



COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF BANKS

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**DECISION
RELATIVE TO THE MERGER OF
CENTURY BANK AND TRUST COMPANY, MEDFORD, MASSACHUSETTS
WITH AND INTO
EASTERN BANK, BOSTON, MASSACHUSETTS**

Eastern Bank, Boston, Massachusetts has applied to the Division of Banks (Division) to merge with Century Bank and Trust Company, Medford, Massachusetts (Century Bank) pursuant to the provisions of Massachusetts General Laws chapter 167I, section 3. Under the terms of an Agreement and Plan of Bank Merger dated as of April 7, 2021, Century Bank will merge with and into Eastern Bank (Bank Merger) under the charter, bylaws, and name of Eastern Bank (Continuing Institution). The main office of Eastern Bank will remain the main office of the Continuing Institution after consummation of the proposed Bank Merger. Eastern Bank has also petitioned the Division to maintain and operate the banking offices of Century Bank existing as of the consummation of the proposed Bank Merger as branch offices of the Continuing Institution. In conjunction with this multi-step transaction, Eastern Bank has also filed applications with the Division to close nine Eastern Bank branch office locations in Massachusetts, and Century Bank has filed applications requesting approval to close eight branch office locations in Massachusetts.

The Bank Merger application was filed in connection with a multi-step transaction in which Eastern Bankshares, Inc. (Eastern Bankshares), a Massachusetts stock holding company, will indirectly acquire the stock of Century Bank through a merger of Century Bancorp, Inc. (Century Bancorp), the holding company for Century Bank, with Clarion Acquisition Corp. (Merger Subsidiary), a wholly-owned subsidiary of Eastern Bankshares formed for the purpose of facilitating this multi-step transaction. According to an

Agreement and Plan of Merger dated as of April 7, 2021 by and among Eastern Bankshares, Merger Subsidiary, Century Bancorp, and Century Bank, at the effective time of the proposed multi-step transaction, Merger Subsidiary will merge with and into Century Bancorp resulting in Century Bancorp becoming a subsidiary of Eastern Bankshares, and then Century Bancorp will immediately merge into Eastern Bankshares (collectively, the Parent Merger). Contingent upon and immediately following the Parent Merger, Century Bank will merge with and into Eastern Bank.

Legal and Procedural Requirements

Notice of Eastern Bank's application was posted and published as directed by the Division, thereby affording opportunity for interested parties to submit comments to the Division. The period for filing comments has expired, and no comments were received. The Division reviewed the application and supplementary materials submitted by Eastern Bank in accordance with applicable law, including the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage as well as "net new benefits" will be promoted by approval of the proposed transaction. The Division considered both banks' records of performance under the Community Reinvestment Act (CRA) as well as financial and managerial factors.

Pursuant to Massachusetts General Laws chapter 167A, section 3 (Section 3), because the Parent Merger will occur simultaneously with the merger of the subsidiary banks, and the Bank Merger requires the Division's approval, an application to the Commonwealth's Board of Bank Incorporation was not required for the merger of Merger Subsidiary with and into Century Bancorp and the related merger of Century Bancorp with and into Eastern Bankshares. Section 3 also requires that the bank to be acquired in the multi-step transaction must have been in existence for not less than three years and imposes a thirty percent (30%) limit on the total deposits, exclusive of foreign deposits, of all depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) that a company that would become a bank holding company may control. Century Bank has been in existence for more than three years, and the resulting holding company following the merger of Century Bancorp with and into Eastern Bankshares would control

approximately 3.32% of the total in-state deposits of the FDIC-insured depository institutions in Massachusetts.

In reviewing the proposed transaction, the Division must receive notice from the Massachusetts Housing Partnership Fund (MHPF) that satisfactory arrangements have been made consistent with Massachusetts General Laws chapter 167A, section 4 and the MHPF's affordable housing loan programs. The Division received notice from the MHPF that satisfactory arrangements have been made for this transaction in a letter dated July 30, 2021. Based upon the foregoing, the Division has determined that the multi-step transaction satisfies the requirements of Section 3.

