

FEDERAL RESERVE SYSTEM

Peoples Heritage Financial Group, Inc.  
Portland, Maine

Order Approving the Acquisition of a Bank Holding Company

Peoples Heritage Financial Group, Inc. (“Peoples Heritage”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Banknorth Group, Inc., Burlington, Vermont (“Banknorth”), and its wholly owned subsidiary banks.<sup>1</sup> Peoples Heritage also has requested the Board’s approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) and section 225.24 of the Board’s Regulation Y (12 C.F.R. 225.24) to acquire The Stratevest Group, N.A., Barre, Vermont (“Stratevest”), and thereby engage in trust company activities under section 225.28(b)(5) of the Board’s Regulation Y (12 C.F.R. 225.28(b)(5)).<sup>2</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 62,204 (1999)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

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<sup>1</sup> The subsidiary banks of Banknorth are listed in Appendix A.

<sup>2</sup> Peoples Heritage and Banknorth also have requested the Board’s approval to hold and exercise an option for Peoples Heritage to acquire up to 19.9 percent of the voting shares of Banknorth and for Banknorth to acquire up to 19.9 percent of Peoples Heritage’s voting shares. These options would expire on consummation of the proposal.

Peoples Heritage, with total consolidated assets of \$13.9 billion is the 48th largest commercial banking organization in the United States, controlling less than 1 percent of total assets of insured commercial banks in the United States.<sup>3</sup> Peoples Heritage operates depository institutions in Connecticut, Maine, Massachusetts, and New Hampshire. Peoples Heritage is headquartered in Maine, where it is the largest commercial banking organization, controlling deposits of \$2.9 billion in the state, representing approximately 21.5 percent of total deposits in insured depository institutions in the state (“state deposits”).<sup>4</sup> Banknorth, with total consolidated assets of \$4.6 billion, operates depository institutions in Vermont, Massachusetts, New Hampshire, and New York. Banknorth is the second largest depository institution in Vermont, controlling deposits of \$1.5 billion, representing approximately 20.6 percent of state deposits. On consummation of the proposal, and after accounting for the proposed divestiture discussed in this order, Peoples Heritage would have total consolidated assets of approximately \$18.5 billion and control deposits of \$11.9 billion.

#### 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 home state of the bank holding company if certain conditions are met.<sup>5</sup> For purposes of the BHC Act, the home state of Peoples Heritage is

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<sup>3</sup> Asset data are as of June 30, 1999, and ranking data are as of December 31, 1999.

<sup>4</sup> Deposit data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

<sup>5</sup> See 12 U.S.C. § 1842(d). A bank holding company’s home state is that state in which the total deposits of all banking subsidiaries of the company were the largest  
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Maine, and Banknorth's subsidiary banks are located in Vermont, Massachusetts, New Hampshire, and New York.<sup>6</sup> Thus, for purposes of section 3(d), this transaction involves the acquisition by a Maine bank holding company of banks in Massachusetts, New Hampshire, New York, and Vermont.

All the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.<sup>7</sup> In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

#### Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking.

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on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

<sup>6</sup> 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. NationsBank Corporation, 84 Federal Reserve Bulletin 858 (1998).

<sup>7</sup> See 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A). Peoples Heritage is adequately capitalized and adequately managed, as defined in the BHC Act, and the subsidiary banks of Banknorth have been in existence and operated for the minimum periods of time necessary to satisfy age requirements established by applicable state law. See Mass. Gen. Laws Ann. Ch. 167A, § 2 (West 1998) (three years); N.H. Rev. Stat. Ann. § 384:58 (1999) (five years). Peoples Heritage also would not exceed applicable deposit limitations as calculated under state law. See 12 U.S.C. § 1842 (d)(2)(B); Mass. Gen. Laws Ann. Ch. 167A, § 2 (West 1998); N.H. Rev. Stat. Ann. § 384-B:3 (1999); Vt. Stat. Ann. tit. 8, § 1015 (1999). On consummation of the proposal, Peoples Heritage would control less than 10 percent of the total amount of deposits in insured depository institutions in the United States. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

The BHC Act also prohibits the Board from approving a proposed combination that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.<sup>8</sup>

Peoples Heritage and Banknorth compete directly in seven banking markets: three in New Hampshire, three in Massachusetts, and one in Vermont.<sup>9</sup> The Board has carefully reviewed the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the relative shares of total deposits in depository institutions in the markets (“market deposits”) controlled by the companies involved in this transaction,<sup>10</sup> the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”), and other characteristics of the markets.<sup>11</sup>

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<sup>8</sup> 12 U.S.C. § 1842(c).

