

Federal Reserve Bank of Boston BANK NOTES

• Edited by Marcella Vencil •

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Banknorth to Acquire BostonFed

On June 21, 2004, Banknorth Group, Inc., Portland, ME, entered into a definitive agreement to acquire BostonFed Bancorp, the parent company of Boston Federal Savings Bank, Burlington, MA, in a cash-and-stock deal valued at approximately \$195.2 million.

Following the merger, Banknorth will have approximately 34 branches and \$1.7 billion in deposits in Middlesex County, Massachusetts.

Banknorth Chairman, President, and Chief Executive Officer William J. Ryan said, "This transaction is an excellent opportunity to expand Banknorth's strong and growing franchise in the attractive communities surrounding Boston. We look forward to offering a broader array of products and services to the customers of Boston Federal Savings Bank. We have seen tremendous growth in our Massachusetts franchise, and this transaction continues that trend."

David F. Holland, chairman, president, and chief executive officer of BostonFed, said, "We believe this transaction not only continues our mission of building shareholder value, but Banknorth will bring our customers an outstanding selection of commercial and consumer lending and deposit services."

Banknorth N.A., Banknorth Group's banking subsidiary, has also completed the acquisitions of CCBT Financial Companies, Inc., Foxborough Savings Bank, and First & Ocean Bancorp, Inc., in the last six months.

The definitive agreement has been approved by the directors of both Banknorth and BostonFed, but is still subject to all required regulatory approvals, approval of the shareholders of BostonFed, and other customary conditions. The transaction is expected to be completed in early 2005 with operational integration to follow soon thereafter.

As of June 30, 2003, Banknorth ranked sixth with a 3.5 percent share of deposits in the Commonwealth of Massachusetts. BostonFed ranked 13th with a 0.8 percent market share.

(Banknorth PR 6/21/04; SNL Bank & Thrift Daily 6/22/04)

Boston Private Financial Holdings to Acquire Encino State Bank

Boston Private Financial Holdings, Inc., the parent company for Boston Private Bank & Trust Co., Boston, MA, agreed to acquire Encino State Bank, Encino, CA, in a cash deal valued at approximately \$33.1 million.

Upon closing, Encino State Bank will be merged with First State Bank, Granada Hills, CA, a wholly owned subsidiary of Boston Private Financial, resulting in a combined bank with over \$400 million in assets.

"The addition of Encino State Bank, when combined with First State, gives us a strong private banking platform in the Los Angeles area. I am very pleased to be adding the highly qualified staff and strong banking reputation built by Carl Schatz at Encino to our capable team at First State, led by Rich Taylor. The commitment that both banks have to superior client service makes this combination a natural fit," Boston Private Chairman and CEO Timothy Vail said.

Carl Schatz, chairman and chief executive officer of Encino Bank, said, "We are really excited about this transaction. Our customers will have access to the full suite of products and services offered by Boston Private, a company with one of the best reputations in the wealth management sector."

The transaction is expected to close at the end of September.

As of June 30, 2003, Boston Private ranked 16th with a 0.7 percent market share in Massachusetts. As of the same date, Boston Private ranked 83rd with a 0.08 percent share of deposits in the state of California, and Encino State Bank ranked 168th with a 0.02 percent market share.

(Boston Business Journal 6/16/04; Boston Private PR 6/15/04; SNL Bank & Thrift Daily 6/17/04)

Merger Completions

On June 21, 2004, Fairfield County Bank Corp., Ridgefield, CT, completed its acquisition of Bank of Westport, Westport, CT.

The all-cash deal was originally announced February 10, 2004, and valued at approximately \$11.2 million.

Keith Lyon, president of Bank of Westport, and Gary Smith, president and CEO of Fairfield County Bank, say the merger is “the right fit for us strategically, culturally, and financially.”

Before the merger, Fairfield County Bank ranked 34th with a 0.4 percent market share in the state of Connecticut as of June 30, 2003. The Bank of Westport ranked 61st with a 0.08 percent market share.

(Fairfield County Bank PR 6/21/04; SNL Bank & Thrift Daily 6/22/04)

On May 28, 2004, Granite Bank, Leene, ME, merged with Ocean National Bank, Kennebunk, ME, under the charter and title of Ocean National Bank. Both banks are subsidiaries of Chittenden Corp., Burlington, VT.

After the merger, the combined entity will have approximately \$1.6 billion in assets and 36 branches located across southern Maine and New Hampshire.

