

# FEDERAL RESERVE press release



For immediate release

March 25, 1996

The Federal Reserve Board today announced its approval of the proposal of CoreStates Financial Corp, Philadelphia, Pennsylvania, to acquire Meridian Bancorp, Inc., Reading, Pennsylvania, and its banking and nonbanking subsidiaries in the United States and to establish a branch in the Cayman Islands, British West Indies, through the acquisition of the branch of Meridian Bank, Reading, Pennsylvania, a subsidiary of Meridian Bancorp, Inc., at that location.

Attached is the Board's Order relating to this action.

Attachment

## FEDERAL RESERVE SYSTEM

CoreStates Financial Corp  
Philadelphia, Pennsylvania

### Order Approving the Merger of Bank Holding Companies

CoreStates Financial Corp, Philadelphia, Pennsylvania ("CoreStates"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Meridian Bancorp, Inc., Reading, Pennsylvania ("Meridian"),<sup>1/</sup> and thereby indirectly acquire Meridian's subsidiary banks: Meridian Bank, Reading, Pennsylvania ("Meridian Bank"); Meridian Bank, New Jersey, Cherry Hill, New Jersey; and Delaware Trust Company, Wilmington, Delaware.<sup>2/</sup> CoreStates also has requested approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its notice to acquire

---

<sup>1/</sup> CoreStates and Meridian also have granted to each other an option to purchase up to 19.9 percent of the voting shares of the other organization on the occurrence of certain circumstances, and have applied for the Board's approval to exercise these options. These options would become moot on consummation of this proposal.

<sup>2/</sup> CoreStates also has applied to acquire Meridian's noncontrolling investment in 24.9 percent of the voting shares of First Commercial Bank of Philadelphia and 6.7 percent of the voting shares of United Bank of Philadelphia, both of Philadelphia, Pennsylvania. CoreStates has agreed to comply with commitments made by Meridian in connection with Meridian's acquisition of these interests. See Board letter dated March 20, 1992, to Timothy F. Demers, Esq.

the nonbanking subsidiaries of Meridian listed in the Appendix and thereby engage nationwide in permissible nonbanking activities.<sup>3/</sup>

CoreStates also requested approval under section 25 of the Federal Reserve Act (12 U.S.C. §§ 601-604a) and section 211.3(a)(3) of the Board's Regulation K (12 C.F.R. 211.3(a)(3)) of its notice to establish a branch in the Cayman Islands, British West Indies, through the acquisition of Meridian Bank's branch at that location.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 Federal Register 67,135 (1995)). The time for filing comments has expired, and the Board has considered the applications and notices and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act and the Federal Reserve Act.

CoreStates, with total consolidated assets of approximately \$28.9 billion, operates subsidiary banks in Pennsylvania, New Jersey, and Delaware.<sup>4/</sup> CoreStates is the 27th largest commercial banking organization in the United States, controlling less than 1 percent of total banking assets in the United States, and is the third largest commercial banking organization in Pennsylvania, controlling approximately \$14.1 billion in deposits, representing 10.5 percent of all deposits in commercial banking organizations in the state

---

<sup>3/</sup> In connection with this proposal, Meridian Bank would be merged into CoreStates's lead subsidiary bank, CoreStates Bank, N.A., Philadelphia, Pennsylvania ("CoreStates Bank"). CoreStates Bank has filed an application with the Office of the Comptroller of the Currency ("OCC") for approval of the bank merger.

<sup>4/</sup> Asset data are as of September 30, 1995, and take into account transactions approved by the Board after this date.

("state deposits").<sup>5/</sup> CoreStates also engages in a number of permissible nonbanking activities nationwide. Meridian, with total consolidated assets of approximately \$14.6 billion, operates subsidiary banks in Pennsylvania, New Jersey, and Delaware. Meridian is the 41st largest commercial banking organization in the United States, controlling less than 1 percent of total banking assets in the United States. Meridian is the fifth largest commercial banking organization in Pennsylvania, controlling approximately \$9.5 billion in deposits, representing 7.1 percent of state deposits. Meridian also engages in a number of permissible nonbanking activities nationwide.