<sup>9</sup> The banking markets are described in Appendix B.

<sup>10</sup> Market share data are as of June 30, 1998, and are based on calculations that include the deposits of thrift institutions 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, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board has regularly 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> Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market in which the post-merger HHI is more than 1800 is considered highly concentrated. The Department of Justice has informed the Board that a bank merger or

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A. Banking Markets that Comply with the DOJ Guidelines without Divestitures

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in five banking markets: Boston, Springfield, and Worcester, all in Massachusetts; Laconia, New Hampshire; and Brattleboro, Vermont.<sup>12</sup> After consummation of the proposal, numerous competitors would remain in each banking market and the markets would remain moderately concentrated as measured by the HHI.

B. Banking Market that Comply with the DOJ Guidelines with Proposed Divestiture

To mitigate the potential anticompetitive effects of the proposal in the Wolfeboro, New Hampshire, banking market, Peoples Heritage has committed to divest one branch that controls \$28.1 million in deposits. The branch to be divested includes all deposits in the market controlled by Peoples Heritage before consummation of the proposal.<sup>13</sup> After accounting for the proposed divestiture,

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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 Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

<sup>12</sup> The effects of the proposal on the concentration of banking resources in these markets are set forth in Appendix C.

<sup>13</sup> Peoples Heritage has committed that, if it is unsuccessful in completing the proposed divestiture with a purchaser determined by the Board to be competitively suitable within 180 days after consummation of the acquisition of Banknorth, it will transfer the unsold branch to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch promptly to one or more

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consummation of the proposal in this market would not cause any increase in market concentration as measured by the HHI and would be consistent with Board precedent and the DOJ Guidelines.<sup>14</sup>

C. Portsmouth-Dover-Rochester Banking Market

Peoples Heritage does not propose any divestiture in the Portsmouth-Dover-Rochester, New Hampshire, banking market, and consummation of the proposal in this market would result in an increase in market concentration that exceeds the thresholds in the DOJ Guidelines. The Board has considered whether other factors either mitigate the competitive effects of the proposal in the market or indicate that the proposal would have a significantly adverse effect on competition in the market.<sup>15</sup>

Peoples Heritage is the largest depository institution in the market, controlling deposits of \$811.3 million, representing approximately 29.7 percent of market deposits. Banknorth is the seventh largest depository institution in the market, controlling deposits of \$105.4 million, representing approximately 3.8 percent of market deposits. On consummation of the proposed merger, Peoples Heritage would remain the largest depository institution in the market, controlling

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alternative purchasers acceptable to the Board. See BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991).

<sup>14</sup> The effect of the proposal on the concentration of banking resources in the Wolfeboro banking market is set forth in Appendix D.

<sup>15</sup> The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of concentration and size of the increase in market concentration. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

deposits of \$916.7 million, representing approximately 33.5 percent of market deposits. The HHI would increase 229 points to 1967.

In reviewing the competitive effects of this proposal, the Board has considered that several factors appear to mitigate the likely effect of the proposal on competition in the Portsmouth-Dover-Rochester banking market. In particular, the Board has considered the number and size of competing institutions in the banking market. Fifteen depository institutions in addition to Peoples Heritage would remain in the market after the proposed acquisition. Two of these depository institutions would each control more than 12 percent of market deposits.

The market also appears to be attractive for entry by out-of-market competitors. Since 1990, the population in the market has increased at a rate faster than the rate of increase in population in New Hampshire or Maine, the two states in which the market is located. In 1998, the average household income in two of the counties that comprise a significant portion of the market exceeded the average household income in their respective states. In addition, there has been one de novo entry into the market in the past three years.

The Board believes that the number of competitors, the structure of the market, and the attractiveness of the Portsmouth-Dover-Rochester banking market mitigate potential anticompetitive effects of the transaction in this case.

