

# Federal Reserve Bank of Boston BANK NOTES

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## Boston Private to Acquire Anchor Capital

On February 27, Boston Private Financial Holdings, Boston, MA, announced the signing of a definitive agreement to acquire a majority interest in Anchor Holdings LLC for cash and stock. Anchor Holdings is a newly created holding company that will own Anchor Capital and Anchor/Russell.

Anchor Capital is a value-oriented investment adviser, specializing in active investment management for families, trusts, and institutions, including foundations and endowments. As of December 31, 2005, Anchor Capital had approximately \$5.4 million in revenues and \$4.1 billion in assets under management.

Anchor Capital's sister company, Anchor/Russell, structures diversified investment management programs for clients utilizing a host of management solutions including institutional multi-manager, multi-style, multi-asset mutual funds and separately managed accounts programs sponsored by the Frank Russell Company. At year-end 2005, Anchor/Russell had approximately \$450 million of assets under management and annualized revenues of approximately \$2 million.

Under the terms of the agreement, Boston Private will acquire an 80 percent interest in Anchor Holdings. The remaining 20 percent will be held by the management of Anchor Capital and Anchor/Russell. At the closing of the transaction, 60 percent of the total consideration will be paid in a combination of cash and Boston Private common stock. The balance will be made in payments of Boston Private common stock over five years.

This agreement marks Boston Private's entry into the separately managed accounts market, adds several top quality value disciplines to its investment management offerings, and creates a versatile asset allocation service within the company.

Timothy Vaill, Boston Private chairman and CEO, said, "This acquisition immediately gains Boston Private an entrée into the managed accounts market segment and provides us with a new national distribution platform.... This deal not only strengthens our wealth management business, bringing more assets to the enterprise, but it further enhances our diversification strategy.... Diversification has proven to be at the core of our ability to continually deliver consistently strong results during challenging economic periods."

William P. Rice, president of Anchor Capital, said, "This deal makes sense because it enables us to join an outstanding organization that will enhance further growth of Anchor.... We are confident that this transaction is in the best interests of our clients, our loyal associates, our culture, and our independence."

The transaction is expected to close in the second quarter of 2006, subject to several conditions, including regulatory approvals.

As of June 30, 2005, Boston Private ranked 12th among commercial bank and thrift institutions in Massachusetts, with a 0.89 percent share of deposits. (Boston Private PR 2/27/06; SNL Bank & Thrift Weekly 3/6/06)

## Merger Completions

United Bank, a unit of United Financial Bancorp, West Springfield, MA, announced the completion of its acquisition of National Financial Partners Corp. unit Levine Financial Group, Northampton, MA, on March 14, 2006. Terms of the deal were not disclosed.

The Levine acquisition will add \$88 million in assets under management to United Bank's financial services division, bringing the total assets under management to \$125 million and the number of households to 1,100 as of December 31, 2005.

(SNL Bank & Thrift Weekly 3/20/06)

On March 1, Wachovia Corporation, Charlotte, NC, said that it completed its merger with Westcorp and its unit WFS Financial Inc., Irvine, CA.

Westcorp, through its subsidiary WFS Financial, is one of the nation's largest independent automobile finance companies. It specializes in originating, securitizing, and servicing auto loans with automobile dealers. Westcorp also operates retail bank branches and provides commercial banking services through its Western Financial Bank subsidiary.

The transaction makes Wachovia the ninth-largest auto finance lender in the U.S. auto finance market and provides Wachovia with a retail and commercial banking presence in Southern California. The combined auto finance business will serve approximately 1.27 million retail auto loan customers and 11,000 dealer customers across the United States.

As of June 30, 2005, Wachovia ranked tenth among all commercial bank and thrift institutions in New England, with a 1.89 percent share of deposits.  
(SNL Bank & Thrift Daily 3/2/06; Wachovia PR 3/1/06)

## Bank Holding Company Formation

On March 2, Simsbury Bank & Trust Co. Inc., Simsbury, CT, said that it completed its reorganization into a holding company structure, resulting in Simsbury Bank & Trust becoming a wholly-owned subsidiary of SBT Bancorp Inc.  
(SNL Bank & Thrift Weekly 3/13/06)

## Branch Openings

On February 1, 2006, The First National Bank of Litchfield, Litchfield, CT, opened a branch at 188 Albany Turnpike, Canton, CT.

