

Federal Reserve Bank of Boston BANK NOTES

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July 2006
Vol. XXXV, No. 7

Sovereign Bancorp Completes Sale to Santander and Acquires Independence Community Bank

On May 31, Sovereign Bancorp, Wyomissing, PA, completed its equity offering of \$2.4 billion to Banco Santander Central Hispano SA, Madrid, Spain. Sovereign Bancorp also announced the completion of its acquisition of Independence Community Bank Corp., Brooklyn, NY, on June 1.

Santander is the largest bank in the euro zone and the fourth largest in Europe by market capitalization. Founded in 1857, Santander has EUR 809 billion in assets and EUR 961 billion in managed funds, more than 66 million customers, 129,000 employees, and 10,200 offices in 40 countries. It is the largest financial group in Spain and Latin America, and has significant market positions elsewhere in Europe.

Under the equity offering agreement, Santander expects to eventually increase its interest in Sovereign from its current 19.8 percent to 24.99 percent. It will not, however, raise its stake above 24.99 or sell it to a third party, with certain exceptions, for five years from the initial investment. Two years from the initial investment, Santander can offer to acquire 100 percent of Sovereign or maintain its stake. After five years, Santander may also divest the stake.

In addition, Santander's voting rights in Sovereign will be limited to 19.99 percent, unless Santander acquires 100 percent of Sovereign or Sovereign's non-Santander shareholders vote to allow Santander to vote all of its shares.

Sovereign's acquisition of Independence Community Bank Corp creates a combined company with over \$80 billion in assets, solidifies Sovereign's position among the top ten banks in the northeastern United States, and positions it in the top 20 banks in the entire country. The company said that the acquisition will rank Sovereign ninth in deposit market share in the metro New York market.

"We are very pleased to complete this investment within the announced timetable. Sovereign has created an excellent regional banking franchise in the U.S. northeast while also generating value for its shareholders. We believe Santander's investment and the acquisition of

Independence Community will contribute to continuing long-term creation of value, for Sovereign as well as for Santander shareholders, employees, and customers," said Juan Rodriguez Inciarte, executive vice president of Santander.

Jay S. Sidhu, Sovereign's chairman, president, and CEO, said, "These are milestones in Sovereign's history and an exciting time for all of us. The acquisition of Independence allows us to expand our Northeastern footprint and...our partnership with Santander will enhance our organization for years to come."

Both deals were originally announced in October 2005.

As of June 30, 2005, Sovereign Bancorp ranked fourth with a 5.4 percent share of deposits among all commercial bank and thrift institutions in New England. (SNL Bank & Thrift Daily 6/2/06; Sovereign PR 5/31/06, 6/1/06)

Passumpsic Bancorp to Acquire Siwooganock Holding Company

On May 23, Passumpsic Bancorp, St. Johnsbury, VT, agreed to acquire Siwooganock Holding Company, Inc., Lancaster, NH, for approximately \$16.7 million in cash.

Passumpsic is the parent of Passumpsic Savings Bank MHC, and Siwooganock is the parent of Siwooganock Bank.

Following completion of the deal, Passumpsic will have 11 full-service branches, assets of approximately \$489 million, and deposits of approximately \$380.7 million. Passumpsic will add one branch in Grafton County, NH, where it will retain its number 14 ranking with 1.7 percent of \$1.6 billion in market deposits.

Passumpsic said it plans to consolidate the Siwooganock branch in Littleton, NH, into its own Littleton branch upon completion of the merger.

Pending shareholder and regulatory approval, the companies expect the deal to close in the fourth quarter.

As of June 30, 2005, Passumpsic Bancorp ranked 133rd with a 0.10 percent share of deposits among all commercial bank and thrift institutions in New England. Siwooganock ranked 243rd with a 0.04 percent share of deposits.

(SNL Bank & Thrift Daily 5/24/06)

Salem Five Bancorp to Acquire Boyle Insurance Agency

Salem Five Cents Savings Bank, a unit of Salem Five Bancorp, Salem, MA, agreed to acquire Boyle Insurance Agency Inc., Woburn, MA, on May 28, 2006. Terms of the deal were not disclosed, but the deal is expected to be finalized by the end of June.

Under the terms of the agreement, the insurance company will change its name to Salem Five Boyle Insurance Services and will remain in Woburn.

As of June 30, 2005, Salem Five ranked 11th among all commercial bank and thrift institutions in Massachusetts, with a 0.93 percent share of deposits.

