

FEDERAL RESERVE SYSTEM

Brookline Bancorp, Inc.
Brookline, Massachusetts

Order Approving the Acquisition of a Bank Holding Company

Brookline Bancorp, Inc. (“Brookline”), Brookline, Massachusetts, has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to acquire Bancorp Rhode Island, Inc. (“BancorpRI”) and its subsidiary bank, Bank Rhode Island (“BankRI”), both of Providence, Rhode Island.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (76 Federal Register 35893 (2011)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Brookline, with total consolidated assets of approximately \$3.1 billion, is the 227th largest insured depository organization in the United States, controlling \$2.2 billion in deposits.² Brookline controls two subsidiary insured depository institutions, Brookline Bank, Brookline, and The First National Bank of Ipswich (“FNBI”), Ipswich, both of Massachusetts, that operate only in Massachusetts. Brookline is the 15th largest depository organization in Massachusetts, controlling deposits of approximately \$1.7 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.

¹ 12 U.S.C. § 1842.

² Deposit data are as of June 30, 2011, updated to reflect mergers through that date. In this context, insured depository institutions include commercial banks, savings associations, and savings banks. National deposit data and rankings are as of June 30, 2011.

BancorpRI, with total consolidated assets of \$1.6 billion, controls BankRI, which operates only in Rhode Island. BankRI is the sixth largest insured depository institution in Rhode Island, controlling deposits of \$1.1 billion.

On consummation of the proposal, Brookline would become the 165th largest depository organization in the United States, with total consolidated assets of approximately \$4.7 billion. Brookline would control deposits of approximately \$3.3 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the bank holding company's home state if certain conditions are met. For purposes of the BHC Act, the home state of Brookline is Massachusetts,³ and BancorpRI is located in Rhode Island.⁴

Based on a review of all the facts of record, including relevant state statutes, the Board finds that the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.⁵ In light of all facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

³ See 12 U.S.C. § 1842(d). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

⁴ For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and 1842(d)(2)(B).

⁵ 12 U.S.C. §§ 1842(d)(1)(A)-(B) and 1842(d)(2)-(3). Brookline is well capitalized and well managed, as defined by applicable law. BankRI has been in existence and operated for the minimum period of time required by Rhode Island law and for more than five years. See 12 U.S.C. § 1842(d)(1)(B)(i)-(ii). On consummation of the proposal, Brookline would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. 12 U.S.C. § 1842(d)(2)(A). Brookline also would control less than 30 percent of the total amount of deposits in

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.⁶

Brookline and BancorpRI do not compete directly in any relevant banking market. Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive factors are consistent with approval of the proposal.

Financial, Managerial, and Other Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors.⁷ The Board has carefully considered those factors in light of all the facts of record, including confidential supervisory and examination information received from the relevant federal and state supervisors of the organizations involved in the proposal, other publicly available financial information, information provided by Brookline, and public comment received on the proposal.

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved

insured depository institutions in Rhode Island. 12 U.S.C. § 1842(d)(2)(B)-(D). All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

⁶ 12 U.S.C. § 1842(c)(1).

⁷ 12 U.S.C. § 1842(c)(2) and (3).

on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has considered the proposal carefully under the financial factors. Brookline, Brookline Bank, BancorpRI, and BankRI are well capitalized and will remain so on consummation of the proposal. FNBI is adequately capitalized and also will remain so on consummation of the proposal. The proposed transaction is structured as a partial share exchange and a partial cash purchase of shares. Brookline will fund the cash portion of the acquisition from a special dividend from Brookline Bank, which the Office of the Comptroller of the Currency ("OCC") has approved. Based on its review of the record, the Board finds that Brookline has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Brookline, BancorpRI, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money-laundering laws. Brookline and its subsidiary depository institutions are considered to be well managed. The Board has carefully considered the comment it received on the proposal.⁸ The Board

⁸ A commenter alleged that management of Brookline Bank is deficient because the bank used commenter's material regarding reverse mortgages in violation of copyright and trademark law. The commenter also alleged that Brookline Bank has not provided

also has considered Brookline's plans for implementing the proposal, including the proposed management after consummation. In addition, the Board has considered the future prospects of the organizations involved in the proposal in light of financial and managerial resources and Brookline's proposed business plan.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors.

Convenience and Needs Considerations and Financial Stability

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").⁹ The CRA requires the federal financial supervisory agencies to encourage financial institutions to meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including

reverse mortgage candidates with counseling in violation of state law. Brookline represented that it was not subject to state approval requirements for reverse mortgage loan programs, has not made reverse mortgage loans since 2009, and has no plans to resume originating reverse mortgage loans. Brookline Bank also has replaced its chief executive officer, hired a full-time compliance officer, and added compliance staff since 2009, which should strengthen its monitoring procedures and compliance audit process. Moreover, Brookline noted that with the assistance of an independent compliance company, it is reviewing all relevant loans and will remedy any identified compliance issues to ensure that none of the borrowers has been or will be overcharged because of inadequate disclosure. In evaluating the financial and managerial factors that the Board must consider under section 3 of the BHC Act, the Board has considered these and other facts of record with respect to litigation involving the copyright and trademark matters, information provided by Brookline regarding its reverse mortgage loans, and confidential supervisory information, including records of compliance with consumer laws and regulations.

⁹ 12 U.S.C. §§ 2901 et seq.; 12 U.S.C. § 1842(c)(2).

low- and moderate-income neighborhoods, in evaluating bank acquisition proposals. Accordingly, the Board has carefully considered the convenience and needs factor and the CRA performance records of Brookline Bank, FNBI, and BankRI in light of all the facts of record.

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.¹⁰ Brookline Bank, FNBI, and BankRI received "satisfactory" ratings at their most recent examinations for CRA performance by the Office of Thrift Supervision, the OCC, and the Federal Deposit Insurance Corporation, as of November 3, 2008, June 2, 2008, and June 25, 2010, respectively. Moreover, the facts of record do not reflect a subsequent decline in the CRA performance of any of the three institutions since those examinations.

Based on all the facts of record and for the reasons discussed above, the Board concludes that considerations relating to convenience and needs, including the CRA performance records of the relevant depository institutions, are consistent with approval of the proposal.

The Board has also carefully considered information relevant to risks to the stability of the United States banking or financial system. The Board concludes that financial stability considerations in this proposal are consistent with approval.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered the application record in light of the factors that it

¹⁰ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (2010).

is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Brookline with all the conditions imposed in this order and the commitments made to the Board in connection with the application, including receipt of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposed transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors,¹¹ effective December 8, 2011.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹¹ Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Duke, Tarullo, and Raskin.