The Department of Justice has conducted a detailed review of the proposal and advised the Board that, conditioned on completion of the proposed divestiture, consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency (“OCC”) and the Federal Deposit Insurance Corporation (“FDIC”) also have been afforded an opportunity to comment and have not objected to consummation of the proposal.

After carefully reviewing all the facts of record, and for the reasons discussed in the order and appendices, the Board concludes that consummation of the proposal would not likely result in a significantly adverse effect on competition or on the concentration of banking resources in any of the seven banking markets in which Peoples Heritage and Banknorth directly compete or in any other relevant banking market. Accordingly, based on all the facts of record, and subject to completion of the proposed divestiture and compliance with the related commitments, the Board has determined that competitive factors are consistent with approval of the proposal.

#### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the community to be served. The Board has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including comments submitted by a community development organization in Vermont (“Commenter”). Commenter expressed support for the efforts of Banknorth’s subsidiary banks to help address the need for affordable housing, farm, and small business lending and for community reinvestment in Vermont, and expressed concern that the proposal may result in reduced support for these areas or reduced access to banking services.

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) (“CRA”). As provided in the CRA, the Board has evaluated this factor in light of examinations by the appropriate federal banking supervisors of the CRA performance records of

the relevant institutions.<sup>16</sup> Peoples Heritage's lead subsidiary bank, Peoples Heritage Savings Bank, Portland, Maine ("Peoples Heritage Bank"), received an "outstanding" rating from its primary federal supervisor, the FDIC, at its most recent CRA examination, as of September 1998 ("Peoples Examination").<sup>17</sup> Peoples Heritage's other subsidiary banks have received "outstanding" or "satisfactory" CRA performance ratings in their most recent CRA examination by their primary federal supervisors.<sup>18</sup> Banknorth's lead subsidiary bank, Howard Bank, N.A., Burlington, Vermont, was rated "outstanding" for CRA performance by the OCC, as of December 1, 1997, and Banknorth's other subsidiary banks that have been examined have received "outstanding" or "satisfactory" CRA

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<sup>16</sup> The Interagency Questions and Answers Regarding Community Reinvestment provide that an institution's most recent CRA performance evaluation is an 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 the appropriate federal banking supervisor. 64 Federal Register 23,618 and 23,641 (1999).

<sup>17</sup> The bank has retained an "outstanding" CRA performance rating since 1978 when federal supervisors began examining insured depository institutions for CRA performance.

<sup>18</sup> Springfield Institution for Savings, Springfield, Massachusetts ("SIS"), received an "outstanding" rating from the FDIC, as of September 1997; Family Bank, FSB, Haverhill, Massachusetts ("Family Bank"), received an "outstanding" rating from the Office of Thrift Supervision ("OTS"), as of July 1997; Atlantic Bank of Portland, Portland, Maine, received a "satisfactory" rating from the OCC, as of June 1996; Glastonbury Bank and Trust Company, Glastonbury, Connecticut, received a "satisfactory" rating from the FDIC, as of August 1996; and Bank of New Hampshire, Manchester, New Hampshire, received a "satisfactory" rating from the FDIC, as of September 1998. SIS was merged into Family Bank in 1999, but Family Bank has not been examined for CRA performance since the merger.

performance ratings in their most recent CRA examination by their primary federal supervisors.<sup>19</sup>

In the Peoples Examination, examiners found that lending by Peoples Heritage Bank was geographically distributed throughout its assessment area and that credit was extended to borrowers at all income levels. Examiners noted no substantive or technical violations at the bank of any antidiscrimination laws or regulations.

In 1997, Peoples Heritage Bank was the largest home mortgage lender in Maine, with almost 17 percent of all mortgage loans reported under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 et seq.) that were originated in its assessment area.<sup>20</sup> The bank made 13,959 mortgage loans totaling \$1.9 billion.

