

Federal Reserve Bank of Boston BANK NOTES

• Edited by Marcella Vencil •

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Berkshire Hills Bancorp and Woronoco Bancorp to Merge

On December 20, 2004, Berkshire Hills Bancorp, Pittsfield, MA, agreed to acquire Woronoco Bancorp, Westfield, MA, for approximately \$144.5 million in cash or stock, to create the fourth-largest publicly traded bank in Massachusetts and the largest headquartered in the western part of the state.

The combined company will have 22 branches in western Massachusetts and New York, with total assets of approximately \$2 billion. The companies will merge their exiting operations, with Woronoco branches becoming part of Berkshire Bank.

Michael Daly, Berkshire chief executive officer, said, "There is a niche to fill between the behemoths in this area [western Massachusetts] and the small banks, and I believe that we are on our way to achieving that fit." He added, "This transaction makes more sense than any Massachusetts deal in the past ten years."

Chairman, President, and Chief Executive Officer of Woronoco and Woronoco Savings Bank Cornelius Mahoney said, "We are very pleased to join Berkshire Hills and Berkshire Bank and know that this new partnership will continue to serve our customers, communities, and employees with the same care and commitment characteristic of Woronoco Savings Bank. I am very impressed with their business strategy and execution, as well as the quality of their management and Board of Directors."

The deal, still subject to shareholder and regulatory approval, is expected to close in the second quarter of 2005.

As of June 30, 2004, Berkshire Hills Bancorp ranked 22nd with a 0.51 percent share of deposits among all commercial bank and thrift institutions in Massachusetts. As of the same date, Woronoco Bancorp ranked 43rd with a 0.27 percent share of total deposits.

(Berkshire Hills Bancorp PR 12/17/04; NY Times 12/18/04; SNL Bank & Thrift Daily 12/20/04)

First Ipswich Bancorp to Acquire de Burlo Group

Ipswich Capital Investment Corp., a unit of First Ipswich Bancorp, Ipswich, MA, agreed to acquire the de Burlo Group, Inc., Boston, MA, on November 24.

The de Burlo Group is an independent registered investment advisory firm with approximately \$330 million in assets under management.

Donald P. Gill, president and chief executive officer of First Ipswich Bancorp and The First National Bank of Ipswich, said, "This acquisition represents a strategic decision by the bank to diversify its revenue stream beyond its core banking services while providing a valuable additional service to its customers."

The deal is expected to close in December, pending all necessary approvals and third party consents. The de Burlo Group will retain its name and current location.

As of June 30, 2004, First Ipswich Bancorp ranked 100th with a 0.13 percent share of deposits among all commercial bank and thrift institutions in Massachusetts.

(First National Bank of Ipswich PR 11/26/04; SNL Bank & Thrift Daily 11/29/04)

Berkshire Bank Acquires Berkshire Financial Planning

On December 1, 2004, Berkshire Hills Bancorp, the parent company of Berkshire Bank, Pittsfield, MA, acquired Berkshire Financial Planning Ltd., Pittsfield, MA, and its president and founder, Richard E. Gingras, has joined the Bank's wealth management group as a senior financial advisor. Terms of the deal were not disclosed.

(Berkshire Hills Bancorp PR 12/1/04; SNL Bank & Thrift Daily 12/21/04)

Merger Completions

On December 6, Webster Financial Corp., Waterbury, CT, completed its previously announced acquisition of First City Bank, New Britain, CT, for approximately \$33 million.

The companies originally announced the deal on July 19.

Chairman and Chief Executive Officer James C. Smith said, "Webster is pleased to welcome First City Bank as our partner. With the formal completion of the merger, we commit ourselves to providing First City customers the personal attention to which they are accustomed as we introduce the broad range of products and services Webster offers."

(SNL Bank & Thrift Daily 12/7/04; Webster PR 12/6/04)

Mellon Financial Corp., Pittsburgh, PA, completed its acquisition of Providence Group Investment Advisory Company, Providence, RI, on December 20.

The deal was first announced on September 7. Terms were not disclosed.

"We believe this acquisition is a tremendous opportunity for all involved. Our new Rhode Island clients will benefit from Mellon's extensive resources, and Mellon's Private Wealth Management organization gains an established presence in this important market," said David Lamere, Mellon vice chairman and president of its Private Wealth Management group.

(Mellon Financial PR 12/20/04; SNL Bank & Thrift Daily 12/21/04)

Holding Company Conversion

On December 10, Greenfield Savings Bank, Greenfield, MA, announced it will undergo a mutual holding company conversion.

(SNL Bank & Thrift Daily 12/13/04)

Branch Openings

On November 6, 2004, Citizens Bank of Connecticut, New London, CT, opened branches located at 36 Fenn Road, Newington, CT; 354 Broad Street, Manchester; 1780 Silas Deane Highway, Rocky Hill; 410 Queen Street, Southington; 943 Wolcott Street, Waterbury; and 121 Farmington Avenue, Bristol.

People's Bank, Bridgeport, CT, opened a branch located at 80 Town Line Road, Rocky Hill, CT, on November 12.

On December 4, First County Bank, Stamford, CT, opened a branch located at 660 Main Avenue, Norwalk, CT.

(CT DOB 11/19/04, 11/26/04, 12/10/04)

FDIC Reports Earnings

On November 23, the Federal Deposit Insurance Corporation (FDIC) reported that commercial banks and savings institutions earned net income of \$32.5 billion in the third quarter of 2004, surpassing the previous quarterly high of \$31.8 billion in the first quarter of the year. Compared with the third quarter of 2003, profits were 6.9 percent higher. This is the sixth time in the last seven quarters that industry earnings have set a new record.

The record profits were a result of increased lending to consumers and businesses and higher gains on sales of securities and other assets. The \$198 billion increase in loans and leases was the second largest quarterly increase ever reported by the industry, and gains on sales of securities and other assets were 49 percent higher than in the second quarter. Loan-loss provisions were 0.9 percent lower in the third quarter than in the second, a change partially offset by 4.8 percent lower non-interest income.

FDIC Chairman Don Powell said, "Credit quality on average is the best we've ever seen, and banks are actively making loans. Commercial lending is clearly on the way back."

Richard A. Brown, FDIC chief economist said, "The combination of rising short-term interest rates and falling long-term rates during the quarter was particularly conducive to boosting the industry's bottom line to a new record." He cautioned, "Some of the factors that have contributed to the string of record or near-record earnings during the last four years will not continue. Further increases in interest rates will eventually limit the ability of the industry to realize gains on securities sales, and could also pressure net interest margins for some segments of the industry."

Overall, more than three-fifths of institutions reported their earnings were higher than in the second quarter, while more than half reported higher ROAs.

(FDIC PR 11/23/04)

Bank of America Sells BankBoston Operations in Panama

On December 16, Bank of America, Charlotte, NC, announced an agreement to sell its BankBoston operations in Panama to Banco General SA, Panama City, Panama. Terms of the deal were not disclosed.

BankBoston Panama is primarily a wholesale bank. It provides residential and commercial mortgages, asset-backed financing, treasury, trade finance, corporate finance, and cash management services.

Additionally, Bank of America announced plans to sell BankBoston operations in Colombia and Peru.

Richie Prager, president of Latin America for Bank of America, said, "We will continue to support those operations in Latin America that possess sufficient scale to allow us to compete within their respective markets."

The Panama sale is expected to be completed in the first quarter of 2005.

(Bank of America PR 12/16/04; SNL Bank & Thrift Daily 12/17/04)

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.

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