

Federal Reserve Bank of Boston BANK NOTES

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Bank of New York to Merge with Mellon Financial

New York-based Bank of New York Co. Inc. (\$106.65 billion) and Pittsburgh-based Mellon Financial Corp. (\$42.67 billion) have entered into an agreement to merge and form a new company called The Bank of New York Mellon Corp.

The \$16.5 billion stock transaction would create the world's largest securities-servicing firm, the companies said on December 4, 2006. The combined entity would have annual revenue of over \$12 billion.

Boards of both companies have approved the transaction, subject to regulatory and shareholder approval, and it is expected to be completed in the third quarter of 2007.

Integration of the two companies will take place over a three-year period following the close of the merger. Bank of New York Mellon Corp. will be headquartered in New York NY, where Bank of New York was founded in 1784. Several business divisions are expected to be based out of Pittsburgh, however, according to Robert Kelly, Mellon's president, chairman, and chief executive.

With over \$16 trillion in assets under custody, the combined company will be the largest global custodian and a top asset manager globally, the number one provider of issues and clearing services, a top-10 wealth manager, and a top-10 provider of U.S. cash management. The companies say the deal will greatly diversify earnings streams, as no individual business will contribute more than 35 percent of the combined company's pre-tax income.

Both Bank of New York and Mellon shed non-core businesses in recent years and turned their focus to building their asset-servicing and management business lines rather than traditional retail banking. Bank of New York recently sold its retail banking network to JP Morgan Chase & Co., and Mellon shifted away from the retail branch banking business in 2001, with its sale of 350 bank branches to Royal Bank of Scotland Group plc's Citizens Financial Group Inc. The companies' combined employee base of 40,000 is expected to be reduced by 3,900 over the three-year post-merger period.

The deal is expected to be dilutive to Bank of New York Co. Inc.'s earnings in 2007, and accretive in 2008. Upon completion of the merger, shareholders of Bank of New York will have a 63-percent ownership in the

new company. (New York Times, 12/04/06; SNL Bank & Thrift Daily, 12/05/06; SNL Bank M&A Weekly, 12/11/06)

Mergers and Acquisitions

Butler Bancorp MHC unit's Butler Bank (\$202 million) and Marlborough Bancorp unit's Marlborough Co-operative Bank are merging. Marlborough Co-operative is based in Marlborough MA and Butler Bank is based in Lowell MA. The arrangement creates a single mutual holding company, but the banks will operate independently and will retain their separate names.

Danversbank of Danvers, Massachusetts, agreed on November 28, 2006, to a merger with BankMalden, based in Malden MA. The transaction is expected to close in the first quarter of 2007, subject to regulatory approval. (SNL Bank and Thrift, 12/04/06; Internal Sources 12/18/06.)

Boston-based First Marblehead Corp. said on Nov. 22, 2006, that it has received OTS approval to acquire North Providence R.I.-based Union Bank and its unit, Union FSB (\$40.3 million). (SNL Bank M&A Weekly, 12/04/06)

New England Bancshares Inc. (\$272.2 million), based in Enfield CT announced on November 21, 2006, that it had signed a definitive agreement to acquire Bristol CT-based First Valley Bancorp (\$184.8 million) in a transaction valued at approximately \$25.9 million. The merger, subject to the approval of First Valley shareholders and other conditions, is expected to be completed in the second quarter of 2007. (SNL Bank & Thrift Daily, 11/29/06)

Hampden Bancorp MHC of Springfield MA has merged with and into Hampden Bank, also of Springfield. The merger is in connection with a reorganization of the mutual holding company into the stock bank holding company. (Internal Sources, 12/07/06)

Merrimack Bancorp MHC of Concord NH agreed to acquire Bow Mills Bank & Trust of Bow NH for an aggregate deal value of \$22.5 million. Following the close of the deal, Merrimack will add three branches in Merrimack County NH and will have \$2.3 billion in total market deposits. The combined banks will operate under the Merrimack name. The deal is expected to close during

the first half of 2007, subject to regulatory and shareholder approval. (SNL Bank & Thrift, 12/19/06)

New Alliance Bancshares Inc. of New Haven CT, through its units, NewAlliance Bank and New Alliance Investments, has entered into an agreement to acquire Centerbrook CT-based Connecticut Investment Management Inc. The merger is expected to be completed in early 2007. (SNL Bank & Thrift Weekly, 12/04/06)

New Hampshire Thrift Bancshares Inc. of Newport NH, parent of Lake Sunapee FSB, has entered into an agreement to acquire First Brandon National Bank of Brandon VT for approximately \$21.2 million in cash and stock. Following the merger, First Brandon National Bank will merge with and into Lake Sunapee, but will operate under the name "First Brandon, Bank, a division of Lake Sunapee Bank FSB." The transaction is expected to close in the second quarter of 2007, subject to regulatory and shareholder approval. (SNL Bank & Thrift, 12/15/06)