As of June 30, 2003, Chittenden Corp. ranked 10th with a 1.6 percent market share in New England.

(Internal Notice, 6/1/04; Ocean National PR 6/1/04)

Bank Charter Changes

The Savings Institute (SI) received approval from the state of Connecticut to convert from a capital stock state bank to a capital stock federal savings bank to be known as Savings Institute Bank and Trust Company, effective June 4, 2004. In addition, SI Financial Group, Inc., and SI Bancorp, MHC, will acquire 100 percent of the voting securities of Savings Institute immediately following the conversion.

(CT DOB 6/4/04)

Branch Closings

Effective with the close of business May 28, 2004, Border Trust Company, South China, ME, closed its branch located at Pritham Street, Greenville Junction, ME.

UnitedKingfield Bank, Bangor, ME, will close its branch located at U.S. Route 201, Jackman, ME, effective with the close of business May 28, 2004.

(Internal Notice 6/1/04)

Berkshire Hills Bancorp Sells EastPoint Technologies

Berkshire Hills Bancorp, Inc., Pittsfield, MA, announced the sale of its 60.3 percent stake in EastPoint Technologies to EP Acquisition Corp, a subsidiary of Open Solutions, Inc., of Glastonbury, CT, on June 18.

Berkshire said EP would pay \$7 million in an all-cash deal for EastPoint, a software and data processing provider for financial institutions.

Michael Daly, Berkshire Hills president and CEO, said, “Owning and operating a business like EastPoint is

not part of our long-term business plan, and we are delighted to turn it over. We also believe that this sale will enable us to improve shareholder value in our company as EastPoint’s impact on our EPS has now ended.”

(Berkshire Hills PR 6/18/04; SNL Bank & Thrift Daily 6/21/04)

Webster Sells FIRSTFED Trust Company

On June 15, 2004, Webster Financial Corp., Waterbury, CT, sold its 65 percent stake in FIRSTFED Trust Co., NA, to Coastline Trust Co. for an undisclosed sum.

Edward A. Hjerpe, III, Webster’s president and chief operating officer for Massachusetts and Rhode Island and former director of FIRSTFED Trust Company, said, “Our sale to Coastline Trust Company will benefit both companies. We have worked together productively since the formation of FIRSTFED Trust Company, NA, and look forward to maintaining our strong relationships.”

Webster Bank acquired a 65 percent share of FIRSTFED Trust as part of its recent merger with FIRSTFED America Bancorp, Inc., on May 14, 2004.

(SNL Bank & Thrift Weekly 6/21/04; Webster PR 6/15/04)

FDIC Reports Earnings

On May 27, the Federal Deposit Insurance Corporation (FDIC) reported that insured commercial banks and savings institutions earned a record \$31.9 billion in the first quarter of 2004, marking the fifth consecutive quarter that industry profits set a new high. Earnings during the first quarter increased 2.8 percent from the previous quarter and 8.0 percent from the first quarter of 2003. The industry benefited from falling interest rates, which spurred mortgage refinancing and raised the value of investment securities, and from a large decline in provisions for loan losses.

FDIC Chairman Don Powell said, “The strong economic recovery has directly contributed to the impressive earnings performance of the banking industry. In turn, banks and savings institutions are in solid shape to make loans to America’s families and businesses.”

The industry recorded a 253 percent gain on sales of securities and other assets compared with the fourth quarter, as falling interest rates caused the market values of fixed-rate assets to appreciate. Provisions for loan losses were 14 percent lower in the first quarter than in the fourth, which also contributed to the earnings improvement. In addition, net interest income rose 1.5 percent, while non-interest income fell 3.2 percent due to a decline of \$2.2 billion in servicing income.

The improving trend in asset quality continued through the first quarter. Loans to commercial and industrial borrowers remained the primary source of the improvement, led by reductions in total noncurrent loans and net charge-offs.

Richard A. Brown, FDIC chief economist, emphasized the importance of improving commercial loan performance as a driver of earnings growth. "A resurgent economy has lifted credit quality across the board," he said. However, Brown added, "Going forward, higher interest rates could pose a significant challenge for mortgage lenders and variable-rate borrowers." In all, 55 percent of institutions reported higher quarterly earnings compared with the first quarter of last year.

(FDIC PR 5/27/04; SNL Bank & Thrift Daily 5/28/04)

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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