

Federal Reserve Bank of Boston BANK NOTES

• Edited by Marcella Wiegand •

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Salem Five and Heritage Co-operative Bank to Merge

Salem Five Cents Savings Bank, Salem, MA, signed a definitive merger agreement with Heritage Co-operative Bank, also of Salem, on August 11, 2005.

The deal will be a mutual-to-mutual combination, with no cash or stock exchanged. The combined institute will operate under the Salem Five Cents Savings Bank name. The companies expect the merger to occur concurrent with Salem Five's pending mutual holding company reorganization. The combined entity will be owned and controlled exclusively by the mutual holding company, to be known as Salem Five Bancorp.

"This merger combines two banks with a strong tradition of commitment to our customers, employees and community," said Joseph M Gibbons, president and chief executive officer of Salem Five. "By joining together we create a stronger banking franchise and position ourselves for enhanced growth in the future."

Peter W. Copelas, president and CEO of Heritage Bank, agreed: "This partnership will improve service, product offerings and convenience for Heritage customers and create the premier community bank serving the North Shore."

Once completed, the transaction will create a combined entity with approximately \$2.2 billion in assets, \$1.5 billion in deposits, and 19 branches serving the Greater Boston area.

Pending regulatory approval, the merger is expected to close in the first quarter of 2006.

As of June 30, 2004, Salem Five ranked 16th among commercial bank and thrift institutions in Massachusetts, with a 0.71 percent share of deposits. Heritage Co-operative ranked 97th with a 0.13 percent share of deposits.

(Salem Five PR 8/12/05; SNL Bank & Thrift Daily 8/16/05)

First Republic Bank to Acquire First Signature Bank & Trust Company

On August 3, First Republic Bank, San Francisco, CA, agreed to acquire First Signature Bank & Trust Company, Portsmouth, NH, a unit of Manulife Financial Corporation's John Hancock Financial Services unit. Terms of the deal were not disclosed.

First Republic Bank is a leading provider of full-service private banking, investment management, brokerage, and trust services.

Jim Herbert, president and CEO of First Republic Bank, said, "The acquisition of First Signature Bank & Trust may help First Republic Bank expand its franchise in an area which has a growing number of clients."

The deal will allow First Republic to expand its existing private banking, private business banking, and wealth management operations in the Northeast. First Republic currently has three offices in Manhattan and two loan production offices in the Boston-New Hampshire region.

The deal is subject to various regulatory approvals.

As of June 30, 2004, First Signature Bank & Trust ranked 10th among commercial bank and thrift institutions in New Hampshire, with a 1.3 percent share of deposits.

(First Republic PR 8/3/05; SNL Bank & Thrift Weekly 8/8/05)

UCBH Holdings Inc. to Acquire Asian American Bank & Trust Company

On August 3, UCBH Holdings, Inc., the holding company of United Commercial Bank, San Francisco, CA, entered into a definitive agreement to acquire Asian American Bank & Trust Company, Boston, MA, in a cash and stock deal worth approximately \$34.3 million.

Under the terms of the agreement, UCBH Holdings will issue common stock valued at approximately \$16.1 million and will pay approximately \$18.2 million in cash, subject to certain adjustments. Asian American will be merged into United Commercial Bank.

The merger will allow UCBH Holdings to enter the Boston market. UCBH President and CEO Thomas Wu said, "The New England market has a large and rapidly growing Asian-American population and is one of the markets we targeted for expansion. The proposed acquisition of Asian American Bank & Trust Company reflects our strategic move to enter this dynamic market."

Raymond Tung, president and CEO of Asian American Bank & Trust Company, expressed enthusiasm about the merger: "We are extremely excited about this partnership as the vast resources of United Commercial Bank will enable us to deliver a broader range of products and higher quality of banking services to our customers in

the New England market. The common focus and values that we share between our two institutions will continue to benefit our constituencies in the years ahead.”

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

As of June 30, 2004, Asian American Bank ranked 142nd among commercial bank and thrift institutions in Massachusetts, with a 0.06 percent share of deposits.

(Asian American Bank PR 8/3/05; SNL Bank & Thrift Daily 8/4/05)

NewAlliance and Cornerstone Receive Shareholder Approval

On August 10, shareholders of Cornerstone Bancorp, Stamford, CT, approved the company’s previously announced acquisition by NewAlliance Bancshares Inc., New Haven, CT.

The deal, originally announced on April 13, is expected to close at the beginning of 2006.

