

Federal Reserve Bank of Boston BANK NOTES

• Edited by Jason Wild •

October 1, 2003
Vol. XXXII, No. 10

Banknorth to Acquire First & Ocean

On September 3, Banknorth NA, Portland, ME, announced that it had agreed to purchase First & Ocean Bancorp, Newburyport, MA, for \$51 million in cash. "This small but significant acquisition is a great addition to the Essex County portion of our Banknorth Massachusetts operations," said William J. Ryan, Banknorth Chairman, president and chief executive officer. "We already have the second largest market position in Essex County with 31 branches and about a 14% deposit market share." First & Ocean operates five branches primarily in Essex County, MA.

As of June 30, 2002, First & Ocean had total deposits of \$157.3 million and ranked 126th among all commercial bank and thrift institutions in Massachusetts. As of the same date, Banknorth had deposits of \$5.6 billion and ranked 5th.

(SNL Weekly, 9/8/03; American Banker, 9/4/03; Banknorth PR, 9/3/03)

Webster Financial to Expand

On September 22, 2003, Webster Financial, Waterbury, CT, filed an application with the Office of the Comptroller of the Currency to convert from a federal savings bank to a national bank. Also, Webster is filing an application with the Federal Reserve System to become a bank holding company. These moves are consistent with recent speeches and interviews by Webster executives that outlined plans to expand in Connecticut, western and central Massachusetts, and New York in the next five years.

Speaking at the RBC Capital Markets Financial Institutions Conference on September 19, Webster's president and COO William T. Bromage announced plans to open 30 branches in the next three years. The company plans to target the Fairfield, CT, Westchester, NY, and Springfield, MA, areas for expansion. Bromage said that while current plans involve opening new branches, "we would be somewhat opportunistic if we had an acquisition that took us in one direction or another."

Chairman and CEO James C. Smith said that the first branch in Westchester County should be open by the end of the year. "Within a year to 18 months, we'd like to have 8 to 12 of them open in Westchester," he told the *American Banker*.

Webster is also looking to double its investment business in the next five years, and possibly expand its insurance business, where it has acquired five new agencies in the past three years. "Over the past decade Webster has transformed itself from its thrift institution roots to be a full service commercial bank," says Smith.

As of June 30, 2002, Webster Financial had total deposits of \$7.2 billion and ranked 3rd among all commercial bank and thrift institutions in Connecticut.

(SNL Weekly 9/22/03, 9/29/03; American Banker 9/12/03, 9/23/03, 9/24/03; Webster PR, 9/18/03, 9/22/03)

Merger Completion

Effective September 22, 2003, Newton South Co-operative Bank, Newton, MA, merged with Auburndale Co-operative Bank, Newton, MA, under the charter of Auburndale Co-operative Bank. The bank's new title is The Village Bank.

(Internal Notice, 9/22/03)

Merger Approved

On September 8, shareholders of New Haven Savings Bank, New Haven, CT, approved a plan to convert from mutual to public ownership. The change will allow New Haven Savings to go forward with its acquisitions of Connecticut Bancshares, Manchester, CT, and Alliance Bancorp of New England, Vernon, CT.

(SNL Weekly, 9/15/03)

Branch Openings

On May 12, Community National Bank, Derby, VT, opened its branch located at 308 North Main Street, Barre, VT.

Bangor Savings Bank, Bangor, ME, opened its branch at 180 Maple Street, Cornish, ME, on June 11.

On July 12, Compass Bank for Savings, New Bedford, MA, opened its branch at 1582 Iyanough Road, Route 132, Hyannis, MA.

Medford Co-operative Bank, Medford, MA, opened its branch at 280 Medford Street, Malden, on September 28.

(Internal Notice, 9/3/03, 9/17/03, 9/19/03, 9/25/03)

Branch Relocations

Fleet National Bank, Providence, RI, relocated its branch from 80 Main Street to 59 Main Street, Orange, NJ, on August 22. Also, Fleet relocated its branch from 850 Main Street to 10 Middle Street, Bridgeport, CT, on September 19.

Citizens Bank of Massachusetts, Boston, MA, relocated its branch from 1628 Tremont Street to One Brigham Circle, Boston, MA, on May 5.

(Internal Notice, 9/5/03, 9/19/03)

Branch Closings

Banknorth, NA, Portland, ME, closed its branch at 276 South Main Street, Rutland, VT, effective January 1.

OneUnited Bank, Boston, MA, closed its University Village Shopping Center branch at 3301 South Hoover Street, Los Angeles, CA, on June 30.

(Internal Notice, 9/17/03, 9/24/03)

Bank Charter Changes

Effective September 15, 2003, Boston Safe Deposit and Trust, Boston, MA, converted from a state chartered bank to a nationally chartered bank. The bank's new title is Mellon Trust of New England, NA.

On August 27, Westfield Financial Inc., Westfield, MA, announced it will convert from a state charter to a federal charter, subject to approval by regulators. Its unit, Westfield Bank, will convert from a state regulated savings bank to a federal savings bank regulated by the Office of Thrift Supervision. Westfield expects the change to go into effect by the end of the year.

