Federal Reserve Bank of Boston

BANK NOTES

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TD Banknorth to Acquire Hudson United

On July 12, 2005, TD Banknorth, Portland, ME, entered into a definitive agreement to acquire Hudson United Bancorp, Mahwah, NJ, in a cash-and-stock deal valued at approximately $1.9 billion.

The deal, the largest ever for TD Banknorth, allows TD Banknorth to expand into New Jersey, boost its market share in Connecticut, and gain a foothold in Philadelphia and the suburbs around New York City. The merger will create a regional company with approximately 590 branches, 751 ATMs, and more than $26 billion in deposits throughout eight Northeastern states.

"The acquisition is consistent with our growth strategy and will significantly expand our franchise in both Connecticut and eastern New York while providing us with a presence in the fast-growing markets of New Jersey and Philadelphia," said William J. Ryan, TD Banknorth's chairman, president, and chief executive officer. In addition, he stated he wants to add to the bank's presence in downtown Boston, where TD Banknorth has just two branches, despite its substantial presence in the suburbs.

Mr. Ryan added, "We look forward to welcoming Hudson United into the TD Banknorth family and to offering Hudson United's customers a broader array of products and services."

Kenneth Neilson, Hudson United's chairman, president, and chief executive officer, agreed: "We are excited about joining TD Banknorth. This transaction rewards our shareholders while maintaining our focus on local community banking."

The deal is subject to shareholder and regulatory approval, and is expected to close in the first quarter of 2006.

As of June 30, 2004, TD Banknorth ranked third among commercial bank and thrift institutions in New England, with a 6.1 percent share of deposits. Hudson United ranked 21st with 0.5 percent share of deposits.

(American Banker 7/13/05; Boston Globe 7/13/05; NY Times 7/13/05; SNL Bank & Thrift Daily 7/13/05; TD Banknorth PR 7/12/05)

Bank of America to Acquire MBNA Corp.

Bank of America Corp., Charlotte, NC, announced its plans to acquire MBNA Corp., Wilmington, DE, on June 30. The cash-and-stock deal is valued at approximately $35 billion.

The merger will link the distribution of the nation's largest retail branch network to the member base of a leading credit card issuer, doubling the company's card accounts. The transaction is expected to result in significant cost efficiencies and will boost Bank of America's credit card business to approximately 40 million accounts and $143 billion in managed outstanding balances, making it the nation's largest credit card issuer based on outstanding balances.

Bank of America's Chairman and Chief Executive Officer Kenneth D. Lewis commented on the deal: "With the customer base and distribution of Bank of America and the marketing savvy and product innovation of MBNA, we intend to build a best-in-class credit card operation. We now have scale in one of the most important products to our customers."

Among the primary advantages of the deal, according to Lewis and MBNA CEO Bruce Hammonds, is the opportunity to market MBNA credit card products through Bank of America branches, resulting in more efficient distribution than MBNA's current direct mail and telemarketing efforts. Bank of America will also gain affinity relationships with more than 5,000 partner organizations and financial institutions.

The transaction is also expected to benefit from complementary geography, with MBNA and Bank of America both having a strong presence in Florida, New England, and the Mid-Atlantic states.

Pending shareholder and regulatory approval, the deal is expected to close in the fourth quarter of 2005.

As of June 30, 2004, Bank of America ranked first among commercial bank and thrift institutions in New England, with a 19.6 percent share of deposits.

(American Banker 7/1/05; Bank of America PR 6/30/05; Boston Globe 7/1/05; NY Times 7/1/05; SNL Bank & Thrift Daily 7/1/05)

NewAlliance Bancshares Completes Trust Company of Connecticut Merger

On July 1, NewAlliance Bancshares, New Haven, CT, completed its acquisition of Trust Company of Connecticut, Hartford, CT.

Trust Company of Connecticut is a private, state-chartered trust company providing investment management, trust services, and other fiduciary services to both individuals and institutions. Trust Company currently manages over $700 million in assets.

Peyton R. Patterson, chairman, president, and chief executive officer of NewAlliance, said, "Trust Company of Connecticut brings an excellent reputation for service that complements our own wealth management area and expands our client base in the greater Hartford area and throughout central Connecticut. We are pleased to have their staff as part of the NewAlliance team now."

Trust Company will continue to be based in Hartford, CT, keep its name, and operate as a separate trust division of NewAlliance within the bank's wealth management group.

The deal was originally announced on March 9, 2005, and valued at approximately $19.3 million.

