MAINE DEPARTMENT OF
Professional
& Financial
Regulation

THE STATUS OF MAINE'S FINANCIAL INSTITUTIONS

A REPORT PREPARED BY THE
MAINE BUREAU OF BANKING

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INTRODUCTION

By virtually every measure, the economy in the United States has proven to be more resilient than many anticipated. The U.S. economy has been in an expansionary mode since 1991, the length and robustness is unprecedented since World War II. Globalization and the technology of the information age are only two of the factors behind this. The economy has closed out this decade in impressive shape. Growth continues to speed along, inflation remains remarkably low, jobs are plentiful and new technologies offer the promise of continuing strong productivity growth. Economic growth in 1999 was close to 4%, which is eye-catching in the eighth year of an economic expansion and it was the fourth consecutive year that annual growth approximated 4%. In 1998, the Consumer Price Index rose only 1.6% and it is expected to rise 2.6% in 1999. Consumer-price inflation is near its thirty year low, despite surging household demand. The national unemployment rate has fallen to barely 4%. Yet, there are no obvious signs of inflation, as low commodity prices and a strong dollar, among others, have combined to keep inflation in check.

There is reason, though, to keep this euphoria in perspective. Consumer spending is the principal source of economic growth. America's vigorous consumer spending, which has increased by an average 5% in 1998 and 1999, has been fuelled by a dramatic fall in personal savings. Consumer spending has accounted for three-quarters of the economic growth in 1998 and is forecast to have contributed to more than 90% of economic growth in 1999. In 1993 households saved approximately 7% of their disposable income; by 1999 that figure was barely above 2%. If this trend were to continue, Americans would be outspending than their disposable income. Household liabilities now exceed household income. Experts predict that personal bankruptcy filings will have risen 8% to 15% in 1999. A goodly portion of the consumer's sense of greater well-being can be attributed to the surge in stock market prices; a surge many predict is not sustainable. Should the stock market suffer a serious, longer-term reversal, consumer lenders, including banks, would likely face greater default rates and credit losses.

As with the rest of the nation, the Maine economy continues to perform well. 1999 has been quite different from 1998 in one specific regard. In 1998 the Federal

Reserve Bank reduced interest rates three times. This year the Federal Reserve Bank increased interest rates three times. Through the first three-quarters of 1999, however, most Maine economic indicators were only slightly less than last year's impressive performance. Personal income grew by 4.6% and payroll employment increased by 2.6% in 1999.

Barring the onset of a lengthy economic downturn, personal income growth in Maine in the coming year should remain at, or near, current levels. Much of Maine's economic growth is attributable to the southern one-third of the State. As the manufacturing jobs in the northern part of the State become fewer, the service–related industries flourish in the southern part of the State. According to the State Planning Office: "Fifty years ago, one out of every two jobs in Maine was in the manufacturing sector. That figure has now fallen to 15% and we are projecting further decline over the next decade. While it would be misleading to say that every manufacturing job is good and every non-manufacturing job is bad, it can certainly be said that this movement away from manufacturing (as a provider of jobs) has very different implications for certain geographic areas and for certain segments of the population".[1] These economic disparities within the State also have a substantial impact on the degree of prosperity at individual financial institutions, particularly since the income gap that divides south from north has broadened.

Maine banks remain the predominant holder of financial assets in Maine. Due to increased activity from the thrifts and the credit unions, their share of deposits and loans has been steadily declining. To counter slow deposit growth, banks have increasingly relied on more costly borrowed funds, which has constrained overall performance growth. Despite this reduction in market share, in 1998 Maine banks displayed solid performance, based on key capital, earnings and asset quality indicators. All of the Maine banks were profitable. However, while profitability and return on assets are declining in some of the banks, earnings are still strong. Strong competition for loans, both locally and nationally, will most likely engender further reduction in the earnings of Maine banks. Nationally, there has been a contraction in the net interest margins that banks have been able to achieve. Although Maine banks do not differ from this trend,.

[1] "Issues Facing the Maine Economy," Laurie LaChance, State Economist published Fall, 1998

they tend to maintain more healthy net interest margins than their national counterparts. While there are some signs that credit quality may have peaked, credit quality indicators remain strong at this time.

The year ending June 30, 1999, was a strong period in terms of commercial loan growth for Maine banks. Commercial loans continue to increase faster than total loans. The role of banks as primary providers of commercial credit, however, is increasingly declining due to stiff competition from non-banks such as commercial finance firms and mortgage companies. In addition to non-bank competition, out-of-state banks are becoming more aggressive as credit scoring and Internet products/services are revolutionizing small business lending. Twenty-four hour access and innovative services are supplanting bricks and mortar and the resident loan officer in significance. Despite these developments, the share of commercial loans held by out-of-state-owned banks continues to decline. Maine banks have witnessed a shift in the loan mix from the more conservative real estate loan to the commercial and consumer loan. Most of the increase in non-performing loans in the first six months of 1999 has been in the commercial sector, while consumer non-performing loans fell to their lowest level in the past seven quarters.

Within Maine there are eleven thrift institutions which are in sound financial shape and growing. These institutions is well capitalized, have acceptable loan quality and are profitable. Maine thrifts are increasing non-mortgage lending and non-interest income, reducing its overall overhead and lowering its loan losses.

Credit unions have increased their assets, loans, shares and capital. They have exhibited improving loan quality characteristics and relatively stable earnings performance. Although delinquent loans have increased at credit unions, they fell as a percentage of total outstanding loans and, overall, net loan losses have decreased. In 1996 there were ninety-four state and federally chartered credit unions. In 1999 they number eighty-eight, with a concomitant increase in asset size.

On November 12, 1999, President Clinton signed the Financial Modernization Act. This Act, also known as Gramm-Leach-Bliley Act of 1999 (PL 106-102), repealed portions of the Glass-Steagall Act of 1933, that separated commercial and investment banking. It also eliminated the prohibition on insurance underwriting activities contained within the 1956 Bank Holding Company Act and authorized the creation of financial holding companies that may conduct a broad list of financial activities, including insurance and securities underwriting, merchant banking and real estate development and investment advice. Scrapping Glass-Steagall will have less effect than it would have had a few years ago. Regulators, particularly the Federal Reserve Bank, had gradually stripped the Act of much of its power over the past two decades. The State of Maine also redesigned its laws prior to the Financial Modernization Act. In the Universal Bank Charter law of 1997, Maine allowed financial institutions to purchase, sell and underwrite securities, sell insurance and make limited real estate investments. In addition, this law permitted the waiver of venture capital limitations; financial institutions to be organized as limited liability companies, limited partnerships or limited liability partnerships; and created three new specialty charters. On a national scale there will now be few restrictions on banks and insurers merging. Commercial banks will be allowed to set up buy-out funds and to take equity stakes in companies to which they lend. It will also be easier for an investment bank to purchase a commercial bank and vice versa.

Financial modernization raises concerns about privacy, since it offers companies ample opportunity to amass and share significant amounts of information about their customers. Since new laws allow insurance companies, brokerage houses, banks and credit card companies to merge under a holding company structure, this would enable a "family" of companies to share the personal and financial information they gather regarding their customers. Attorneys from eight federal regulatory agencies have until May 12, 2000 to resolve a myriad of consumer privacy questions, such as what is public vs. nonpublic personal information, and who and what is a customer. In an age in which personal data has become an invaluable marketing resource, there is some trepidation that the new law will give banks and insurance companies an unchecked advantage over their customers. The battle over privacy protections has been created by an increasingly evident tension: how to balance the convenience that new technologies offer consumers and businesses with the threat, through some of those same technologies, of unprecedented intrusions into personal privacy.

A late amendment to the new Act, which permits states to override the bill's existing privacy provisions and enact stricter privacy statutes, has created a somewhat volatile situation. This has led to some states devising ways to trump the federal law and restrict the use of financial information by financial services firms. With state-by-state fights looming over the new privacy laws, five financial industry trade groups have formed a unit to coordinate their defense. The Financial Services Coordinating Council—representing the banking, insurance and securities industries—recently introduced its Privacy Council, which will track privacy bills in the states and provide research and legal advice to local lobbyists. The Council will also try to influence federal regulators while rules implementing consumer privacy protections are being written. The privacy issue can be expected to remain one of the hottest consumer financial topics for some time to come.

For most of this past decade, the American economy has produced significant growth, supplemented by low inflation and an ever-decreasing unemployment rate. The extraordinary growth in the stock market—particularly in technology and telecommunications stocks—has created a sense of wealth among many Americans. The sort of economic growth has also occurred within the State of Maine somewhat unevenly, with citizens in some geographic locales within the state participating considerably less than others. During these heady times, the Bureau of Banking has endeavored to protect the safety net, prevent abuses, guard against systemic risks to financial stability and ensure that each state-chartered financial institution has the necessary internal controls to weather future economic downturns. Often, during lengthy economic upswings, financial institutions underestimate the importance of maintaining and/or enhancing their internal controls, and regulatory authorities must work with senior management to correct any deficiencies. The Bureau will continue to seek ways to improve our regulatory oversight, remaining constantly vigilant to the level and nature of risks within Maine's financial institutions, without impinging on legitimate management prerogatives or imposing excessive burden.

/s/ Howard R. Gray, Jr.
Superintendent

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Economic Conditions

U.S. Economy[2]

Last fall, most economists were predicting a reduction in Gross Domestic Product ("GDP") growth from 4.3% to 2%-2.5% during 1999. It was expected that capital markets volatility and a flat yield curve, in combination with continuing economic weakness in Europe and in Asia and curtailed consumer spending, would reduce economic growth, resulting in a growth recession or economic "soft-landing." The Federal Reserve was sufficiently concerned about capital markets volatility and its potential impact on the economy in wake of Russia's default and the failure and bailout of Long Term Capital Management that the Open Market Committee reduced interest rates three times in the latter part of 1998.

During 1999, the economy has proven more resilient than many anticipated. U.S. GDP has increased 3.9% to date in 1999. Revisions to the data indicate that GDP growth was 5.5% in the third quarter of 1999. It is estimated that GDP growth will be 4.0% for 1999, which is comparable to the 4.3% recorded in 1998. This economic performance is quite remarkable considering the unprecedented length of the current economic expansion. The Dow Jones Industrial Average increased from $9,287 on 12/31/98 to $10,998 on 12/1/99, or an 18.4% increase.

The reasons for continued strong economic growth in the U.S. are several. The transformation into an information-based economy continues to fuel economic growth. It is estimated that spending on computer equipment, software, etc. by households, business, and government has contributed nearly 1% per annum of GDP growth during the late 1990's, or approximately ¼ of GDP growth. The rebounding global economy has contributed significantly to 1999 growth. Merchandise exports increased 4.7% during the 3rd quarter of 1999. Inflation remains relatively favorable, although it is up over the 1.6% inflation rate recorded in 1998. It is anticipated that the inflation rate for

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[2] Data and information on the U.S economy were obtained from several sources, including the Federal Reserve Board, the Dismal Scientist, and Aubrey G. Lanston & Company.

1999 will be approximately 2.6%. The federal budget continues to be in a significant surplus position.

Due to concerns about the sustainability of 4% annual GDP growth with low inflation given very tight labor markets, the Federal Reserve Board has raised its federal funds target rate three times during 1999. The latest increase was November 16th, when the Federal Reserve increased its federal funds target 25 basis points to 5.5%. Besides inflationary pressures that may be accelerating in the labor markets, there are inflationary pressures in other segments of the economy as well. Oil prices have more than doubled since the start of the year, and other commodities are increasing as well. Given these trends and the continuing pace of economic growth, additional interest rate increases by the central bank to slow GDP growth to a more sustainable level are probably more likely than not.

Maine Economy[3]

The Maine economy continues to perform well, although marginally off the robust pace of 1998. The unemployment rate has averaged 4% in 1999 as compared to 4.3% in 1998. Payroll employment has increased 2.6% in 1999 as compared to 2.8% in 1998. Personal income grew 4.6% during the first two quarters of this year as compared to 5.01% in 1998.

As in many markets nationally, many Maine labor markets are experiencing significant labor shortages given the state's economic growth and relatively slow population growth. In early November, the Maine Consensus Economic Forecasting Commission concluded that while employment growth will slow during the next few years, personal income growth should remain at, or near, current levels given the labor market situation. As with the federal government, state government general fund revenues continue to be strong in view of personal income growth and capital gains. It appears that the forecast for general fund revenues will be increased by $125 million or more, a 6% increase from the forecast of May 1999.

Despite Maine's favorable economic performance overall, there remains significant disparity among regions of the state. Population and economic growth

[3] Information regarding the Maine economy was obtained from the Maine State Planning Office.

continue to be focused on the southern one-third of the state, while the northern two-thirds remain stagnant. During the 1990's, Maine's average annual population growth was .1%. However, Franklin, Kennebec, Piscataquis, Penobscot, Androscoggin, and Aroostook Counties all experienced net out-migration of population. Unemployment, essentially nonexistent in Southern Maine, remains high in Aroostook, Somerset, Washington Counties. These Counties have unemployment rates of 7% - 9.3%.

Besides geographic distance, structural factors contribute to the "two-Maine" phenomenon. The northern counties are dependent upon mature or declining manufacturing industries as well as agriculture and fishing. Competition, as well as advances in technology and mechanization, has contributed to a decline in these areas. While there have been some notable economic successes in these areas, such as the development of the former Loring Air Force Base, this structural problem is not conducive to an easy, or quick, solution.

