

# Federal Reserve Bank of Boston BANK NOTES

---

• Edited by Jason Wild •

---

December 1, 2003  
Vol. XXXII, No. 12

## Salisbury to Acquire Canaan National

On November 18, 2003, Salisbury Bancorp Inc., Lakeville, CT, announced it has agreed to acquire Canaan National Bancorp Inc., Canaan, CT, in a cash and stock transaction valued at approximately \$15.5 million. John Perotti, Salisbury's president, CEO, and director, said, "We are very excited about this combination as it represents the merger of two long-standing community focused organizations."

With the acquisition, Salisbury will increase its number of branches from four to six. Canaan National currently operates offices in Canaan, CT, and Egremont, MA, while Salisbury has four offices in northwest Connecticut. In a statement, Perotti also commented on how the deal will help Salisbury grow. "We will be better positioned to expand our Massachusetts presence and serve customers throughout the Tri-State region of northwestern Connecticut and proximate communities in western Massachusetts and New York State with the high quality service that only community banks can offer."

The deal, which is subject to regulatory and shareholder approval, is expected to close in the third quarter of 2004.

As of June 30, 2003, Salisbury Bancorp had total deposits of \$211.2 million and ranked 31st among all commercial bank and thrift institutions in Connecticut. As of the same date, Canaan National had total deposits of \$56.9 million and ranked 60th in Connecticut, and had total deposits of \$19.9 million and ranked 215th in Massachusetts.

(SNL Bank & Thrift Weekly, 11/24/03; Canaan National PR, 11/18/03)

## Citizens Completes Acquisition

Citizens Financial Group, Providence, RI, completed its acquisition of Community Bancorp, Hudson, MA, on October 31, 2003. The all-cash transaction, which was announced in July, gives Citizens 10 new branches in Middlesex County. Thomas Hollister, president and CEO of Citizens Bank of Massachusetts, said, "This expansion brings us into several new communities and delivers on our continuing commitment to provide greater convenience and outstanding service to our customers."

As of June 30, 2003, Royal Bank of Scotland Group, Edinburgh, Scotland, the parent company of Citizens, had total deposits of \$18.6 billion and ranked 2nd among all

commercial bank and thrift institutions in Massachusetts. As of the same date, Community Bancorp had total deposits of \$349.0 million and ranked 65th.

(SNL Bank & Thrift Weekly, 11/10/03; Citizens PR, 10/31/03)

## Merger Completion

On November 7, 2003, Webster Financial Corporation, Waterbury, CT, completed its acquisition of North American Bank & Trust Company, Waterbury, CT. Webster previously reported on October 30 that it had received all necessary approvals for the transaction. The deal was originally announced on June 5.

As of June 30, 2003, Webster Financial had total deposits of \$8.0 billion and ranked 3rd among all commercial bank and thrift institutions in Connecticut. As of the same date, North American Bank & Trust had total deposits of \$152.7 million and ranked 48th.

(SNL Bank & Thrift Weekly, 11/17/03;

Internal Notice, 11/10/03)

## Horizon Shareholders Approve Merger

On November 5, 2003, Horizon Bank & Trust Company, Braintree, MA, announced that its shareholders have approved the bank's sale to South Shore Savings Bank, Weymouth, MA, for approximately \$20 million in cash. The deal was originally announced on July 21 and is expected to close in the first quarter of 2004, pending regulatory approval.

As of June 30, 2003, South Shore Savings Bank had total deposits of \$560.6 million and ranked 43rd among all commercial bank and thrift institutions in Massachusetts. As of the same date, Horizon Bank & Trust had total deposits of \$101.0 million and ranked 158th.

(SNL Bank & Thrift Weekly, 11/10/03; Horizon PR, 11/5/03)

## Merger Approval

The shareholders of First State Bancorp (FSB), Granada Hills, CA, voted to approve the merger of FSB with Boston Private Financial Holdings Inc, Boston, MA, at a special meeting on November 19, 2003. Under terms of the agreement, Boston Private will pay approximately \$26.6 million to acquire FSB and its subsidiary, First State Bank of California. Boston Private expects the deal to close in January 2004, pending regulatory approval.

(SNL Bank & Thrift Weekly, 11/24/03)

## Branch Openings

On September 22, Florence Savings Bank, Florence, MA, opened its branch located at the corner of Route 9 and George Hunnun Street, Belchertown, MA.

Bay State Savings Bank, Worcester, MA, opened its branch located at 799 Grafton Street, Worcester, MA, on September 29.

Also on September 29, Merrimack County Savings Bank, Concord, NH, opened its branch located at 25 Hall Street, Concord, NH.

