

Federal Reserve Bank of Boston BANK NOTES

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Wachovia to Acquire Westcorp, AmNet Mortgage, and UnionBanCal

Wachovia Corporation, Charlotte, NC, announced three acquisitions in September:

First, on September 12, Wachovia entered into an agreement to purchase Westcorp and its WFS Financial unit, both of Irvine, CA, in an all-stock deal valued at approximately \$3.91 billion.

Wachovia will pay approximately \$3.42 billion to acquire Westcorp and its 84 percent stake in WFS Financial, and then pay another \$490 million to acquire the 16 percent stake held by the public.

Westcorp, through its subsidiary WFS Financial, is one of the nation's largest independent automobile finance companies. It specializes in originating, securitizing, and servicing auto loans with automobile dealers. Westcorp also operates retail bank branches and provides commercial banking services through its Western Financial Bank subsidiary.

The deal will give Wachovia a \$12 billion auto finance portfolio, making it the ninth-largest auto loan originator in the United States. Wachovia will also gain \$2 billion in deposits in southern California, entering the state with a 0.31 percent share of approximately \$668.2 billion in deposits in California.

"This transaction moves our auto finance business to a new level and gives us access to a new set of customers who can benefit from Wachovia's broad offering of financial services," said Ben Jenkins, president of Wachovia's general bank. "Our companies share the same strong commitment to customer service and delivering superior products to auto finance customers."

Ernest S. Rady, chairman of Westcorp, was equally enthusiastic: "Joining forces with Wachovia will benefit both our customers and our shareholders. Together we'll have more to offer clients and a broader financial base on which to grow. I am very pleased to be joining Westcorp with Wachovia and believe our combined growth prospects will outpace the industry."

Pending shareholder and regulatory approval, Wachovia expects the deal to close in the first quarter of 2006.

On September 13, Wachovia signed a definitive agreement to acquire Amnet Mortgage Inc., San Diego, CA, in a cash deal valued at approximately \$83 million.

AmNet Mortgage, the parent company of American Mortgage Network, originates loans for the national mortgage broker community through its network of branches and business-to-business over the Internet.

John M. Robbins, AmNet Mortgage's co-founder, chairman, and CEO, stated, "This merger gives our stockholders the ability to maximize the value of our mortgage banking business which has been created over the last four years. Our employees and our customers will also benefit from this alignment with a major financial institution. AmNet Mortgage is delighted to become part of the Wachovia family and continue its tradition of excellence."

Following the merger, AmNet will remain headquartered in San Diego and operate as a wholly owned subsidiary of Wachovia. The deal is expected to close in the fourth quarter of 2005.

Then on September 22, Wachovia agreed to acquire the international correspondent banking business of Union Bank of California NA, San Francisco, CA, the wholly owned subsidiary of UnionBanCal Corp., also of San Francisco, CA, in a cash deal valued at approximately \$245 million.

Through this transaction, Wachovia will integrate Union Bank's international correspondent franchise, including 600 banking relationships, the payment and trade processing activity which drives these relationships, and the related loan book in an amount up to \$2 billion.

Michael Heavener, executive vice president and head of Wachovia's international unit, said, "...We believe the fit between our two organizations is near-perfect; and it reinforces our strategic commitment to the global financial institutions market."

Philip B. Flynn, vice chairman and chief operating officer of Union Bank, said, "This transaction will benefit both our clients and our shareholders. Our clients will benefit from Wachovia's excellent product set, high quality service and superior scale. Our shareholders will benefit from increased management focus on Union Bank's core businesses and the redeployment of the transaction proceeds into other growth opportunities."

Under the terms of the agreement, Wachovia will pay Union Bank a base purchase price of \$245 million in cash when the transaction closes. The base purchase price may be downwardly adjusted not to exceed \$45 million based on business retention. Additionally, Union Bank is entitled to a potential contingent payment of up to \$5 million pending the successful conversion of its customer base to Wachovia.

The transaction is expected to close in October 2005.

As of June 30, 2004, Wachovia ranked tenth in New England, with a 1.8 percent share of deposits among commercial bank and thrift institutions.

(SNL Bank & Thrift Daily 9/13/05, 9/14/05, 9/23/05; Wachovia PR 9/12/05, 9/13/05, 9/22/05)

Merger Completions

On September 1, Washington Trust Bancorp Inc., Westerly, RI, completed its acquisition of Weston Financial Group Inc., Wellesley, MA.

Weston Financial is an investment adviser with over \$1.2 billion in assets under management. It provides services to high-net-worth individuals through its wealth management products.