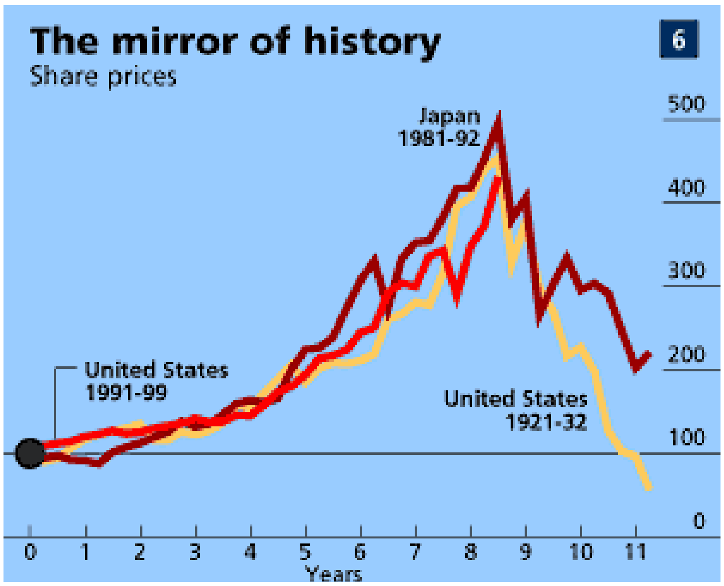
Stock Market Valuation, A Tiptoe Through the Tulips?

There is increasing concern regarding the sustainability of U.S. equity market valuations. After retreating from its July 1999 high of over 11,000 during the late summer and fall, the U.S. equities market rebounded to near its July high (Dow Jones Industrial Average) by the first week of December (1999). The S&P 500 is now trading at over 30 times earnings, as compared to an average of 14 over the past century.

This level of valuation gives some analysts serious concerns over an asset price bubble and the economic consequences of a serious correction, or the bursting of the bubble. Historical parallels are commonly drawn to the Dutch tulip bulb bubble of the 17th century, the South Seas bubble of the 18th century, the U.S. stock market bubble of the 1920's, and the Japanese asset price bubble of the 1980's. The "South Seas" bubble is a popular parallel in that the South Sea Company, which was granted a monopoly in trade with South America, struggled to generate profits. Despite difficulty in generating profits, frantic speculation in the stock occurred, driving the company's stock price to meteoric heights. This may remind some of "dot.com" stocks today. The South Seas bubble burst with investors suffering huge losses, including Sir Isaac Newton himself.

Chart[4] # 1 graphically compares the rise in U.S. equity prices during 1991–1999 to more recent asset price bubbles, Japan 1981-1992 and the U.S. 1921-1932. The chart indicates that the percentage increase in U.S. equity prices from 1991-1999 is comparable to the increase in Japanese equity prices during the 1980's and U.S equity prices during the 1920's. In fact, by every standard method of valuation, Wall Street is more overvalued than it was on the eve of the crashes in 1929 and 1987[5].

Chart # 1



Others argue that current stock market valuations do not represent an asset price bubble, but that low inflation and interest rates combined with the information technology revolution, render traditional approaches to stock market valuation at least incomplete, if not irrelevant. Secondly, even if current stock market valuations are excessive, the consequences of a "correction" need not be significant or catastrophic as with several historical parallels. In the case of both the 1929 U.S. stock crash and Japan's asset price bubble burst of the 1990's, the actions of the Central Banks contributed to the problem, as monetary policy was too restrictive. These actions are contrasted with the approach of the Greenspan-led Federal Reserve after the 1987 stock market crash and the bursting of the real estate price bubble shortly thereafter. In this case, the Federal Reserve loosened monetary policy and provided liquidity to the financial system, mitigating the consequences of these events.

4 Chart taken from "Hubble, bubble, asset-price trouble", The Economist, September 25, 1999.
5 IBID

The Bureau of Banking does not take a position with respect to the valuation of the stock market, but feels compelled to report on an important economic issue. It is interesting, however, to consider that the current market psychology may be driven to some extent by a belief that Chairman Greenspan and the Federal Reserve will act appropriately and successfully to mitigate the economic consequences of overspeculation, if it exists. If true, the implications for the Federal Reserve and for Mr. Greenspan, personally, are enormous.

Consumer Debt

Consumer spending is a principal source of economic growth. There is increasing concern that consumers may be over-stretched, thus threatening continued economic expansion. Over the past few years, increases in consumer debt have funded increases in household consumption, as consumers have been spending well beyond their income gains[6]. Nonresidential, consumer debt is approximately $1.37 trillion as of September 1999 as compared to $1.21 trillion at year-end 1996. Household liabilities now exceed household income. Given these increases in debt, average household debt payments to income has increased to over 13% since 1997, which is comparable to the debt service burden in the late 1980's and early 1990's. This increase in consumer debt and spending, with the concurrent reduction in savings is probably predicated on the increases in household wealth given the rise in stock prices. It is estimated that household equity holdings in the U.S. are approximately 170% of disposable income in 1999, up from 60% in 1990. To the extent that household debt is predicated upon, and supported by, equity valuations, a significant decline in equity prices would have adverse implications for the quality of consumer debt. Consequently, consumer lenders, banks, credit card companies, and other creditors would likely face greater default rates and credit losses. A corresponding decrease in consumer consumption will also have an adverse impact on GDP growth.

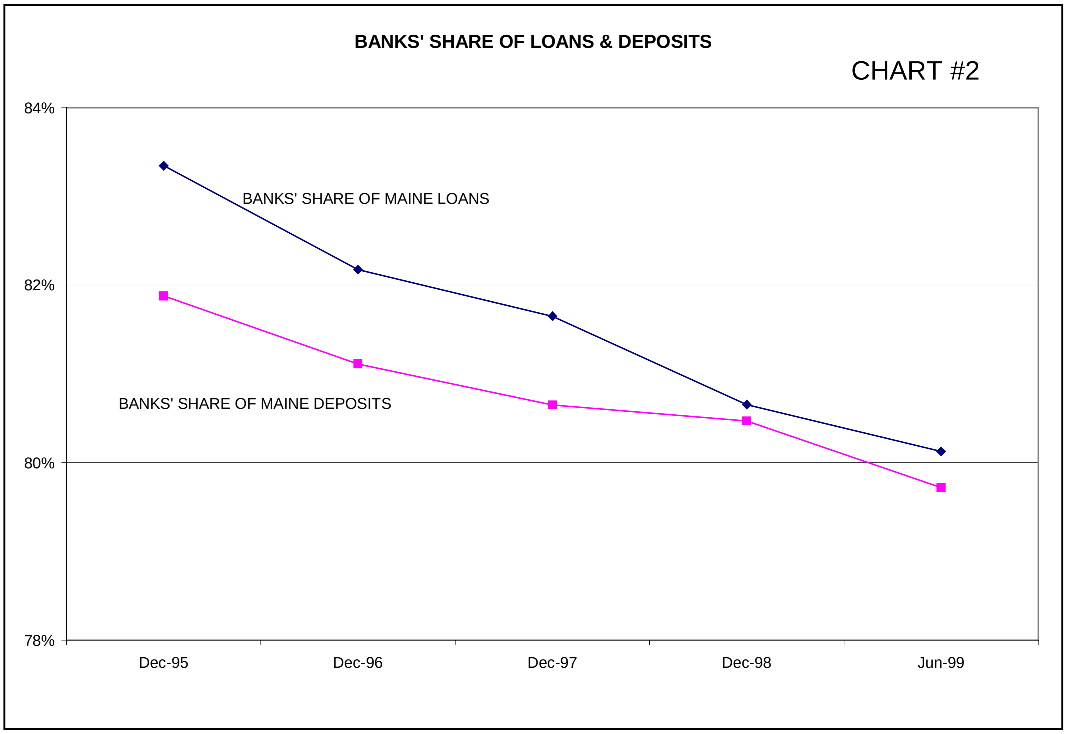
The U.S. economy has been on a remarkable run since the 1990-1991. Its length and robustness is unprecedented since World War II. Interest rates have

[6] "Stretch Marks," Mark M. Zandi, The Dismal Scientist, November 24, 1999.

remained relatively low, as has inflation. Increases in productivity, given the ongoing advances in information technology, have contributed significantly to the nation's economic health and performance during the 1990's. However, some of the forces contributing to this economic performance are beginning to reverse, such as commodity prices and the strength of the U.S. dollar. There are concerns regarding the possibility of excessive speculation in the equities market as well as the level of consumer debt. While skeptical of the "new paradigmers," who believe that rapid growth can be sustained without the risk of inflation or recession, the economy has been remarkably resilient. In other words, as the sportscaster Warner Wolf would say; "If you bet against the U.S. Economy during the 1990's, you lost!!"

Banks[7]

Maine banks remain the predominant holder of financial assets in Maine, holding 80% of all loans and deposits maintained by Maine financial institutions. However, as shown in Chart #2, their share has been steadily declining, due to gains by both thrifts and credit unions.



Maine's banks continue to report solid performance, based on key capital, earnings and asset quality indicators. For the second consecutive year, and fourth in the last five years, all banks were profitable in 1998. After increasing 5% in 1998, earnings for the first half of 1999 were essentially flat when compared with the same period of 1998.[8] Return on assets (ROA), however, has been trending downward as shown in Chart #3. In 1998, two-thirds of Maine's banks reported a lower ROA than in

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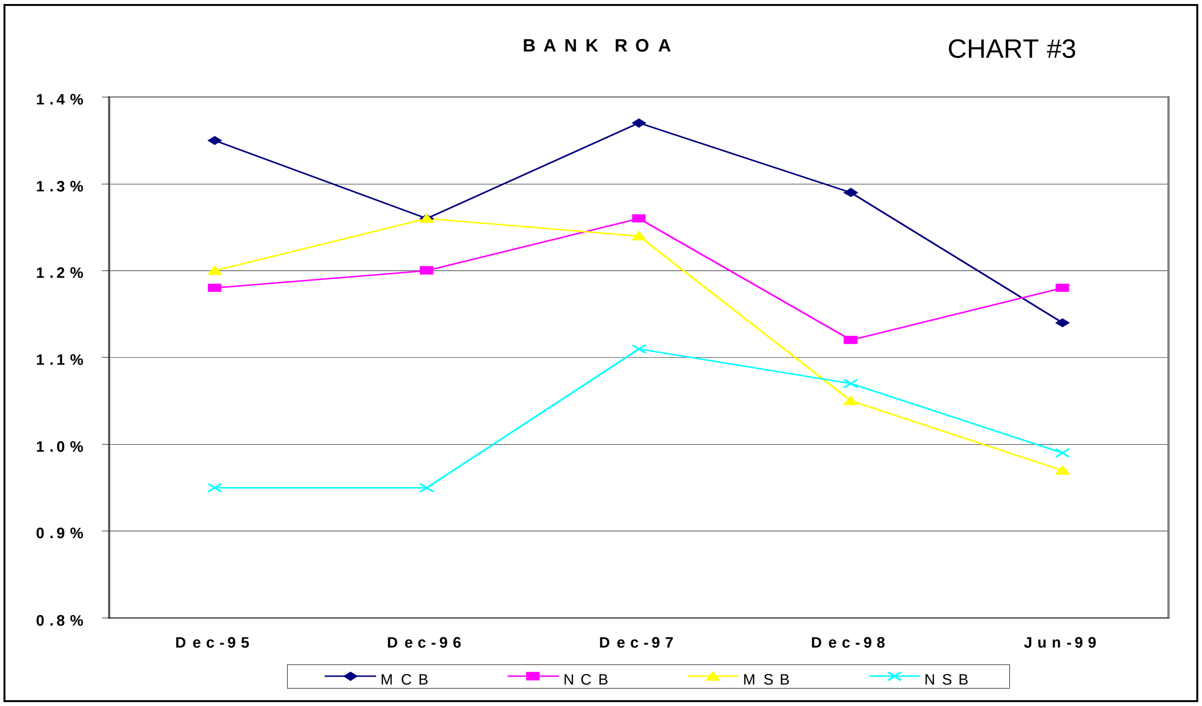
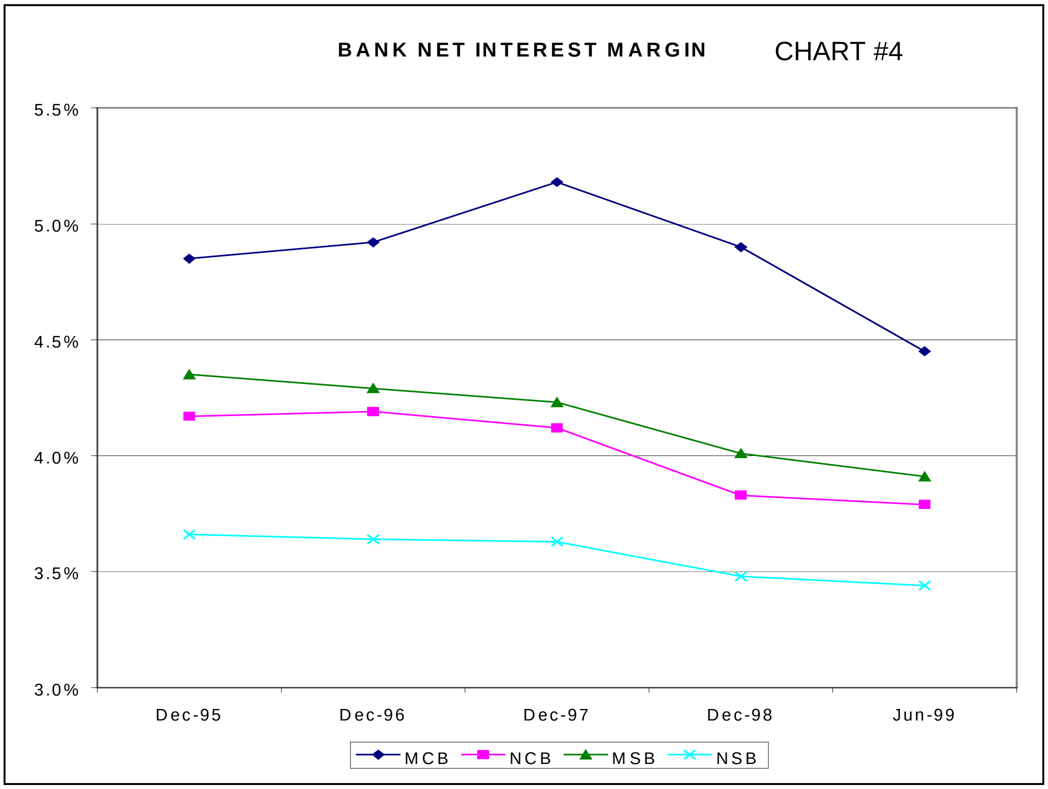
[7] Banks are defined as state-chartered savings banks, state-chartered trust companies and national banks. Collectively, state-chartered trust companies and national banks are referred to as commercial banks. At June 30, 1999, there were 17 state-chartered savings banks and 15 commercial banks for a total of 32 banks.