As of June 30, 2004, NewAlliance Bancshares ranked fifth among commercial bank and thrift institutions in Connecticut, with a 5.6 percent share of deposits.

(NewAlliance PR 6/30/05; SNL Bank & Thrift Daily 7/1/05)

First Ipswich Bancorp Completes Branch Acquisition

First Ipswich Bancorp, Ipswich, MA, completed its purchase of the Atlantic Bank of New York branch facility in Boston, MA, on June 24. The branch is located at 33 State Street in Boston.

First Ipswich originally announced the deal in February. Terms of the deal were not disclosed.

As of June 30, 2004, First Ipswich had total deposits of $249 million and ranked 82nd among commercial bank and thrift institutions in Massachusetts, with a 0.14 percent share of deposits.

(SNL Bank & Thrift Daily 6/27/05)

Valley Bank Completes Holding Company Formation

On July 6, Valley Bank, Bristol, CT, completed the process of reorganizing into a bank holding company named First Valley Bancorp Inc., with Valley Bank becoming a wholly owned subsidiary of First Valley Bancorp, Inc.

Valley Bank's President and CEO Robert Messier Jr. said, "The formation of a holding company will allow us more flexibility in raising capital for continued independent growth and to make investments to benefit our customers and market area."

(SNL Bank & Thrift Weekly 7/11/05; Valley Bank PR 7/1/05)

Bank Name Change

On May 16, Wellesley Co-operative Bank, Wellesley, MA, changed its name to Wellesley Bank.

(Internal Notice 5/24/05)

Branch Openings

On June 28, Berkshire Hills Bancorp, Pittsfield, MA, opened a branch at 41 State Street, Albany, NY.

(SNL Bank & Thrift Daily 6/29/05)

On July 1, Hudson Savings Bank MHC, Hudson, MA, opened a branch at 470 Lancaster Street in Leominster, MA.

Enterprise Bancorp Inc., Lowell, MA, opened a branch on July 19 located at 1120 Main Street in Tewksbury, MA.

(SNL Bank & Thrift Daily 6/29/05; Bank & Thrift Weekly 7/25/05)

FDIC Proposes Changes to Internal Control Reporting Requirements

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) on July 19 approved a proposed amendment to the FDIC's annual audit and reporting requirements.

Under this proposal, the asset-sized threshold would be raised from $500 million to $1 billion for internal control assessments by management and attestations by outside auditors, as well as for members of the audit committee, who must be outside directors, to be independent of management.

In other words, for covered institutions with total assets of less than $1 billion, management would no longer be required to assess and report on the effectiveness of internal control over financial reporting, the external auditors would no longer be required to examine and attest to management's internal control assertions, and the outside directors on the audit committee would no longer be required to be independent of management.

The proposal will not relieve covered institutions that are public companies from their obligations to comply with the provisions of the Sarbanes-Oxley Act and the Securities and Exchange Commission's implementing rules on internal control assessments by management and attestations by external auditors and, if applicable, audit committee independence.

The amendments are proposed to take effect December 31, 2005. The FDIC said it will accept comments on the proposal following its publication in the Federal Register.

(FDIC PR 7/19/05; SNL Bank & Thrift Weekly 7/25/05)

Regulators Issue Final Community Reinvestment Act Rules

On July 19, the Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) approved final Community Reinvestment Act (CRA) rules that are intended to reduce the regulatory burden on community banks while making CRA evaluations more effective in encouraging banks to meet community development needs.

The final rule will increase the asset-size threshold for streamlined, small-bank CRA testing to $1 billion from $250 million. The final rule also adds a separate community-development test for banks with assets between $250 million and $1 billion, includes underserved rural and designated disaster areas under the definition of community development, and clarifies the impact of discrimination and other illegal practices on a bank's CRA performance.

The new rules take effect on September 1, 2005.
(FDIC, FRB, OCC, and OTS PR, 7/19/05; SNL Bank & Thrift Weekly 7/25/05)

Branch Relocations – Correction

The April 2005 issue of *Bank Notes* incorrectly reported two branch closings for People's Bank, Bridgeport, CT. The branches were actually *relocated* and not closed. On March 1, the bank relocated its branch from 1700 Park Street, Hartford, CT, to 150 New Park Avenue, Hartford, CT. On March 9, People's Bank relocated its branch from 59-63 Newtown Road, Danbury, CT, to 72 Newtown Road, Danbury, CT.
(CT DOB 5/20/05)