

Federal Reserve Bank of Boston BANK NOTES

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Salem Five Completes Merger with Heritage Co-operative Bank

On February 15, 2006, Salem Five Cents Savings Bank, Salem, MA, completed its merger with Heritage Co-operative Bank, also of Salem, MA.

The merger creates an independent banking institution with 19 branch offices located in Boston and throughout the North Shore area. The combined entity is the third largest mutual bank in Massachusetts with approximately \$2 billion in assets, \$1.5 billion in deposits, and over 400 employees. The bank will operate under the Salem Five name.

“Combining the resources of Heritage Bank with Salem Five allows us to offer a wider array of products and services while continuing to provide our customers with the high-touch, personalized service they have come to expect,” said Joseph M. Gibbons, president and CEO of Salem Five. “This partnership ensures the on-going viability and continued growth of one of the largest independent banks in Massachusetts.”

The company adopted a “no layoff” policy to ensure stability and enable the bank to retain all employees in order to maintain the delivery of superior customer service. In addition, as part of the merger agreement, Salem Five established a \$1 million charitable foundation in the name of Heritage Bank and Salem Five.

The deal, first announced on August 11, 2005, was a mutual-to-mutual combination, with no cash or stock exchanged.

As of June 30, 2005, Salem Five Cents Savings Bank ranked 13th among commercial bank and thrift institutions in Massachusetts, with a 0.76 percent share of deposits.

(Salem Five PR 2/15/06; SNL Bank & Thrift Daily 2/21/06)

TD Banknorth Completes Hudson United Bancorp Acquisition

On February 1, TD Banknorth, Portland, ME, announced the completion of its previously announced acquisition of Hudson United Bancorp, Mahwah, NJ. William J. Ryan, TD Banknorth’s chairman, president, and CEO, said, “This acquisition is in keeping with our growth strategy into the Mid-Atlantic region.... We’re pleased to welcome Hudson United into the TD Banknorth family

and look forward to offering our new customers a broader array of products and services.”

The acquisition, announced on July 12, 2005, was a cash and stock deal valued at approximately \$1.9 billion.

As of June 30, 2005, TD Banknorth ranked third in New England among commercial bank and thrift institutions, with a 5.8 percent share of deposits.

(SNL Bank & Thrift Daily 2/2/06; TD Banknorth PR 2/1/06)

First Republic Bank Completes First Signature Bank & Trust Co. Merger

First Republic Bank, San Francisco, CA, announced on January 31 that it completed its acquisition of First Signature Bank & Trust, Portsmouth, NH, a unit of John Hancock Financial Services, Boston, MA.

The transaction results in the addition of wealth management offices in Boston and Greenwich, CT, which will enable First Republic to expand its existing private banking, private business banking, and wealth management operations in the Northeast.

Jim Herbert, president and CEO of First Republic Bank, said, “The acquisition of First Signature will help First Republic Bank continue providing exceptional service to clients who live and work in the Boston-New York areas.”

As of June 30, 2005, First Signature Bank and Trust Company ranked tenth among commercial bank and thrift institutions in New Hampshire, with a 1.5 percent share of deposits.

(First Republic PR 1/31/06; SNL Bank & Thrift Daily 2/6/06)

Bank of America Completes MBNA Corp Acquisition

On January 1, Bank of America, Charlotte, NC, announced the completion of its acquisition of MBNA Corp., Wilmington, DE.

The new Bank of America Card Services organization has more than 40 million active accounts and nearly \$140 billion in managed balances, creating the largest credit card issuer in the United States as measured by balances.

“Today marks the start of an exciting new era for Bank of America in credit cards,” said Kenneth D. Lewis,

chairman and CEO of Bank of America. "The combination of Bank of America's distribution platform and customer base with MBNA's products, affinity relationships and marketing expertise creates significant opportunities for our combined company."

The acquisition, announced on June 30, 2005, was a cash and stock deal valued at approximately \$35 billion.

As of June 30, 2005, Bank of America ranked first among commercial bank and thrift institutions in New England, with a 18.5 percent share of deposits.

(Bank of America PR 1/1/06; SNL Bank & Thrift Daily 1/4/06)

Bank Holding Company Formation

Merrimack County Savings Bank, Concord, NH, filed an application to convert to a mutual holding company structure, where newly created Merrimack Bancorp MHC will serve as the holding company.

The company said that converting to a mutual holding company will facilitate acquisitions and the diversification of its activities, including acquisitions of other insured institutions. The company also said the reorganization will give it access to capital markets through trust preferred securities offerings, among other alternatives.

