

[OCABR Home](#)
[For Consumers](#)
[For Businesses](#)
[For Licensees](#)
[For Government](#)

[Home](#) > [Business](#) > [Banking Industry Services](#) > [Banking Legal Resources](#) > [Opinions and Decisions](#) > [2007 Decisions of the Commissioner of Banks and Board of Bank Incorporation](#) >

Decision of December 28, 2007

By the [Division of Banks](#)

**DECISION
 RELATIVE TO THE PETITION OF
 PEOPLE'S UNITED FINANCIAL, INC.
 AND
 PEOPLE'S UNITED BANK
 BRIDGEPORT, CONNECTICUT
 TO ACQUIRE
 CHITTENDEN CORPORATION, BURLINGTON, VERMONT**

PEOPLE'S UNITED FINANCIAL, INC. and PEOPLE'S UNITED BANK (together, the "Petitioners"), Bridgeport, Connecticut have petitioned the Board of Bank Incorporation ("Board"), pursuant to Massachusetts General Laws chapter 167A, sections 2 and 4, for approval to acquire Chittenden Corporation, Burlington, Vermont including its six subsidiary banks (the "Subsidiary Banks") and to become bank holding companies. In the Commonwealth, the Subsidiary Banks owned by Chittenden Corporation are The Bank of Western Massachusetts, Springfield, Massachusetts and Flagship Bank and Trust Company, ("Flagship") Worcester, Massachusetts (sometimes collectively referred to herein as "Massachusetts Banks").

As part of the proposed multi-step transaction, People's United Bank will establish six interim federal savings banks named similarly to each of the Subsidiary Banks. Applications have been made to the Division of Banks for the mergers of the two Subsidiaries Banks located in the Commonwealth with and into two of the interim federal savings banks.

Notice of the application was published and posted as directed by the Board, thereby affording opportunity for interested parties to submit comments. Other standard procedures informing the public of this matter before the Board were implemented. The Board held a public hearing on the petition on November 29, 2007. At the hearing, testimony was presented by representatives of the Petitioners and Chittenden. The public comment period on the application ended December 6, 2007. The Board is aware that during the public comment period the Division of Banks received one comment in opposition to one of the mergers which is part of this multi-step transaction. The issue raised was solely related to the name of the financial institution.

People's United Financial, Inc. is a savings and loan holding company with total assets of approximately \$13.8 billion at June 30, 2007. It earlier this year raised over \$3 billion in a stock offering. Its principal subsidiary is People's United Bank with \$12.4 billion at the same date. It operates approximately 160 branches throughout Connecticut and has four active wholly owned subsidiaries. These subsidiaries includes one which offers discount brokerage and financial advisory services and another that offers insurance products and services.

Chittenden controls six banks and has banking offices in Vermont, New Hampshire, Maine and Massachusetts. At June 30, 2007 it had total consolidated assets of approximately \$6.9 billion. Through its subsidiaries Chittenden offers a wide variety of banking and financial services. The lead

SEARCH

Office of Consumer Affairs

Search

RELATED LINKS

[Division of Banks](#)

subsidiary bank is Chittenden Trust Company which operates approximately sixty banking offices in Vermont.

In the Commonwealth, the Subsidiary Banks owned by Chittenden Corporation are The Bank of Western Massachusetts, Springfield, Massachusetts and Flagship Bank and Trust Company, Worcester, Massachusetts. Both The Bank of Western Massachusetts and Flagship are state-chartered trust companies. At June 30, 2007 they had assets of approximately \$780 million and \$497 million, respectively. The Bank of Western Massachusetts and Flagship conduct general commercial banking business. As noted above, in separate transactions both banks will merge with and into newly formed federal savings banks and continue operations as federal savings banks. Both banks will retain their existing names without reference to their federal charter.

The Board has reviewed the application and oral testimony received at the public hearing. That review focused on the statutory and administrative criteria which include, among other things, whether competition among banking institutions will be unreasonably affected; whether public convenience and advantage would be promoted; and the record of performance under the Community Reinvestment Act ("CRA") of the subsidiary banks of the parties involved in the transaction. The additional statutory requirements set out in sections 2 and 4 of said chapter 167A were also significant factors in the Board's deliberations on the matter before it. All such requirements are specifically addressed in the record of this transaction.

One such statutory provision requires the Board to have received notice from the Massachusetts Housing Partnership Fund (the "MHPF") that satisfactory arrangements have been made by Petitioners consistent with statute and the MHPF's various affordable housing loan programs. The Board received notice from the MHPF that arrangements satisfactory to it had been made for this transaction in a letter dated November 21, 2007.