The Parties

Eastern Bank is a Massachusetts state-chartered trust company and is the sole banking subsidiary of Eastern Bankshares. In addition to its main office in Boston, Massachusetts, Eastern Bank operates a network of 88 branch offices including 82 branch offices in Massachusetts and six branch offices in New Hampshire. As of June 30, 2021, Eastern Bank reported total assets of approximately \$17.0 billion and total deposits of approximately \$14.0 billion. Eastern Bank offers a full range of financial products and banking services for consumers, businesses, government agencies, and nonprofit organizations.

Century Bank is a Massachusetts state-chartered trust company and is the sole banking subsidiary of Century Bancorp. In addition to its main office in Medford, Massachusetts, Century Bank maintains 27 branch offices including 26 branch offices in Massachusetts and one branch office located in Salem, New Hampshire. As of June 30, 2021, Century Bank had total assets of approximately \$7.2 billion and total deposits of approximately \$6.4 billion. Century Bank has six wholly-owned subsidiaries that would be acquired by Eastern Bank including three active Massachusetts securities subsidiaries engaged in buying, selling, and holding securities on their own behalf, not as a broker.

Competition

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. In analyzing the impact of a proposed transaction on banking competition, the Division considers, but does not rely exclusively upon, 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 the affected market into a single value. In the case of the proposed Eastern Bank and Century Bank merger, the HHI analysis demonstrates that consummation of the transaction will not result in an undue concentration of banking resources. Eastern Bank and Century Bank compete in the Boston, Massachusetts Banking Market (Boston Banking Market), as that market is defined by the Board of Governors of the Federal Reserve System for purposes of the HHI analysis. The Boston Banking Market is a moderately concentrated banking market on an unweighted basis under the HHI model according to applicable guidelines and would remain a moderately concentrated market following this proposed multi-step transaction. Also, the 6 point and 13 point increase in the HHI, on an unweighted and weighted basis respectively, for the Boston Banking Market resulting from the consolidation of Century Bank with and into Eastern Bank would not reflect a significant impact on banking competition under applicable HHI guidelines. Similar results are obtained by applying the FDIC's county based analysis to the Massachusetts counties of Essex, Middlesex, Norfolk, and Suffolk in which Eastern Bank and Century Bank both operate.

In addition to the HHI analysis, the Division considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. Eastern Bank states that the Continuing Institution will be able to compete more effectively and efficiently while continuing to meet the financial and credit needs of the communities currently served by both banks individually. Although Eastern Bank and Century Bank serve overlapping market areas, Eastern Bank presented information that the proposed multi-step transaction will not have a significant adverse effect on competition nor result in an undue concentration of banking resources in the communities served by the Continuing Institution. Following the Bank Merger, current customers of both banks will have access to a larger network of branch offices and ATMs. As noted in the submitted application, in addition to competing with other banks to provide banking and financial services in the

applicable communities, additional competition derives from credit unions, licensed mortgage lenders and mortgage brokers, and other non-bank financial institutions. Based upon the foregoing, the Division finds that the proposed transaction will not unreasonably impact competition.

Public Convenience and Advantage

The Division considered the record of the application to determine whether public convenience and advantage will be promoted by the proposed transaction. Eastern Bank asserts that current customers of both banks and prospective customers of the Continuing Institution will benefit from the Continuing Institution's increased size, lending capacity, and improved efficiency. Eastern Bank states that the Continuing Institution will have an increased ability to participate in residential and commercial lending compared to Century Bank's current capacity to serve these lending markets in the communities in which Century Bank operates. As discussed further below, the customers of both banks will have access to new or improved banking products, services, and delivery channels. The Continuing Institution will also be able to offer higher lending limits and will operate a larger combined network of branch offices and ATMs.