Patriot National Bancorp, Inc. announced on November 17, 2006, that its subsidiary, Patriot National Bank, had completed the acquisition of a branch office and related deposits from Millennium bcpbank. (SNL Bank & Thrift Weekly, 11/27/06)

TD Banknorth NA of Portland ME purchased certain assets and assumed certain liabilities of TD Bank USA NA on November 18, 2006. (Internal Sources, 11/27/06)

Westbank Corp. of West Springfield MA (\$827.1 million) announced on December 13, 2006, that its shareholders had voted to approve the proposed merger with NewAlliance Bancshares, Inc. (\$7.20 billion) of New Haven CT. The transaction is expected to close on January 2, 2007.

Holding Companies

Marlborough Savings Bank, based in Marlborough MA, is reorganizing into a two-tier mutual holding company structure. Marlborough had \$279.8 million in assets on September 30, 2006, and operates five branches in Middlesex and Worcester Counties, Massachusetts. (SNL Bank & Thrift Daily, 12/13/06)

Mayflower Bancorp Inc. of Middleboro MA has expedited notice to become a bank holding company by acquiring 100 percent of Mayflower Co-Operative Bank of Middleboro MA. (Internal Sources, 12/18/06)

On December 12, 2006, Meridian Interstate Bancorp Inc. of East Boston MA was granted permission by the Massachusetts Division of Banks to acquire up to a 40- percent controlling interest in Hampshire First Bank of Manchester NH. Meridian Financial Services Inc., also of East Boston, is the parent company of Meridian

Interstate Bancorp. (Massachusetts Division of Banks November 2006 Activity Report)

1985 MHC and 1985 Corp. of Worcester MA agreed to become a mutual holding company and stock bank holding company, respectively, by acquiring Bay State Savings Bank of Worcester MA. (Internal Sources, 12/18/06)

New Bank Opening

Effective November 22, 2006, Hampshire First Bank, a *de novo*, opened for business in Manchester NH. The parent company is Meridian Interstate Bancorp Inc. of East Boston MA. (Internal Sources, 11/27/006)

Branch Openings

Citizens Bank of Massachusetts opened a branch at 470 North Main Street, East Longmeadow MA on September 21, 2006. On November 10, 2006, Citizens Bank opened another branch at 10 Technology Road, Hudson MA. (Internal Notices, 11/27/06)

The Guilford Savings Bank, headquartered in Guilford CT, opened a branch at 494 Old Toll Road Madison CT on October 18, 2006. (Internal Notices, 11/27/06)

SaugusBank, a co-operative bank, based in Saugus MA, opened a branch at 412 Lynn Fells Parkway, Saugus MA on November 6, 2006. (Internal Notices, 11/27/06)

Norwich CT-based Dime Bank opened a New London Mall branch at 351 North Frontage Rd, New London CT on November 20, 2006. (Internal Notices, 11/27/06)

Kennebec FS&LA of Waterville ME plans to open a branch in Waterville ME in June 2007. (SNL Bank & Thrift Daily, 12/20/06)

The Royal Bank of Scotland plc of Edinburgh, Scotland, is planning to establish a branch at 600 Steamboat Road, Greenwich CT, pending regulatory approval. (Internal Sources, 11/27/06)

Washington Trust Bancorp Inc.'s unit, Washington Trust Company, held a groundbreaking ceremony for a new branch in Cranston RI on November 3, 2006. The new branch is scheduled to open in April 2007, and will be Washington Trust's second branch in Cranston. (SNL Bank & Thrift Daily, 11/22/06)

Federal Reserve Board Announces Final Rule Amending Regulation E, Implementing the Electronic Fund Transfer Act

On November 27, 2006, the Federal Reserve Board of Governors announced its approval of a final rule regarding consumer authorization requirements when a person, such as a merchant, seeks to electronically collect a fee for checks or other items that are returned unpaid.

The final rule clarifies that the requirement to obtain the consumer's authorization applies to the person seeking to electronically collect the returned item fee.

The rule also contains provisions related to the consumer's authorization and the content of notices that must be given to the consumer.

The amendments addressing the electronic collection of the returned item fees are being made to Regulation E, which implements the Electronic Fund Transfer Act, and to the official staff commentary, which interprets the requirements of Regulation E.

The effective date of the rule is January 1, 2007, consistent with a final rule previously issued in January 2006. However, certain provisions regarding the content of notices that must be provided to the consumers in point-of-sale transactions will have a delayed compliance date of January 1, 2008.

The full text of the Board's final rule is available online at:

www.federalreserve.gov/boarddocs/press/bcreg/2006/20061127/default.htm. (Federal Reserve Board Press Release, 11/27/06)

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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