Examiners reported that Peoples Heritage Bank provided a broad range of loan products, including government-sponsored affordable mortgage loan programs. The bank has been the largest lender under programs offered by the Maine State Housing Authority (MSHA).<sup>21</sup> In 1997 and the first six months of

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<sup>19</sup> Franklin-Lamoille Bank, Saint Albans, Vermont, received an “outstanding” rating from the FDIC, as of March 1999; Evergreen Bank, N.A., Glens Falls, New York, received a “satisfactory” rating from the OCC, as of November 1997; Farmington National Bank, Farmington, New Hampshire, received a “satisfactory” rating from the OCC, as of December 1997; First Vermont Bank and Trust Company, Brattleboro, Vermont, received a “satisfactory” rating from the FDIC, as of December 1997; and Granite Savings Bank and Trust Company, Barre, Vermont, received a “satisfactory” rating from the FDIC, as of August 1998. First Massachusetts Bank, N.A., Worcester, Massachusetts, has not been examined for CRA performance by the OCC.

<sup>20</sup> The assessment area for Peoples Heritage Bank approximated the State of Maine. The bank controlled 21.5 percent of state deposits.

<sup>21</sup> Peoples Heritage Bank has been named MSHA Lender of the Year for the past three years.

1998, the bank originated 219 MSHA loans totaling \$14.7 million.<sup>22</sup> Peoples Heritage Bank also has developed its own affordable mortgage loan programs in response to the needs of the community it serves. For example, the bank entered into an agreement with the Penquis Community Action Program to provide qualified low-income borrowers in the Bangor, Maine, area with home purchase mortgage loans featuring 100 percent financing and a sliding scale of fixed interest rates no higher than 7 percent, with lower rates for borrowers with lower incomes. Examiners also commended Peoples Heritage Bank for its strong level of small business and small farm lending. During 1997, it extended 1,843 CRA-reported small business loans totaling \$156.3 million. Of these loans, 93.3 percent by number, and 93.5 percent of the total dollar amount, were made in Peoples Heritage Bank's assessment area.<sup>23</sup>

In addition, examiners found that Peoples Heritage Bank participated in community development lending in a manner consistent with the needs of its assessment area. The bank originated 19 qualified community development loans in its assessment area during the period covered in the Peoples Examination,

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<sup>22</sup> Commenter questioned whether Peoples Heritage would expand its support for affordable housing loans and multifamily housing projects to compensate fully for the loss of support for these projects by Banknorth. Commenter expressed particular concern that Peoples Heritage might not maintain Banknorth's level of support of programs sponsored by the Vermont Housing Finance Authority ("VHFA"), which combines state subsidies, low-cost bank funding, and the assistance of nonprofit associations to provide affordable mortgages to low-income homebuyers. Peoples Heritage has indicated that it would continue to focus on being a leader in residential mortgage lending in its market areas.

<sup>23</sup> More than 82 percent of the bank's small business loans were made to borrowers with gross annual revenues of \$1 million or less. In addition, more than 80 percent of Peoples Heritage Bank's small business loans and all its small farm loans were originated in amounts under \$100,000.

totaling \$11.5 million. The bank also made 50 qualified community development investments, totaling \$11.4 million, during this period.

Peoples Heritage Bank was considered by examiners to be competitive in the banking hours it offered, the accessibility of its branches and alternative retail delivery systems, and the features of its low-cost checking accounts. The branch closing policy was reviewed by examiners and considered satisfactory.<sup>24</sup> Peoples Heritage Bank has indicated that the Vermont banks would remain independent franchises for the foreseeable future and that it does not anticipate significant branch closings in the state.

The Board has carefully considered all the facts of record, including the comments received, responses to these comments, and the CRA performance records of Peoples Heritage Bank, Howard Bank, and the other subsidiary banks of Peoples Heritage and Banknorth, including relevant reports of examination and other supervisory information. Based on a review of the entire record and for the reasons discussed above, the Board concludes that convenience and needs considerations, including the CRA records of performance of the institutions involved, are consistent with approval of the proposal.

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<sup>24</sup> Commenter questioned whether job losses and community disruptions might result from possible consolidations after consummation of the proposal. The effect of a proposal on employment in a community is not among the factors included in the BHC Act, and the federal banking agencies, courts, and Congress consistently have interpreted the convenience and needs factor to relate to the effect of a proposal on the availability and quality of banking services in the community. See, e.g., Wells Fargo & Company, 82 Federal Reserve Bulletin 445, 457 (1996). Peoples Heritage also has described certain steps it would take to minimize these effects, including job search assistance and training opportunities for dismissed employees.

Financial, Managerial, and Other Supervisory Factors

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, and certain other supervisory factors.