[8] A $28 million pre-tax gain on the sale of branches by Fleet Bank is excluded from 1998 earnings.

1997, and nearly two-thirds reported a lower ROA at 6/99 than at 6/98. Notwithstanding the prevalence of declining ROA, 20 banks reported a ROA above 1.0% (a benchmark for good earnings) for 1998 and 18 did in June 1999. These trends are consistent with national trends. Thus, while profitability is shrinking, earnings are still strong and the decrease must be put into perspective with the extremely strong earnings of the past few years.

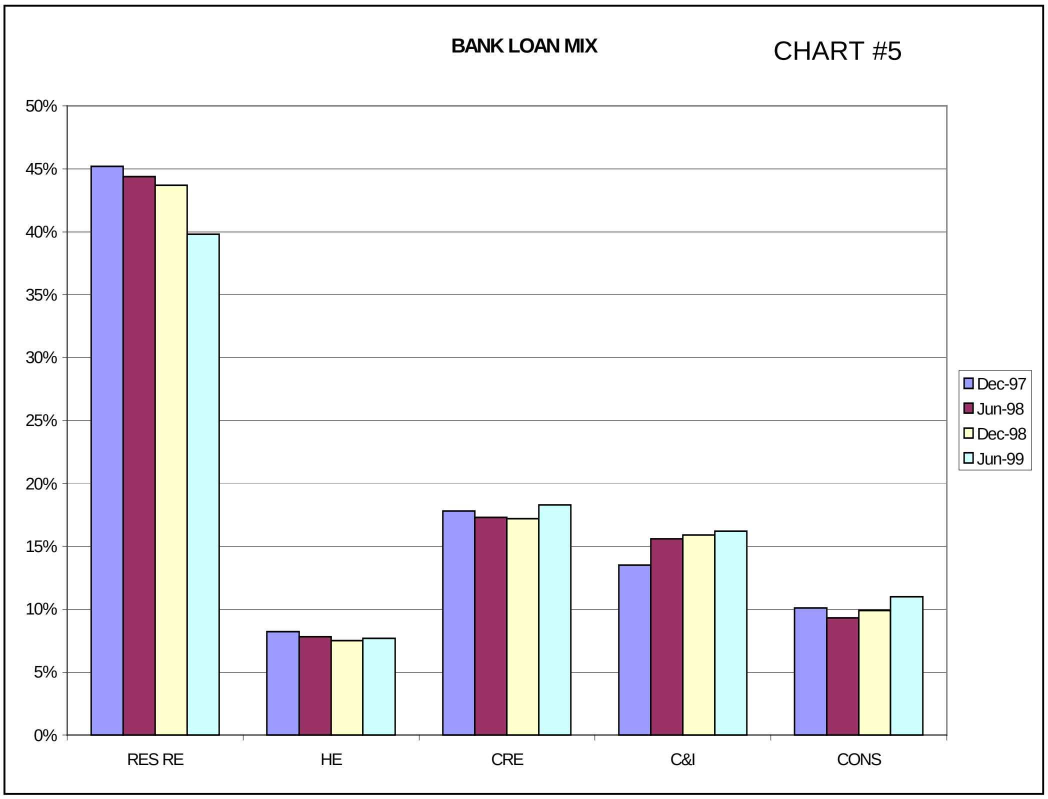


A combination of factors has contributed to the lower earnings performance, but the primary factor has been a contraction of net interest margin ("NIM"), which has been

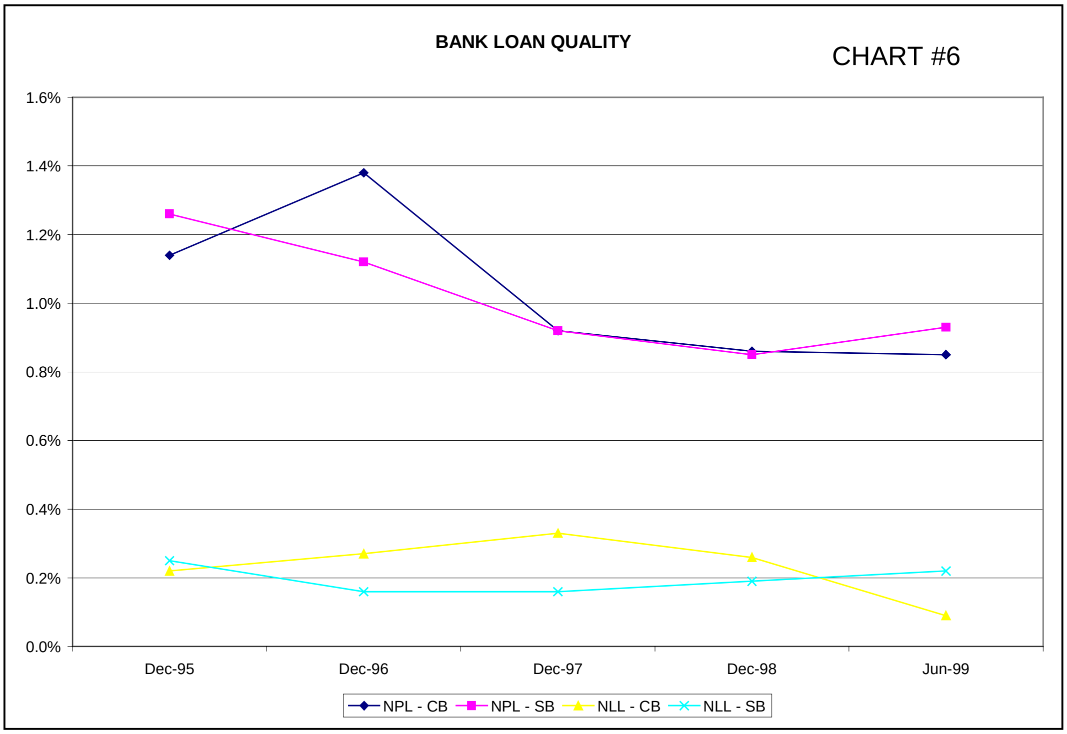


a national phenomenon. Based on recent historical data, competition for loans more than movement in interest rates has driven the compression of the NIM. Maine banks, however, continue to enjoy a healthy NIM versus their national counterparts, as seen in Chart #4. 1998 ROA was also adversely affected by lower non-interest income and higher loan loss provisions, which were only partially offset by lower overhead. In the first half of 1999, the non-interest factors were more stable than in 1998, showing little movement from year-end ratios. Looking forward, further reduction in earnings would not be surprising given the intense competition for loans, which has lead to their underpricing vis-à-vis the associated risk and the interest margin squeeze, and reservations about banks' ability to achieve additional operational efficiencies without compromising appropriate risk controls. It is these conditions that are driving banks to seek increased non-interest income.

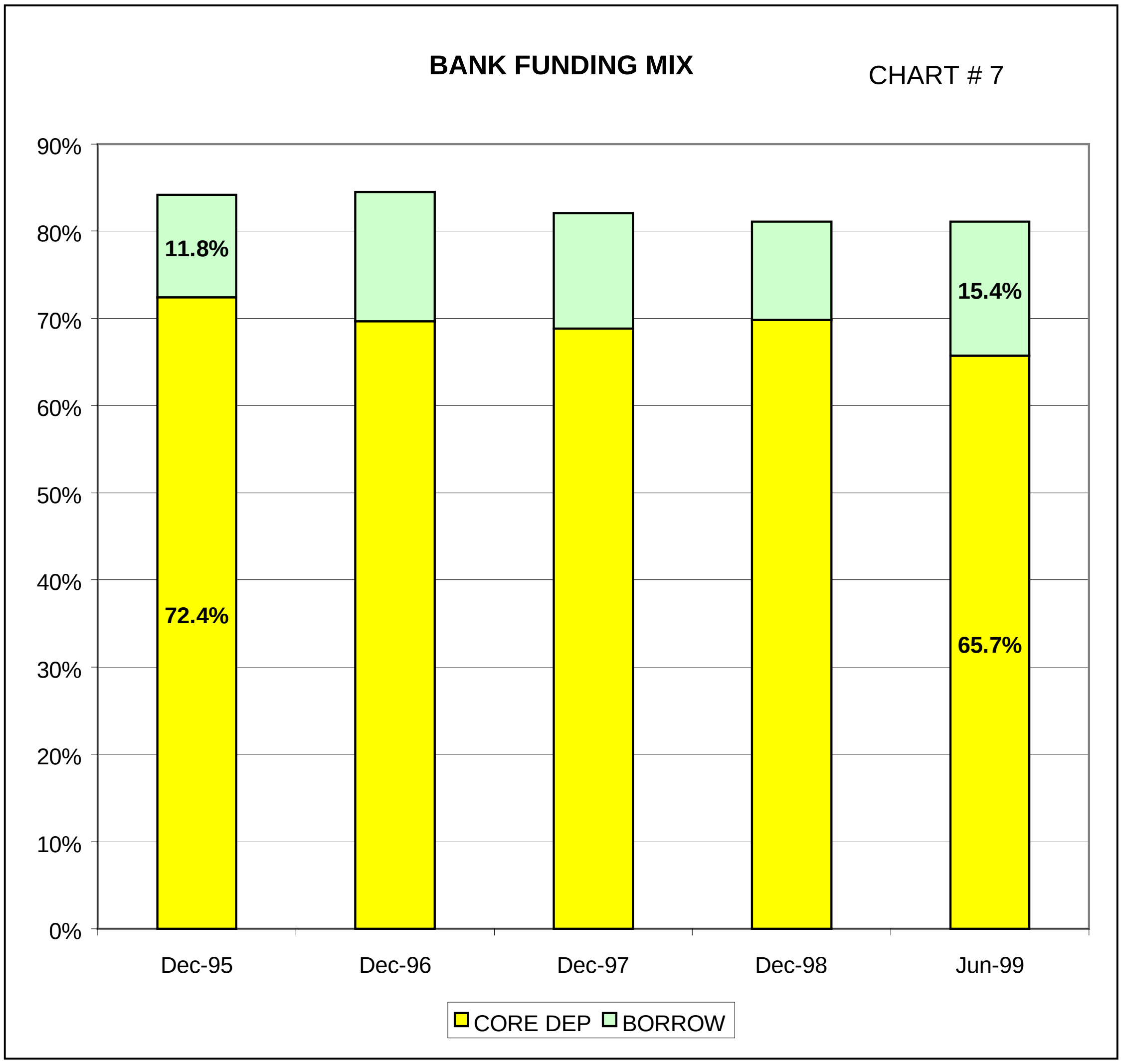
Credit quality indicators remain strong, notwithstanding concerns that increased competition for loans, pressure on interest margin and flat revenue growth will lead banks to take on added credit risk. Chart #5 shows a discernible shift in the loan mix over the past 18 months, away from the more conservative residential real estate towards the innately riskier commercial and consumer loans. Notwithstanding the rise in consumer loans -- suspected to be concentrated in automobile loans and leases -- only three banks have consumer loans accounting for more than 15% of total loans and only four banks have credit card loans accounting for more than 1.0% of total loans (and in each case it is less than 1.5%). It is not known whether this shift is due to a reach for higher income or is simply a reflection of market conditions.



Over the last seven quarters, nonperforming loans ("NPL") have ranged between $85 million and $90 million, or between .89% and .93% of total loans. This level of NPL compares favorably to prior ratios, as does the current ratio of net loan losses ("NLL"). See Chart #6. Providing further comfort is the strengthened allowance for loan and lease losses ("ALLL"). At June 30, 1999, the ALLL was 161% of NPL versus 149% at year-end 1995. There are, however, some signs that credit quality may have peaked. For example, the 4.2% rise in NPL in the second quarter was the largest increase since the first quarter of 1998. Most of the increase was in commercial loans, where NPL increased for the fifth consecutive quarter by jumping from 1.14% to 1.48%. All the news is not bad, however, as consumer NPL fell to its lowest level in the past seven quarters, .9% in 6/99 from a high of 1.5% at year-end 1998. The Bureau is watching these developments closely to determine whether they are one-time spikes or a precursor to increased credit risk.

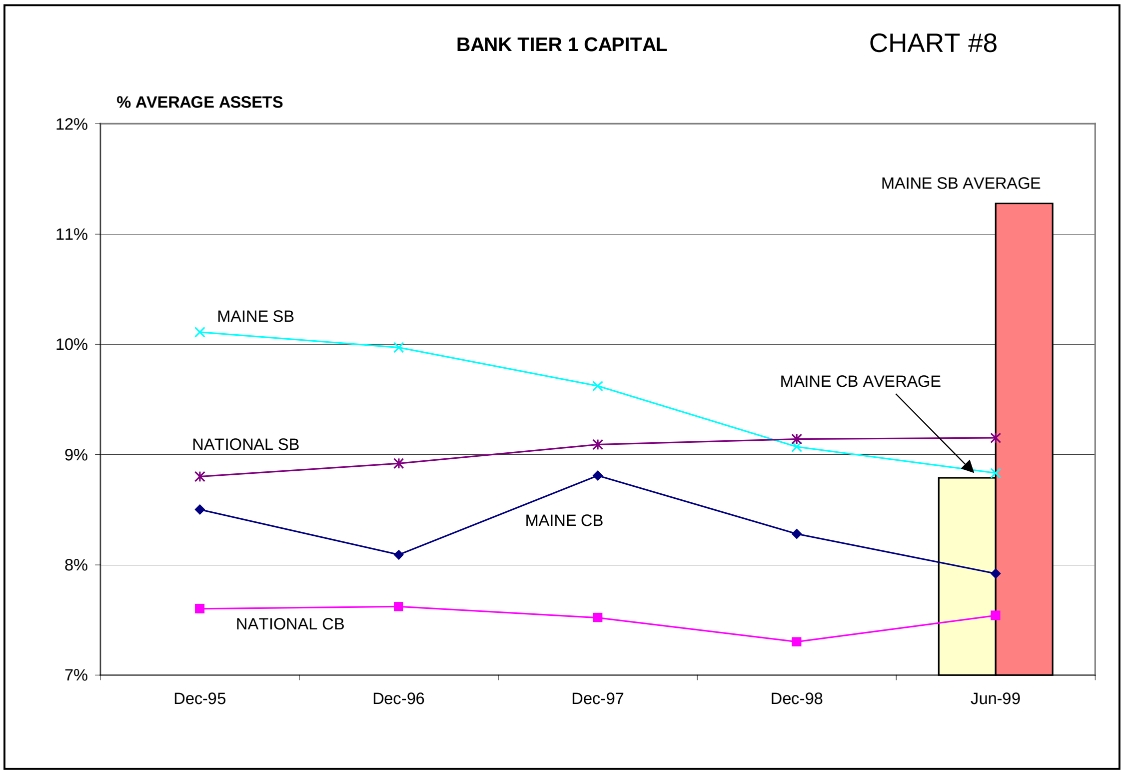


Funding continues to constrain growth, although the aggregate loan-to-deposit ratio fell from a very high 95% at year-end 1997 to 90% at June 1999 due to strong deposit growth of 8% in 1998. To counter the slow deposit growth, banks have increasingly turned to borrowings, as shown in Chart #7. The deposit mix has stayed relatively constant, with a slight shift out of certificates of deposit and NOW accounts into money market accounts. Somewhat surprisingly, 15% of core deposits continue to be held in savings accounts.



