

Federal Reserve Bank of Boston BANK NOTES

• Edited by Marcella Vencil •

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Federal Reserve, Shareholders Approve Bank of America/Fleet Merger

On March 8, the Federal Reserve Board approved the proposed merger of Bank of America Corp., Charlotte, NC, and the Boston-based FleetBoston Financial Corp.

The Federal Reserve Board stated that upon consummation of the proposal, the acquisition would not threaten competition or unduly concentrate banking resources. Bank of America would become the third-largest U.S. bank, a behemoth holding nearly \$1 trillion in assets.

The Bank of America/Fleet merger was also approved by both banks' shareholders on March 17, 2004. The banks maintain that the merger will benefit consumers by giving them an expanded choice of ATMs, branches, and banking products. Kenneth D. Lewis, Bank of America chairman and CEO, says of the merger, "Our customers will benefit from the broadest retail franchise in the nation, a shared commitment to service excellence, and a full range of traditional and innovative financial products and services. What we will provide our customers is a combination of convenience, quality and innovation never seen before in the financial services industry in this country."

Bank of America and Fleet entered into an agreement on October 27, 2003, to merge the two companies for approximately \$49.3 billion in an all-stock transaction. The merger is expected to be completed in early April.

(SNL Bank & Thrift Weekly, 3/15/04, 3/22/04; FRB Board PR, 3/8/04; Boston Globe, 3/9/04; Bank of America PR 3/17/04; Fleet PR 3/17/04)

Sovereign to Acquire Waypoint Financial

On March 9, Sovereign Bankcorp, Inc., Wyomissing, PA, parent company of Sovereign Bank, announced that it has reached a definitive agreement to acquire Waypoint Financial Corp., Harrisburg, PA.

The cash-and-stock deal, valued at approximately \$980 million, will expand Sovereign into the Pennsylvania and Maryland banking markets.

The merger is subject to approval by various regulatory agencies and Waypoint shareholders.

As of June 30, 2003, Sovereign ranks fifth in the New England banking market with approximately \$13 billion in deposits.

(SNL Bank & Thrift Daily 3/10/04; New York Times 3/10/04; Boston Globe 3/10/04; Sovereign PR 3/9/04)

State Street Completes Acquisition

On March 9, 2004, State Street Corp., Boston, MA, announced that it has completed the acquisition of the remaining minority interest in Elkins/McSherry LLC, making it a wholly owned subsidiary of State Street.

Executive Vice President Robert Tarter said, "We're delighted to complete this acquisition of Elkins/McSherry...With these additions, we are able to offer our clients access to an unrivaled and innovative array of performance and analytics capabilities."

Elkins/McSherry is a data analytics firm that measures and tracks portfolio cost efficiency.

(SNL Bank & Thrift Daily, 3/10/04; State Street PR, 3/9/04)

Webster Financial Sells Duff & Phelps LLC

Webster Financial Corp., Waterbury, CT, announced on March 15, the sale of its majority stake in investment bank Duff & Phelps LLC, a Chicago-based financial advisory services and investment banking firm. Terms of the sale were not disclosed.

Webster Financial will maintain a strategic alliance with Duff & Phelps. Webster Chairman and CEO James Smith said of the sale, "While Duff & Phelps is a strong, respected and capable firm, we have determined that financial valuation and investment banking are not core businesses. We believe it makes more sense to provide our customers with Duff and Phelps' valuable services through an alliance rather than through Webster's majority ownership."

Webster Financial Corp. is the holding company for Webster Bank and Webster Insurance.

(SNL Bank & Thrift Daily, 3/16/04; Webster Financial Corp. PR, 3/15/04)

Merger Announcements

Newtown Savings Bank, Newtown, CT, acquired Sirianni Mortgage Corp., Danbury, CT, on March 8, 2004.

Newtown Chairman and CEO John Martocci said the sale should bolster the thrift's position in western Connecticut's home mortgage market. He said, "We bought them to expand our business. We are a very strong mortgage lender. This will enable us to expand that even further."

As of June 30, 2003, Newtown Savings Bank ranks 24th in the state of Connecticut with \$463.8 million

in deposits.
(SNL Bank & Thrift Daily, 3/15/04)

On February 27, NewAlliance Bancshares, Inc., (in formation) received approval from the Federal Reserve Board to become a bank holding company and to acquire New Haven Savings Bank, New Haven, CT; Alliance Bancorp of New England, Vernon, CT, the holding company for Tolland Bank; and Connecticut Bancshares, Inc., Manchester, CT, the holding company for The Savings Bank of Manchester.

The conversion and acquisitions are expected to be consummated on or about April 1, 2004.
(SNL Bank & Thrift Weekly 3/1/04; FRB Board PR 2/25/04; NHSB PR 2/27/04)

Bank Charter Changes

Fairfield County Credit Union, Inc., Stamford, CT, received approval from the State of Connecticut to convert from a Connecticut credit union to a federal credit union on March 5, 2004.
(CT DOB 3/5/04)

Holding Company Conversion

Monadnock Community Bank, Peterborough, NH, announced a plan of mutual holding company conversion on March 12, 2004. Previously, Monadnock was a credit union and switched to a mutual charter in May 1996. The thrift said it would form a mid-tier holding company in conjunction with the MHC conversion.
(SNL Bank & Thrift Daily 3/15/04; Monadnock PR 3/12/04)

Bank Openings

On March 12, 2004, the Connecticut Bank and Trust Company, Hartford, CT, was authorized by the State of Connecticut to commence and transact the business of a bank and trust company at 58 State House Square, Hartford, CT.
(CT DOB 3/12/04)

Branch Openings

On October 25, 2003, Monson Savings Bank, Monson, MA, opened its Post Office Plaza branch located at Cordelia Circle and Boston Road, Wilbraham, MA.