(SNL Bank & Thrift Daily 2/14/06)

Branch Purchases

On December 21, 2005, Bridgewater Savings Bank, Raynham, MA, entered into an agreement to purchase a branch in Carver, MA, from South Coastal Bank MHC, Rockland, MA.

(SNL Bank & Thrift Daily 2/10/06)

Northway Financial Inc., Berlin, NH, entered into an agreement with Washington Mutual Bank to purchase certain assets and assume certain liabilities of two branches from Washington Mutual Bank. The branches are located in Belmont, NH, and Tilton, NH.

Northway Financial President and CEO William Woodward said, "We are very pleased to expand our role in the communities of Belmont and Tilton. This acquisition provides our organization the opportunity to strengthen its position in this exciting market. It is our intent to retain the staff, and we look forward to providing a full range of banking services to customers of these branches."

The transaction is expected to close in the spring of 2006, pending regulatory approvals.

(Northway Financial PR 2/22/06; SNL Bank & Thrift Daily 2/8/06)

Bank Name Change

NEBS Bancshares Inc., Enfield, CT, said that it completed the second-step conversion of it and its unit, Enfield Federal Savings & Loan Association, from the mutual holding company form of organization to a full

stock company. With the conversion, NEBS Bancshares changed its name to New England Bancshares Inc.

(SNL Bank & Thrift Daily 12/29/05)

Branch Openings

TD Banknorth, Portland, ME, opened two branches on December 21, 2005, and one branch in February 2006. The first branch is located at 1289 Highland Avenue, Cheshire, CT, and the second at 950 North Colony Road, Wallingford, CT. A third branch was opened at 4 Scammon Street, Suite 6, Saco, ME, in February.

Webster Bank, National Association, Waterbury, CT, also opened two branches in December. The first opened on December 27, and is located at 50 Elm Street, West Springfield, MA. On December 29, a second branch was opened at 280B East Main Street, Westfield, MA.

On December 30, the First National Bank of Ipswich, Ipswich, MA, opened two branches in New Hampshire. The first is located at 300 Keller Street, Manchester, NH, and the second is located at 300-344 North Broadway, Salem, NH.

On January 17, 2006, Rockville Bank, Rockville, CT, opened a branch at 902 Main Street, South Glastonbury, CT.

Citizens Bank of New Hampshire, Manchester, NH, opened two branches in January. On January 19, the bank opened a branch at 601 Nashua Street, Milford, NH, and on January 26, the bank opened a branch at 137 Portsmouth, NH.

Kennebunk Savings Bank, Kennebunk, ME, opened a branch at 2 Hannaford Drive, York, ME, in January.

On January 30, Bank of Canton, Canton, MA, opened a branch at 145 Barnstable Road, Hyannis, MA.

Middlesex Savings Bank, Natick, MA, opened a branch at 629 Massachusetts Avenue, Boxborough, MA, in February.

(Internal Notice 2/2/06, 2/6/06; SNL Bank & Thrift Daily 1/27/06, 1/30/06, 2/16/06, 2/21/06)

Branch Relocation

On January 16, Rockville Bank, Rockville, CT, relocated its branch from 159 Merrow Road to 6 Fieldstone Road, Tolland, CT.

(Internal Notice 2/6/06)

OTS Reports Thrift Earnings

On February 15, the Office of Thrift Supervision (OTS) said the industry posted its fifth consecutive quarter of record earnings and set an annual earnings record in 2005.

The thrift industry earned net income of \$4.34 billion for the fourth quarter of 2005, a 7 percent increase from the third quarter and a 15 percent increase from the 2004 fourth quarter. For the entire year, net income for

the thrift industry totaled \$16.4 billion, an 18 percent increase from net income of \$13.9 billion last year.

Strong earnings were achieved despite a flattening yield curve that reduced the industry's aggregate net interest margin. Profitability and loan growth were also solid for the year, and savings associations maintained healthy credit quality and achieved record levels of equity capital.

The industry's return on average assets rose to 1.19 percent for 2005, up from 1.17 percent in 2004. ROA was 1.2 percent for the fourth quarter, up from 1.15 percent in the third quarter of 2005.

The OTS said that thrift asset quality remains sound with a slight increase in problem assets. The ratio of troubled assets to total assets increased to 0.64 percent from 0.62 percent in the third quarter.

At the end of 2005, the number of thrifts totaled 863, with assets of \$1.46 trillion, up 12 percent from 2004. Problem thrifts increased by one over the year, to seven.

(OTS PR 2/15/06; SNL Bank & Thrift Daily 2/16/06)

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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