Milford National Bank & Trust, Milford, MA, opened a branch at 74 South Street, Hopkinton, MA, on February 6.

Middlesex Savings Bank, Natick, MA, opened two branches in recent months. On February 7, the bank opened a branch at 629 Massachusetts Avenue, Boxborough, MA. The second branch, located at 235 Old Connecticut Path, Framingham, MA, opened on March 15.

On February 14, Webster Five Cents Savings Bank, Webster, MA, opened a branch at 261 Grafton Street, Shrewsbury, MA.

The Bank of Southern Connecticut, New Haven, CT, opened a branch at 15 Masonic Street, New London, CT, on February 16.

Citizens Bank of Connecticut, New London, CT, opened a branch at 190 Trumbull Street, Hartford, CT, effective February 27.

(Internal Notice 2/23/06, 3/3/06, 3/10/06, 3/16/06; SNL Bank & Thrift Daily 3/20/06)

## FDIC Reports Earnings

On February 28, the Federal Deposit Insurance Corporation (FDIC) said that commercial banks and savings institutions insured by the FDIC posted net income of \$134.2 billion, surpassing the previous record by \$11.8 billion (9.6 percent) set in 2004 and representing the fifth consecutive year that industry earnings reached a new high.

The FDIC said that the rise in net income stemmed from higher net interest income, a result of strong loan growth, and higher noninterest income at larger institutions, mainly due to trading and servicing activities.

For the fourth quarter 2005, the industry's net income totaled \$32.9 billion, a \$1.7 billion increase from the prior year's fourth quarter but a \$1.7 billion decline from net income in the third quarter of 2005. The average return on assets for the quarter declined to 1.22 percent from 1.25 percent last year.

Credit card charge-offs increased sharply to \$5.7 billion in the fourth quarter, up from \$4 billion in the third quarter and \$4.6 billion last year. No other loan category reported a significant increase in charge-offs.

In addition, the FDIC said that no institution failed during 2005, making it the first time that no failure was reported during a year since federal deposit insurance was begun in 1933.

"This historic milestone speaks to the favorable economic conditions we have recently experienced as well as to the efforts of bankers and regulators to manage risks in the industry," FDIC Acting Chairman Martin Gruenberg said.

(FDIC PR 2/28/06; SNL Bank & Thrift Daily 3/1/06)

## Banking Agencies Issue Final Community Reinvestment Guidance

The Federal Reserve Board of Governors (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) announced final guidance to their Community Reinvestment Act (CRA) regulations. The guidance clarifies, among other things, the availability of CRA consideration for bank activities that revitalize or stabilize designated disaster areas.

Specifically, the guidance indicates that a bank's loans, investments, and services in support of disaster recovery that help to attract new, or retain existing, businesses or residents to a designated disaster area will receive CRA "community development" consideration for a 36-month period following designation of the area.

The guidance also addresses the availability of CRA "community development" consideration for bank activities that revitalize or stabilize underserved or distressed middle-income rural areas.

The guidance implements changes to the agencies' CRA regulations that took effect on September 1, 2005. The guidance will be effective upon publication in the Federal Register.

(FDIC PR 3/2/06)

## President Bush Signs Deposit Insurance Reform Bill

On February 15, President Bush signed into law the Federal Deposit Insurance Reform Conforming Amendments Act of 2005, as part of other deposit insurance reform provisions contained in the Deficit Reduction Act.

The new law merges the Bank Insurance Fund and the Savings Association Insurance Fund into the new Deposit Insurance Fund. The law also requires the FDIC and National Credit Union Association (NCUA) to consider raising the standard maximum deposit insurance every five years, beginning in 2010.

Furthermore, the law increases the deposit insurance limit for certain retirement accounts to \$250,000 and indexes the limit for inflation.  
(SNL Bank & Thrift Weekly 2/21/06)

## Branch Closings – Correction

The March 2006 issue of *Bank Notes* incorrectly reported two branch openings for The First National Bank of Ipswich, Ipswich, MA. The branches were actually *closed* and not opened. On December 30, 2005, the bank closed its branch located at 300 Keller Street, Manchester, NH, and a second branch at 300-344 North Broadway, Salem, NH.

(Internal Notice 2/6/06)

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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