An increased dividend payout ratio, acquisitions and resultant intangibles that are deducted from regulatory capital, strong asset growth, lower earnings and decreased unrealized securities gains contributed to the 1998 and year-to-date 1999 decline in capital ratios. Chart #8 compares capital ratios for Maine banks to banks nationally. The data is based on a weighted average that relies on aggregate dollar amounts.

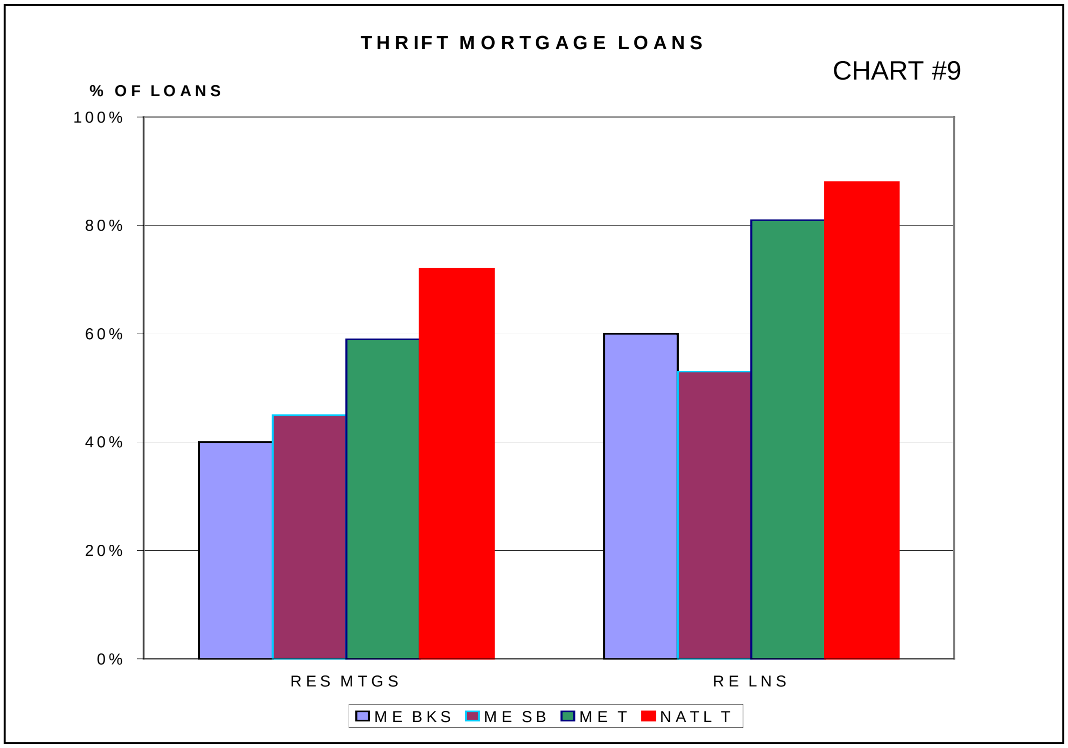
Because of the greater weighting of the larger banks, which have lower capital ratios than the smaller banks, it understates capital strength for individual banks and



overstates the rate of decline. If Fleet Bank of Maine and Peoples Heritage Bank were excluded, the June 1999 weighted capital ratio for commercial banks would rise to 9.0% and, for savings banks, to 11.0%. Also, measuring capital strength based on the capital ratio of each individual bank, the average capital ratio for commercial banks increases to 8.79% and, for savings banks, to 11.28%. (This is shown in Chart 8 as the bars.) Each of Maine's banks is considered "well-capitalized," the highest category of capital measurement utilized by federal bank regulators. In fact, 13 banks have capital at least double the minimum required to be classified as "well-capitalized."

***Thrifts*[9]**

The State's thrift industry, albeit small, is in sound condition and continues to



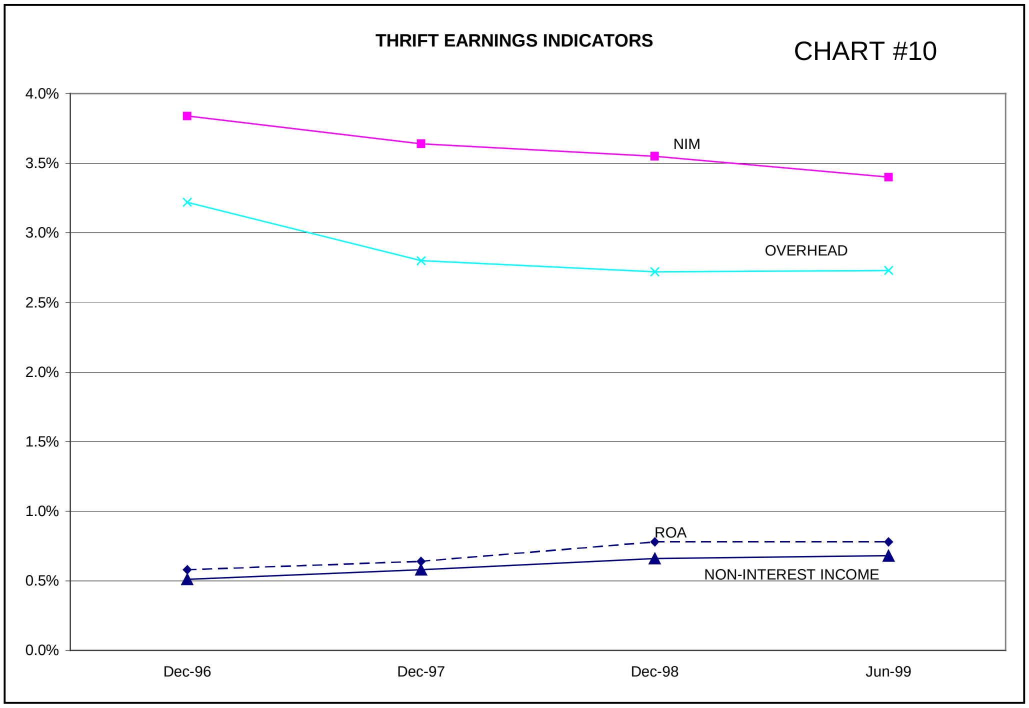
grow. Each of Maine's thrifts is well-capitalized as defined by federal bank regulatory agencies, profitable, and has acceptable loan quality. As of June 30, 1999, the eleven thrifts had 6% of deposits and 7% of loans held by Maine financial institutions. Their share has been steadily inching upward. Maine's thrifts have stayed close to their roots, which is making residential mortgage loans, but they are accelerating their non-mortgage lending. Chart #9 compares the degree of residential mortgage loans and all secured real estate loans to total loans for Maine thrifts, Maine commercial banks, Maine savings banks, and thrifts nationwide.

This emphasis on mortgage lending is a leading cause for their relatively low NIM and ROA, compared to banks. The NIM, while declining, has dropped less than that of banks. The move to higher yielding consumer and commercial lending has helped to stabilize the NIM. The thrifts have also increased non-interest income and reduced

[9] Thrifts are defined as state-chartered savings and loan associations, federal savings banks and federal savings and loan associations.

overhead to counter the lower NIM and to improve ROA. Chart #10 shows the trend in these various earnings indicators over the past three and-a-half years.

While the more conservative loan mix of the thrifts has constrained NIM, it has been a positive factor in their historically lower loan losses, as well as in their lower overhead. As the thrifts move towards increased consumer and commercial lending, it



is essential that they have appropriate internal monitoring and control functions in place. This is especially critical at this point in the economic cycle where current favorable conditions may obscure underlying weaknesses.

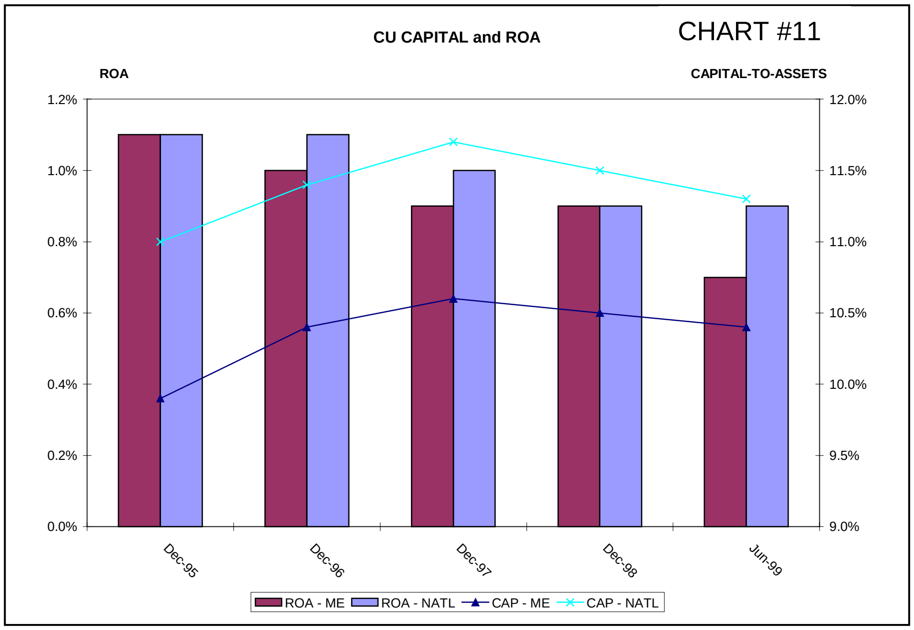
Credit Unions

Maine's state and federally chartered credit unions continue to experience success, as evidenced by strong growth in assets, shares and capital, improving loan quality indicators, and relatively stable earnings performance. Specific highlights include:

- ❖ Assets increased $213 million, or 8.8%;
- ❖ Loans increased $132 million, 7.6%, or nearly two-thirds of the asset increase;
- ❖ Shares increased $173 million, 8.0%;
- ❖ Capital increased $19 million, 7.8%, but because the rate of increase was slightly lower than that for assets, the capital-to-asset ratio fell modestly, from 10.5% to 10.4%;
- ❖ Delinquent loans increased $.2 million, 1.1%, but fell to 1.0% of outstanding loans;
- ❖ Net loan losses decreased $1.0 million, 16.2%, and fell from .4% of average loans to .3%; and
- ❖ Six months earnings decreased $1.8 million, 8.8%, as ROA dropped from .9% to .7%.

The dollar and percentage growth comparisons are between June 1998 and June 1999. On balance, key performance ratios are in line with national ratios and do not indicate any area of undue concern.

Chart #11 shows that Maine's credit unions have consistently had lower capital ratios than their peers nationally and generally have had a lower ROA. The gap, however, is not significant and capital and earnings have been sufficient to comfortably support a growing credit union industry. Compared to their national counterparts, Maine credit unions have higher operating expenses, which have more than offset their higher NIM.