After consummation of this proposal, CoreStates would be the 18th largest commercial banking organization in the United States, with total consolidated assets of approximately \$43.5 billion, and would control 1.2 percent of total banking assets in the United States, and less than 1 percent of total deposits in banks and savings associations insured by the Federal Deposit Insurance Corporation. After consummation of this proposal and completion of the proposed branch divestitures, CoreStates would become the second largest commercial banking organization in Pennsylvania, controlling approximately \$23.5 billion in deposits, representing 17.6 percent of state deposits.<sup>6/</sup>

---

<sup>5/</sup> Deposit data are as of June 30, 1995.

<sup>6/</sup> On consummation of this proposal, CoreStates would become the fourth largest commercial banking organization in New Jersey, controlling approximately \$5.2 billion in state deposits, and the third largest commercial banking organization in Delaware, controlling approximately \$1.2 billion in state deposits.

### Interstate Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, 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 home state of such bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of CoreStates is Pennsylvania.<sup>7/</sup> As noted above, Meridian controls banks in Pennsylvania, New Jersey, and Delaware. The conditions for an interstate acquisition enumerated in section 3(d) are met in this case.<sup>8/</sup> In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

### Competitive and Other Considerations

CoreStates and Meridian operate subsidiary banks in Pennsylvania, New Jersey, and Delaware. CoreStates and Meridian compete directly in

---

<sup>7/</sup> Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

<sup>8/</sup> 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). CoreStates is adequately capitalized and adequately managed. Meridian's subsidiary banks have been in existence and have continuously operated for at least the minimum period of time required under applicable state law. In addition, on consummation of this proposal, CoreStates and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits of insured depository institutions in New Jersey or Delaware. All other requirements of section 3(d) of the BHC Act also would be met on consummation of this proposal.

10 banking markets in these states.<sup>9/</sup> On consummation of the proposal, eight of these banking markets would remain unconcentrated or moderately concentrated,<sup>10/</sup> and the level of concentration in one market would remain unchanged, as measured by the Herfindahl-Hirschman Index ("HHI").<sup>11/</sup> In addition, numerous competitors would remain in these markets.

---

<sup>9/</sup> These are the Berks County, Harrisburg, Lancaster, Lehigh Valley, Philadelphia, Scranton/Wilkes-Barre, and York banking markets in Pennsylvania; the Vineland and Metropolitan New York/New Jersey banking markets in New Jersey; and the Wilmington banking market in Delaware.

<sup>10/</sup> Market share data are as of June 30, 1995. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the calculation of market share on a 50-percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

<sup>11/</sup> The HHI in these markets would increase as follows: Harrisburg (89 points to 1064); Lancaster (158 points to 1260); Lehigh Valley (136 points to 1360); Philadelphia (266 points to 1471); Scranton/Wilkes-Barre (13 points to 1140); York (38 points to 1100); Vineland (154 points to 1551); and Metropolitan New York/New Jersey (1 point to 706). The Wilmington banking market HHI would remain unchanged at 1933 points. Under the revised Department of Justice Merger Guidelines, 49 Federal Register 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

In the Berks County banking market,<sup>12/</sup> CoreStates is the third largest banking or thrift organization ("depository institution"), controlling deposits of approximately \$554 million, representing 11.8 percent of total deposits in depository institutions in the market ("market deposits"). Meridian is the largest depository institution in the market, controlling deposits of approximately \$1.9 billion, representing 40.6 percent of market deposits. On consummation of this proposal, CoreStates would become the largest depository institution in the market, controlling deposits of approximately \$2.4 billion, representing 52.4 percent of market deposits. The HHI in the market would increase by 957 points to 3061.

In order to mitigate the potential anticompetitive effects of this acquisition in the Berks County banking market, CoreStates has committed to divest 10 branches with deposits of approximately \$413 million to one or more acquirors whose purchase of branches would not substantially lessen competition.<sup>13/</sup> On consummation of the proposed divestitures, the HHI in the Berks County market would increase by no more than 200 points to 2304.

---

<sup>12/</sup> The Berks County banking market is approximated by Berks County, Pennsylvania.

<sup>13/</sup> CoreStates has committed to execute, prior to consummation of this proposal, agreements to sell these branches to one or more depository institutions in a sale that would not cause the increase in the market share following the divestiture to exceed Justice Department guidelines. CoreStates also has committed that the divestitures will be completed within 180 days of consummation and, if they are not, that it will transfer the unsold branches to an independent trustee that is acceptable to the Board and will be instructed to sell the branches promptly. See BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991). CoreStates has committed to submit to the Board, prior to consummation, an executed trust agreement acceptable to the Board.