The Petitioners have submitted information to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. It is the position of this Board 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. The Board's review recognizes that there is no overlap in the banking office networks of Flagship and The Bank of Western Massachusetts with People's United Bank. For that reason and other factors, the Board finds that competition among banking institutions will not be unreasonably affected.

The Board has also considered the record of this application to determine whether public convenience and advantage will be promoted by this transaction. The proposed acquisition according to the application states that the transaction will ultimately permit the integration of various functional areas such as audit, legal compliance, loan review, investor relations, asset-liability management, planning, regulatory compliance, tax preparation, insurance, purchasing of forms and supplies, and merger and acquisition activities. This integration will generate cost savings that neither People's United Financial, Inc. nor Chittenden could realize individually, which will strengthen the financial standing of People's United Financial, Inc. consolidated organization and augment People's United Financial, Inc.'s ability to serve as a source of strength for its subsidiary banks, including its Massachusetts-based banks. The combined capital and other resources of People's United Financial, Inc. and Chittenden can be expected to provide People's United Financial, Inc. with more favorable access to the capital markets and, thus, provide a platform for future growth as well as enhanced ability to respond to changing market incentives. Notwithstanding such integration, the Petitioners raised both at the public hearing and in the Application, the independence of the Subsidiary Banks stating that there is no present intention to terminate the separate corporate existence of such banks, although Petitioners have no view as to how long it would maintain such structure. Petitioners acknowledged the value in retaining the management, directors, and names of the banks to be acquired.

In determining whether or not to approve a transaction under the statutory criteria the Board is also required to determine that the transaction will result in net new benefits. As set out herein that term includes a showing of initial capital investments, job creation plans, consumer and business services as well as commitments to maintain and open branch offices. In the Board's analysis net new benefits is a subset of the public convenience and advantage test. The Board's past consideration of these statutory criteria makes clear that such benefits may be immediate or prospective.

The proposed transaction is expected to generate certain operational advantages. For example, pursuant to certain provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, banks affiliated under a single holding company may act as agent for one another. The Petitioners testified at the hearing that customers of the Massachusetts Banks would have fee-free access to People's United Bank's 240 automated teller machines. Ultimately, the Petitioners expressed its hope that customers of the Massachusetts bank will be able to use any affiliated bank branch to conduct their business.

People's United Financial, Inc. does not anticipate closing any existing branches of any of the Massachusetts Banks as a result of the consummation of the proposed transaction, nor will there be any reduction in the products and services offered by the Subsidiary Banks in Massachusetts as a result of the consummation of the transaction. Petitioners testified that the transaction would have no impact from an employment perspective in Massachusetts since both banks will remain separate institutions with separate Boards, management, and staff.

The Board has considered the application and testimony submitted by the Petitioners and finds that consideration of public convenience and advantage including net new benefits weighs in favor of approving the proposed transaction.

Related to the issue of public convenience and advantage is the record of performance under CRA by the banks which are parties to this transaction. Such review for a Massachusetts state-chartered bank includes examination by personnel of the Division of Banks as well as analysis of concerns received from the bank's community and its response to those concerns fairly raised. People's United Bank received an "Outstanding" rating in its last examination of performance under the CRA provisions. Chittenden's subsidiary banks, The Bank of Western Massachusetts, Flagship Bank and Trust Company, Chittenden Trust Company and Maine Bank & Trust Company have received "Outstanding" ratings in their last examinations of performance under the CRA provisions. Chittenden's other subsidiary banks, Ocean National Bank and Merrill Bank each received a "Satisfactory" rating in their last examination of performance under the CRA provisions.

The financial aspects and tax consequences from the structure of the transaction were also considered by the Board. Management factors reviewed were also found supportive of approval. Additionally, all other requirements of statute relating to a bank holding company transaction have been met.

CONCLUSION

The application and testimony presented at the public hearing have established the record on this petition, which has been reviewed consistent with statutory provisions and the policies of the Board. Based on the record of this matter considered in light of all relevant statutory and administrative requirements, the Board finds that public convenience and advantage will be promoted and that competition among banking institutions will not be unreasonably affected and that the records of performance under CRA by the subsidiary banks involved in this transaction are consistent with its approval. Having considered the record established on this application, the Board has found that the applicable statutory and administrative criteria have been met.

In accordance with the findings expressed herein and pursuant to statute, the Board hereby approves the application and authorizes People's United Financial, Inc. to acquire Chittenden Corporation and its Subsidiary Banks provided that the transaction is completed within one year of the date of this Decision.

December 28, 2007

Date

Board of Bank Incorporation

Steven L. Antonakes

Commissioner of Banks

Henry Dormitzer

Commissioner of Revenue

Timothy P. Cahill

Treasurer and Receiver-General