John C. Warren, Washington Trust's chairman and CEO, said, "This is a significant acquisition for us, as we now have in excess of \$3 billion in assets under administration and rank as one of the leading wealth management providers in the area. We also have a broader line of financial planning products and services to offer our clients and have expanded our presence in the New England marketplace."

Under the agreement, Weston Financial will become a subsidiary of Washington Trust and will be operated under the direction of its current management team.

The companies originally announced the merger on March 21.

(SNL Bank & Thrift Daily 9/2/05; Washington Trust PR 9/1/05)

Bank of America Corp., Charlotte, NC, completed its acquisition of a 9 percent stake in Construction Bank of China for \$2.5 billion on September 8.

The deal was originally announced in June and marked the largest single foreign investment in China's banking sector.

(SNL Bank & Thrift Daily 9/9/05)

NewAlliance and Cornerstone Receive Approval

On September 22, NewAlliance Bancshares, New Haven, CT, and Cornerstone Bancorp Inc., Stamford, CT, received the required approvals from both the Connecticut Banking Department and the Federal Deposit Insurance Corporation (FDIC) to complete their pending acquisition.

NewAlliance CEO Peyton Patterson said, "We are genuinely pleased to receive the final approvals to combine two great community banks. It is also our first step into Fairfield County and a great complement to our existing franchise. By entering Fairfield County, we see excellent potential for growth from our wealth management and trust services to our business and retail banking operations."

The deal, first announced in April, will be made through a cash-and-stock transaction valued at approximately \$48.7 million and is expected to close in January 2006.

(NewAlliance PR 9/22/05; SNL Bank & Thrift Daily 9/23/05)

Branch Openings

On June 13, 2005, Savings Institute Bank & Trust Company, Willimantic, CT, opened a branch located at 200 Morrow Road, Tolland, CT.

In July, TD Banknorth, Portland, ME, opened two branches. The first, located at 44 Granite Street, Braintree, MA, was opened July 5. On July 18, a branch was opened at 106 Main Street, Belfast, ME.

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

Meredith Village Savings Bank, Meredith, NH, opened a branch at 379 South Main Street, Laconia, NH, on August 17.

Rockville Bank, Rockville, CT, opened a branch located at 1010 Hebron Avenue, Glastonbury, CT, effective August 22.

Also on August 22, People's Bank, Bridgeport, CT, opened a branch at 4551 Main Street, Bridgeport, CT. People's opened an additional branch located at 766 Villa Avenue, Fairfield, CT, on August 25.

NewMil Bank, New Milford, CT, opened a branch at 487 Howe Avenue, Shelton, CT, on August 30.

On September 8, Enterprise Bank & Trust, Lowell, MA, opened a branch at 1120 Main Street, Tewksbury, MA.

The Community Bank, Brockton, MA, opened a branch at 45 Main Street, Lakeville, MA, on September 10.

Berkshire Bank, Pittsfield, MA, opened two branches in recent months. On June 24, it opened a branch at 41 State Street, Albany, NY, and a second branch was opened at 15 Park Avenue, Clifton Park, NY, on September 7.

(CT DOB 9/2/05, 9/15/05; Internal Notice 8/30/05, 9/7/05, 9/8/05, 9/13/05, 9/21/05, 9/22/05)

Branch Closing

Effective August 26, Westbank, West Springfield, MA, closed its branch at One East Silver Street, Westfield, MA.

(Internal Notice 9/21/05)

FDIC Reports Earnings

On August 25, the Federal Deposit Insurance Corporation (FDIC) reported that commercial banks and savings institutions insured by the FDIC reported net income of \$33.1 billion for the second quarter of 2005, the second best performance ever, but down 3.3% from the record-setting first quarter of 2005.

Insured institutions benefited from gains on securities sales of \$1.4 billion and increases in net interest income of \$672 million due to strong loan demand. Second quarter profits also represented a 6.3 percent improvement over one year ago.

Net operating revenue totaled \$133.5 billion in the quarter, up 3.4 percent from last year; however, the FDIC noted net operating revenue was growing at a rate of 7.3 percent last year. "Institutions experienced difficulty in growing their fee income, and trading profits at large institutions have not shown significant growth," the agency said.

FDIC Chairman Don Powell added, "Yet another quarter of solid earnings reflects the soundness of the banking industry. The slowdown in revenue growth, however, will be a continuing challenge for the industry."

(FDIC PR 8/25/05; SNL Bank & Thrift Daily 8/29/05)

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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