The Board has carefully considered the financial and managerial resources and future prospects of Peoples Heritage and Banknorth and their respective subsidiary banks, and other supervisory factors in light of all the facts of record. As part of this consideration, the Board has reviewed relevant reports of examination and other supervisory information prepared by the Federal Reserve Bank of Boston and other federal banking supervisory agencies, including reports concerning the parties' risk management systems and steps taken recently by Peoples Heritage to enhance these systems. The Board notes that the bank holding companies and their subsidiary banks are well capitalized and are expected to remain so after consummation of the proposal.

The Board also has considered other aspects of the financial condition and resources of Peoples Heritage and Banknorth and the combined organization and other aspects of their managerial resources. Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Peoples Heritage, Banknorth, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

Nonbanking Activities

Peoples Heritage has filed notice under section 4(c)(8) and 4(j) of the BHC Act to acquire Banknorth's wholly owned nonbanking subsidiary, Stratevest, and thereby engage in trust company activities. The Board has determined by

regulation that trust company activities are closely related to banking for purposes of the BHC Act.<sup>25</sup> Peoples has committed to conduct this nonbanking activity in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations governing trust company activities.

In order to approve this notice, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of Stratevest by Peoples Heritage "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."<sup>26</sup>

As part of its evaluation of these factors, the Board considers the financial and managerial resources of Peoples Heritage and its subsidiaries, including the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of the proposed acquisition by Peoples of Stratevest. The market for trust company services in which Peoples Heritage and Stratevest compete is national or regional in scope and is unconcentrated. Consummation of this proposal would have a de minimis effect on the market, and numerous competitors would remain in the market. Based on all the facts of record, the Board concludes that it is unlikely that significantly

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<sup>25</sup> See 12 C.F.R. 225.28(b)(5).

<sup>26</sup> 12 U.S.C. § 1843(j)(2)(A).

adverse competitive effects would result from the nonbanking acquisition proposed in this transaction.

The Board also expects that the proposed transaction would give Peoples Heritage an increased ability to serve the needs of its customers. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments are consistent, as in this case, with the relevant considerations under the BHC Act.

The Board also concludes that the conduct of the proposed nonbanking activity within the framework of Regulation Y and Board precedent is not likely to result in 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 the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that the Board must consider under section 4(j)(2)(A) of the BHC Act is favorable and consistent with approval of this proposal.

#### Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the applications and notice should be, and hereby are, approved. Approval of the applications and notice is specifically conditioned on compliance by Peoples Heritage with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order, including Peoples Heritage's divestiture commitment. The Board's determination on the nonbanking activities also is subject to all the terms and conditions set forth

in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and 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, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders thereunder. For purposes of this transaction, the commitments and conditions referred to in this order shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of the subsidiary banks of Banknorth shall not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal 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 Boston, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>27</sup> effective April 24, 2000.

(signed)

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Robert deV. Frierson  
Associate Secretary of the Board

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<sup>27</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.

APPENDIX A

Subsidiary Banks of Banknorth

Massachusetts

First Massachusetts Bank, N.A., Worcester

New Hampshire

Farmington National Bank, Farmington

New York

Evergreen Bank, N.A., Glen Falls

Vermont

First Vermont Bank and Trust Company, Brattleboro

Franklin-Lamoille Bank, St. Albans

Granite Savings Bank and Trust Company, Barre

Howard Bank, N.A., Burlington

## APPENDIX B

### Banking Markets in which Peoples Heritage and Banknorth Compete Directly

#### Massachusetts

- Boston:** Boston Rand McNally Marketing Area (“RMA”) and the town of Lyndeboro in New Hampshire.
- Springfield:** Springfield RMA and the towns of Otis in Berkshire County; Deerfield, Leverett, Shutesbury, and Whately in Franklin County; Blandford, Chester, Granville, and Tolland in Hampden County; Chesterfield, Cummington, Goshen, Pelham, Plainfield, Westhampton, and Worthington in Hampshire County; and Hardwick and Warren in Worcester County.
- Worcester:** Worcester RMA and the towns of Brimfield and Wales in Hampton County and Hubbardston in Worcester County.

