

Federal Reserve Bank of Boston BANK NOTES

• Edited by Jason Wild •

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Merger Announcement

On February 10, 2004, Fairfield County Bank Corp., Ridgefield, CT, announced that it has reached a definitive agreement to acquire Bank of Westport, Westport, CT, in an all-cash deal valued at approximately \$11 million.

Paul McNamara, Chairman of Fairfield County Bank Corp., called the acquisition “a strategic opportunity to expand our brand of community banking to the Westport market and to offer additional banking products, brokerage and investment services, and insurance to the Bank of Westport customers.” Fairfield currently operates two divisions: Fairfield County Bank in Norwalk, Darien, Rowayton, and Fairfield, and Ridgefield Bank in Ridgefield, Wilton, and Georgetown. Fairfield completed its acquisition of Ridgefield Bank in January 2004. After acquiring Bank of Westport, Fairfield will operate 16 branches in southwestern Connecticut.

The deal, which is subject to regulatory and shareholder approval, is expected to close in the second quarter of 2004.

As of June 30, 2003, Fairfield County Bank Corp. had total deposits of \$275.5 million and ranked 34th among all commercial banks and thrifts in Connecticut. As of the same date, Bank of Westport had total deposits of \$57.7 million and ranked 61st.

(SNL Bank & Thrift Weekly, 2/17/04; Fairfield PR, 2/10/04)

Boston Private Completes Acquisitions

On February 3, Boston Private Financial Holdings, Boston, MA, announced that it had received regulatory approval for all of its three pending acquisitions. After the necessary waiting periods, Boston Private completed all of the deals.

On February 5, Boston Private completed its acquisition of a 20 percent interest in Bingham, Osborn, & Scarborough, LLC (BOS), San Francisco, CA. BOS is a fee-only wealth management firm specializing in strategies for retirement planning, estate planning, charitable giving, portfolio diversification, insurance programs, and tax management. Boston Private could acquire up to a 70 percent interest over the next five years.

The following day, February 6, Boston Private completed its acquisition of an 80 percent interest in Dalton, Grier, Hartman, Maher & Co., LLC (DGHM), New York, NY. DGHM is a value style manager

specializing in small-cap equities. Timothy Vaill, Boston Private’s chairman and CEO, said, “The acquisition of Dalton Grier is a terrific addition to our wealth management business and provides a foundation for growing our enterprise in the New York metro region.”

On February 17, Boston Private completed its acquisition of First State Bancorp, Granada Hills, CA, the parent company of First State Bank of California, in a cash and stock deal valued at \$27.5 million. In addition to Granada Hills, First State also operates an office in Burbank and a loan production office in Rancho Cucamonga. Commenting on the deal, Vaill said, “We are pleased to be entering the southern California marketplace this year....In line with our strategy, we plan to extend the breadth of our wealth management core capabilities in southern California by adding financial planning and investment management expertise, as we have done in New England and northern California.”

(SNL Bank & Thrift Weekly, 2/9/04, 2/23/04;
Boston Private PR, 2/4/04, 2/5/04, 2/6/04, 2/17/04)

Merger Completion

On February 19, 2004, South Shore Savings Bank, South Weymouth, announced it had completed its acquisition of Horizon Bank & Trust Company, Braintree, MA. In accordance with Massachusetts banking laws and regulations, South Shore also formed a mutual holding company, South Shore, MHC, to facilitate the transaction.

South Shore chairman and CEO Arthur Connelly said, “This acquisition has made South Shore Savings Bank a stronger and more diverse financial institution that will continue to be dedicated to fulfilling its mission as a community bank serving the residents and businesses of the South Shore.” Horizon’s one branch in Braintree will become part of South Shore’s network, bringing the bank’s total number of offices to 12.

As of June 30, 2003, South Shore Savings Bank had total deposits of \$560.6 million and ranked 42nd among all commercial bank and thrift institutions in Massachusetts. As of the same date, Horizon Bank & Trust had total deposits of \$101.0 million and ranked 154th.

(SNL Bank & Thrift Weekly, 2/23/04)

Bank Conversion

Effective at the opening of business on February 20, United Co-operative Bank, Springfield, MA, converted

from a state-chartered cooperative bank to a federally chartered savings bank. The bank's new name is United Bank.

(Internal Notice, 2/23/04)

Branch Openings

On July 14, 2003, Citizens Bank of Massachusetts, Boston, MA, opened its branch located at 65 Leonard Street, Belmont, MA. Citizens also opened its branch located at 35 Highland Avenue, Seekonk, MA, on October 2, 2003.

Banknorth National Association, Portland, ME, opened its branch located at 25 New London Turnpike, Glastonbury, CT, on October 31, 2003.