(SNL Bank & Thrift Daily 8/11/05)

Boston Private Increases Ownership in Bingham Osborn & Scarborough

On July 29, Boston Private Financial Holdings, Inc., Boston, MA, increased its stake in Bingham Osborn & Scarborough LLC, San Francisco, CA, to 40 percent, and may acquire up to 70 percent over the next three years.

Bingham Osborn & Scarborough is an independent, fee-only wealth management firm with approximately \$1.25 billion in client assets under management.

Boston Private initially purchased a 20 percent stake in the firm in February 2004 and then purchased an additional 10 percent in August 2004.

(SNL Bank & Thrift Daily 8/1/05)

Branch Openings

On April 4, 2005, Cambridge Savings Bank, Cambridge, MA, opened a branch at 202 Sudbury Road, Concord, MA.

Flagship Bank & Trust Company, Worcester, MA, opened a branch at 8 Lyman Street, Westborough, MA, on April 25.

On May 2, The Savings Bank, Wakefield, MA, opened its branch at 6 Washington Street, North Reading, MA.

Also on May 2, NorthMark Bank, North Andover, MA, opened a branch at 69 Park Street, Andover, MA.

The Provident Bank, Amesbury, MA, opened two new branches in recent months. On June 2, the bank opened a branch located at 21 Daniel Street, Portsmouth, NH, and on July 22, the bank opened a branch at One Provident Way, Seabrook, NH.

On June 6, Bridgewater Savings Bank, Raynham, MA, opened a branch at 2109 Bay Street, Taunton, MA.

Northampton Co-operative Bank, Northampton, MA, opened a branch at 6 Main Street, Florence, MA, on June 13.

Leader Bank, Boston, MA, opened a branch on June 29 located at 675 Massachusetts Avenue, Cambridge, MA.

Hudson Savings Bank, Hudson, MA, opened a branch on June 30 at 470 Lancaster Street, Leominster, MA.

Also on June 30, Mayflower Co-operative Bank, Middleboro, MA, opened a branch located at 166 County Street, Lakeville, MA.

On July 18, 2005, People’s Bank, Bridgeport, CT, opened a branch at 50 Mall Road, Suite 212, Burlington, MA.

On August 15, Connecticut River Community Bank, Wethersfield, CT, opened a branch located at 64 Oak Street, Glastonbury, CT.

(CT DOB 7/22/05, 8/12/05; Internal Notice 8/10/05, 8/16/05, 8/19/05)

Branch Closings

On March 31, Belmont Savings Bank, Belmont, MA, closed its branch located at 550 Arsenal Street, Watertown, MA.

Citizens Bank of Massachusetts, Boston, MA, closed two branches in June. The first, located at High Street, Medford, MA, was closed June 17, and on June 27, the branch located at 370 Western Avenue, Brighton, MA, closed.

(Internal Notice 8/11/05, 8/18/05)

OTS Reports Thrift Earnings

On August 19, the Office of Thrift Supervision (OTS) announced that the thrift industry posted record net income of \$4.03 billion for the second quarter of 2005, up one percent from the first quarter of 2005 and 20 percent higher than the second quarter of 2004. This marked the third consecutive record quarter for the thrift industry.

Profitability as measured by return on average assets (ROA) declined to 1.18 percent from 1.22 percent in the prior quarter. The agency attributed the ROA decline to lower net interest margin and mortgage loan servicing fee income, combined with higher loan loss provisions and noninterest expense. The industry’s capital position remains robust at 9.34 percent of assets, with over 99 percent of the industry exceeding well-capitalized standards.

The OTS said that the asset quality in the thrift industry “remained solid” in the second quarter. Loans more than 89 days past due or in nonaccrual status fell to 0.37 percent of assets, while loans past due by 30 to 89 days increased one basis point during the quarter, to 0.54 percent of assets. The OTS said that the thrift industry had slightly higher past-due loans for one- to four-family

mortgages, multifamily mortgages, construction and land loans, and nonresidential mortgages.

Mortgage-origination volume increased to \$191.8 billion from \$161 billion in the first quarter, as a result of lower mortgage interest rates. Mortgage-refinancing volume declined to 30 percent of originations from 37 percent in both the first quarter of 2005 and the second quarter of 2004. Thrifts accounted for 23 percent of total one- to four-family originations in the second quarter.

As of June 30, 2005, there were 870 thrifts operating in the United States with total assets of \$1.39 trillion, up 17 percent for the year.

(OTS PR 8/19/05; SNL Bank & Thrift Daily 8/22/05)

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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