On October 6, Mercantile Bank & Trust Company, Boston, MA, opened its branch located at 1320 Washington Street, Boston, MA.

Also on October 6, Centrix Bank & Trust, Bedford, NH, opened its branch located at 100 Market Street, Suite 103, Portsmouth, NH.

Boston Private Bank & Trust Company, Boston, MA, opened its branch located at 157 Seaport Boulevard, Boston, MA, on October 6.

In addition, North Easton Savings Bank, North Easton, MA, opened its Roche Brothers Supermarket branch located at 25 Washington Street, North Easton, MA, on October 6.

On November 10, Eastern Bank, Lynn, MA, opened its Dedham Mall branch located at 300 VFW Parkway, Dedham, MA.

(Internal Notice, 11/4/03, 11/5/03, 11/25/03; NH OBC, 10/31/03)

## Branch Closings

Banknorth NA, Portland, ME, closed its branches located at 25 New London Turnpike, Glastonbury, and 38 Town Line Road, Rocky Hill, CT, on October 31.

(Internal Notice, 11/4/03)

## State Street Completes Sale of Management Unit

On November 3, 2003, State Street Corporation, Boston, MA, announced that it has completed the sale of its private asset management business to U.S. Trust Corporation, New York, NY, a unit of Charles Schwab Corporation, San Francisco, CA. Under the terms of the deal, U.S. Trust will pay up to \$365 million for the group, which manages approximately \$11 billion in assets for affluent individuals and families.

State Street's private asset management business employs close to 180 people, with offices in Boston and Cape Cod, MA, Hartford, CT, and Manchester, NH. U.S. Trust indicated it would retain all the offices and staff upon completion of the deal.

(SNL Bank & Thrift Weekly, 11/10/03)

## Citigroup to Acquire Maine Fund Administration Business

On November 3, 2003, Citigroup Inc., New York, NY, announced it has agreed to acquire Forum Financial Group, Portland, ME. Forum is a provider of fund

administration services, with approximately 400 employees at offices in Portland; Warsaw, Poland; and Bermuda. Frank Bisignano, chief executive of Citigroup's Global Transaction Services, commented on the deal, saying, "In addition to establishing a strong presence in fund accounting in the U.S., the acquisition enhances our transfer agency capabilities and continues the development of our ability to service hedge fund clients."

The deal is expected to close before the end of the year.

(SNL Bank & Thrift Weekly, 11/10/03; Citigroup PR, 11/3/03)

## OTS Reports Thrift Industry Earnings

On November 19, the Office of Thrift Supervision (OTS) announced that the nation's thrift industry recorded net income of \$3.44 billion in the third quarter of 2003, up from \$2.97 billion in the third quarter of 2002. While it is a decrease from the \$3.53 billion net income in the second quarter of 2003, the figure is still the second best earnings quarter in history. OTS Director James Gilleran summed up the report, saying, "The thrift industry continues to enjoy robust earnings, profitability, and capital levels, as well as excellent asset quality and a very low number of problem institutions."

Profitability, as measured by return on average assets, was 1.28 percent in the third quarter, up from 1.22 percent a year ago, but down from 1.34 percent in the previous quarter. Net interest margin for the quarter was 284 basis points, down from 302 basis points a year ago. The number was also down from 294 in the second quarter of 2003; continuing a general decline in the net interest margin since the first quarter of 2002.

The agency reported that the industry continued to benefit from the mortgage refinance boom sustained by the favorable interest rate environment of the past year. Total mortgage originations for the quarter were \$250 billion, up from \$138 billion a year ago and \$215 billion in the previous quarter. The OTS pointed out that higher interest rates reduced the volume of mortgage applications. Director Gilleran cautioned that institutions will have to manage their portfolios and operations carefully going forward to control expenses and maintain earnings strength in the face of declining mortgage volumes and lower net interest margins.

Assets for the thrift industry totaled \$1.09 trillion at the end of the third quarter, up 10.8 percent from one year ago and 2.8 percent from the second quarter of 2003. Gilleran also noted, "The industry has continued to maintain excellent asset quality. Over 99 percent of the industry was well-capitalized at the end of the quarter." The number of problem thrifts decreased to seven from eight in the previous quarter and 17 one year ago. Assets of problem thrifts declined to \$0.6 billion at the end of the third quarter, down from \$3.6 billion in the year-ago quarter, and the lowest level since the OTS was founded in 1989.

(OTS PR, 11/19/03; SNL Bank & Thrift Weekly, 11/24/03)

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](mailto: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](http://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](http://www.bos.frb.org/bankinfo/struct/index.htm).