

## THE WHEELS KEEP TURNING

by [Steve Brown](#)

We have always enjoyed the simple precision of the water wheel. It catches water from the top and releases it once the wheel rotates to the bottom. In so doing, water wheels make maximum use of the energy contained in the falling water (plus they are cool to watch). Over the years, M&A activity in the banking industry has been much like the water wheel - consistent, continual and even soothing at times to watch.

We looked back at bank mergers and found ourselves reminiscing about banks whose names have disappeared over the years - such as Hanover, Seafirst, Crocker, Bank of New England, Sovran, First Boston, Irving Bank, Continental Illinois, LaSalle, Compass, AmSouth, SouthTrust, MBNA, Bank One, FleetBoston and many, many others.

In an unscientific study, we found that many acquisitive banks took on the name of a bank they acquired. Consider Norwest, which bought Wells Fargo in 1998 and then changed its name to Wells Fargo. In similar fashion, First Union bought Wachovia in 2001 and then assumed its name. Finally, in 1998 NationsBank bought Bank of America and changed its name.

Speaking of First Union, they were also one of the most prolific acquirers (with nearly 90 acquisitions under their belt). The bank got rolling in earnest on the M&A front back in 1987 and hasn't looked back since. Back then, First Union bought Atlantic National Bank of Florida, before going on a buying spree that has included Florida National Bank (1990), Dominion (1993), First American (1993), First Fidelity (1996), Center Financial (1996), Signet (1997) and CoreStates (1998). In all, First Union made some 80 bank acquisitions throughout its history, before buying Wachovia in 2001 and assuming its name. Since then, the bank has continued to move ahead, acquiring SouthTrust (2004), WFS Financial (2006) and World Savings (2006). In addition, Wachovia has branched out into the broker-dealer scene, with acquisitions of Prudential Securities (2003) and A.G. Edwards (2007). Ranked #4 in assets currently, Wachovia has shown it is not afraid to move aggressively when it comes to acquisitions.

Another interesting story is that of NationsBank. In 1986, Security Pacific bought The Arizona Bank and one year later it acquired Rainier. That was followed by Hibernia in 1988 and Nevada National in 1989, before the bank fell on rough times and was swallowed up by Bank of America in 1992. Bank of America, meanwhile, had already acquired Seattle First (1983) and brokerage firm Charles Schwab (which it subsequently sold). That was followed by Continental Illinois (1994). While Bank of America was focusing its energies on the west coast, NCNB had been in acquisition mode primarily on the east coast. NCNB bought First Republic (1988) and C&S/Sovran (1991) before changing its name to NationsBank in 1991. After the name change, NationsBank bought up Maryland National and American Security (1993), then it moved on to Boatman's (1996), Barnett (1997), and eventually Bank of America in 1998.

While these are but a few reminiscences of times gone by, it is interesting to remember the bank names that have come before us all. While no one knows what the coming years will bring or who will be acquired, one thing is for certain - the wheels of banking industry M&A will continue to turn.

## BANK NEWS

### **5th 3rd**

The bank received a shareholder proposal that it should put itself up for sale due to poor earnings and the lack of confidence in management. Management issued a recommendation against the proposal. The shareholders will attempt to bring it to a vote at the next meeting, April 15th.

### **Variable Rate Demand Notes**

This short-term money market instrument is the latest casualty in the credit crunch, as liquidity is now next to non-existent. Banks sometimes used these instruments to garner a 5bp to 25bp spread to Fed Funds.

### **CRE**

Sales of commercial properties plunged 80% in January (compared to 2007), the lowest level in 4Ys.

### **529 Accounts**

Despite the drop in the economy, the opening of college savings accounts are holding steady. According to the College Savings Plan Network, a trade association, 10.5mm 529 accounts were in existence at the end of 2007 (containing some \$130B). This is up 23% over 2006. Balances are predicted to be up 18% in 2008, as only 50% of households have considered or are using plans right now.

### **FX Online**

Wells Fargo introduced its new foreign exchange platform aimed at allowing small businesses to send and receive more than 90 different foreign currency wires 24/7.

### **Umpqua**

In an effort to get more granular in its management, Umpqua announced a reorganization of its retail division whereby it broke operations down into 6 "super regions" appointing regional managers to each.

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