A number of other factors mitigate the potential effect of this proposal on competition in the Berks County banking market. Sixteen commercial banking organizations would remain in the market, including a de novo commercial bank that entered the market in 1988 and now is the sixth largest depository institution in the market. Moreover, data indicate the Berks County banking market is attractive for entry. These data show that the population of Berks County grew 7.7 percent from 1980 to 1990, and 3.6 percent from 1990 to 1995, compared to less than 1 percent and 1.6 percent during these respective periods for Pennsylvania as a whole. The median household income in Berks County is also the tenth highest among 67 counties in the state.<sup>14/</sup>

The Board also considered the views of the Justice Department and the Pennsylvania Attorney General. The Justice Department has advised the Board that, subject to completion of the divestitures proposed by CoreStates, the proposal would not result in a significantly adverse effect on competition in any relevant banking market.<sup>15/</sup> The Pennsylvania Attorney General also has reviewed the competitive effects of the proposal and similarly has concluded that, subject to completion of the proposed divestitures, the proposal would not

---

<sup>14/</sup> Population per banking office is 3,011 in Berks County, compared to an average of 2,860 persons per banking office in Pennsylvania as a whole and 2,767 persons per banking office in MSAs in the state. Rand McNally Commercial Atlas (1995). The average dollar volume of deposits per banking office in Berks County is \$43.6 million, compared to an average of \$37.8 million per banking office in Pennsylvania as a whole and \$32.5 million per banking office in MSAs in the state.

<sup>15/</sup> In reaching this conclusion, the Justice Department required the divestiture of one branch with deposits of \$31 million located in Lebanon, Pennsylvania, in addition to the divestitures discussed above.

result in significantly adverse effects on competition in any banking market in Pennsylvania.

Based on all the facts of record, including the commitments made in connection with this application, and for the reasons discussed in this order, the Board concludes that consummation of this proposal is not likely to have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market.<sup>16/</sup> This determination is conditioned on completion of the divestitures proposed by CoreStates in connection with this proposal.

The Board also has concluded in light of all the facts of record that the financial and managerial resources<sup>17/</sup> and future prospects of CoreStates,

---

<sup>16/</sup> In analyzing the competitive effects of this proposal, the Board reviewed comments received from an individual maintaining that the elimination of a competitor would adversely affect the deposit insurance coverage provided to customers of both institutions generally, and in the Lehigh Valley banking market specifically. A comment from another individual alleged that Meridian Bank's size and share of market deposits permitted it to have an adverse influence on the financial management of county and municipal governments in Berks County by encouraging local government entities to incur excessive amounts of public debt and to enter into publicly financed economic redevelopment projects that interfere with private business initiatives.

<sup>17/</sup> In reviewing financial and managerial factors, the Board carefully considered comments alleging that a nonbanking lending subsidiary of CoreStates acted improperly in two commercial bankruptcy cases in which it was a creditor and that Meridian Bank attempted to collect from the commenter on a debt not legally owed. The facts of record do not support the allegations concerning the two bankruptcy proceedings involving CoreStates or the allegations regarding the collection efforts of Meridian Bank. The Board also notes that such matters are within the jurisdiction of the bankruptcy court or the court in which the collection efforts are maintained to provide relief if the allegations can be substantiated.

Meridian, and their respective subsidiaries, as well as the other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval.<sup>18/</sup>

#### Convenience and Needs Considerations

In acting on an applications under section 3 of the BHC Act, the Board must consider 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 (12 U.S.C. § 2901 et seq.) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this

---

The Board also considered comments that a nonbanking investment advisory subsidiary of Meridian failed to disclose a conflict of interest to certain of its clients concerning low-quality debentures purchased for their accounts. The Securities and Exchange Commission ("SEC") investigated this incident and has taken the actions it deems appropriate to enforce the federal securities laws. The record indicates that Meridian voluntarily reimbursed its clients for any losses sustained when the conflict of interest was discovered at its investment advisory subsidiary. No current employees of Meridian were disciplined in the 1995 proceeding before the Securities and Exchange Commission as a result of this incident, and all the recommendations made by an independent auditor to improve the operations of the subsidiary have been implemented. These allegations involve isolated instances in the overall operations of CoreStates and Meridian, and have been considered by the Board in light of all the facts of record, including reports of examination assessing the managerial resources of CoreStates and Meridian.