(SNL Bank & Thrift Daily 5/31/06)

Merger Completions

On June 1, Ameriprise Financial Inc., Minneapolis, MN, said that it completed the sale of its defined contribution record-keeping business to Wachovia Corp., Charlotte, NC. Terms of the deal were not disclosed.

Ameriprise provides recordkeeping services to 225 retirement plans with nearly 700,000 participants and approximately \$28 billion in assets, bringing Wachovia Retirement Services' business to more than two million participants and pensioners and over \$100 billion in assets.

The deal was first announced in May 2006.

(SNL Bank & Thrift Daily 6/2/06)

Boston Private Completes Anchor Holdings Acquisition

On June 2, Boston Private Financial Holdings Inc., Boston, MA, said that it completed the acquisition of an 80 percent interest in Anchor Holdings LLC, a newly created holding company that owns investment adviser Anchor Capital and its sister company, Anchor/Russell.

Anchor Capital is a value-oriented investment adviser, specializing in active investment management for families, trusts, and institutions, including foundations and endowments. 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.

The deal was first announced in February.

(SNL Bank & Thrift Daily 6/5/06)

Bank Name Change

LSB Corp. unit Lawrence Savings Bank, North Andover, MA, changed its name to RiverBank, effective June 26.

(SNL Bank & Thrift Daily 6/7/06)

Branch Openings

On April 17, Brookline Bank, Brookline, MA, opened a branch at 43 Lincoln Street, Newton Highland, MA.

On May 18, People's Bank, Bridgeport, CT, opened a branch at 460 Elm Street, West Haven, CT.

The Bank of Western Massachusetts, Springfield, MA, opened a branch at 49 Hazard Avenue, Enfield, CT, on May 30.

On June 1, Central Co-operative Bank, Somerville, MA, opened a branch located at 270 Mystic Avenue, Medford, MA.

Berkshire Hills Bancorp, Pittsfield, MA, opened two branches in recent months. First, on May 22, the bank opened a branch at 602 Columbia Turnpike, East Greenbush, NY. Then, on June 19, the bank opened a branch at 2080 Western Avenue, Guilderland, NY.

On June 9, Webster Financial Corp., Waterbury, CT, opened a branch at 2143 Central Park Avenue, Yonkers, NY.

Dean Co-operative Bank, Franklin, MA, opened a branch at 32 Hastings Street, Mendon, MA, on June 20.

(CT DOB 5/26/06; Internal Notice 6/10/06; SNL Bank & Thrift Daily 5/30/06, 6/13/06, 6/21/06, 6/22/06)

Branch Purchase

On May 20, Androscoggin Savings Bank, Lewiston, ME, purchased the assets and assumed the deposit liabilities of the office of Northeast Bank, Lewiston, ME. The branch is located at 698 Lisbon Road, Lisbon Falls, ME.

(Internal Notice 5/20/06)

Branch Closings

On June 3, Laconia Savings Bank, Laconia, NH, closed its branch located at 401 Gilford Avenue, Gilford, NH.

Century Bank & Trust Company, Somerville, MA, closed its branch at 280 Atlantic Avenue, Boston, MA, on June 9.

(Internal Notice 6/9/06, 6/16/06)

FDIC Reports Earnings

On May 25, the Federal Deposit Insurance Corporation (FDIC) reported that insured banks and thrifts recorded net income of \$37.3 billion for the first three months of 2006, representing a 9.5 percent increase year over year.

The FDIC said that the industry showed robust loan growth, particularly in commercial lending, while asset quality continued to be "very good," with improving net charge-offs and noncurrent levels in consumer loan portfolios.

"The banking industry continues to meet strong credit demand in a growing U.S. economy," said FDIC Acting Chairman Martin Gruenberg. "Regulators are working with the industry to ensure that effective risk-management practices will help keep the industry financially strong."

Insured banks and thrifts have seen their margins under pressure due to rising short-term interest rates, the agency said, and nearly two-thirds of all insured institutions recorded declining net interest margins during the quarter. In the aggregate, the industry's net interest margin came in at 3.46 percent, which the FDIC noted was a 15-year low and a decline from 3.49 percent in the fourth quarter of 2005.

There has not been a failure of an FDIC-insured institution in more than seven quarters, since June 25, 2004. This is the longest interval without an insured institution failure in the FDIC's 73-year history.

(FDIC PR 5/25/06; SNL Bank & Thrift Daily 5/26/06)

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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