



Comptroller of the Currency
Administrator of National Banks

Northeastern District Office
1114 Avenue of the Americas, Suite 3900
New York, N.Y. 10036

Licensing Division
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**CRA Decision #114
December 2002**

November 7, 2002

Mr. John R. Opperman
Executive Vice President &
Deputy General Counsel
Banknorth Group, Inc.
Two Portland Square
P.O. Box 9540
Portland, ME 04112-9540

Re: Merger of Warren Five Cents Savings Bank and Banknorth, National Association
Control No.: 2002 NE 02 024

Dear Mr. Opperman:

This is to inform you that on November 7, 2002, the Office of the Comptroller of the Currency (“OCC”) approved your proposal to merge Warren Five Cents Savings Bank, Peabody, Massachusetts (“Warren”), with and into Banknorth, National Association, Portland, Maine (“Banknorth”), under the charter and title of the latter.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application and the merger agreement and those of your representatives. Specifically, you stated that the resulting institution will divest all of the Savings Bank Life Insurance Company stock currently held by a subsidiary of Warren within six months of the consummation of the merger.

The OCC reviewed the proposed merger under the criteria of the Bank Merger Act (12 U.S.C. 1828(c)), the Community Reinvestment Act, (12 U.S.C. 2901, *et. seq.*), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have any anticompetitive effects. The OCC considered the financial and managerial resources of the two banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider, “... the effectiveness of any insured depository institution involved in the proposed merger transaction in combatting money laundering activities, including in overseas branches.” (12

U.S.C. § 1828(c)(11).) We considered this factor and believe the approval of this transaction is consistent with that statutory provision.

With respect to the banks' records of performance under the Community Reinvestment Act ("CRA"), the OCC assigned First Massachusetts Bank, National Association, Worcester, Massachusetts ("First Massachusetts Bank") a "Satisfactory" CRA performance rating as of April 10, 2001 and Peoples Heritage Bank, National Association, Portland, Maine ("Peoples Heritage Bank") an "Outstanding" CRA performance rating as of July 9, 2001.¹ The Federal Deposit Insurance Corporation ("FDIC") assigned Warren a "Satisfactory" CRA record of performance as of October 22, 2001. Following the merger transaction, the resulting bank will continue to serve the same communities that Banknorth and Warren currently serve. Banknorth will implement its CRA programs and policies to serve the needs of Warren's communities. The OCC will review the combined banks' CRA record in Massachusetts in the next CRA evaluation of Banknorth.

The OCC received comment letters from one community organization and one city official in response to this application. The community organization expressed its concern that Banknorth would not provide the level and quality of community reinvestment efforts provided by Warren. The commenter also voiced its view that Banknorth's application did not sufficiently detail plans to address the needs of the North Shore area of Massachusetts.² In addition, the community organization expressed concerns with an expected increase in service fees.³ The city official, from Peabody, Massachusetts, supported the concerns of the community organization and further expressed concerns with the economic impact from potential job losses.⁴

Banknorth responded to the comment letters by conducting meetings with both parties to discuss the issues raised and by providing details of its plans. Subsequently, Banknorth provided written responses to both parties. Banknorth indicated that it is dedicated to responding to the local needs of the North Shore community as well as all other communities served by Banknorth.⁵ Banknorth plans to meet with residents, community leaders, local and state government officials and agencies, and area businesses to understand these communities and to identify community development opportunities. In addition, Banknorth intends to appoint a Deputy CRA Officer to

¹ On January 1, 2002, First Massachusetts Bank and Peoples Heritage Bank merged, along with several other affiliated banks, under the charter of Peoples Heritage Bank, with the title Banknorth. At the time of this reorganization, First Massachusetts Bank was the only Banknorth Group, Inc.-affiliated bank that was located in Massachusetts. Banknorth Group, Inc., a bank holding company, currently owns Banknorth.

² The North Shore area generally refers to the County of Essex.

