banking offices will become branch offices of the continuing bank. As part of the multi-step transaction, Eastern Bank Corporation, the parent company of Eastern, will acquire Emerald Isle Bancorp, Inc., the parent company of Hibernia. That acquisition transaction is a matter within the jurisdiction of the Commonwealth's Board of Bank Incorporation which has approved that acquisition on this same date.

Notice of the application has been posted and published. The time period for interested parties to submit comments has passed. Accordingly, all documents and materials related to this transaction have been reviewed. That record has been considered with regard to the financial and managerial resources of each bank, the competitive effects of the proposed transaction, the interests of the depositors of each bank, the future prospects of the institutions and the convenience and needs of the communities to be served by the consolidated entity as well as the performance of each bank under the Commonwealth's Community Reinvestment Act ("CRA"), section 14 of chapter 167 of the General Laws and its implementing regulation, 209 CMR 46.00 et seq.

Eastern is a state-chartered stock savings bank formed by the reorganization into a mutual holding company by its parent company, Eastern Bank Corporation, Lynn, Massachusetts. That reorganization occurred in 1989 and was the first mutual holding company in the Commonwealth. Eastern operates thirty banking office which are generally located north of Boston. As of September 30, 1997 it had total assets of \$2.07 billion. Eastern Bank Corporation is also a bank holding company. It controls another bank subsidiary, Eastern Bank and Trust Company which has its main office in Salem and a branch office in Medford. Eastern Bank and Trust Company primarily provides trust services to its customers.

Hibernia is also a state-chartered stock savings bank as a result of its standard conversion in 1986. As of September 30, 1997 it had total assets of \$443 million. Hibernia operates from ten banking offices with two in Boston, one downtown and the other in South Boston. Its remaining branch offices are located in communities on the South Shore. An approved but unopened branch office in Marshfield will be added to the branch office network. Hibernia's holding company, Emerald Isle Bancorp, Inc., was established in 1996. Its principal business is conducted through Hibernia.

The Petitioner has submitted extensive materials to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. Much of that analysis is detailed

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according to various tests used by federal agencies. That analysis demonstrates that consummation of the transaction will not result in undue concentration of banking resources in the specified banking market in Massachusetts. According to the information provided, after the transaction Eastern's rank as the seventh largest bank in the Boston banking market will remain unchanged. Traditionally, however, the Division 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 Division's position 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 instead of by variously grouped markets. Upon review, the Division does not believe the transaction will unreasonably affect competition since a number of diverse bank and financial institutions will continue to provide competitive deposit and credit services in the affected market. More importantly, the transaction represents an institution primarily located on the North Shore acquiring a bank conducting business on the South Shore. Neither Eastern's bank subsidiaries nor Hibernia have branch offices in the other's primary service area and the deposits generated from the other's area is minimal if not de minimis. Accordingly, competitive factors support approval of the application.

The Divisions has also considered whether public convenience and advantage will be promoted by the proposed transaction. The Petitioner's application provides examples of the benefits which will result from Eastern's merger with Hibernia. According to the Petitioner, customers will enjoy enhanced accessibility to the services and their accounts through an expanded branch office and ATM network which for customers of each bank will now include the North Shore and South Shore as well as in Boston. Additionally, a wider array of consumer lending product lines including longer term mortgage programs such as VA, FHA and MHFA which are now offered by Eastern will be continued. Several home banking options and a twenty-four hour customer service line will also be available. Trust and investment management services, asset-based lending and commercial leasing products of Eastern or its affiliate will also become available to customers of Hibernia. Other products, services and advantages are set out in the record of this transaction.

Related to the issue of public convenience and advantage is the record of performance under the Community Reinvestment Act ("CRA") by the banks which are the parties to this multi-step transaction. Such 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 Division looks to a publicly available descriptive rating and evaluation by a federal or state regulatory agency. The Division has noted that both Eastern Bank and Eastern Bank and Trust Company have "Outstanding" ratings and Hibernia a "Satisfactory" in their most recent examinations of performance under CRA. Moreover, Eastern has had a series of "Outstanding" ratings. The Division's review of factors related to public convenience and advantage are consistent with approval.

The financial structure and managerial aspects of the transaction were reviewed and addressed. As detailed in the submitted documents, Eastern Bank Corporation will pay cash for the stock of Emerald Isle Bancorp, Inc. The capital ratios and projections for the Petitioner as the combined institution are satisfactory. Management factors reviewed in consideration of the proposed transaction are also supportive of its approval. The Division is aware that the shareholders of Emerald Isle Bancorp, Inc. voted in favor of this multi-step transition on January 22, 1998.

Upon review of the application with reference to the relevant statutory and regulatory requirements, this Division has concluded that the consummation of the proposed consolidation would be in the public interest. On the basis of these considerations, approval is granted to merge Hibernia with and into Eastern under the charter, by-laws and name of Eastern Bank pursuant to the provisions of said section 34D of chapter 168 of the General Laws. In accordance with the Agreement and General Laws chapter 167C, section 3, approval is also granted for the continuing bank to maintain the banking offices of Hibernia as branch offices of the continuing bank.

The approvals granted herein are subject to the following conditions:

1. that the proposed merger shall not become effective until the Certificate with the applicable name of the continuing bank signed by the Presidents and Clerks or other duly authorized officers of each bank indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 168, section 34D has been returned with my endorsement thereon;
2. that the proposed merger shall not become effective until Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. that the proposed merger be consummated within one year of the date of this Decision.

February 26, 1998

Thomas J. Curry

Date

Commissioner of Banks

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