

Federal Reserve Bank of Boston BANK NOTES

• Edited by Jason Wild •

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Seacoast to Acquire Bay State

Seacoast Financial Services, New Bedford, MA, announced December 20, 2002, that it has agreed to acquire Bay State Bancorp, Brookline, MA, in a cash and stock deal valued at \$140 million. Bay State operates six branches in the Boston area, while Seacoast Financial operates 43 branches in Southeastern Massachusetts through its two subsidiaries, CompassBank and Nantucket Bank.

Seacoast CEO Kevin Champagne said the company is “very excited to take this significant step in expanding the CompassBank franchise to the attractive greater-Boston metropolitan area.” He also discussed Seacoast’s plans for future growth, saying the company “would be looking for acquisitions with de novo opportunities that would fill in the gap or further expand in [the Boston] area.” The deal, which is subject to regulatory and shareholder approval, is expected to close in the second quarter of 2003.

As of June 30, 2001, Seacoast Financial had total deposits of \$2.1 billion and ranked 9th among all commercial banking and thrift institutions in Massachusetts. As of the same date, Bay State Bancorp had total deposits of \$300.2 million and ranked 69th.

(SNL Bank & Thrift Weekly, 12/23/02;
Boston Globe, 12/20/02)

Merger Completions

On December 31, 2002, Banknorth Group Inc, Portland, ME, completed its acquisition of Warren Bancorp Inc, Peabody, MA. The deal was announced in August 2002 and received approval in November.

As of June 30, 2001, Banknorth Group had total deposits of \$3.1 billion and ranked 6th among all commercial bank and thrift institutions in Massachusetts. Warren Bancorp had total deposits of \$393.2 million and ranked 51st.

(SNL Bank & Thrift Weekly, 12/30/02)

Branch Acquisitions

Effective at the opening of business December 14, 2002, City National Bank, Beverly Hills, CA, purchased the branch charter and office space from Fleet National Bank, Providence, RI, of the branch located at 1279 Union Avenue, Newburg, NY.

At the close of business on December 6, 2002, Southbridge Savings Bank, Southbridge, MA, completed the purchase of two Big Y Supermarket branches from Woronoco Savings Bank, Westfield, MA. The branches were located in Amherst and West Springfield, MA. As of June 30, 2001, Southbridge Savings Bank had total deposits of \$207.8 million and ranked 97th among all commercial bank and thrift institutions in Massachusetts. Woronoco Bancorp had total deposits of \$336.8 million and ranked 61st.

(Internal Notice, 12/17/02, 12/18/02)

2002 Branch Openings

Centrix Bank & Trust, Bedford, NH, opened a branch located at 41 Hooksett Road, Manchester, NH, effective at the opening of business October 2.

On October 21, Valley Bank, Bristol, CT, opened a branch located at 8 South Main Street, Terryville, CT.

St. Mary’s Bank, Manchester, NH, opened a branch at 839 Hanover Street, Manchester, NH, on November 18.

Citizens Bank Massachusetts, Boston, MA, recently opened three Stop & Shop branches. On November 7, it opened a branch at 45 Federal Street, Belchertown, MA. On November 14, it opened a branch at 1600 Boston Road, Springfield, MA. On December 12, Citizens opened a branch at 475 Bedford Street, Whitman, MA.

Fleet National Bank, Providence, RI, opened three branches in New York during November and December. Effective November 25, it opened a branch located at 1293 Broadway, New York, NY. On December 12, Fleet opened a Stop & Shop branch at 154 Westchester Avenue, White Plains, NY. On December 16, it opened a branch located at 1775 Broadway and 57th Street, New York, NY.

(Internal Notice, 12/2/02, 12/10/02, 12/19/02)

Branch Address Change

People’s Bank, Bridgeport, CT, changed the address of its South Windsor Stop & Shop branch from Buckland Road to 1739 Ellington Road, South Windsor, CT.

(CT DOB, 12/6/02)

Applications Approved

On December 20, 2002, the Connecticut Division of Banking granted approval to the Naugatuck Valley Savings and Loan Association, Naugatuck, CT, to convert from a

mutual savings and loan association to a mutual savings bank. The bank will be known as Naugatuck Valley Savings and Loan, S.B.

As of June 30, 2001, Naugatuck had total deposits of \$150.1 million and ranked 46th among all commercial banking and thrift institutions in Connecticut. (CT DOB, 12/20/02)

Eastern to Acquire Allied American

On December 10, 2002, Eastern Bank, Boston, MA, announced it will buy Allied American Insurance Agency, Natick, MA, from Arbella Insurance Group. Eastern has been in a marketing partnership with Allied for the past three years and joined the bidding process for the insurance agency when it was put up for sale in November. Allied American is the second largest insurance agency in Massachusetts, with 21 offices and 78,000 customers. It offers a full line of personal and commercial insurance products. Eastern Bank expected the deal to close by December 31, pending approval by state regulators.

Allied American would operate as a subsidiary of Eastern Bank and retain all of its employees. Eastern's CEO Stanley Lukowski called Allied "a perfect strategic fit" for the bank, saying that "the addition of an insurance agency enables us to diversify our mix of businesses, while providing both companies significant opportunities to refer prospective customers to one another." Richard Holbrook, Eastern's president, said the bank hopes "to grow both organically and through acquisitions on the agency side and on the banking side." He also added that around the country, "banks are buying insurance agencies, insurance companies are expanding into new territories...we'd like to continue to take advantage of that trend."