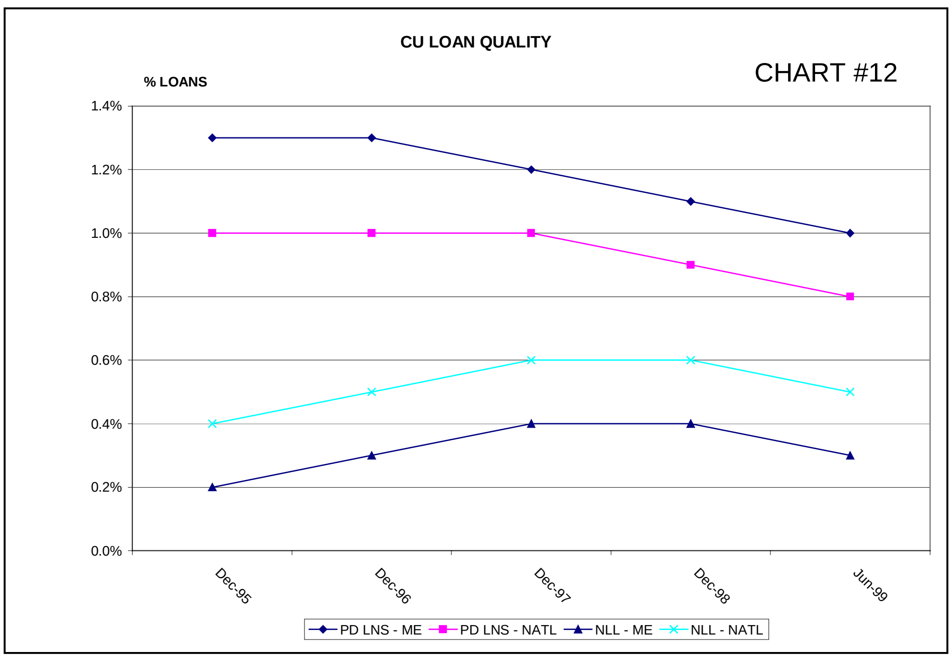
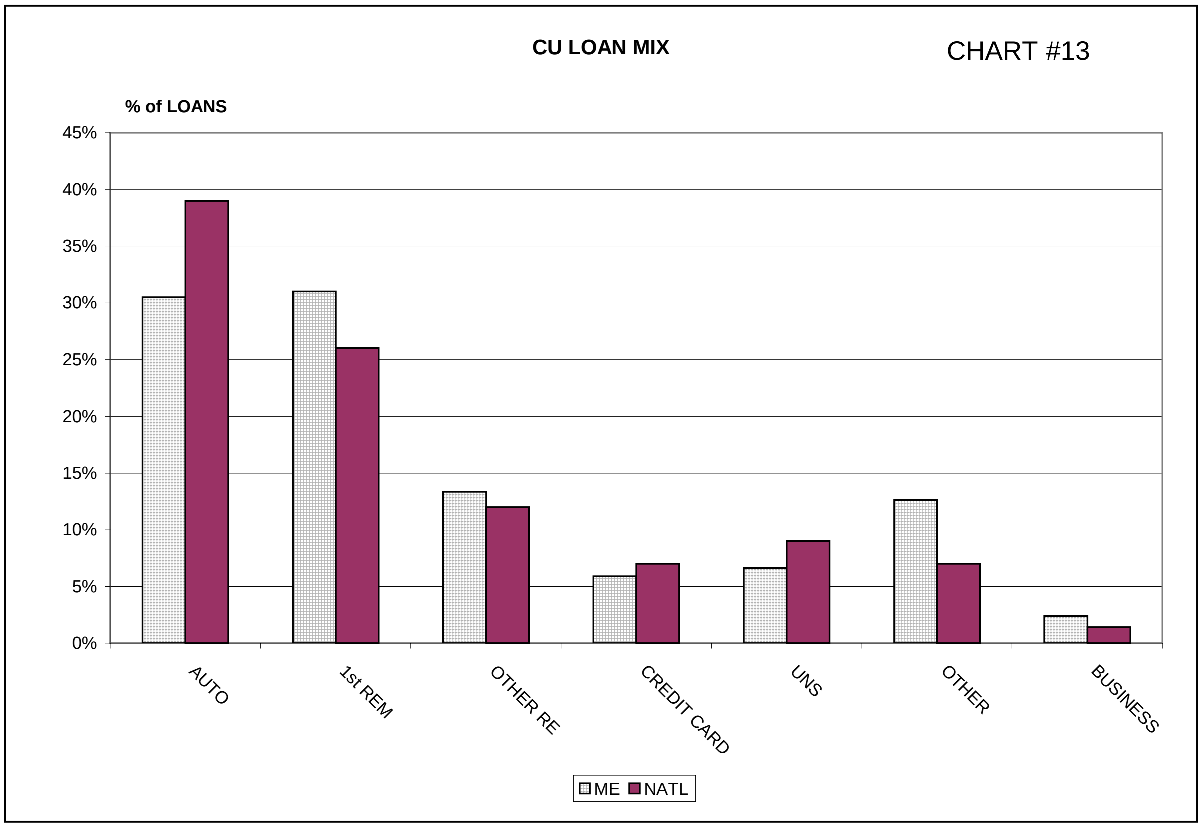
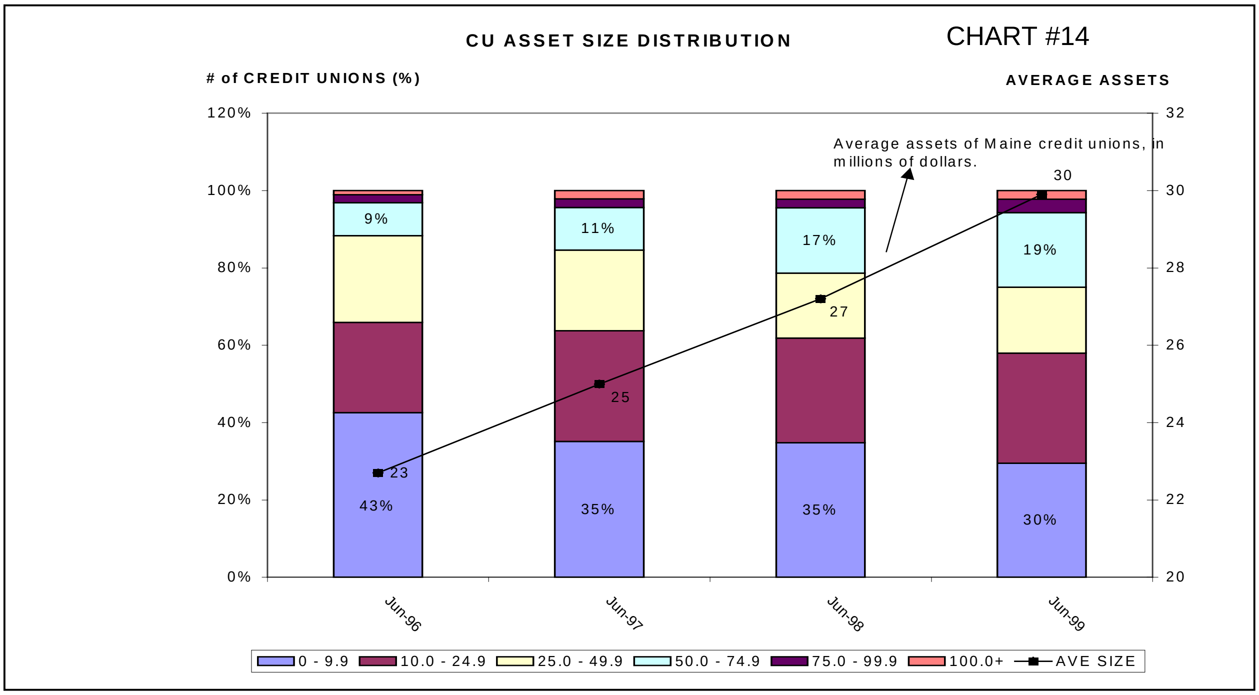


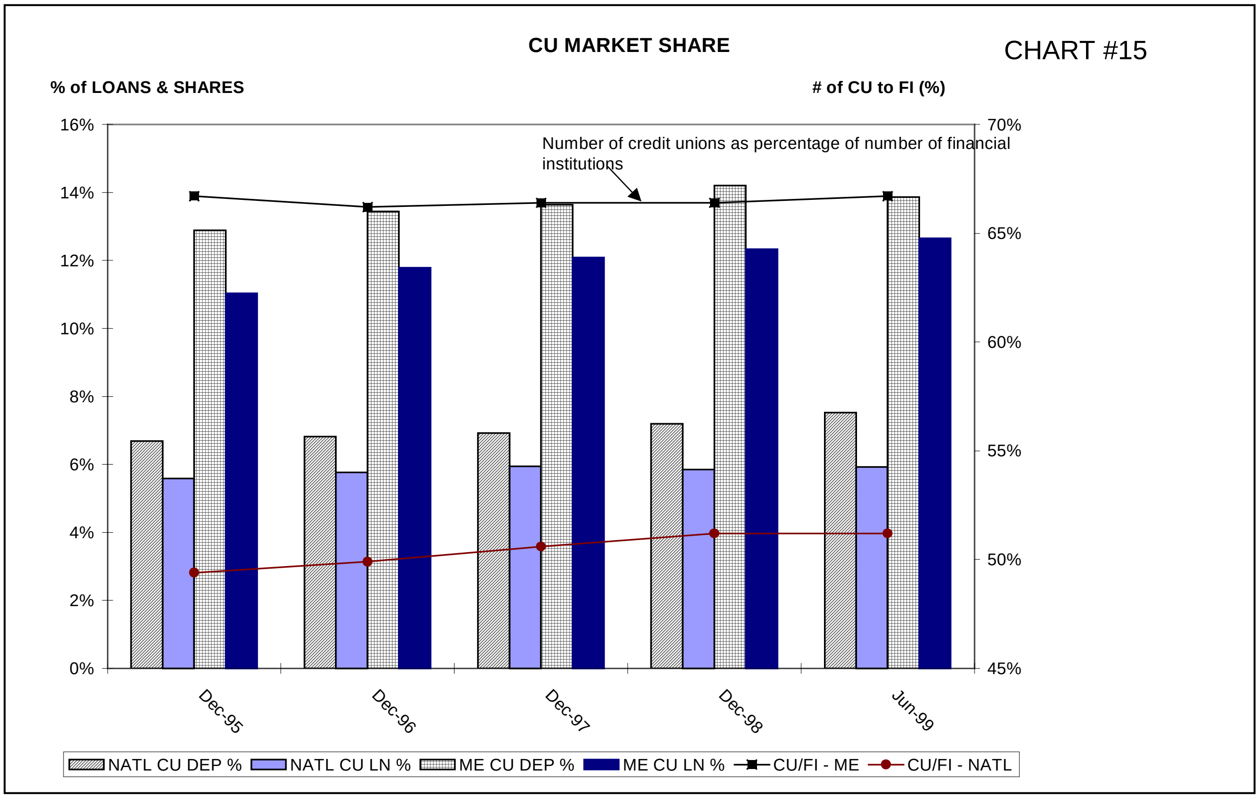
Chart #12 compares delinquent loans and NLL for Maine credit unions and for credit unions nationwide. Despite a moderately higher delinquency ratio, Maine's credit unions have consistently reported a significantly lower NLL. The loan mix, shown as of June 1999 in Chart #13, could be an influencing factor on both of these loan quality ratios. Maine's credit unions have a higher percentage of real estate loans, which generally have a lower loss ratio, and a lower percentage of credit card and unsecured loans, which generally have a higher loss ratio. Over the past three and-a-half years, there has been a gradual but steady shift away from unsecured loans to real estate loans: from December 1996 to June 1999, real estate loans increased from 39.7% of loans to 44.3% and unsecured loans (including credit cards) decreased from 15.0% to 12.5%.



Maine's credit unions have also participated in the consolidation occurring in the financial services industry, with the number of credit unions dropping from 94 to 88 between June 1996 and June 1999. There has been a concomitant increase in the average asset size of Maine's credit unions. Whereas the number of credit unions with assets of less than $10 million has decreased from 43% to 30%, the number of credit unions with assets greater than $50 million has more than doubled, rising from 12% to 25%. See Chart #14.



Despite the drop in the number of credit unions, they continue to account for two-thirds of all deposit-taking financial institutions in Maine and their portion of shares (or deposits in banks) and loans has been steadily climbing, albeit very modestly. (The June 1999 drop in deposit share is consistent with prior June experiences.) Chart #15 clearly shows the market strength of credit unions in Maine, evidenced by a comparatively very high percentage number of financial institutions, deposits/shares, and loans.



Overall, Maine's financial institutions remain in very sound condition with solid capital, earnings and asset quality indicators. Looking forward, however, there are a number of issues threatening this long run of outstanding performance. On top of increased concerns about credit quality and earnings are the concerns about the impact of financial modernization and electronic banking on financial institutions. The first two concerns are more tangible and more imminent, but if the latter two are ignored, their impact could be just as serious.

The credit quality concerns focus on relaxed credit standards and "undue reliance" on the continuation of favorable economic conditions. Increased competition, from both financial institutions and nonbanks, not only has compromised underwriting standards but is also the primary cause of the squeeze on the interest margin, which accounts for approximately 80% of revenues. Earnings will also come under pressure from lower credit quality via loss of interest, increased provision for loan losses, and higher collection expenses. In the face of this pressure, institutions must maintain, if not actually increase, expenditures on risk control functions and on technological and new product developments. At the same time, they must also seek new sources of non-interest income.

The liability side of the balance sheet is also being stressed by the competition for funds. While deposits and shares of insured institutions increased $200 billion, or 4%, between June 1998 and June 1999, net assets of mutual funds increased $900 billion, or 18% during the same period. Mutual fund net assets now represent 128% of federally insured financial institution deposits, up from 114% one year ago and 84% at December 1996. While much of the gain in mutual funds is may be attributable to appreciation, the net cash inflow has exceeded deposit growth.

The challenges facing Maine's financial institutions are not unique to Maine, but are common to financial institutions and financial service providers throughout the country. Fortunately, Maine's institutions have solidified their condition over the past several years and have the financial resources necessary to move forward into the 21st Century.

Year 2000 Readiness

The Maine Bureau of Banking and federal bank and credit union regulators took the Y2K very seriously to ensure that issues are satisfactorily resolved well in advance of January 1, 2000. Commencing in 1997, the Bureau and federal regulators required banks and credit unions to manage their Y2K renovation projects in accordance with a series of policy statements issued by the Federal Financial Institutions Examinations Council ("FFIEC"), which is comprised of the Office of the Comptroller of the Currency ("OCC"), Board of Governors of the Federal Reserve System ("FRB"), the Federal Deposit Insurance Corporation ("FDIC"), the Office of Thrift Supervision ("OTS"), and the National Credit Union Administration ("NCUA"). These policy statements addressed the following areas requiring banks and credit unions to develop and execute plans and processes accordingly:

Y2K Project Planning and Management
Y2K Testing Plans and Testing Process
Business Resumption Contingency Planning
Contingency Cash and Liquidity Planning
Customer Readiness Assessments
Customer Awareness Programs

The Maine Bureau of Banking and the federal regulators have conducted ongoing examinations of Maine banks and credit unions since 1997 to ensure that their Y2K projects were being managed in accordance with FFIEC guidance. Maine financial institutions were prepared as the century date change approached. All Maine banks and credit unions were rated Satisfactory for Y2K readiness. Nationwide, 99.9% of institutions were rated Satisfactory as well.