On December 17, 2003, Liberty Bank, Middletown, CT, opened its branch located at 859 Boston Post Road, Madison, CT.

Salem Five Cents Savings Bank, Salem, MA, opened its branch located at 86-92 Highland Avenue, Malden, MA, on December 29, 2003.

(Internal Notice, 1/29/04, 2/12/04)

Branch Closings

Citizens Bank of Massachusetts, Boston, MA, closed six branches in recent months. On October 24, 2003, Citizens closed its branches located at 635 Massachusetts Avenue, Arlington; Massachusetts and Prospect Streets, Cambridge; and 1243 Centre Street, Newton. On December 5, 2003, the bank closed its branch located at 289 Harvard Street, Brookline. Citizens also closed its branches located at 9 West Road, Oleans, and 625 West Main Street, Hyannis, on January 9, 2004.

(Internal Notice, 1/29/04)

Branch Sale

Effective at the opening of business on February 14, 2004, Bar Harbor Banking & Trust Company, Bar Harbor, ME, purchased one branch from Androscoggin Savings Bank, Lewiston, ME. The branch is located at 245 Camden Street, Rockland, ME.

(Internal Notice, 2/17/04)

RBSG to Buy People's Bank Credit Card Operation

On February 3, Royal Bank of Scotland Group Plc (RBSG), Edinburgh, Scotland, the parent company of Citizens Financial Group, Providence, RI, announced it has reached an agreement to purchase the credit card business of People's Bank MHC, Bridgeport, CT. RBSG will pay a premium of \$360 million in excess of the \$2.3 million in card receivables it will acquire. Under terms of the deal, RBSG will pay a fee for credit cards it issues on behalf of People's Bank for a period of seven years. RBSG also entered into an interim servicing agreement through which it will continue to use People's Bank's

systems for 12 months, or as long as RBSG needs to convert the business.

The acquisition gives RBSG entry into the U.S. credit card market. People's Bank has approximately 1.1 million card customers, focused primarily in California, Connecticut, New York, Florida, Texas, and Pennsylvania. RBSG hopes to model the business on its Retail Direct platform in the United Kingdom, which offers credit cards and other consumer finance products and services. In a news release the company said it "will focus on strong organic growth through the ongoing relationship with People's Bank, our Citizens customers who will be supported from the new platform, and the wider U.S. market."

John Klein, People's president and CEO, said, "The strategic decision to exit the credit card business strengthens People's and better enables us to focus on our core retail and commercial banking business where we have proven competencies and demonstrated competitive advantages." People's Bank said the bulk of the proceeds from the sale would go to retire existing debt. In addition, the new funds will allow the bank to pursue meaningful growth opportunities, likely by way of acquisitions. Bank officials said they would consider buying middle-market commercial and retail banking operations in Massachusetts and New York. People's Bank has not acquired a bank since its 1998 purchase of Norwich Financial Corp.

The deal, which is subject to regulatory approval, is expected to close by the end of the first quarter of 2004.

(SNL Bank & Thrift Weekly, 2/9/04; RBSG PR, 2/3/04; People's Bank PR, 2/3/04)

OTS Reports Thrift Earnings

On February 18, The Office of Thrift Supervision (OTS) said that the thrift industry reported record net income of \$13.7 billion for the full year 2003, up 16 percent from the previous record of \$11.8 billion in 2002. For the fourth quarter of 2003, net income was \$3.45 billion, the second best earnings quarter in history and the fourth consecutive quarter that income topped \$3 billion.

Profitability, as measured by return on average assets (ROA), set an annual record at 1.29 percent for 2003. The agency attributed the ROA improvement to lower loan loss provisions, lower impairment charges for mortgage servicing rights, and higher fee income. The OTS also said the industry's year-end results benefited from the economy's mortgage refinance boom.

Over 99 percent of the thrift industry was well capitalized at the end of the year; only one thrift was less than adequately capitalized at the end of the fourth quarter, and this thrift has subsequently recapitalized. Problem thrifts totaled 8 at the end of 2003, down from 14 at the end of 2002. Assets at problem thrifts were \$600 million, down from \$2.6 billion at the end of 2002, and flat from the end of the third quarter.

(SNL Bank & Thrift Weekly, 2/23/04; OTS PR, 2/18/04)

Regulators Launch Web Site on Call Report Modernization

The Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency announced on February 12 the availability of a web site that provides information on the Federal Financial Institutions Examination Council's Call Report Modernization Initiative. The agencies are building a central data depository to modernize and streamline how they collect, process, and distribute bank financial data.

The web site features a timeline, progress reports, frequently asked questions, process changes, and technical information. The web site can be accessed at www.ffiec.gov/find.

(FDIC PR, 2/12/04)

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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