

Federal Reserve Bank of Boston BANK NOTES

• Edited by Marcella Vencil •

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Citizens to Acquire Charter One

On May 4, 2004, Citizens Financial Group Inc., a Providence, RI, subsidiary of The Royal Bank of Scotland Group, reached an agreement to acquire Charter One Financial Inc., Cleveland, OH, in a \$10.5 billion cash transaction.

The combined bank will have approximately \$128.8 billion in assets and about 1,500 branches across 13 states. The combination will make Citizens one of the ten largest commercial bank holding companies in the United States and the third largest bank in supermarkets nationally.

Citizens will add markets in New York, Vermont, and the Midwest, including Ohio, Michigan, Illinois, and Indiana upon completion of the deal. The deal will also expand and strengthen Citizens' presence in Connecticut, Pennsylvania, and western Massachusetts.

The pending deal represents Citizens' 26th acquisition since 1988, the Charter One deal being the largest acquisition to date. The second and third largest acquisitions were the \$2.1 billion acquisition of Mellon Financial Corp.'s retail branch network in 2001 and the \$1.4 billion acquisition of UST Corp. in January 2000, respectively.

Charter One will retain its national charter, and upon completion, Chairman and CEO Charles John Koch will remain as chairman of Charter One, vice chairman of Citizens, and a director of the Royal Bank of Scotland. Koch said of the deal, "This is a tremendous opportunity for Charter One Bank....Citizens Financial Group shares our operating philosophy, strategies and customer focus."

Citizens Chairman, President, and CEO Lawrence Fish said, "This is a significant transaction for Citizens. However, this is not about size as we will continue to be focused locally, providing our legendary service and outstanding products in every market we serve."

As of June 30, 2003, Royal Bank of Scotland Group ranked second in the New England area, controlling 11.8 percent of deposits. Charter One ranked 23rd, with 0.46 percent of deposits.

The bank said it intends to close the merger in the fourth quarter of 2004, subject to regulatory approval. Citizens will keep its U.S. headquarters in Providence, RI. (SNL Bank & Thrift Daily 5/5/04; SNL Bank & Thrift Weekly 5/10/04; Boston Globe 5/5/04, 5/6/04; New York Times 5/5/04; Charter One PR 5/4/04; Citizens PR 5/4/04)

Webster Completes First Federal Savings Bank Acquisition

Webster Financial Corporation, the holding company for Webster Bank, National Association, Waterbury, CT, announced the completion of its acquisition of FirstFed America Bancorp, Inc., the holding company for First Federal Savings Bank of America, Swansea, MA, on May 17, 2004.

With this merger, Webster is now the largest independent bank based in southern New England and the 45th largest bank in the nation, as measured by assets. In addition, Webster will have branches in Connecticut, Massachusetts, and Rhode Island.

James C. Smith, Webster chairman and CEO, said of the merger, "Webster is pleased to welcome our FirstFed colleagues in the formal completion of our partnership, and we look forward to serving our new markets in Massachusetts and Rhode Island as a strong, unified company."

Webster announced plans for the merger in October 2003. The deal was a cash-and-stock transaction valued at approximately \$465 million.

As of June 30, 2003, Webster ranked seventh among all commercial bank and thrift organizations in New England, with approximately \$8.2 billion in deposits. As of the same date, FirstFed America Bancorp ranked 22nd in New England with \$1.5 billion in deposits.

In addition, as of April 30, 2004, Webster Trust Company, National Association, Waterbury, CT, merged with Webster Bank, Waterbury, CT.

(Internal Notice 4/26/04, 5/17/04; Webster PR 5/17/04)

Merger Completions

On April 29, 2004, Seacoast Financial, New Bedford, MA, announced the completion of its acquisition of Abington Bancorp, Inc.

Seacoast Financial is the holding company for CompassBank for Savings and Nantucket Bank.

Seacoast announced the approximately \$140 million cash-and-stock acquisition of Abington on October 21, 2003. On January 26, 2004, Sovereign Bancorp, Inc., announced its intention to buy Seacoast Financial in an all-stock transaction.

As of June 30, 2003, Seacoast had total deposits of \$2.9 billion and ranked eighth among all commercial bank and thrift institutions in Massachusetts. As of the same date, Abington ranked 26th with \$665.3 million in deposits.

(SNL Bank & Thrift Weekly 5/3/04, 5/10/04; Seacoast PR 4/30/04)

Banknorth Group, Inc., Portland, ME, completed the acquisition of CCBT Financial Cos., Inc., the parent company of Cape Cod Bank and Trust Company, Hyannis, MA, and Foxborough Savings Bank, Foxborough, MA, on May 3, 2004.

William J. Ryan, Banknorth chairman, president, and CEO, said of the acquisition, "These acquisitions strengthen our increasing presence in Massachusetts, a vital market for Banknorth. We are now a significant banking presence south of Boston and into the important Cape Cod market area."