<sup>18/</sup> An individual commenter also alleged that Meridian Bank and other commercial business interests in Berks County have manipulated local government economic redevelopment projects for private gain. The facts of record do not support the commenter's conclusion that Meridian Bank has acted improperly in its dealings with local government officials in Berks County.

end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institution," and to take that record into account in the evaluation of bank expansion proposals.<sup>19/</sup>

In reviewing the effect of this proposal on convenience and needs, the Board carefully considered comments from an individual who generally maintains that the management of CoreStates and Meridian are indifferent to the needs of the public<sup>20/</sup> and that branch closings resulting from the proposal would have an adverse effect on the community.<sup>21/</sup> The Board has reviewed the CRA performance records of CoreStates and Meridian, comments and CoreStates's responses, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>22/</sup>

The Board has carefully considered the CRA performance records of the subsidiary banks of CoreStates and Meridian, respectively, including in particular the relevant reports of examinations of CRA performance. The

---

<sup>19/</sup> 12 U.S.C. § 2903.

<sup>20/</sup> In particular, this individual alleges that Meridian Bank has failed to fulfill its public representations that it would support the redevelopment of the downtown area of Reading, Pennsylvania.

<sup>21/</sup> This commenter also maintains that the merger would result in vacant real estate at locations currently occupied by CoreStates and Meridian as separate institutions.

<sup>22/</sup> 54 Federal Register 13,742 (1989).

Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.<sup>23/</sup> CoreStates's lead bank, CoreStates Bank, received a CRA performance rating of "outstanding" from its primary federal supervisor, the OCC, at its most recent examination for CRA performance as of August 21, 1995 ("1995 Examination"). Meridian's lead bank, Meridian Bank, also received a CRA performance rating of "outstanding" from the Federal Reserve Bank of Philadelphia at its most recent examination for CRA performance as of June 20, 1994.<sup>24/</sup> All other subsidiary banks of CoreStates and Meridian received either "outstanding" or "satisfactory" ratings at their most recent CRA performance examinations.

The 1995 Examination concluded that CoreStates Bank's geographic distribution of credit applications and credit extensions demonstrated reasonable penetration in all segments of the bank's community, including low- and

---

<sup>23/</sup> 54 Federal Register at 13,742.

<sup>24/</sup> Examiners noted that Meridian Bank's community development activities include efforts focusing on Reading, Pennsylvania. The bank supports the Greater Berks Development Fund, a fund designed to improve the local economy of Reading and Berks County by providing financing for the acquisition, construction, and renovation of manufacturing facilities. In 1990, Meridian Bank established the Meridian Community Partnership Development Corporation, which makes debt and equity investments in corporations and projects that foster community redevelopment, including economic development in specific geographic areas in Pennsylvania. CoreStates Bank also participates in homebuyer assistance programs focused on Reading. These include the PINES project, offered in partnership with Neighborhood Housing Services and three other banks, and the Purchase/Rehab Mortgage Plan, offered by the bank in Berks County and limited additional areas.

moderate-income areas. Examiners also noted that credit ascertainment efforts included ongoing contact with community representatives and that products offered effectively responded to the credit needs of the community.<sup>25/</sup> CoreStates Bank also uses a variety of methods to inform all parts of its community of credit products available, including efforts through its Community Development Department that focus on direct contact with community leaders and specialty advertisements in ethnically diverse community newspapers.

CoreStates Bank's Regional Urban Lending department offers a number of mortgage products to assist in meeting the credit needs of low- and moderate-income individuals. These programs include the Delaware Valley Mortgage Plan, which features flexible underwriting standards. CoreStates Bank originated 762 loans, totalling \$27.9 million, under this program in 1994 as compared to 568 loans, totalling \$17.3 million, originated in 1993. Other mortgage programs assisting low- and moderate-income borrowers include the Philadelphia Rehabilitation Plan, the Homestart Program, and the 100% City Program.