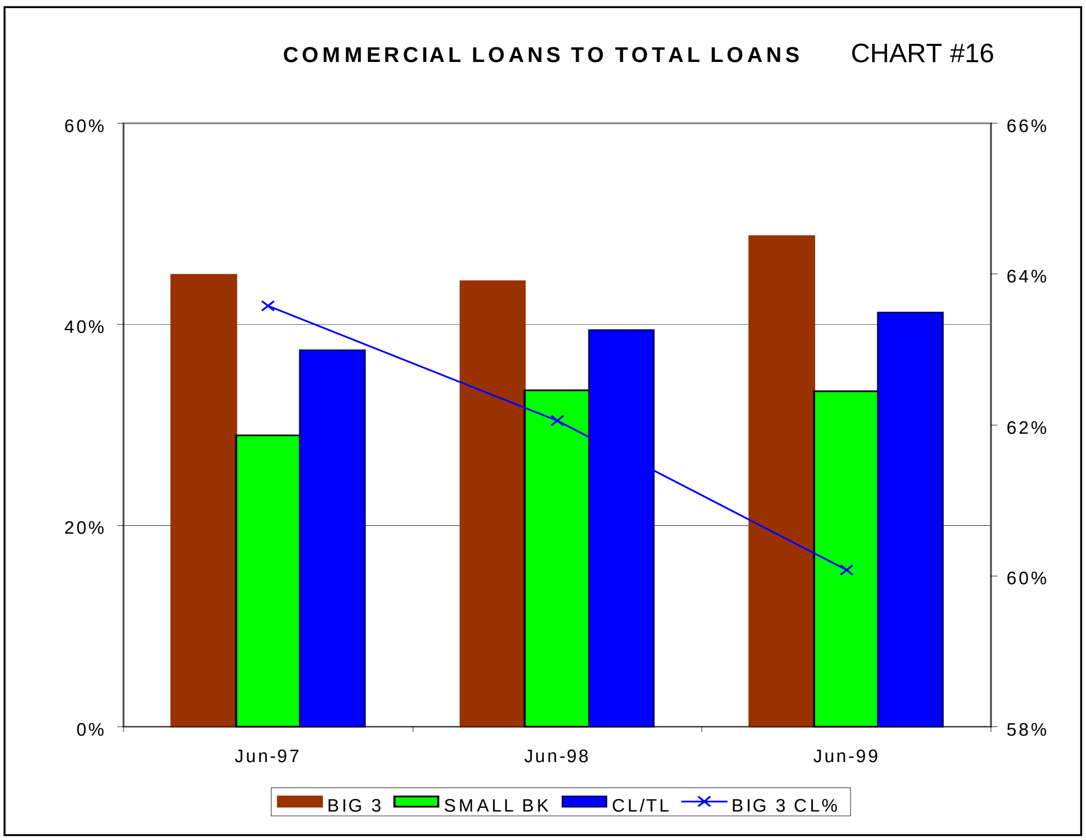
During the rollover period from 12/31/99 to 1/4/00, the Bureau of Banking and the federal regulators conducted Y2K health checks on all institutions. As of January 4, 2000, all Maine banks and credit unions were conducting business and processing transactions normally as were their counterparts throughout the United States. There were a few minor problems reported elsewhere in the country, but these were quickly addressed. While it is still possible that Y2K disruptions will occur over the next few months, the experience of the rollover weekend clearly suggests that such disruptions, if any, will be minor, sporadic, and easily remedied.

SECTION II

INDUSTRY TRENDS

Commercial Lending Activities

The Bureau collects data on commercial lending by Maine's financial institutions from two sources: Call Reports filed by individual banks and a Commercial Lending Report filed with the Bureau by all institutions with more than $5 million in outstanding commercial loans.[10] The Commercial Lending Report provides data, as of each June 30th, on outstanding loans by industry type (based on Standard Industrial Classifications "SIC code") and by participation in various government guarantee programs. The June 30th Call Report collects data on the number and the outstanding dollars of small business loans (defined as loans with an original amount less than $1 million) by



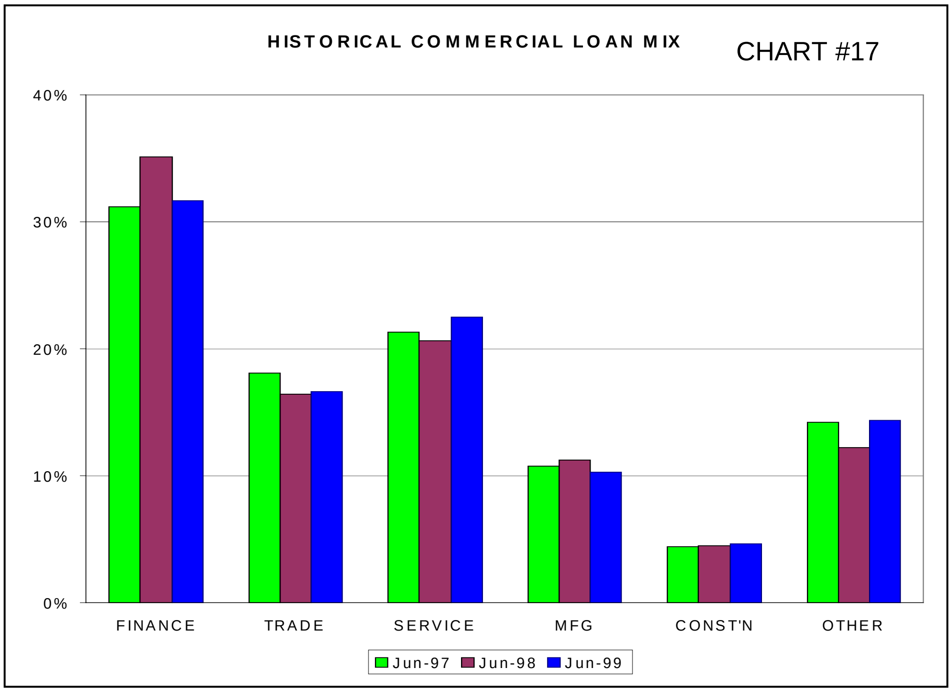
[10] Banks are defined as state-chartered savings banks, state-chartered trust companies, and national banks.

various size categories. While neither of the reports, nor the two combined, provide a complete picture of commercial lending in Maine, they continue to provide a strong base from which various conclusions can be drawn.

The value of the data, however, in measuring the availability and use of commercial credit to and by Maine businesses is diminishing due to a number of factors. First, the role of banks as primary providers of commercial credit is increasingly declining due to stiff competition from non-banks such as commercial finance firms and mortgage companies. Nationally, non-banks' share of the small business market increased from 49% to 65% in the ten years ending 1998. While similar data is not available for Maine, the findings are expected to be comparable. In addition to added non-bank competition, out-of-state banks are becoming more aggressive, as credit-scoring and the Internet are revolutionizing small-business lending. 24-hour access and innovative services are supplanting a physical presence and a relationship manager in importance. Banks, due to capital, earnings and funding pressures, as well as increased competition, are increasingly treating commercial loans as commodities that can be purchased and sold, either directly or as asset-backed securities. As such, a bank's total outstanding loans may not accurately reflect the volume of loans it originates in its local market.

The year ending June 30, 1999 was a strong period in terms of commercial loan growth for Maine banks. Outstanding commercial loans approached $5 billion, a 6% increase after experiencing a 4% decline in the year earlier period. Commercial loans continue to increase faster than total loans, and now account for 41% of all loans. Although Maine's three largest banks – Peoples Heritage Savings Bank, Fleet Bank of Maine and KeyBank, N.A. – account for 60% of all commercial loans, their share is declining as the smaller banks are increasing commercial lending at a faster rate. For the three largest banks, commercial loans represent 49% of loans, versus 33% for the rest of Maine's banks. See Chart #16. The share of commercial loans held by out-of-state owned banks also continues to decline, dropping to 39% at June 30, 1999, the lowest level in more than a decade.

As Chart #17 shows, the loan mix by SIC code has remained relatively stable over the past three years. The emphasis on finance loans, which are primarily real



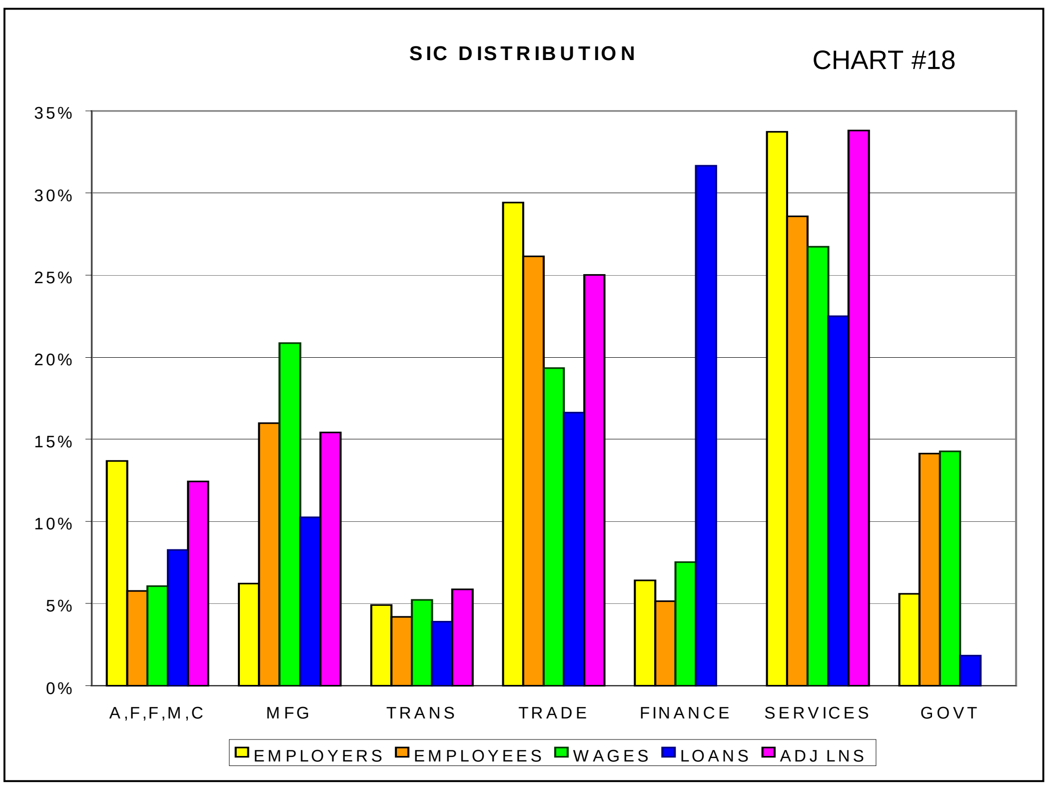
estate-based, is consistent with the predominance of real estate secured loans within the commercial loan portfolio. Commercial real estate loans have ranged between 52% and 56% of commercial loans during the past five years. Chart #18 compares the June 30, 1999 lending data with year end 1998 employment and wage data obtained from the Maine Department of Labor.[11] Unfortunately, the prevalence of real estate-based loans included in the Finance category precludes a more accurate comparison of the lending data with Maine's business landscape. However, if the Finance and Government loans are excluded (the adjusted loan data on Chart #18), then the loan data correspond more closely to the employee and wage data. These data suggest that, in general, loans by broad industry segments are distributed in reasonable proportion to the number of employees and wages of those same industries.

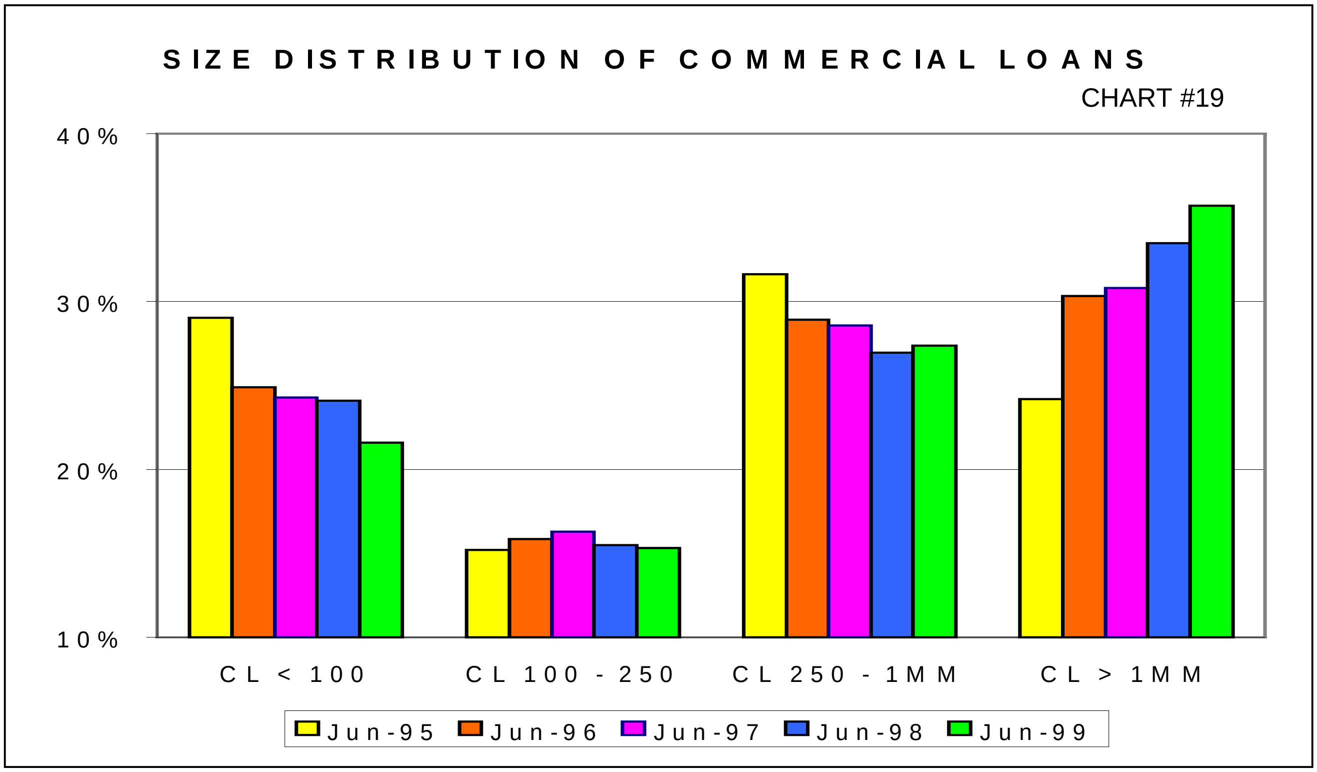
The use of government guaranteed loans once again outpaced the growth in commercial loans, climbing 17% on top of 1998's near 50% growth. As a result, 10% of all commercial loans were supported by a government guarantee, up from 9% one year earlier.