Before the merger, Banknorth ranked sixth in Massachusetts as of June 30, 2003 with \$5.8 billion deposits. CCBT Financial and Foxborough Savings Bank ranked 19th with \$976.5 million in deposits and 111th with \$198.5 million in deposits, respectively.

Banknorth announced its acquisition of CCBT on December 9, 2003, and its acquisition of Foxborough on November 25.

(SNL Bank & Thrift Daily 5/4/04; SNL Bank & Thrift Weekly 5/10/04; Internal Notice 5/3/04; Banknorth PR 5/3/04)

Bank Re-organization

On April 30, 2004, Collinsville Savings Society received permission from the state of Connecticut to reorganize and form a mutual holding company known as Collinsville Savings Mutual Holding Company. In connection with the re-organization, Collinsville will form a savings institution to be known as Collinsville Stock Bank, and will subsequently merge Collinsville Savings Society with and into Collinsville Stock Bank. The resulting bank will operate under the name Collinsville Savings Bank.

(CT DOB 4/30/04)

Naugatuck Valley Savings & Loan SB, Naugatuck, CT, announced on May 18, 2004, its plans to undertake a mutual holding company conversion, following a vote by the board of directors.

(SNL Bank & Thrift Weekly 5/24/04)

Branch Purchase

Webster Bank, National Association, Waterbury, CT, purchased the deposits of one branch of Hudson River Bank and Trust Company, Hudson, NY, on April 21, 2004. The branch is located in Cohoes, NY.

(Internal Notice 5/17/04)

Effective with the close of business on May 14, 2004, Gardiner Savings Institution, FSB, Gardiner, ME, purchased the deposits of one branch of Northeast Bank, FSB, Auburn, ME. The branch is located in Richmond, ME.

(Internal Notice 5/17/04)

Branch Opening

On May 3, 2004, North Brookfield Savings Bank, North Brookfield, MA, opened its Belchertown branch, located at Route 9 and Route 202.

(Internal Notice 5/25/04)

Branch Closing

Northeast Bank, FSB, Auburn, ME, will close its branch located at Main Street, Richmond, ME, effective with the close of business on May 14, 2004.

(Internal Notice 5/17/04)

Manulife Financial/John Hancock Acquisition Complete

On April 28, 2004, Manulife Financial Corporation, Toronto, Canada, and John Hancock Financial Services Inc., Boston, MA, announced the completion of their merger.

The merger represents the largest cross-border transaction in Canadian history and makes Manulife the largest public company and largest life insurance company in Canada. Manulife is the second largest life insurer in North America and the fifth largest in the world, based on market capitalization.

Manulife received approval from the Federal Reserve Board on April 5, 2004, to become a bank holding company and acquire John Hancock Financial Services. The acquisition also called for John Hancock to become a bank holding company and retain control of First Signature Bank and Trust Company, Portsmouth, NH, a current subsidiary of John Hancock.

The acquisition was a tax-free, stock-for-stock exchange originally valued at approximately \$25.6 billion. The merger was first announced September 2003.

(Manulife PR 9/28/03, 4/28/04; FRB Board PR 4/5/04)

Five Agencies Propose Structured Financial Activities

On May 14, 2004, five federal agencies, the Securities and Exchange Commission, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision, requested public comment on a proposed statement describing internal controls and risk management procedures for financial institutions.

The federal agencies believe the internal controls and risk management procedures will assist financial institutions that engage in complex structured finance activities to identify and address the risks associated with such transactions.

Financial institutions may assume great reputational and legal risks if they enter into a complex transaction where the customer uses the transaction to avoid regulatory or financial reporting requirements, evade tax liabilities, or further other illegal or improper behavior.

The statement also emphasizes the critical role of an institution's board of directors and senior management in establishing a corporate-wide culture that fosters integrity, compliance with the law, and overall good business ethics.

Comment on the interagency statement is requested within 30 days of the publication in the Federal Register.

(FR Board PR 5/14/04)

OTS Reports First Quarter Thrift Earnings

The Office of Thrift Supervision (OTS) announced on May 25th that the nation's thrift industry reported another quarter of sound financial results.

The industry's continued healthy performance was highlighted by strong earnings, record equity capital, and solid asset growth. Asset quality also remained strong, with problem loans falling to near record lows.

Industry earnings were \$3.3 billion in the first quarter, down three percent from the fourth quarter of 2003. This marked the fifth consecutive quarter that income topped the \$3 billion mark. Equity capital rose to a record level of \$106.3 billion in the first quarter, and the equity capital ratio of 9.2 percent of assets matched the previous high at the end of 2002. Industry assets increased 10.5 percent to \$1.2 trillion in the first quarter, and asset quality improved for most loan types.

(OTS PR 5/25/04)

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.

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