BostonFed Bancorp to Merge Subsidiaries

BostonFed Bancorp, Burlington, MA, announced on May 14, 2003, that it plans to combine its two subsidiary banks, Boston Federal Savings Bank, Burlington, MA, and Broadway National Bank of Chelsea, Chelsea, MA. The two banks have been affiliated since BostonFed acquired Broadway National in 1997. Boston Federal Savings Bank will be the surviving entity of the merger. Broadway National’s separate corporate and legal existence will be discontinued, and its two full service branches will become part of Boston Federal’s network of eight branches in the Boston area.

A press release by BostonFed stated: “The company anticipates that the merger will benefit customers and communities by creating a more convenient and efficient branch network available to customers of both banks; increasing certain operating efficiencies of the combined BFSB and Broadway; and permitting the combined bank to continue strengthening commitments to meet community needs.”

As of June 30, 2002, BostonFed Bancorp had total deposits of $930.6 million and ranked 20th among all commercial bank and thrift institutions in Massachusetts.

Boston Fed PR, 5/14/03

Merger Approvals

On May 28, 2003, Seacoast Financial Services, New Bedford, MA, announced that it had received regulatory approval to proceed with the company’s purchase of Bay State Bancorp, Brookline, MA. Seacoast previously announced that Bay State’s shareholders had voted on April 30, to approve the sale. The merger was announced in December and was expected to close on May 31. Bay State’s subsidiary Bay State Federal Savings Bank operates six branches in the Boston area, while Seacoast Financial operates 43 branches in southeastern Massachusetts through its two subsidiaries, CompassBank and Nantucket Bank. Upon completion of the deal, Bay State Federal will be merged into CompassBank, although it will operate under its current name until the banks are fully integrated, which is expected to occur in the fourth quarter of 2003.

As of June 30, 2002, Bay State Bancorp had total deposits of $339.8 million and ranked 61st among all commercial bank and thrift institutions in Massachusetts. As of the same date, Seacoast Financial had total deposits of $2.4 billion and ranked 10th.

(SNL Bank & Thrift Daily, 5/29/03; SNL Bank & Thrift Weekly, 5/12/03; Seacoast PR, 5/7/03)

Merger Completion

Effective May 17, 2003, Citizens Savings Bank & Trust Company, St. Johnsbury, VT, merged with Union Bank, Morrisville, VT, under the charter and title of Union Bank. The transaction, which was announced in February, represents the merger of the subsidiary banks of Union Bankshares, Morrisville, VT. The four Citizens Savings branches in northeastern Vermont will remain open under the Citizens Savings name.

As of June 30, 2002, Union Bankshares had total deposits of $280.0 million and ranked 7th among all commercial bank and thrift institutions in Vermont.

/Internal Notice, 5/19/03

Bank Address Change

On April 28, The Bank of Western Massachusetts, Springfield, MA, relocated its main office from 29 State Street to 1391 Main Street, Springfield, MA. The original State Street office will remain as a branch banking office.

/Internal Notice, 5/13/03

Branch Opening

On May 5, Enterprise Bank & Trust Company, Lowell, MA, opened a branch located at 420 John Fitch Highway, Fitchburg, MA.

First County Bank, Stamford, CT, opened a branch located at 469 Westport Avenue, Norwalk, CT, on May 7.

/Internal Notice, 5/5/03; CT DOB, 5/9/03

Branch Address Changes

On April 26, Northwest Community Bank, Winsted, CT, relocated its Avon branch from 20 Main Street to 101 Simsberry Road, Avon, CT.

Rockland Trust Company, Rockland, MA, relocated its branch from the intersection of Routes 151 and 2 to 5 Shellback Way, Mashpee, MA, on May 5.

On May 9, Fleet National Bank, Providence, RI, relocated its branch from 1610 Tremont Street to 1614 Tremont Street, Boston, MA.
The Westborough Savings Bank, Westborough, MA, relocated its branch from 19 Maple Avenue to 23 Maple Avenue, Shrewsbury, MA, on May 12. (Internal Notice, 5/22/03, 5/28/03)

**Branch Closings**

In September 2002, Fleet National Bank, Providence, RI, closed its branches located at Speedway Plaza, Westborough, MA, Route 134, Dennis, MA, and 8-B Allstate Road, Dorchester, MA. Fleet also closed the following Stop & Shop branches in Massachusetts: 949 Grafton Street and 940 West Boylston Street, Worcester; 683 Belmont Street, West Brockton; 301 Newbury Street, Danvers; 100 Carlton Road, Sturbridge; 1277 Liberty Street, East Springfield; Route 6, Somerset; 160 Summer Street, Kingston; 206 East Washington Street, North Attleboro; 151 VFW Highway, Revere; 235 Old Connecticut Path and 19 Temple Street, Framingham; 450 Paradise Road, Swampscott; and 80-90 New State Highway, Raynham.

