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SLADES FERRY BANCORP
Form 10-K
March 30, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
--- EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Commission file number 000-23904

SLADE'S FERRY BANCORP.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

04-3061936

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification Number)

100 Slade's Ferry Avenue
Somerset, Massachusetts

02726

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (508) 675-2121

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock,
\$.01 par value

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months and (2) has been subject to such
filing requirements for the past 90 days.

Yes X

No

Check if there is no disclosure of delinquent filers in response to Item 405
of Regulation S-K contained in this form, and no disclosure will be
contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form
10-K or any amendment to this form 10-K. []

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Exchange Act Rule 12b-2).

Yes

No X

The aggregate market value of the voting stock of Slade's Ferry Bancorp.
held by nonaffiliates of the registrant as of June 30, 2003 was \$50,051,961,
based on the last reported sale price on the Nasdaq Small Cap Market system
on that date.

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As of March 19, 2004, there were 4,024,216 shares of Slade's Ferry Bancorp. Common Stock, \$.01 par value outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's Proxy Statement for its Annual Meeting of Stockholders scheduled to be held May 10, 2004, which is to be filed with the Securities Exchange Commission, is incorporated by reference into Part III.

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PART I

ITEM 1

BUSINESS

Description of Business

Business of Slade's Ferry Bancorp. and Slade's Ferry Trust Company

Slade's Ferry Bancorp. (the "Company") is a business corporation that was organized under the laws of the Commonwealth of Massachusetts on June 13, 1989 as Weetamoe Bancorp. The name Weetamoe Bancorp. was changed to

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Slade's Ferry Bancorp. effective January 1, 1997. The office of Slade's Ferry Bancorp. is located at 100 Slade's Ferry Avenue, Somerset, Massachusetts, 02726, and its telephone number is (508) 675-2121.

The Company was organized for the purpose of becoming the holding company of Slade's Ferry Trust Company (the "Bank"). The Bank is a wholly-owned subsidiary of Slade's Ferry Bancorp.

On September 30, 1959, the Slade's Ferry Trust Company opened for business as a state chartered trust company incorporated under the laws of the Commonwealth of Massachusetts and as a member of the Federal Deposit Insurance Corporation (FDIC). The founders were a group of individuals from Somerset, Swansea, Fall River and Seekonk, Massachusetts who recognized the need for a local bank committed to personalized services.

Over the past three years, assets of the Bank have increased by \$44.7 Million. At December 31, 2003 assets were \$439.4 Million, deposits were \$333.1 Million, and stockholders' equity was \$42.7 Million. The Bank currently has eleven banking facilities extending east from Seekonk, Massachusetts to Fairhaven, Massachusetts. The Bank also provides limited banking services at the Somerset High School. In addition, the Bank, in 1999, received regulatory approval to establish a loan production office in Rhode Island. The office is named the Slade's Ferry Loan Company and is a subsidiary of Slade's Ferry Trust Company. The purpose for the loan production office is to solicit commercial and consumer borrowers in the Rhode Island area. The office is prohibited from accepting deposits and payments.

In June 1999, the Bank established a Real Estate Investment Trust (REIT) as a subsidiary of Slade's Ferry Trust Company. The REIT, named the Slade's Ferry Preferred Capital Corporation, provided the means for the Bank to invest into the REIT certain designated, bank-owned real estate mortgage loans. The income derived on these loans was taxed at a reduced state tax rate. Following a change in law that terminated the preferential tax treatment, on December 8, 2003, the Bank, acting in its capacity as sole common stockholder of Slade's Ferry Preferred Capital Corporation, authorized the liquidation and dissolution of Slade's Ferry Preferred Capital Corporation, and adopted the Plan of Liquidation and Dissolution. Slade's Ferry Preferred Capital Corporation was subsequently liquidated and dissolved as of December 16, 2003.

The Bank currently services numerous communities in Southeastern Massachusetts and contiguous areas of Rhode Island through its eleven facilities in Fall River, Somerset, Swansea, Seekonk, New Bedford and Fairhaven, and its loan production office in Warwick, Rhode Island.

The Bank's major customer base consists of almost 27,100 personal savings, checking and money market accounts, and 8,620 personal certificates of deposit and individual retirement accounts. Its commercial base consists of over 2,530 checking, money market, corporate, and certificate of deposit accounts.

The Bank does not have any major target accounts, nor does it derive a material portion of its deposits from any single depositor. It is a retail bank that services the needs of the local communities, and its loans are not concentrated within any single industry or group of related industries that would have any possible adverse effect on the business of the Bank.

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The Bank's business is not seasonal and its loan demand is well diversified. As of December 31, 2003, commitments under standby letters of credit aggregate approximately \$113,900.

Competition

The primary business of Slade's Ferry Bancorp. is the ongoing business of the Bank. The competitive conditions facing Slade's Ferry Bancorp. are the same as those faced by the Bank. The Company competes with other holding companies engaged in bank-related activities.