Examiners also noted that CoreStates Bank actively participated in government sponsored lending programs. The bank offers two expedited loan programs sponsored by the Small Business Administration, the LOWDOC and

---

<sup>25/</sup> One commenter contended that the proposal would reduce the availability of banking products for low- and moderate-income banking customers. The Board notes that CoreStates Bank offers several basic and low-cost products and services, such as a no-fee checking account for senior citizens and a "no frills" checking account with a low monthly maintenance fee and a small minimum opening balance, and would offer these products following consummation of this proposal.

the FAST TRACK programs.<sup>26/</sup> In addition, CoreStates Bank participates in the Philadelphia Housing Authority's Action Loan Program, which provides financing to homeowners who meet certain income requirements and who may not have equity in their homes.<sup>27/</sup> The bank also participates in several funds, including the Philadelphia Small Business Micro Loan Fund and the Hispanic Chamber Small Business Micro Loan Fund, that are designed to make small loans to businesses in amounts of \$5,000 to \$25,000 for working capital and improvements. The 1995 Examination also found that CoreStates Bank consistently maintained a high level of participation in community development projects throughout its delineated community.

CoreStates has indicated that it does not have a final branch closing plan and cannot estimate how many branches in low- and moderate-income census tracts would be closed or consolidated. According to CoreStates, over half of the branches under consideration for closure would be less than one mile from another CoreStates branch. The Board has carefully reviewed CoreStates's record of closing branches under its branch closing policy. Examiners noted in the 1995 Examination that the bank has a well defined branch closing policy, the key criteria of which include service availability, community views, and CRA considerations. During the evaluation period for the 1995 Examination, none of the 32 branches closed by the bank were in low- or moderate-income areas.

---

<sup>26/</sup> Total small-business loans outstanding at year-end 1994 were \$344.1 million, as compared to \$134 million in total small-business loans outstanding at year-end 1993.

<sup>27/</sup> In 1994, CoreStates Bank originated 24 of these loans totalling \$325,000.

The Board also notes that recent amendments to the Federal Deposit Insurance Act require an insured depository institution to submit a notice of any proposed branch closing to the appropriate federal banking agency no later than 90 days before the date of the proposed branch closing.<sup>28/</sup> Customers of the insured depository institution also must be notified. The Joint Agency Policy Statement on Branch Closings ("Joint Policy Statement") requires that the notice: (1) identify the branch to be closed and specify the proposed date of closing; (2) provide a detailed statement of the reasons for the decision to close the branch; and (3) provide statistical or other information in support of such reasons consistent with the institution's written policy for branch closings.<sup>29/</sup>

The Board has carefully considered all the facts of record, including the comments received, in reviewing the convenience and needs factor under the BHC Act.<sup>30/</sup> Based on a review of the entire record of performance of

---

<sup>28/</sup> See section 228 of the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102-242, 105 Stat. 2308 (1991), which added a new section 39 to the Federal Deposit Insurance Act (codified at 12 U.S.C. § 1831r-1).

<sup>29/</sup> 58 Federal Register 49,083 (1993). The Joint Policy Statement also provides that the branch closing notice procedure does not apply to the movement of a branch within its immediate neighborhood that does not substantially affect the nature of the branch's business or the customers it serves. Movements over short distances are viewed essentially as branch consolidations or relocations under the Joint Policy Statement.

<sup>30/</sup> A commenter maintained that the community would be adversely affected by job losses resulting from the proposal, particularly in Berks County. The Board has previously concluded that the effect of a proposed acquisition on employment in a community is not among the factors included in the BHC Act. See Wells Fargo & Company, 82 Federal Reserve Bulletin \_\_ (1996) (Order dated March 6, 1996). The convenience and needs factor under the BHC Act

CoreStates and Meridian, the Board concludes that their records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are consistent with approval of these applications.

#### Nonbanking Activities

CoreStates also requested Board approval, pursuant to section 4(c)(8) of the BHC Act, to acquire the nonbanking subsidiaries of Meridian listed in the Appendix and thereby engage in the nonbanking activities described therein. Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board previously has determined by regulation and order that the proposed activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.<sup>31/</sup> CoreStates has committed that it will conduct all the proposed activities in accordance with the Board's regulations and the Meridian Order.

---

has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. The Board also notes that CoreStates indicates that it has taken several steps to help minimize job losses. For example, CoreStates has instituted a limited hiring freeze to preserve as many open positions as possible for employees whose positions are eliminated, and implemented a program to identify and train such employees who have job skills directly applicable to other business lines in CoreStates. CoreStates also has indicated that it will provide enhanced severance benefits and outplacement services to employees who cannot be immediately placed.

