

# Federal Reserve Bank of Boston BANK NOTES

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• Edited by Marcella Vencil •

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## Shareholders Approve TD Bank Financial Group Planned Acquisition of Banknorth Stake

On February 22, 2005, shareholders of Banknorth Group Inc., Portland, ME, approved TD Bank Financial Group's proposed acquisition of 51 percent of the outstanding shares of Banknorth.

Banknorth's Chairman, President, and CEO Bill Ryan said, "This is a great day for Banknorth shareholders, customers, and employees. With TDBFG [TD Bank Financial Group] as our majority shareholder, we now have greater resources to continue with our growth strategy in New England and beyond."

In connection with the transaction, Banknorth will change its name to TD Banknorth and will reincorporate in Delaware.

Ed Clark, TD Bank Financial Group president and CEO, said, "We're delighted to have Banknorth join the TDBFG family and look forward to working with Banknorth to create value for shareholders and grow TD Banknorth in the coming years."

The transaction is expected to close on or about March 1, pending final regulatory approval. Federal Reserve approval was granted on January 18.

As of June 30, 2004, Banknorth ranked third with a 5.7 percent share of deposits among all commercial bank and thrift organizations in New England.

(Banknorth PR 2/18/05; SNL Bank & Thrift Daily 2/22/05)

## Webster Financial and Eastern Wisconsin Bancshares Receive Board Approval

The Federal Reserve Board approved the proposed acquisition of Eastern Wisconsin Bancshares, Howards Grove, WI, by Webster Financial Corp., Waterbury, CT, on February 4.

The deal, worth approximately \$26 million, is expected to close in the first quarter.

As of June 30, 2004, Webster Financial ranked second with a 12.6 percent share of deposits in Connecticut.

(Internal Notice 2/4/05; SNL Bank & Thrift Daily 2/7/05)

## Benjamin Franklin Bancorp Receives Regulatory Approval

On February 16, 2005, Benjamin Franklin Bancorp, Franklin, MA, received regulatory approval from the Massachusetts Commissioner of Banks and the Federal Reserve Board to proceed with the conversion of its mutual holding company to full public ownership.

The conversion was first announced in December 2004.

As of June 30, 2004, Benjamin Franklin Bancorp ranked 50th with a 0.24 percent share of deposits in Massachusetts.

(SNL Bank & Thrift Daily 2/17/05)

## United Bank Announces Charter Conversion

On February 3, United Bank, West Springfield, MA, announced its plan to undergo a mutual holding company conversion after successfully converting to a federal savings bank charter from a Massachusetts cooperative bank charter in early 2004.

(SNL Bank & Thrift Daily 2/3/05)

## Valley Bank to Reorganize

Valley Bank, Bristol, CT, received the approval of its board to reorganize into a bank holding company structure on January 24, 2005.

The bank will become a wholly owned subsidiary of a newly formed bank holding company, pending approval of the Federal Reserve and the Connecticut Department of Banking.

The company said the reorganization will increase corporate flexibility and provide the company with operational and competitive benefits.

(SNL Bank & Thrift Daily 1/31/05)

## Bank Title Change

Danvers Savings Bank, Danvers, MA, changed its title to Danversbank, effective December 23, 2004.

(Internal Notice 2/2/05)

## Bank Relocation

Effective October 12, 2004, Ocean National Bank relocated its headquarters from 100 Main Street, Kennebunk, ME, to 325 State Street, Portsmouth, NH.  
(Internal Notice 2/17/05)

## Branch Purchase

First National Bank of Ipswich, Ipswich, MA, agreed to purchase a branch from Atlantic Bank of New York, New York, NY, on February 22. The branch is located at 33 State Street in Boston.

Donald P. Gill, president and CEO of First National Bank of Ipswich, said, "Our acquisition of this extremely attractive location in the heart of downtown Boston is very exciting to all of us at FNBI [First National Bank of Ipswich]. We are fortunate to have the branch and its highly professional and courteous staff become part of our growing organization. Everyone wins in this situation, including the customers, the employees, and the local community."

The transaction, still subject to regulatory approval, is expected to be finalized during the second quarter. Terms of the deal were not disclosed.