Based on the June 30th Call Report data, small business loans (loans with an original amount less than $1 million) have steadily declined as a percentage of

[11] The data are from The Maine Employment Statistical Handbook, 1998 published by the Maine Department of Labor, Division of Labor Market Information Services.

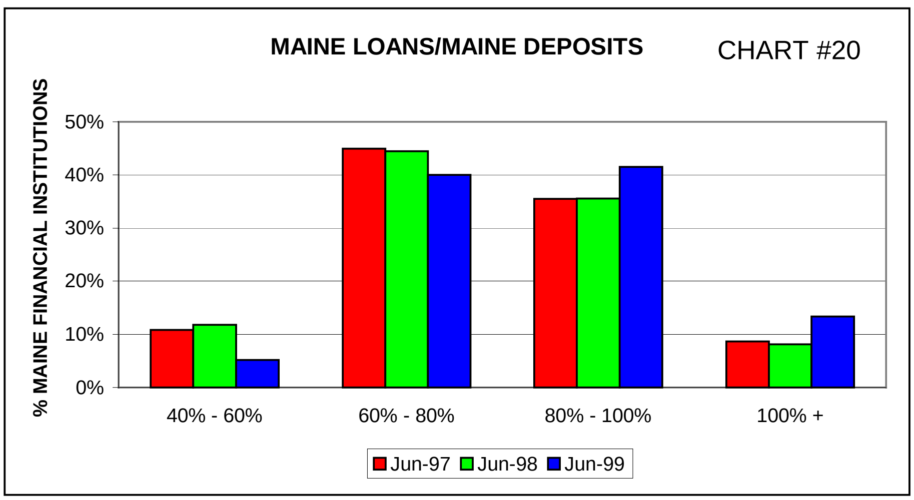
outstanding commercial loans, dropping from 76% in 1995 to 64% in 1999. In dollars, small business loans increased 9% whereas loans greater than $1 million nearly doubled, and rose from 24% of commercial loans to 36%. Although small business loans less than $100,000 fell from 29% of outstanding commercial loans to 22%, the preponderance of the number of small business loans continues to be those less than $100,000, which account for 78% in 1999. Chart #19 shows the trend in the distribution of commercial loans by dollar size. The decline in the smallest size category of commercial loans is attributable to a number of factors, including the strong economy, alternative non-bank financing options and a combination of bank lending practices and regulatory reporting requirements. The latter issue relates to the increased use of equity in a personal residence as a business funding source and the requirement that such loans be reported as residential real estate loans.




SIZE DISTRIBUTION OF COMMERCIAL LOANS
CHART #19
40%
30%
20%
10%
CL < 100
CL 100 - 250
CL 250 - 1MM
CL > 1MM
Jun-95
Jun-96
Jun-97
Jun-98
Jun-99

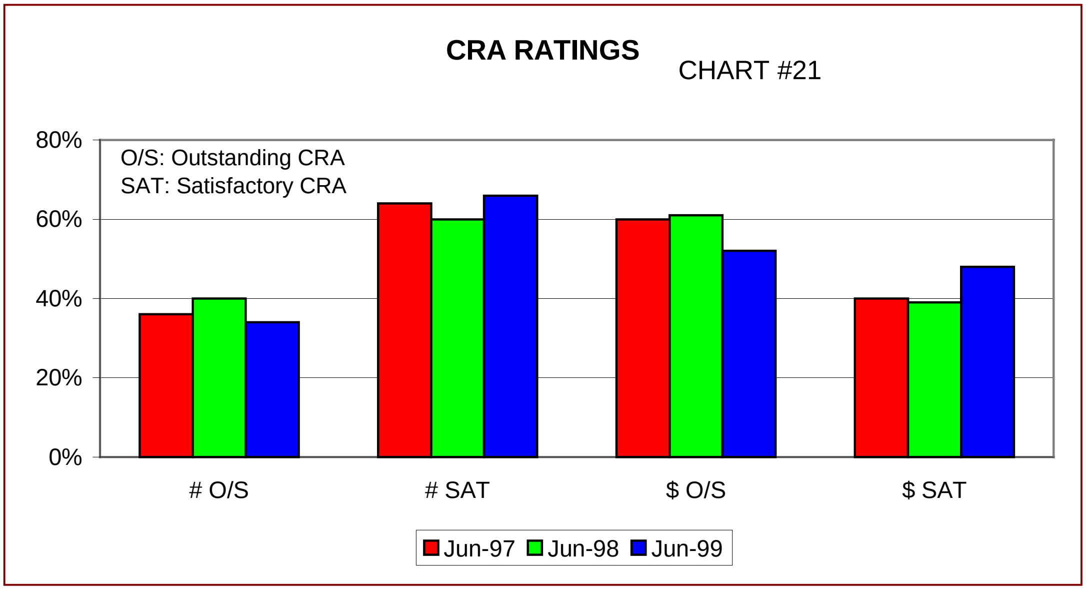
Deposit Production Offices

Maine law prohibits any financial institution authorized to do business in Maine from operating deposit production offices in Maine. A deposit production office is defined as a banking office that primarily generates deposits but does not reasonably meet the credit needs of the community that the office serves. An institution that has a ratio of Maine loans to Maine deposits of at least 50% or has received an "outstanding" Community Reinvestment Act ("CRA") assessment from its primary federal regulator is deemed to be in compliance with the Bureau's implementing regulation. As of June 30th of each year, each financial institution authorized to do business in Maine is required to complete a Branch Loan and Deposit Survey, which provides information on loans and deposits.



Based on the reports and other available data, all institutions were found to be in compliance for the period ending June 30, 1999. The average ratio of Maine loans to Maine deposits for all Maine institutions was 82% which, although down nominally from last year, continues to compare favorably to the national average. Chart #20 compares the distribution of Maine loan to Maine deposit ratios by individual institution over the last three years. As seen, an increasing number of institutions have raised their loan-to-deposit ratio.

Each of Maine's financial institutions subject to CRA received either an "outstanding" or "satisfactory" CRA rating (the two highest of the four ratings) from its primary federal regulator. Although there was a decline in the percentage of institutions and assets in the "outstanding" category, more than one-half the assets continue to be held by institutions rated “outstanding.” Chart 21 shows the trend in CRA ratings over the past three years.



Acquisition and Expansion Activity

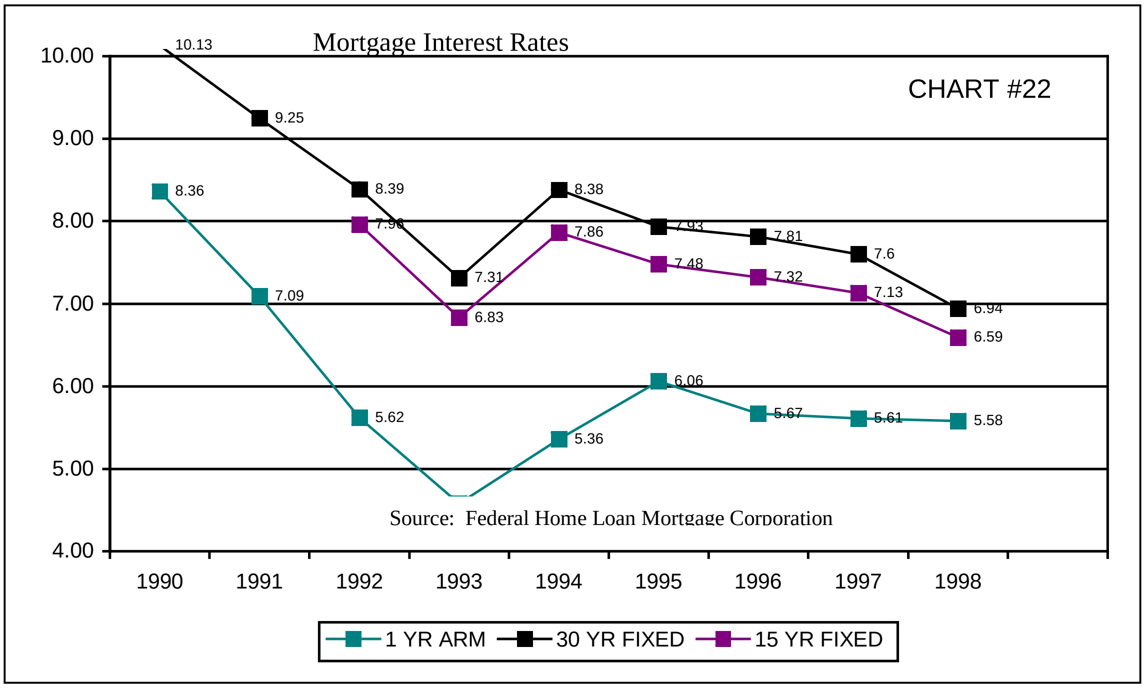
Maine’s financial institutions may not be making national headlines but, at the same time they have not been mere spectators to the consolidation and modernization developments transforming the industry. In a quiet and rational approach, Maine institutions have demonstrated an awareness of, and willingness to participate in these structural changes.

Since June 1998, Maine financial institutions have been involved in eight acquisitions. In mid- to late-1998, Bangor Savings Bank acquired 28 branches of Fleet Bank, and United Bank acquired three branches of Fleet Bank that Bangor Savings was not allowed to buy due to anti-trust concerns. In early 1999, Androscoggin Savings Bank utilized its newly formed mutual holding company to acquire Livermore Falls Trust Company. Peoples Heritage Financial Group (“PHFG”) significantly expanded its operations in Massachusetts and entered Connecticut market via its acquisition of SIS Bancorp. In mid-1999, Kennebunk Savings Bank acquired a single branch from Coastal Bank. As a result of the Fleet/BankBoston merger, Fleet acquired BankBoston’s cash management office in South Portland expanding its operations in Maine. In the first of a two step transaction, Camden National Corporation acquired Kingfield Savings Bank, which will be merged with its wholly-owned subsidiary bank, United Bank, during the first quarter of 2000. Finally, PHFG has filed to acquire BankNorth Group, which would give PHFG an entry into Vermont and New York and further expand its franchise in Massachusetts and New Hampshire. While different factors may have motivated each transaction, a common goal was to strengthen the bank by expanding market share and increasing efficiency.

The Bureau has also seen further expansion of closely-related banking activities, such as insurance agency and securities business, and mutual holding company formations. Such transactions are designed to enhance an institution’s competitive abilities and strengthen its financial condition. As competition intensifies and institutions take advantage of new opportunities provided under state law and the recently enacted federal financial modernization legislation, the Bureau expects continued acquisition and expansion activity.

Residential Mortgage Activity[12]

During 1998, mortgage interest rates on 30 year, fixed-rate mortgages dropped to the



lowest levels in the last 25+ years. (See Chart # 22) Maine residents took advantage of the low rates by purchasing homes and refinancing existing loans in record numbers. Mortgage originations nearly doubled during 1998, from $2.8 billion in 1997 to $5.2 billion in 1998. (See Chart #23) While the volume of refinanced mortgages is not available for mortgage companies or credit unions, Maine banks and thrifts reported that of the mortgages originated during 1998, 56.5% of them were refinancings of existing mortgages, as compared to 33.9% during 1997. Since interest rates have trended up since year end 1998, it is expected that the volume of originations reported to the Bureau will decline dramatically for 1999.

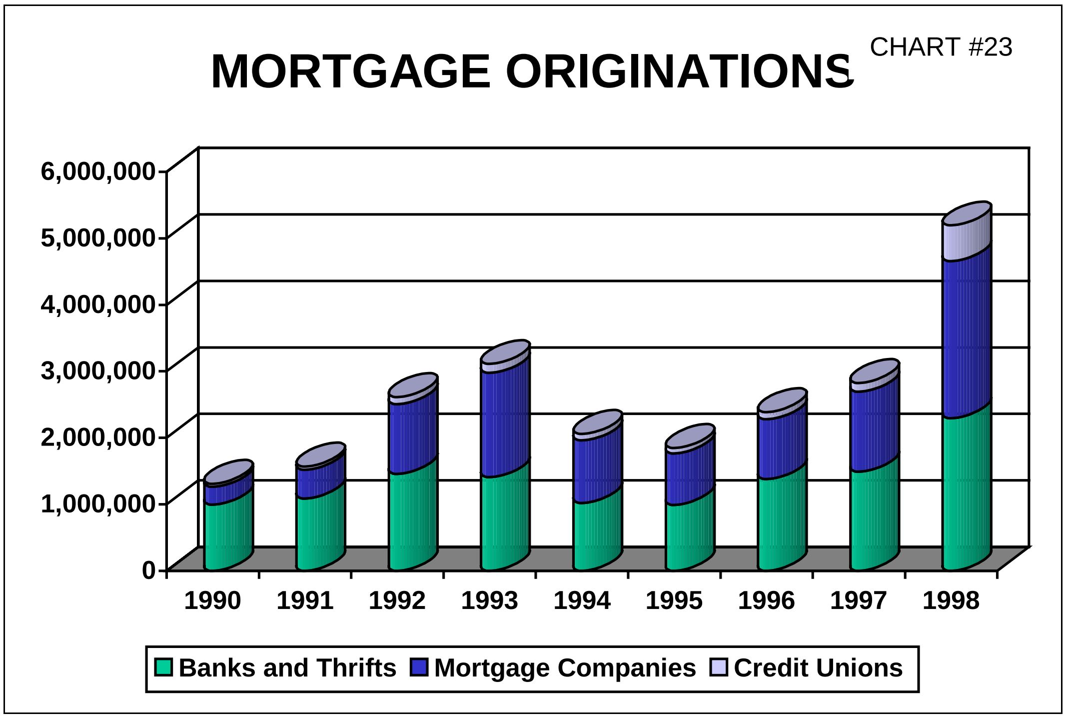
For the first time since the Bureau began utilizing the data collected by the Office of Consumer Credit Regulation on mortgage volume, the volume of mortgages

[12] Note: First mortgage loans in the State of Maine are made to consumers by banks and thrifts, mortgage companies, and credit unions. The Bureau of Banking collects data annually regarding mortgages originated during the year from banks, thrifts and credit unions. The Office of Consumer Credit Regulation collects similar data from the mortgage companies that it licenses and regulates. Data from both sources have been aggregated to the extent possible for purposes of this report.

originated during 1998 by mortgage companies exceeded that generated by Maine banks and thrifts.