<sup>31/</sup> See 12 C.F.R. 225.25(b)(1), (3), (4), (8)(i), (15)(i), and (16); Meridian Bancorp, Inc., 80 Federal Reserve Bulletin 736 (1994) (investment advisory and private placement activities) ("Meridian Order").

In order to approve these notices, the Board also must determine that the acquisition of Meridian's nonbanking subsidiaries and performance of the proposed activities by CoreStates "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, or unsound banking practices." As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources. Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval.

The Board also concludes, on the basis of the facts of record, that this proposal should enable CoreStates to provide greater convenience and improved services to its customers. In addition, while CoreStates operates subsidiaries that engage in several of these activities in competition with Meridian, the record indicates that there are numerous providers of these services and that the markets for these services are unconcentrated. There is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

CoreStates also requested approval under section 25 of the Federal Reserve Act (12 U.S.C. §§ 601-604a) and section 211.3(a)(1) of the Board's Regulation K (12 C.F.R. 211.3(a)(1)) for approval to establish a branch in the

Cayman Islands, at the location of the Meridian Bank branch that CoreStates would acquire as a result of this transaction. The Board has considered the factors it is required to consider when reviewing an application to establish a branch pursuant to section 25 of the Federal Reserve Act and, based on all the facts of record, and for the reasons discussed in this order, finds these factors to be consistent with approval.

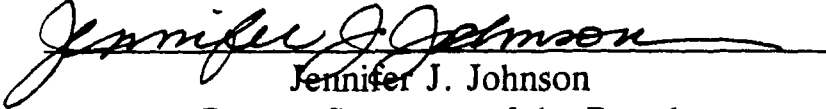
### Conclusion

Based on the foregoing and all other facts of record, including all the commitments provided by CoreStates in connection with this proposal, the Board has determined that the applications and notices should be, and hereby are, approved. The Board's approval is expressly conditioned on compliance by CoreStates with all the commitments made by CoreStates in connection with this proposal and with the conditions referred to in this order, including the commitment of CoreStates to divest certain branches. The Board's determination on the proposed nonbanking activities also are subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or to prevent evasions of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

The acquisitions of Meridian's subsidiary banks under this proposal shall not be consummated before the fifteenth calendar day following the

effective date of this order, and the banking and nonbanking transactions shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Philadelphia, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>32/</sup> effective March 25, 1996.

  
Jennifer J. Johnson  
Deputy Secretary of the Board

---

<sup>32/</sup> Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

APPENDIX

Nonbanking Subsidiaries of Meridian  
to Be Acquired by CoreStates

McGlenn Capital Management, Inc., Wyomissing, Pennsylvania, and thereby engage in investment advisory and private placement activities. See Meridian Bancorp, Inc., 80 Federal Reserve Bulletin 736 (1994);

Meridian Acceptance Corporation, Trenton, New Jersey, and thereby engage in automobile purchase financing activities pursuant to section 225.25(b)(1) of the Board's Regulation Y;

Meridian Asset Management, Inc., Malvern, Pennsylvania, and thereby engage in trust activities pursuant to section 225.25(b)(3) of the Board's Regulation Y;

Meridian Commercial Finance Corporation, Philadelphia, Pennsylvania, and thereby engage in commercial lending activities pursuant to section 225.25(b)(1) of the Board's Regulation Y;

Meridian Investment Company, Malvern, Pennsylvania, and thereby engage in investment advisory activities pursuant to section 225.25(b)(4) of the Board's Regulation Y;

Meridian Life Insurance Company, Phoenix, Arizona, and thereby engage in credit-related insurance underwriting activities pursuant to section 225.25(b)(8)(i) of the Board's Regulation Y;

Meridian Securities, Inc., Reading, Pennsylvania, and thereby engage in securities brokerage and related advisory activities pursuant to section 225.25(b)(15)(i) and (ii) of the Board's Regulation Y, and underwriting and dealing in government obligations and money market instruments pursuant to section 225.25(b)(16) of the Board's Regulation Y;

Meridian Trust Company, Malvern, Pennsylvania, and thereby engage in trust activities pursuant to section 225.25(b)(3) of the Board's Regulation Y;

Meridian Trust Company of California, San Francisco, California (in dissolution), and thereby engage in trust activities pursuant to section 225.25(b)(3) of the Board's Regulation Y.