As of June 30, 2004, First National Bank of Ipswich had total deposits of \$223.9 million and ranked 99th among all commercial banks and thrifts in Massachusetts. As of the same date, Atlantic Bank of New York had total deposits of \$25.3 million in Massachusetts and ranked 197th.

(ABNY and FNBI PR 2/22/05; SNL Bank & Thrift Daily 2/23/05)

## Banking Agencies Announce Implementation of Web-Based Central Data Repository

On January 28, 2005, the Federal Reserve Board of Governors, Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) announced a new implementation plan for the Central Data Repository (CDR).

The CDR is an Internet-based system created to modernize and streamline how the agencies collect, validate, manage, and distribute financial data submitted by banks in quarterly Call Reports.

Beginning this summer, the CDR will be made available for banks to enroll and test their ability to access the system. Full system implementation, planned for October, will mark the first time all institutions will be required to file their Call Report data using the new CDR.

Through the use of new open data exchange standards, the CDR system will facilitate faster delivery of accurate Call Report data. All users of the data – financial institutions, the public, and banking regulators – are expected to benefit from this improved, timelier flow of financial information.

(FDIC, FRB, and OCC PR 1/28/05)

## Agencies Issue Final Guidance on Overdraft Protection Programs

On February 18, the Federal Reserve Board of Governors, Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC) announced final guidance on overdraft protection programs.

In response to concerns about the marketing, disclosure, and implementation of depository institutions' overdraft protection programs, the agencies published final guidance to assist insured depository institutions in the disclosure and administration of overdraft programs.

The final joint guidance contains three primary sections: Safety and Soundness Considerations; Legal Risks; and Best Practices. The safety and soundness discussion seeks to ensure that financial institutions offering overdraft protection adopt adequate policies and procedures to address credit, operation, and other associated risks.

The legal risks discussion alerts institutions to the need to comply with all applicable federal and state laws, and advises institutions to have their overdraft protection programs reviewed by legal counsel to ensure overall compliance prior to implementation.

The best practices section addresses issues with the marketing and communication of overdraft protection programs, such as avoiding the promotion of poor account management, clearly disclosing fees, and monitoring program usage. The agencies also advise institutions to alert consumers before a transaction triggers any fees.

(FDIC, FRB, NCUA, and OCC PR 2/18/05)

## OTS Reports Thrift Earnings

The Office of Thrift Supervision (OTS) announced on February 16 that the thrift industry reported another year of sound financial results. The industry's performance was highlighted by record earnings and equity capital, accompanied by excellent asset quality for the calendar year and the last quarter of 2004.

The OTS reported thrift industry net income of \$13.96 billion in 2004, up 2 percent from the 2003 record of \$13.74 billion. In the fourth quarter, the industry earned a record \$3.76 billion, up 9 percent from the fourth quarter of 2003 and up 7 percent from the third quarter of 2004. This was the ninth time and eighth consecutive quarter in which quarterly income topped the \$3 billion mark.

Profitability, as measured by return on average assets, improved to 1.17 percent for the quarter, up from 1.15 percent in the previous quarter. Thrift industry assets increased 19.6 percent for the year, to \$1.31 trillion, while the number of thrifts stood at 886 at the end of 2004.

The industry reported total mortgage originations of \$689.1 billion for the year, declining from the record

volume of \$805.7 billion in 2003, as slightly higher longterm interest rates and lower refinancing volumes reduced demand. Still, this represents the industry's second best annual total. In the fourth quarter, originations increased to \$176.6 billion, up from \$167.1 billion in the third quarter of 2004. Thrifts accounted for approximately 24 percent of total 1- to 4-family mortgage originations nationwide in the fourth quarter.

Asset quality remained strong for all loan types over the year. Troubled assets, which consist of noncurrent loans and repossessed assets, remained at the

record low of 0.49 percent of assets first achieved in the third quarter, and were down from 0.67 percent in the fourth quarter of 2003.

The industry's capital position also remained strong, rising to a record level of \$118.7 billion at year-end. Over 99 percent of all thrifts were well capitalized at the end of 2004, also a record level. Assets of problem thrifts were \$709 million at the end of 2004, compared with \$636 million a year ago. There were six problem thrifts at the end of 2004, compared with eight at the end of 2003.

(OTS PR 2/16/05)

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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