(Boston Globe, 12/11/02; American Banker, 12/18/02; SNL Bank & Thrift Weekly, 12/16/02)

Fleet Signs New Mortgage Partner

FleetBoston Financial Corp, Boston, MA, announced December 2, that it has entered into a strategic alliance with Cendant Mortgage, Mt. Laurel, NJ. Cendant will buy all mortgages originated by Fleet National Bank and provide mortgage services to Fleet customers on a private-label basis. Financial terms of the deal were not disclosed.

Fleet sold its mortgage business to Washington Mutual Inc, Seattle, WA, in April 2001. As part of that deal, Washington Mutual had been buying and servicing Fleet's loans under its own brand name, which created valuable cross-selling opportunities for the thrift. A Fleet spokesperson said, while working with Washington Mutual, Fleet "couldn't keep track" of its clients because, "once the mortgage was originated and sold" the borrower was no longer Fleet's customer. Cendant is well known as an outsourcer willing to offer private-label services to its clients. Cendant Senior Vice President Bob Andwood said, "It is important for Fleet or any other bank we do business with to know that they won't have to worry about

their mortgage customer being served by another mortgage bank tomorrow."

(Boston Globe, 12/3/02;
American Banker, 12/3/02, 12/12/02;
SNL Bank & Thrift Weekly, 12/9/02, 12/16/02)

Camden National to Sell Credit Card Business

On December 4, 2002, Camden National Corporation, Camden, ME, announced it has entered into an agreement to sell its merchant credit card businesses from subsidiaries Camden National Bank and UnitedKingfield Bank to NOVA Information Systems, a subsidiary of U.S. Bank, Minneapolis, MN. As part of the deal, Camden and its subsidiaries entered into a joint marketing agreement with NOVA, in which it will receive royalty payments in exchange for cooperating with NOVA to provide merchant credit card services to customers and marketing to prospective merchants. NOVA will pay \$1.25 million for the credit card businesses.

As of June 30, 2001, Camden National Corporation had total deposits of \$723.9 million and ranked 5th among all commercial banking and thrift institutions in Maine.

(SNL Bank & Thrift Weekly, 12/9/02;
Camden Press Release, 12/4/02)

Regulators Propose New Rules for Auditors

On December 17, federal banking regulators issued proposed rules that would govern their authority to take disciplinary actions against independent public accountants and accounting firms that serve depository institutions. The rules, proposed jointly by the Federal Reserve, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision, would establish guidelines under which the agencies could, for good cause, remove, suspend, or bar an accountant or firm from performing audit and attestation services for insured institutions with assets over \$500 million. Violations of law, certain negligent conduct, reckless violations of professional standards or lack of qualifications to perform audit services would qualify as good cause to take action.

In addition, any accountant or firm that has been barred from auditing public companies by the Securities and Exchange Commission or has been subject to special sanctions by the Public Company Accounting Oversight Board, would automatically be barred from performing audit services for insured institutions. Interested parties are invited to submit comments, which are due 60 days after the proposal appears in the Federal Register.

(Press Release 12/17/02;
SNL Bank & Thrift Weekly, 12/23/02;
American Banker, 12/18/02)

Fed Appoints Members of Thrift Council

The Federal Reserve Board announced December 11, the names of seven new members of its Thrift Institutions Advisory Council (TIAC). The TIAC is a 12-member panel that meets three times a year with Fed officials to discuss issues important to the thrift industry. The new members are Michael J. Brown Sr., CEO of Harbor Federal Savings Bank in Fort Pierce, FL; Richard J. Driscoll, president of First Savings Bank in Arlington, TX; Curtis L. Hage, CEO of Home Federal Bank in Sioux Falls, SD; Olan O. Jones Jr., CEO of Eastman Credit Union in Kingsport, TN; D. Tad Lowrey, CEO of Jackson Federal Bank in Brea, CA; George W. Nise, CEO of Beneficial Savings Bank in Philadelphia, PA; and Robert F. Stoico, CEO of FirstFed America Bancorp Inc. in Swansea, MA.

The Board also named Karen L. McCormick, CEO of First Federal Savings and Loan Association in Port Angeles, WA, as the council's president for 2003. The council's new vice president is William J. Small, CEO of First Federal Bank in Defiance, OH.

(Federal Reserve Press Release, 12/11/02;
American Banker, 12/12/02)

Items in this publication focus on developments affecting banking structure in New England. The items are condensations of articles from a selected group of daily newspapers and press releases of federal and state financial regulatory agencies. Their reproduction does not imply our endorsement of the accuracy, opinions or policies reflected in the subject matter.

Bank Notes is available without charge. To be added to the electronic mailing list or to the paper distribution list, send an e-mail message to Boston.BankNotes@bos.frb.org. If unable to do so, call Jason Wild at (617) 973-3652. To access *Bank Notes* on the Web, check the Boston Fed's web site at www.bos.frb.org/economic/banknote/index.htm. For updated banking structure information, check the Boston Fed's web site at www.bos.frb.org/bankinfo/struct/index.htm.