On March 14, 2003, Fleet closed its Pathmark Supermarket branch located at the intersection of Route 1 and Emmons Drive, Windsor, NJ. (Internal Notice, 5/22/03)

**Boston Private to Acquire NY Investment Manager**

On May 2, Boston Private Financial Holdings, Boston, MA, announced it has signed a definitive agreement to acquire an 80% interest in Dalton, Greiner, Hartman, Maher & Co. (DGHM), New York, NY, for approximately $75 million. DGHM management will retain the remaining 20% interest. DGHM, which has close to $2.2 billion under management, was described by Boston Private as “a value style manager specializing in small-cap equities.” Pending regulatory approval, the deal is expected to close in the third quarter of 2003.

Boston Private currently has six operating companies that focus on investment management, private banking, and financial planning in New England and northern California. In the company’s statement Boston Private Chairman and CEO Timothy Vaill said, “The acquisition of DGHM expands our wealth management business into one of the most attractive areas of the country. [DGHM] will provide a foundation for growing our asset management business in the New York metro region.” He also added, “DGHM is an important part of Boston Private’s plan to replicate our successful wealth management approach in geographic areas with attractive demographics…. Over time, we hope to establish additional capabilities in banking, investing, and financial planning in New York City and its environs.”

Company officials recently revealed long- and short-term growth strategies that Boston Private is pursuing. In an interview with CBS MarketWatch on May 6, Mr. Vaill signaled that the company may be ready to make more deals in New York, saying Boston Private has identified four or five small New York-based asset management firms as acquisition targets. He added that deals are a priority for Boston Private, especially given his expectation that similar acquisition activity will pick up in the near term. After announcing the deal for DGHM, Vaill said that in the next three to eight years the company wants to establish “clusters” of money management and private banking firms in southern California, south Florida, the District of Columbia, Atlanta, Chicago, Denver, Dallas, and New York. Boston Private, which serves high net worth individuals, seeks to attract the newly affluent “who have made money in the last 25 years” as customers. It has examined “where the smart people want to live” because “the dollars will follow them.” Vaill added that the company hopes to be in all of these regions in 10 years. The company’s growth strategy is to assemble a network of local money managers who maintain their brand identities, management teams, and partial ownership of their firms.

In addition to nationwide expansion, the company’s private banking subsidiary, Boston Private Bank & Trust Company, plans to expand in New England. The bank’s longtime president and new CEO, Mark Thompson, recently said the bank plans to open offices in and around Boston, Portsmouth, NH, southern New Hampshire, and Newport, RI.

As of June 30, 2002, Boston Private had total deposits of $970.5 million and ranked 18th among all commercial bank and thrift institution in Massachusetts and 33rd in New England. (SNL Bank & Thrift Weekly, 5/5/03, 5/12/03; Boston Private PR, 5/2/03; American Banker, 5/6/03)

**OTS Reports Thrift Earnings**

The Office of Thrift Supervision (OTS) announced on May 20 that the thrift industry recorded net earnings of $3.33 billion for the first quarter of 2003, a 9% increase from the first quarter of 2002. OTS Director James Gilleran said, “The favorable interest rate environment in the first quarter of 2003 continued to support a mortgage refinance boom, leading to record strength in earnings, profitability, and capital for the thrift industry.” The industry’s net interest margin declined to 300 basis points from 318 basis points last year, but was up from 294 basis points for the fourth quarter of 2002. The agency said that although delinquencies for some types of loans were up, overall credit quality remained good. It said, “The strength in thrift portfolios is due, in part, to the industry’s concentration in residential lending and its limited exposure to commercial lending and nonmortgage consumer lending.” Mortgage originations totaled $161 billion for the quarter. Refinancings accounted for 55% of originations, up from 49% in the prior quarter.

Mr. Gilleran also noted that “over 99% of the industry was well capitalized at the end of the quarter, and for the first time since we began calculating capital requirements under the Federal Deposit Insurance
Corporation Improvement Act in 1992, no thrift was less that adequately capitalized.” The number of problem thrifts declined by 2 during the first quarter of 2003, to 12, while assets at problem thrifts declined to $2.4 billion from $2.6 billion at the end of 2002.

(SNL Bank & Thrift Weekly, 5/27/03)

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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