³ The organization also requested the OCC to condition any approval upon Banknorth's agreement to: exceed the banks' combined levels of mortgage loans to low- and moderate-income families, small business loans in LMI census tracts, small business loans below \$100,000, and community development loans in the North Shore area of Massachusetts; dedicate a CRA Officer to the North Shore and increase that officer's discretionary budget; maintain lending and underwriting authority at local branches; and maintain Warren's prior lending commitments.

⁴ Banknorth does not plan to close any offices of Warren. While Banknorth may have to eliminate some back room and administrative functions, Banknorth indicated that it will provide Warren employees the opportunity to post for other Banknorth positions and will offer outplacement services.

⁵ Banknorth indicated that it will honor all charitable commitments made by Warren and will not cut the level of those contributions. In addition, Banknorth will establish a committee comprised of managers from that region to make future decisions on charitable contributions.

coordinate and focus its North Shore development efforts.

Banknorth represented that it is committed to providing mortgage, small business, and community development loans to meet the needs of the individuals and communities in the North Shore. Banknorth plans to offer an array of mortgage products in the North Shore area. With respect to affordable housing, Banknorth hopes to work with North Shore municipalities and non-profit organizations to offer the Soft Second Loan Program administered by the Massachusetts Housing Partnership Fund. The Soft Second Loan Program increases the purchasing power of low- and moderate-income, first-time homeowners by combining a conventional first mortgage with a publicly-subsidized second mortgage. Also, Banknorth will support the North Shore Housing Trust, a non-profit corporation dedicated to creating affordable housing.

With respect to fees, Banknorth indicated it offers a broad and affordable line of checking and savings accounts for consumers and businesses. In particular, Banknorth offers a checking account that has no minimum balance requirement, no monthly service fee, and no per item fees. Banknorth states that it has met the *Basic Banking for Massachusetts* guidelines for checking and savings accounts for customers with modest incomes, a voluntary program.⁶ In sum, the OCC's review did not disclose any information inconsistent with approval of this application under the CRA.

As a part of this transaction with Warren, Banknorth is investing in the established Peabody Community Development Corporation ("CDC"), a wholly owned subsidiary of Warren. The CDC was formed to invest in affordable housing for low- and moderate-income people and areas, to finance small businesses, and to finance activities that primarily promote the public welfare, consistent with 12 CFR 24.3(a). The CDC has been funded with \$150,000.

Banknorth's investment in the CDC, together with the Banknorth's other investments under the regulation, total less than 5 percent of its unimpaired capital and surplus. Banknorth's investment in the CDC is consistent with the requirements of 12 USC § 24(eleventh) ("the statute") and the OCC's regulation on national bank investments in community development corporations, community development projects, and other public welfare investments, under 12 CFR 24 ("the regulation"). This opinion is based on the representations provided to us in the CD-1Form, a part of the Application. Changes in the nature, amount, or purpose of Banknorth's investment in the CDC, or any future investments by the Banknorth in the CDC must be consistent with the requirements of the statute and regulation. In no event shall the aggregate of such investments exceed 10 percent of the Banknorth's capital and surplus.

As a reminder, the district office must be advised in writing in advance of the desired effective date for the merger so that the OCC may issue the necessary certification letter. The effective date must follow the applicable Department of Justice injunction period and any other required regulatory approval.

⁶ The Massachusetts Community & Banking Council's Banking Services Committee, comprised of community advocates and bankers, developed those guidelines. See http://209.192.192.26/join/bb_guide.htm

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- 1) Articles of Association for the resulting bank.
- 2) A Secretary's Certificate from each institution, certifying that the shareholder approvals have been obtained.

This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agency of the OCC or the U.S.

If you have any questions, please contact Kerry Rice, Licensing Analyst, at 212-790-4055.

Sincerely,

Anthony P. DosSantos

Anthony P. DosSantos
Licensing Manager