#### New Hampshire

- Laconia:** Belknap County, excluding the town of Barnstead, and the towns of Northfield in Merrimack County and Moultonboro and Sandwich in Carroll County.
- Portsmouth-Dover-Rochester:** Portsmouth-Dover-Rochester RMA and the towns of Brookfield, Middleton, New Durham, Northwood, Nottingham, Strafford, and Wakefield in New Hampshire; and Kennebunk, Lebanon, North Berwick, and Wells in Maine.
- Wolfeboro:** The towns of Effingham, Ossipee, Tuftonboro, and Wolfeboro in Carroll County.

Vermont

Brattleboro: The towns of Brattleboro, Brookline, Dummerston, Guilford, Halifax, Marlboro, Newfane, Putney, Townsend, and Vernon in Windham County; and the town of Hinsdale in New Hampshire.

## APPENDIX C

### Banking Markets that Comply with the DOJ Guidelines without Divestitures<sup>28</sup>

#### Massachusetts

Boston	Peoples Heritage is the sixth largest depository institution in the market, controlling deposits of \$1.5 billion, representing approximately 1.9 percent of market deposits. Banknorth is the 90th largest depository institution in the market, controlling deposits of \$65.1 million, representing less than 1 percent of market deposits. On consummation of the proposal, Peoples Heritage would remain the sixth largest of 180 depository institutions in the market, controlling deposits of \$1.6 billion, representing approximately 2 percent of market deposits. The HHI would remain unchanged at 1899.
Springfield	Peoples Heritage is the second largest depository institution in the market, controlling deposits of \$1.1 billion, representing approximately 19.8 percent of market deposits. Banknorth is the 16th largest depository institution in the market, controlling deposits of \$61.9 million, representing approximately 1.1 percent of market deposits. On consummation of the proposal, Peoples Heritage would remain the second largest of 22 depository institutions in the market, controlling deposits of \$1.2 billion, representing approximately 20.9 percent of market deposits. The HHI would increase 43 points to 1656.

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<sup>28</sup> Market deposit data are adjusted to account for bank acquisitions approved after June 30, 1998.

Worcester Peoples Heritage is the eighth largest depository institution in the market, controlling deposits of \$93.5 million, representing approximately 2.2 percent of market deposits. Banknorth is the third largest depository institution in the market, controlling deposits of \$388.6 million, representing approximately 9 percent of market deposits. On consummation of the proposal, Peoples Heritage would become the third largest of 25 depository institutions in the market, controlling deposits of \$482.1 million, representing approximately 11.2 percent of market deposits. The HHI would increase 28 points to 1819.

#### New Hampshire

Laconia Peoples Heritage is the seventh largest depository institution in the market, controlling deposits of \$40.3 million, representing approximately 7.8 percent of market deposits. Banknorth is the sixth largest depository institution in the market, controlling deposits of \$45.8 million, representing approximately 8.9 percent of market deposits. On consummation of the proposal, Peoples Heritage would become the fourth largest of nine depository institutions in the market, controlling deposits of \$86.1 million, representing approximately 16.7 percent of market deposits. The HHI would increase 138 points to 1826.

#### Vermont

Brattleboro Peoples Heritage is the eighth largest depository institution in the market, controlling deposits of \$4.8 million, representing approximately 1.1 percent of market deposits. Banknorth is the second largest depository institution in the market, controlling deposits of \$145.2 million, representing approximately 32.2 percent of market deposits. On consummation of the proposal, Peoples Heritage would become the second

largest of eight depository institutions in the market, controlling deposits of approximately \$150 million, representing approximately 33.2 percent of market deposits. The HHI would increase 69 points to 3318.

## APPENDIX D

### Banking Market with Proposed Divestiture

#### New Hampshire

##### Wolfeboro

Peoples Heritage is the fourth largest depository institution in the market, controlling deposits of \$28.1 million, representing approximately 10.2 percent of market deposits. Banknorth is the third largest depository institution in the market, controlling deposits of \$56.9 million, representing approximately 20.6 percent of market deposits. Peoples Heritage proposes to divest one branch with deposits of approximately \$28.1 million to an out-of-market competitor. After the proposed merger and divestiture, Peoples Heritage would become the third largest of 5 depository institution in the market, controlling deposits of \$56.9 million, representing approximately 20.6 percent of market deposits. The HHI would remain unchanged at 2753.