Tolland Bank, Vernon, CT, opened a branch located at 73 Hazard Avenue, Enfield, CT, on November 17, 2003.

Fleet National Bank, Providence, RI, opened a branch at 425 Lexington Avenue, New York, NY, on November 24, 2003. In addition, Fleet opened a branch on February 2, 2004, at 405 Cochituate Road, Framingham, MA. A Norwood branch was opened on February 9, 2004 at 1415 Providence Highway, Norwood, MA.

Compass Bank for Savings, New Bedford, MA, opened a branch on February 16, located at 880 Plain Street, Marshfield, MA. Compass also opened a branch

located at 1470 Orleans Road, Route 39, Harwich, MA, on March 1, 2004.

On February 27, the Dime Savings Bank, Norwich, CT, opened a branch located at 668 Bank Street, New London, CT.

Mutual Security Credit Union, Inc., Wilton, CT, opened a branch located at 23 Calvin Murphy Drive, Norwalk, CT, on March 5.

Connecticut Bank & Trust Company opened a branch located at 7 Sycamore Street, Glastonbury, CT, on March 22.

(Internal Notice, 3/2/04, 3/3/04, 3/4/04, 3/5/04, 3/8/04, 3/18/04; CT DOB 3/5/04, 3/19/04)

Branch Closings

Fleet National Bank, Providence, RI, closed four branches in recent months. On November 7, 2003, Fleet closed its branch located at 70 South Wyoming Street, Hazleton, PA. On January 9, 2004, the bank closed its branches located at 30 Lawrence Road, Broomall, PA, and 1450 Clements Bridge Road, Deptford, NJ. Fleet also closed its branch located at 130 White Horse Pike, Lawnside, NJ, on January 23.
(Internal Notice, 3/11/04)

Branch Relocations

On September 15, 2003, FHBT Credit Union, Northhampton, MA, relocated from 21 Conz Street to 39 Carlon Drive, Northhampton, MA.

The Savings Bank of Manchester, Manchester, CT, relocated a branch from 35 Talcotville Road, Unit 11, Vernon, CT, to Unit 13 of the same location on February 23, 2004.

On March 2, 2004, People's Bank, Bridgeport, CT, relocated from 837 Post Road, Fairfield, CT, to 1055 Post Road, Fairfield, CT.
(Internal Notice, 3/4/04; CT DOB 3/12/04)

Branch Sale

Effective with the close of business on March 19, 2004, Eastern Bank, Boston, MA, purchased a branch from Connecticut Community Bank, NA, Westport, CT. The branch is located at 188 Needham Street, Newton, MA.
(Internal Notice, 3/22/04)

FDIC Reports Earnings

On February 26, the Federal Deposit Insurance Corporation (FDIC) reported that insured commercial banks and savings institutions earned a record \$31.1 billion in the fourth quarter of 2003, marking the fourth time in a row that earnings set a new high. Earnings during the fourth quarter surpassed the total for the third quarter by \$755 million and were \$5.7 billion more than the fourth quarter of 2002. The agency attributed the fourth quarter gains to a rise in both net interest income and noninterest income, slightly offset by an increase in provisions for loan

losses and reduced gains on sales of securities and other assets.

FDIC Chairman Don Powell said, "A financially sound banking industry is essential to the success of every other industry in America. These record earnings indicate once again that banks and thrift institutions are at the forefront of the U.S. economic expansion."

The agency said that asset quality continued to improve through all of 2003. Provisions for loan losses were \$550 million higher than in the third quarter, but compared with the fourth quarter of 2002, the industry's loss provisions were \$5.0 billion lower. Most of the improvement came from lower losses on loans to commercial and industrial borrowers. In addition, net interest income increased \$2.5 billion, and noninterest income increased \$1.8 billion in the fourth quarter. Sales of securities and other assets were \$1.4 billion lower than in the third quarter.

In all, more than half of all FDIC-insured institutions, 52.7 percent, reported higher quarterly earnings compared with the fourth quarter of last year.

(FDIC PR 2/26/04)

FDIC, Federal Reserve Issue Guidance for State Chartered Banks

The FDIC and Federal Reserve Board issued guidance on March 11 outlining standards they will apply to determine when acts or practices by state chartered banks are unfair or deceptive. Such practices are illegal under Section 5 of the Federal Trade Commission (FTC) Act.

(FDIC PR 3/11/04; FRB Board 3/11/04)

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.

Bank Notes is available without charge. To be added to the electronic mailing list or to the paper distribution list, send an e-mail message to Boston.BankNotes@bos.frb.org. If unable to do so, call Marcella Vencil at (617) 973-2860. To access *Bank Notes* on the Web, check the Boston Fed's web site at www.bos.frb.org/economic/banknote/index.htm. For updated banking structure information, check the Boston Fed's web site at www.bos.frb.org/bankinfo/struct/index.htm.