(Internal Notice, 9/15/03; SNL Weekly, 9/2/03)

Fleet to Acquire Progress Financial

FleetBoston Financial, Boston, MA, announced on August 28 that it had agreed to acquire Progress Financial, Blue Bell, PA, in a \$206.7 million stock transaction. FleetBoston and Progress officials expect the deal to be completed in the first quarter of 2004.

The deal is the first acquisition for FleetBoston since March 2001, and may refute any industry speculation that Fleet would more likely be the target of an acquisition than a buyer. Fleet spokesman James Mahoney told the Boston Globe, "There's a reasonable chance there will be more [deals] to come."

Should the deal be approved, Progress will give Fleet an additional 21 branches in the Philadelphia market, making Fleet the fifth-largest bank in the metropolitan Philadelphia area by deposit share.

In a speech at the Lehman Brothers 2003 Financial Services Conference on September 8, FleetBoston Executive VP and CFO Robert Lamb said, "We are going to continue to focus on growing our company through acquisitions." Lamb said FleetBoston was focused on "smaller, mid-size transactions" rather than major deals, concentrating on growing its commercial services and personal financial services businesses.

(SNL Weekly, 9/2/03, 9/15/03; Boston Globe, 8/29/03; American Banker, 8/29/03; FleetBoston PR, 8/28/03)

Boston Private Buys Interest in California Wealth Manager

Boston Private Financial Holdings, Boston, MA, announced on September 26 that it had acquired a 20% stake in Bingham, Osborn, & Scarborough (BOS), LLC, Menlo Park, CA, with an option to purchase up to a 70% interest in the wealth management firm over the next five years.

The acquisition of the Bay Area firm plays into Boston Private's growth strategy, establishing banking, investment management, and financial planning services in regional clusters. "The investment in a premier firm such as BOS anchors our Northern California wealth management cluster in San Francisco while firming our ties to the Peninsula marketplace," said Boston Private chairman and CEO Timothy Vaill. "BOS adds additional financial planning and investment management expertise which in turn will increase our fee income revenue."

Boston Private currently operates clusters in Boston and northern California, and has made inroads into the New York, southern California, and Pacific Northwest markets with recent acquisitions. As of June 30, 2002, Boston Private had total deposits of \$970.5 million and ranked 33rd among all commercial bank and thrift institutions in New England.

(SNL Weekly, 9/29/03; Boston Private PR, 9/26/03)

OTS Withdraws Proposal

The Office of Thrift Supervision (OTS) decided on August 29 to withdraw a proposal that required its supervised institutions to file quarterly financial reports ten days earlier than currently required. In January, the OTS, the division of the U.S. Treasury responsible for regulating the thrift industry, announced that it wanted to set the reporting deadline at twenty days following the end of the quarter, instead of the current thirty day requirement. However, during the comment period, the OTS received 47 letters, all but one in opposition to the proposal. The OTS reconsidered, citing thrifts' complaints that the rush to file the reports would compromise the accuracy of the data collected. Filing requirements for bank holding companies and for loan maturities and rates will remain unchanged as well, at 45 days following the end of the quarter.

The *American Banker* speculates that the thrifts will use similar tactics to stop the movement towards real-time data proposed by FDIC Chairman Don Powell. The FDIC has not outlined any proposals, but a rollback in reporting deadlines would almost definitely be a key component.

(American Banker, 9/2/03; OTS PR, 8/29/03)

FDIC Reports Earnings, Warns of Challenges in Recovery

The Federal Deposit Insurance Corporation (FDIC) announced on September 4 that federally insured commercial banks and savings institutions earned \$30.2 billion in the second quarter of 2003, breaking the previous quarterly record of \$29.4 billion set in the first quarter of this year. The FDIC attributed the earnings increase to gains from the sale of assets, strong loan growth, and declining loan losses. Sales of securities and loans set a new quarterly record of \$4.9 billion. The percentage of noncurrent loans fell from 1.31% to 1.24%.

FDIC chief economist Richard A. Brown emphasized that improvement in the outlook of the economy as a whole will not necessarily result in higher earnings in the future: "The sharp rise in long-term interest rates since June creates 'headwinds' that could make it harder for the industry to set new earnings records in the quarters ahead." Brown cited asset sales, which were the biggest source of the record earnings increase, as being especially vulnerable to rising interest rates. Still, Brown foresees "continued strong earnings" for the industry.

In addition, the FDIC warned in its Fall 2003 Outlook that economic growth and the resultant higher interest rates could pose a challenge to banking and thrift institutions in the coming economic recovery. Mortgage lenders especially have reason for concern; an FDIC release said, "Mortgage origination volumes can be expected to decline along with refinancing activity, while the extension of asset maturities may tie up capital that otherwise could be deployed at higher interest rates." Deposits could also fall "as rising interest rates spur households to seek higher yields than those offered by bank deposits."

(SNL Weekly, 9/8/03, 9/15/03; FDIC PR, 9/4/03, 9/9/03; American Banker, 9/5/03)

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.

Bank Notes is available without charge. To be added to the electronic mailing list or to the paper distribution list, send an e-mail message to Boston.BankNotes@bos.frb.org. If unable to do so, call Jason Wild at (617) 973-3652. To access *Bank Notes* on the Web, check the Boston Fed's web site at www.bos.frb.org/economic/banknote/index.htm. For updated banking structure information, check the Boston Fed's web site at www.bos.frb.org/bankinfo/struct/index.htm.