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Decision of July 17, 2002

Decision relative to the petition of Banknorth Group, Inc., Portland, Maine to acquire Ipswich Bancshares Inc., Ipswich, Massachusetts

By the [Division of Banks](#)

Banknorth Group, Inc. (the "Petitioner" or "Banknorth Group"), Portland, Maine, has petitioned the Board of Bank Incorporation ("the Board") pursuant to Massachusetts General Laws chapter 167A, sections 2 and 4 to acquire Ipswich Bancshares, Inc., ("Ipswich") of Ipswich, Massachusetts and its subsidiary bank, Ipswich Savings Bank ("Ipswich Savings"), also located in Ipswich. Banknorth Group's application before the Board is part of a multi-step transaction. A subsequent merger of Ipswich Savings with and into Banknorth Group's banking subsidiary, Banknorth N.A., ("Banknorth") of Portland, Maine, pursuant to an Agreement and Plan of Merger dated March 26, 2002, is before the Division of Banks.

As directed by the Board, notice of the application was published and posted and a public hearing was scheduled, thereby affording an opportunity for interested parties to attend or submit comments. Other standard procedures informing the public of this matter before the Board were implemented. The public hearing was held on June 19, 2002. Representatives of Banknorth Group and Ipswich offered testimony and responded to questions from the members of the Board. Following the hearing, the public comment period remained open so that interested parties could submit any additional comments. On June 27, 2002, Ipswich shareholders approved the transaction. The public comment period closed on June 28, 2002.

Petitioner is a financial holding company headquartered in Portland Maine, and is, according to its application, one of the fifty largest commercial banking companies in the United States. As of December 31, 2001, it had \$21 billion in total consolidated assets. Banknorth, its banking subsidiary, is a national bank and a member of the Bank Insurance Fund administered by the Federal Deposit Insurance Corporation. With 306 offices located in Maine, New Hampshire, Massachusetts, Connecticut, Vermont, and New York, Banknorth N.A. and its subsidiaries offer a range of commercial and consumer banking services and products, trust, investment advisory, and insurance brokerage services.

Ipswich Bancshares is a bank holding company headquartered in Ipswich, Massachusetts. Its primary activity is as a holding company for Ipswich Savings, a Massachusetts chartered, stock savings bank. At December 31, 2001, Ipswich Savings held approximately \$321 million in total consolidated assets. In addition to its main office in Ipswich, Ipswich Savings operates seven branch offices located in Rowley, North Andover, Salem, Essex, Marblehead, Reading, and Beverly. Ipswich Savings also has three subsidiaries, Ipswich Securities Corporation, Ipswich Preferred Capital Corporation, and Northshore Financial Services, Inc.

As an interstate transaction and pursuant to requirements of chapter 167A, the reciprocity laws of Petitioner's home state are subject to the review of the Commissioner of Banks. Specifically, the Commissioner must determine whether the transaction being proposed by the Petitioner is

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authorized under the laws of Maine for a Massachusetts-based company, under conditions no more restrictive than those imposed by Massachusetts. Based on a review of the applicable law, and consistent with previous rulings regarding the Petitioner and Maine's reciprocity laws, the Commissioner has concluded that the proposed transaction is permissible under the Commonwealth's Interstate Bank Act.

Prior to approving an application under chapter 167A, the Board must have received notice from the Massachusetts Housing Partnership Fund (the "MHPF") that the Petitioner has arranged to participate in the MHPF's various affordable housing loan programs. In its application documents, Petitioner indicated that the Board would receive such notice under a separate cover. On May 15, 2002, the Board received notice from the MHPF that arrangements satisfactory to it had been made for this transaction.

Pursuant to the standard set forth in the above-referenced statutes, the Board's approval of the proposed transaction must be based on a finding of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage will be promoted. In determining whether the public convenience and advantage are promoted by the transaction, the Board considers, among other things, whether there has been a showing of "net new benefits." Net new benefits are defined as initial capital investments, job creation plans, consumer and business services, commitment to maintain and open branch offices within a bank's delineated local community, and such other matter as the Board may deem necessary or advisable. At the direction of the Board, these factors, additional statutory requirements, and other relevant administrative criteria must be addressed in the application documents. The Board also considers any relevant testimony received at the public hearing or submitted during the open comment period.