The banking business in the market area served by the Bank is highly competitive. The Bank actively competes with other banks, financial institutions, and credit unions, including major banks and bank holding companies which have numerous offices and affiliates operating over wide geographic areas. The Bank competes for deposits, loans, and other business with these institutions. Many of the major commercial banks, or other affiliates in the service areas of the Bank, offer services such as international banking, internet banking, and trust services which are not currently offered directly by the Bank.

Personnel

As of December 31, 2003, the Company employed three full-time employees and the Bank had 157 full-time equivalent employees.

Services

The Bank engages in a broad range of banking services and its principal business is gathering deposits from customers within its market area, and investing these funds in commercial and residential real estate loans, commercial loans, construction loans, home equity and other consumer loans. In addition, a portion of the funds is used in purchasing investment securities. The investment portfolio of the Bank consists of U. S. Government and agency securities, mortgage-backed securities, obligations of state and political subdivisions, corporate bonds, and a small portion of marketable equity securities. The Bank provides a variety of deposit products to both individual and business customers, including demand deposit checking accounts, NOW accounts, money market deposit accounts, savings accounts, Individual Retirement accounts, and various term certificates of deposit.

The Bank's deposits are insured by Federal Deposit Insurance Corporation (FDIC) up to the maximum of \$100,000. In addition to loan and deposit products, the Bank provides other services such as offering money orders, travelers checks, safe deposit rentals, access to automated teller machines, and debit and charge cards. The Bank is a member of the Federal Home Loan of Boston which serves as a source of liquidity to fund lending and investment activities.

The service area of the Bank is approximately 300 square miles, including the southern geographic area of Bristol County, Massachusetts and extends over to the towns of Tiverton, Warren, Bristol and Barrington in the state of Rhode Island.

The following supplementary information should be read in conjunction with the related financial statements and notes thereto, which are a part of this report.

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I. DISTRIBUTION OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL

The following table sets forth the Company's average assets, liabilities, and stockholders' equity, interest income earned and interest paid, average rates earned and paid, net interest spread and the net interest margin for the periods ending December 31, 2003, December 31, 2002, and December 31, 2001. Averages are daily averages.

(Dollars In Thousands)	2003			2002		
	Average Balance	Interest (1) Inc/Exp	Avg. Int. Rate	Average Balance	Interest (1) Inc/Exp	Avg. Int. Rate
ASSETS:						
Loans (2)						
Commercial	\$ 32,044	\$ 1,739	5.43%	\$ 40,088	\$ 2,337	5.83%
Commercial Real Estate	172,299	10,955	6.36	157,900	10,947	6.93
Residential Real Estate	85,648	4,604	5.37	48,069	3,446	7.17
Consumer	5,043	305	6.04	8,447	547	6.48
Total Loans	295,034	17,603	5.97	254,504	17,277	6.79
Federal Funds Sold & FHLB						
Overnight Deposit	15,720	148	0.94	24,033	348	1.45
U.S. Treas/Govt Agencies	53,807	2,195	4.08	70,385	3,688	5.24
State & Political						
Subdivision Obligations	12,659	895	7.07	14,044	799	5.69
Mutual Funds	81	5	6.17	117	7	5.98
Marketable Equity						
Securities	3,031	94	3.10	4,087	106	2.59
Other Investments	1,714	60	3.50	1,182	33	2.79
Total Interest Earning Assets	382,046	21,000	5.50	368,352	22,258	6.04
Allowance for Loan Losses	(4,607)			(5,462)		
Unearned Income	(388)			(347)		
Cash and Due From Banks	17,091			15,250		
Other Assets	22,293			22,760		
Total Assets	\$416,435			\$400,553		
LIABILITIES & STOCKHOLDERS' EQUITY:						
Deposits						
Savings	\$ 67,487	349	0.52%	\$ 62,078	570	0.92%
NOW Accounts	42,908	222	0.52	42,259	348	0.82
Money Market Accounts	19,838	235	1.18	9,250	24	0.26
CD's > \$100M	27,735	640	2.31	32,384	1,117	3.45
Other Time Deposits	113,204	3,059	2.70	124,974	4,644	3.72
FHLB Advances & Other						
Borrowings	28,824	1,568	5.44	18,553	1,225	6.60

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Total Interest-bearing Liabilities	299,996	6,073	2.02	289,498	7,928	2.74
	-----			-----		
Demand Deposits	72,602			69,787		
Other Liabilities	1,947			1,466		
	-----			-----		
Total Liabilities	374,545			360,751		
	-----			-----		
Common Stock	40			39		
Paid-in Capital	28,205			27,343		
Retained Earnings	13,711			12,684		
Accumulated Other Comprehensive Loss	(66)			(264)		
	-----			-----		
Total Stockholders' Equity	41,890			39,802		
	-----			-----		
Total Liabilities & Stockholders' Equity	\$416,435			\$400,553		
	=====			=====		
Net Interest Income		\$14,927			\$14,330	
		=====			=====	
Net Interest Spread			3.48%			3.30%
			=====			=====
Net Interest Margin			3.91%			3.89%
			=====			=====