In determining whether to approve a petition under the statutory criteria, the Division is required to consider a showing of "net new benefits" related to the transaction. That term as set out in Massachusetts General Laws chapter 167I, section 3 includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors that the Division may deem necessary. Eastern Bank satisfactorily addressed this requirement of the statute. The Continuing Institution plans to make capital investments to update signage at current Century Bank branch locations, conduct a core processing system conversion, and complete improvements, as needed, to branch offices in the combined branch network. With regard to employment, Eastern Bank reported that although there will be some initial staff reductions associated with the transaction, the Continuing Institution's expected future growth is anticipated to create opportunities for additional employment. Eastern Bank also expects that the Continuing Institution's future growth will support increased opportunities for career advancement for current employees of both depository institutions.

The materials submitted as part of the application indicate that Eastern Bank and Century Bank both offer a broad range of loan products for consumers and commercial and small business customers as well as a portfolio of commercial and small business cash management and related services. With regard to services not currently available to customers through their respective banks, Eastern Bank states that Century Bank customers may benefit by obtaining access to Eastern Bank's insurance brokerage and wealth management services, and commercial customers will gain access to Eastern Bank's enhanced treasury management products. Eastern Bank also asserts that current municipal customers of Eastern Bank and future customers of the Continuing Institution will gain access to the enhanced lock-box services currently offered by Century Bank. Further, Eastern Bank expects that customers of both banks will benefit from the Continuing Institution's greater combined resources which will provide the Continuing Institution the capacity to increase investments, develop and deliver new technologies, enhance digital delivery channels for banking services, and improve the offerings of banking and financial products and services.

Due to the overlapping geographic markets served and the proximity of existing branches of the two banks in some Massachusetts communities, Eastern Bank has identified nine Eastern Bank branch office locations and eight Century Bank branch office locations to be closed in conjunction with this transaction. Eastern Bank has submitted applications to the Division requesting approval to close each of the following Massachusetts branch office locations: (1) 60 Main Street, Andover; (2) 81 Bridge Street, Beverly; (3) 301 Harvard Street, Brookline; (4) 43 Middlesex Turnpike, Burlington; (5) 130 Pleasant Street, Malden; (6) 53 Locust Street, Medford; (7) 1255 Centre Street, Newton; (8) 139 Washington Street, Salem; and (9) 250 Elm Street, Somerville. Century Bank has also submitted applications to the Division requesting approval to close each of the following Massachusetts branch office locations: (1) 437 Boylston Street, Boston; (2) 24 Federal Street, Boston; (3) 136 State Street, Boston; (4) 1184 Boylston Street, Chestnut Hill; (5) 2 State Street, Lynn; (6) 1 Salem Street, Medford; (7) 12 Peabody Square, Peabody; and (8) 651 Hancock Street, Quincy.

Notice of the applications by Eastern Bank and Century Bank to close the above locations were posted in the impacted branch offices and on both bank's websites as directed by the Division thereby

affording opportunity for interested parties to submit comments to the Division. The period for filing comments has expired, and no comments were received.

The Division has undertaken a careful consideration of the proposed branch office closings associated with this transaction relative to the standards required for a “net new benefits” analysis. Information provided as part of the branch office closing applications illustrates that in twelve of the seventeen proposed closings, the existing Eastern Bank or Century Bank branch location in closest proximity to the branch office designated for closing is within .5 miles. When expanded to a proximity of 1.0 mile, an existing Eastern Bank or Century Bank branch office that would continue to operate as a branch office of the Continuing Institution is present for fifteen of the seventeen proposed office closings. For the remaining two locations, the branch office location of the Continuing Institution with the closest proximity is 1.40 miles and 2.34 miles, respectively. There is one instance noted in which the branch office of the Continuing Institution in closest proximity to a branch identified for closing is located outside the city or town where the closing branch is located. For Eastern Bank’s 250 Elm Street, Somerville branch office proposed for closure, the closest proximity within the combined branch network is Century Bank’s 2309 Massachusetts Avenue, Cambridge location.

In addition to geographic proximity, the Division also considered the communities served by the branch offices that Eastern Bank selected for closing. The combined seventeen branch office closings would not result in the Continuing Institution exiting any low- or moderate-income communities. Accordingly, the Division has determined that a consideration of all of the factors related to public convenience and advantage, including “net new benefits,” supports an approval of the proposed transaction.

