

Federal Reserve Bank of Boston
BANK NOTES

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Sovereign Bancorp Sells Stake to Santander, Acquires Independence Community Bank

On October 24, Sovereign Bancorp, Wyomissing, PA, announced its agreement to sell a 19.8 percent stake in the company to Banco Santander Central Hispano SA, Madrid, Spain, for \$2.4 billion. Sovereign Bancorp also announced it had reached a definitive agreement to acquire Independence Community Bank Corp., Brooklyn, NY, in a cash deal valued at approximately \$3.6 billion.

Sovereign and Santander will have the right to negotiate the sale of 100 percent of Sovereign after two years.

Jay Sidhu, Sovereign Bancorp's chair-man, president, and CEO, said, "We are very pleased to welcome Santander as a major shareholder and look forward to a long and very profitable relationship....Santander's global strength and Sovereign's local expertise in the northeast United States are what make this partnership so valuable."

Upon completion of the Independence deal, Sovereign will rank ninth in deposits in the metro New York market and be among the top ten banks in the Northeast and the top 20 banks in the country. The combined company will also have over \$80 billion in assets.

"The acquisition of Independence," Sidhu continued, "is a logical next step, as it allows us to enter the last large market within our northeastern footprint where we did not previously have a presence."

According to Alan Fishman, president and CEO of Independence, "Sovereign is an outstanding partner for our employees, customers, and communities. They share our vision of unmatched customer service. With Sovereign and Santander's support, this partnership will provide greater resources to expand our presence in our key markets and enhance our growth and profitability using our proven successful business model."

The acquisition of Independence is subject to the approval of Independence's shareholders. Both transactions are also subject to approval by various regulatory authorities and are expected to close in the third quarter of 2006.

As of June 30, 2005, Sovereign Bancorp ranked fourth in New England, with a 5.2 percent share of deposits among commercial bank and thrift institutions. (SNL Bank & Thrift Daily 10/25/05; Sovereign PR 10/24/05)

Bank of America and MBNA Corp. Receive Shareholder Approval

Stockholders of MBNA Corp., Wilmington, DE, approved the company's acquisition by Bank of America, Charlotte, NC, on November 3, 2005.

The deal was originally announced in June 2005 and is expected to close in January. (SNL Bank & Thrift Daily 11/4/05)

Legacy Bancorp Inc. Receives Regulatory Approval

On October 24, Legacy Bancorp Inc. received regulatory approval to complete the conversion of Legacy Bank's mutual holding company structure to stock form and to complete its stock offering.

(SNL Bank & Thrift Daily 10/25/05)

Bank Title Change

On October 3, Fall River Five Cents Savings Bank, Fall River, MA, changed its title to BankFive.

(Internal Notice 11/9/05)

Branch Openings

On September 12, 2005, Rockville Bank, Rockville, CT, opened its branch located at 1671 Boston Turnpike, Meadow-brook Shopping Center, Coventry, CT.

On September 26, Wainwright Bank & Trust Company, Boston, MA, opened a branch located at 1255 Centre Street, Newton, MA.

On October 24, Union Savings Bank, Danbury, CT, opened a branch at 79 Stony Hill Road, Bethel, CT.

People's Bank, Bridgeport, CT, opened two branches in recent months. On October 27, the bank opened a branch located at 100 Main Street North, Southbury, CT. The second, located at 1163 Farmington Avenue, Berlin, CT, was opened on November 3.

On November 1, Savings Bank of Danbury, Danbury, CT, opened a branch located at 59 Newtown Road, Danbury, CT.

Rockland Trust Company, Rockland, MA, opened a branch at 333 Cotuit Road, Sandwich, MA, on November 7.

The Simsbury Bank & Trust Company, Simsbury, CT, opened a branch located at 250 Albany Turnpike, Canton, CT, on November 21, 2005.

Also on November 21, Eastern Bank, Boston, MA, opened a branch at 2 South Avenue, Natick, MA.

(CT DOB 10/28/05, 11/4/05, 11/18/05, 11/21/05; Internal Notice 10/31/05, 11/9/05, 11/22/05)

Branch Relocations

Citizens Bank of New Hampshire, Manchester, NH, relocated its branch from 310 Wilson Street, Manchester, NH, to 365 Lincoln Street, Manchester, NH, on September 29.

On October 24, Centrix Bank & Trust, Bedford, NH, relocated a branch from 100 Market Street, Portsmouth, NH, to 163 Deer Street, Portsmouth, NH.

(Internal Notice 11/7/05)

Branch Closings

On October 24, Citizens Bank of Massachusetts, Boston, MA, closed the following branches: 1065 Commonwealth Avenue, Alston, MA; 7 Medway Road, Milford; 265 Main Street, North Reading; Washington and Pond Streets, Norwell; and 75 Spring Street, West Roxbury.

On November 4, Rockland Trust Company, Rockland, MA, closed its branch located at 95 Route 6A and Tupper Road, Sandwich, MA.

The Provident Bank, Amesbury, MA, closed its branch located at 100 Macy Street, Amesbury, MA, on November 18.

(Internal Notices 11/10/05, 11/22/05)

OTS Reports Thrift Earnings

On November 21, the Office of Thrift Supervision (OTS) said that the thrift industry posted record net income of \$4.04 billion for the third quarter of 2005, up slightly from the second quarter and up 15 percent year over year. The third quarter earnings represent the industry's fourth consecutive quarter of record earnings.

Profitability, as measured by return on average assets, was 1.15 percent in the third quarter, unchanged from the previous year's third quarter, and down three basis points from the second quarter of 2005. Increases in fee income, especially mortgage loan servicing fee income, and lower overhead expense largely offset declines in net interest margin and gains from mortgage banking activities.

The industry's equity capital reached a new record level at the end of the third quarter, although its equity capital ratio declined to 9.19 percent of assets. Over 99 percent of the industry exceeds well-capitalized standards.

Asset quality remained strong, with most loan types showing improvement in delinquencies from last year.

The number of thrifts stood at 866 at the end of the third quarter, with total assets of \$1.43 trillion, up 16.4 percent year over year. Problem thrifts totaled six, down from seven in 2004.

(OTS PR 11/21/05; SNL Bank & Thrift Daily 11/22/05)

FDIC Reports Earnings

On November 22, the Federal Deposit Insurance Corporation (FDIC) said that insured banks and savings institutions reported net income of \$34.6 billion for the third quarter of 2005, up 4.2 percent from the second quarter, and 1.4 percent from the first quarter.

The FDIC said the majority of improvement in net income stems from strong growth in noninterest income at larger institutions, especially from trading and servicing activities. Specifically, trading revenues totaled \$4.5 billion, up 84.1 percent from the previous quarter, and servicing income reached \$5 billion, a 74.2 percent increase from the second quarter.

Provisions for loan losses increased to \$8.9 billion in the third quarter, compared with \$6.6 billion in the second quarter, marking the first increase since the third quarter of 2002.

One- to four-family mortgage loans rose by 3.4 percent in the third quarter, and loans for real estate construction and land development increased 7.2 percent. Home equity loans increased by 0.8 percent, in the smallest quarterly increase in more than four years. Commercial and industrial loans grew by \$7.5 billion, or 0.7 percent.

(SNL Bank & Thrift Daily 11/23/05)

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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