On the issue of whether competition will be unreasonably affected by the proposed transaction, the Board considers, but does not rely exclusively on, the various indices used by federal agencies in measuring competition in a given market. In this case, the federal standards indicate that the proposed transaction will not result in undue concentration of banking resources in the relevant banking markets. However, the Board further considers the competitive effect of the proposed transaction in light of its impact on the citizens, communities, and banking structure of the Commonwealth on a community by community basis. In this regard, the Board notes Petitioner's stated intention to keep the North Andover branch offices of Banknorth and Ipswich Savings open subsequent to the proposed transaction. Upon careful review of all of these factors, and given the relatively small market share of the involved entities, the Board concludes that the transaction will not unreasonably interfere with competition. Rather, the area served by Ipswich Savings will continue to have access to a variety of competitive deposit and credit services, offered by a number of diverse bank and financial institutions.

Petitioner submitted a variety of materials relating to the public convenience and advantage that will result from the proposed transaction. It asserts that a range of beneficial new financial products and services will become available to retail, small business, and commercial customers of Ipswich Savings. These products and services are set out in the application and in the oral testimony at the public hearing. Expanded municipal financial services will also result from the proposed transaction. Petitioner states that it has no plans to close any existing branches, and points out that a merger with Banknorth will make banking significantly more convenient for all Ipswich Savings customers. Specifically, Petitioner asserts that the merger will give these customers access to a large number of traditional branches in Massachusetts and in neighboring states, supermarket branches, telephone banking services, and free online banking. It also states that, as a result of Banknorth's participation in the SUM Network, Ipswich Savings customers will retain access to surcharge free ATMs. Finally, Petitioner asserts that the customers of the merging bank will benefit from its rigorous regulatory compliance program, which was designed to ensure that its customers receive the intended benefits of regulatory protections. As the record demonstrates that the customers of Ipswich Savings will have access to a variety of new financial products, and will have the opportunity to conduct their banking business in a greater number of traditional and non-traditional forums, the Board's review weighs in favor of the finding that the public convenience and advantage will be promoted. The Board further concludes that the criteria for net new benefits has been established.

The Board's review of this transaction includes an assessment of the subsidiary banks' performance under the Community Reinvestment Act ("CRA"). Such assessment for a state-chartered bank includes examination by Division of Bank personnel, as well as an analysis of the legitimate concerns raised by the community and the bank's response to those concerns. For other institutions, the Board reviews the descriptive rating and evaluation by the applicable federal or state bank regulatory agency. Here, the relevant evaluations were submitted as part of Petitioner's application materials. In its most recent CRA examination, performed by the Federal Deposit Insurance Corporation ("FDIC"), Ipswich Savings received a "Satisfactory" rating. The FDIC also performed the most recent examination of Banknorth, N.A., formerly known as People's Heritage Savings Bank, of

Portland, Maine, and it received an "Outstanding" rating. The CRA rating of First Massachusetts Bank, N.A., of Worcester, Massachusetts, Petitioner's previous subsidiary bank, was also submitted. The most recent examination of First Massachusetts Bank, performed by the Office of the Comptroller of the Currency, resulted in a "Satisfactory" rating. Based on its review of these ratings, the Board concludes that the banks involved in this transaction are adequately meeting the credit needs of their respective communities.

As part of its inquiry, the Board reviews the financial structure, tax consequences, and the operational aspects of the transaction. The Board has reviewed the consolidated financial statements of the parties and the details of the proposed transaction, and is satisfied with the Petitioner's capital ratios and projections. Information regarding the tax consequences of the proposed transaction was provided by Petitioner and considered by the Board. At the hearing, the Board inquired into operational aspects of the transaction. Specifically, the Board inquired into Petitioner's efforts to integrate the systems of several recent >acquisitions, including three Massachusetts Banks in the fall of 2001, and the impact of this integration, if any, on operational efficiency. In response, Petitioner indicated that the system integrations had been successfully completed, crediting its experienced acquisition team. Based on the information provided in the filing, as well as the responses to the Board's questioning at the hearing, the Board concludes that these issues have been adequately addressed.

Conclusion

Based on the record of this matter and considered in light of all relevant statutory and administrative requirements, the Board concludes that the proposed transaction will not have a significant impact on competition among banking institutions in the Commonwealth and will promote the public convenience and advantage. Specifically, the Board finds the transaction will benefit the customers of Ipswich Savings, and further finds that the banks involved in this transaction have a satisfactory record of performance under the CRA. In accordance with these findings and pursuant to the statutory authority cited herein, the Board approves the application and authorizes Banknorth Group to acquire 100% of the stock of Ipswich Bancshares, Inc., and Ipswich Savings Bank.

The approval granted herein is subject to the condition that all related transactions are completed within one year of the date of this Decision.

Thomas J. Curry

Commissioner of Banks

Alan L. LeBovidge

Commissioner of Revenue

Board
of Bank
Incorporation

Shannon P. O'Brien

Treasurer and Receiver-
General

July 17, 2002

Date