Related to the issue of public convenience and advantage is the record of Community Reinvestment Act (CRA) performance by the banks that are parties to this transaction. Such review for Massachusetts state-chartered banks includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal bank regulatory agency may also be considered. Eastern Bank received an “Outstanding” rating in its most recent CRA performance evaluation conducted jointly by the Division and the FDIC as of January 22, 2018. Century Bank received a “High Satisfactory” rating in its most recent

CRA performance evaluation conducted jointly by the Division and the FDIC as of November 9, 2020. The Division's consideration of the CRA performances of Eastern Bank and Century Bank also supports the approval of the proposed transaction.

Financial and Managerial Considerations

The Division also reviews and considers the financial and managerial aspects of the proposed transaction. According to materials submitted as part of the application, at the effective time of the proposed transaction, each share of Century Bancorp common stock issued and outstanding will convert to the right to receive \$115.28 in cash. No financing arrangements were reported as necessary to complete this transaction. Materials provided with the merger application indicate that upon consummation of the transaction, the Continuing Institution will continue to meet all regulatory capital requirements as a well-capitalized institution.

According to the application, the Board of Directors of the Continuing Institution will consist of those individuals currently serving as directors of Eastern Bank, and the principal executive officers of the Continuing Institution will consist of those individuals currently serving as principal executive officers of Eastern Bank. The Division supervises both Eastern Bank and Century Bank, and both banks have operated as well-managed depository institutions. Accordingly, the financial and managerial considerations support approval of the application.

Conclusion

Upon review of the complete record of the application with reference to the relevant statutory and regulatory requirements, the Division concludes that all such requirements have been met and that consummation of the proposed transaction is in the public interest. On the basis of these considerations, and subject to the conditions set forth below, approval is granted for Century Bank to merge with and into Eastern Bank under the charter, bylaws, and name of Eastern Bank pursuant to Massachusetts General Laws chapter 167I, section 3. Upon consummation of the Bank Merger, the charter of Century Bank shall cease to exist; the separate existence of Century Bank shall cease; and all rights, privileges, powers, franchises,

properties, assets, liabilities, and obligations of Century Bank shall be vested in and assumed by Eastern Bank.

Approval is granted for Eastern Bank to close each of the following Massachusetts branch office locations: (1) 60 Main Street, Andover; (2) 81 Bridge Street, Beverly; (3) 301 Harvard Street, Brookline; (4) 43 Middlesex Turnpike, Burlington; (5) 130 Pleasant Street, Malden; (6) 53 Locust Street, Medford; (7) 1255 Centre Street, Newton; (8) 139 Washington Street, Salem; and (9) 250 Elm Street, Somerville in accordance with Massachusetts General Laws chapter 167C, section 3. Approval is also granted for Century Bank to close each of the following Massachusetts branch office locations: (1) 437 Boylston Street, Boston; (2) 24 Federal Street, Boston; (3) 136 State Street, Boston; (4) 1184 Boylston Street, Chestnut Hill; (5) 2 State Street, Lynn; (6) 1 Salem Street, Medford; (7) 12 Peabody Square, Peabody; and (8) 651 Hancock Street, Quincy in accordance with Massachusetts General Laws chapter 167C, section 3. Finally, approval is also granted pursuant to Massachusetts General Laws chapter 167I, section 3 for Eastern Bank to maintain the remaining banking offices of Century Bank as branch offices of the Continuing Institution.

The approvals granted herein are subject to the following conditions:

1. That the proposed merger shall not be consummated until all necessary additional regulatory approvals have been obtained;
2. That the proposed merger shall not become effective until a Certificate 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 167I, section 3 has been returned with my endorsement thereon;
3. That the proposed merger shall not become effective unless the Articles of Merger with my endorsement thereon are filed with the Massachusetts Secretary of State; and
4. That the proposed merger shall be consummated within one year of the date of this Decision.

September 3, 2021

Mary L. Gallagher
Commissioner of Banks

Date