Total Originations during 1998 (In thousands of dollars)

Banks and Thrifts	2,295,250	44.2%
Mortgage Companies	2,363,879	45.5%
Credit Unions	535,603	10.3%



Of the top 10 mortgage originators in Maine, two are banks and eight are mortgage companies, three of which are subsidiaries of bank holding companies. Together, these 10 banks and mortgage companies originated 42% of all residential mortgages during 1998.

More information regarding mortgage originations and sales may be found in Exhibit I.

Consumer Outreach

The Consumer Outreach Program serves as a source of information for users of financial services in Maine. Often, callers want independent confirmation that the information they have received from a financial institution is correct, while others dispute the way a bank has handled their account. The Bureau assists with the mediation of a dispute, interacting with the regulated community to resolve individual situations. Consumer Outreach specialists interact with consumers on a daily basis -- providing counseling and mediation services -- and they are highly committed to providing quality service to Maine consumers of financial services. In addition, others within the Bureau assist in the investigation and/or mediation of complex complaints. Through these efforts over the past five years, the Bureau has effected restitution or cost savings for consumers exceeding $645,000.

Complaint Trends and Consumer Debt

Consumer complaints cover a broad range of topics including lending, funds availability, deposit accounts, fees and charges, customer service issues, escrow accounts, electronic transactions, and early withdrawal penalties. Over the course of the past several years, the Bureau has noted a marked increase in consumer mediation activities. Some of the noteworthy reasons are as follows:

- A rise in bank mergers, both in Maine and across the country, has compounded consumer frustration with changing banks and incomplete or inaccurate transmittal of information covering account relationships.
- Operational problems, continuing to plague many financial institutions, create problems and extend the time for resolving some situations.
- Vigorous enforcement of the Maine Consumer Credit Code and Truth-in-Lending by the Bureau also significantly contributes to the dramatically expanded caseload.

- Finally, with each additional product/service, there is now a myriad of ways to access an account with a financial services provider. The Internet, ATM's, debit cards, credit cards, smart cards, and personal computer banking are delivery mechanisms that know no geographical boundaries and, while providing easy access, can also be misunderstood or misused.

Based on figures available through mid-December, the Bureau projects the receipt of over 850 consumer complaints for calendar year 1999. This represents a 51% increase as compared with 1998, and a 101% growth over 1997 complaint totals. Prior to that, in the calendar years 1989 through 1995, the average complaint caseload figure was 275 annually.

Over the past three years, complaints regarding credit cards and credit card practices have steadily increased as a percentage of total cases, rising from 24% in 1997 to 37% for year end 1999. Common themes relating to credit cards include: change in terms, late fees, increased interest rates due to default, unauthorized charges, misapplied payments and collection activities.

Mortgage servicing and deposit account complaints represent another 40% of the issues addressed by the Bureau. With most mortgage loans sold on the secondary market, servicing issues are compounded, particularly with those financial institutions that have a large volume of loans to service. During the past year, the Bureau has intervened in a number of mortgage escrow problems.

Consumers of all ages should learn the basics of personal money management in order to make informed choices. The Bureau attempts, both through its mediation and educational outreach services, to assist people in making informed decisions relating to credit matters and to understand the responsibilities of such decisions. Many people, including young adults, are receiving pre-approved credit card solicitations and live check offerings in the mail. These temptations, coupled with the robust economy and high employment levels, have encouraged rising levels of consumer debt. Consumers of all ages, when faced with excessive debt burdens, are less able to save/invest for the future for such important long term financial goals as home ownership and retirement plan funding.

Federal Reserve Board statistics indicate that, overall, non-residential consumer debt has risen from $1.21 trillion in 1996 to $1.37 trillion as of August 1999. According to data provided by the Federal Bankruptcy Court in Portland, personal bankruptcies in Maine have steadily risen from 2,163 in 1995, to 3,062 in 1996, 4,216 in 1997, and 4,518 in 1998 (over twice the level recorded just four years ago). Although this upward trend cannot be solely attributed to the increased solicitation and relaxed underwriting standards associated with the credit card industry in the mid to late 1990s, it is certainly a contributing factor.

Consumer Education

Over the past decade, the Bureau has become much more reliant on technology for many aspects of its operations and service delivery mechanisms. Use of technology to deliver educational materials has become the most cost-effective method for reaching a wider range of audience. Emphasis on in-school financial education seminars has recently shifted toward the available distance learning networks ATM (Asynchronous Transfer Mode) and ITV (Interactive Television) over the UNET System.

Currently, the Bureau's heaviest reliance is on the ITV system offered through the University of Maine's UNET system. The ITV system allows individuals at each site across Maine to view educational presentations and interact through a dedicated, toll-free telephone connection. Over 60 secondary schools and vocational centers are interfaced with this delivery system. The Maine Department of Education's ATM network, which offers a superior face-to-face interactive mode, has endured some implementation postponements. However, it is anticipated that the ATM network will be available at most Maine high schools within the next 12 months. At that juncture, the Bureau will shift the majority of its distance learning emphasis toward the ATM system network. The Bureau also envisions providing "train the trainer" seminars for teachers and consumer advocate professionals. An effort to reach Maine's growing elderly population with distance learning seminars at ATM sites after school hours is also being explored.

The Bureau continues to provide free consumer protection related booklets and videos to schools and community groups. The Bureau's booklet, "A Consumer's Guide to Banking and Personal Money Management" is utilized annually by a majority of Maine's high schools either as a handout or integrated into a consumer education curriculum. Bureau representatives have also spoken with numerous senior citizens groups during 1999 regarding Y2K and consumer scam issues. A new video, produced from two taped ITV talks on credit cards and car buying/financing, has been added to the Bureau's existing personal financial series library of videotapes.

The Bureau of Banking now uses the Internet as a mechanism to deliver information and services to a growing constituency of Maine consumers. Consumer booklets may be downloaded from the Bureau's home page.[13] Informational questions and answers, also found on the Bureau's Website home page, labeled "FAQ's", give guidance on the type of inquiries that are most commonplace. People now have the option to fax or e-mail. Most recently, the Bureau introduced an in-state toll-free number (1-800-965-5235) which may be used by consumers to access the agency's outreach services.

[13] The Maine Bureau of Banking's website is located at: www.Mainebankingreg.org

SECTION III

REGULATORY ISSUES

As we enter the new century, there are new challenges and opportunities for the financial services industry. Expanding use of technology has become the norm rather than the exception. Modern delivery systems create expanded opportunities for distribution of products and services to a global marketplace. Banks and credit unions are continuing to explore ways to reach and serve a growing community. Regulatory issues facing the Bureau and the banking community reflected that continuing progress. The following describes immediate experience in dealing with some of these issues and regulatory concerns for the future.

Financial Modernization

1999 saw the long awaited passage of the Gramm-Leach-Bliley Act (also known as Financial Services Modernization), which was enacted as PL 106-102 on November 12, 1999. The legislation removes several of the longstanding barriers between the various providers of financial services. The Act is divided into seven titles:[14]

- **Title I—Facilitating Affiliation Among Banks, Securities Firms, and Insurance Companies**

Title I repeals the Glass-Steagall Act, which prohibited banks from affiliating with insurance and securities firms. The title also creates a “financial holding company” that may engage in financial activities designated by statute, including insurance and securities underwriting and agency activities, merchant banking and insurance company portfolio investment activities. Activities that are "complementary" to financial activities are also authorized. Non-financial activities of firms that are predominantly engaged (at least 85%) in financial activities are grandfathered for at least 10 years, with the possibility of a five-year extension. The formation of financial holding companies and the approval of additional activities are tied to satisfactory ratings under the Community Reinvestment Act. The Federal Reserve is established as the umbrella holding company supervisor.

Title I also provides for State regulation of insurance, subject to the provision that a State may not discriminate against persons affiliated with a bank. Of potential significance to Maine's limited purpose financial institution charters is the fact that Title I lifts some of the restrictions governing non-bank banks.

- **Title II—Functional Regulation**

Title II includes provisions for the functional regulation of securities activities by banks. The title also replaces the exemption that banks have from broker-dealer regulation with a more limited exemption that is designed to permit financial institutions to continue their current activities and to develop new products. In addition, it establishes limited exemptions from broker-dealer registration for transactions in areas such as trust, safekeeping, custodian, shareholder and employee benefit plans, sweep accounts, private placements (under certain conditions), and third party networking arrangements to offer brokerage services to bank customers, among others. A rulemaking and resolution process between the SEC and the Federal Reserve Board with respect to new hybrid products is also provided for.

- **Title III—Insurance**

The Gramm-Leach-Bliley Act provides for the functional regulation of insurance activities and establishes which insurance products may be provided by banks and bank subsidiaries as principal. State insurance regulators and federal regulators are provided with the ability to seek expedited judicial review of disputes, with the state and federal regulators accorded equal deference. Federal banking regulators are also directed to establish consumer protections governing the sale of insurance by banks.

- **Title IV—Unitary Savings and Loan Holding Companies**

Title IV provides that applications for de novo establishment of unitary thrift holding companies received after May 4, 1999 shall not be approved. Additionally, existing unitary thrift holding companies may only be sold to financial companies.

[14] This information is derived from the Senate Banking Committee's Gramm-Leach-Bliley Summary of Provisions. The full text of the summary is available at http://www.senate.gov/~banking/conf/grmleach.htm.

- **Title V—Privacy**

Privacy was one of the most controversial aspects of the legislation. Title V of the Gramm-Leach-Bliley Act requires financial institutions to make a clear disclosure of the institution's privacy policy regarding the sharing of non-public information with both affiliates and third parties. Disclosure of the privacy policy must take place at the time the customer relationship is established and not less than annually during the continuation of the relationship. Consumers must also be given an opportunity to "opt-out" of the sharing of non-public, personal information with non-affiliated third parties, subject to certain exceptions.

The Act provides for separate, rather than joint, rulemaking by the federal regulatory agencies to carry out the purposes of the Title, although the agencies are directed to consult and coordinate with one another in order to assure that the rules are comparable and consistent. Enforcement authority is assigned to the Federal Trade Commission, the federal banking regulatory agencies, the National Credit Union Administration, and the Securities and Exchange Commission, according to their respective jurisdictions, with provision for enforcement of the subtitle by the States. In addition, state laws that afford greater protection to the consumer will not be preempted by the Act.

Title V also makes it a criminal offense to obtain customer information under false pretenses, subject to certain exceptions.

- **Title VI—Federal Home Loan Bank System Modernization**

Title VI of the Act establishes a new, permanent capital structure for the Federal Home Loan Banks and decentralizes governance of the Federal Home Loan Banks from the Federal Housing Finance Board to the individual Federal Home Loan Banks. Title VI also contains provisions which permit banks with less than $500 million in assets to use long-term advances for loans to small businesses, small farms, and small agri-businesses and which equalize the stock purchase requirements for banks and thrifts.

- **Title VII—Other Provisions**

Included in Title VII of the Act are provisions requiring ATM operators that impose a fee for use of an ATM by a non-customer to post a notice on the machine and on the screen that a fee will be charged and the amount of the fee. The notice must be posted before the consumer is irrevocably committed to completing the transaction, and a paper notice issued from the machine may be used in lieu of a posting on the screen. No surcharge may be imposed unless the notices are made and the consumer elects to proceed with the transaction. Notice is also required, when ATM cards are issued, that surcharges may be imposed by other parties when transactions are initiated from ATMs other than those operated by the card issuer.

Title VII also clarifies that nothing in the act repeals any provision of the Community Reinvestment Act ("CRA") and requires full public disclosure of all CRA agreements. Each party to a CRA agreement is required to make a public report each year on how the money and other resources involved in the agreement were used. In addition, regulatory relief regarding the frequency of CRA exams was provided to small banks and savings and loans (those with no more than $250 million in assets).

Additional provisions include a requirement that the GAO study possible revisions to S corporation rules that may be helpful to small banks and a provision that allows Federal savings associations converting to national or State bank charters to retain the term "Federal" in their names.

Maine modernized its Banking Code in 1997, with the passage of the Universal Bank Charter (UBC) legislation (P.L. 1997 c. 318). The Universal Bank Charter greatly expanded and enhanced the state banking charter for Maine's financial institutions and established a foundation for innovation, should some of the restrictions then existing in federal law be removed. The Gramm-Leach-Bliley Act has removed some of the restrictions that will enable UBC powers to be more fully utilized. For example, the repeal of the Glass-Steagall Act and similar provisions separating banking from other financial services, such as securities and insurance, provides Maine's financial institutions with increased opportunities to exercise the powers provided for under UBC. In addition, Maine law continues to be unique in offering chartering options that do not exist on the federal level. Maine remains one of the few states to have an uninsured (or wholesale) bank charter. Efforts to include provisions for a wholesale financial institution charter in the federal modernization legislation were unsuccessful, leaving this unique business opportunity within the sole purview of the states.

Over the course of the next several months, the Bureau will be reviewing the provisions of the Gramm-Leach-Bliley Act, in order to ensure that parity between state and federally chartered institutions is maintained. The Bureau will also monitor and track any federal rules promulgated in response to the Act's passage, commenting as appropriate and revising state rules in response if necessary.

Privacy

Privacy has been one of the most prominent issues facing financial institutions over the past year, and is likely to continue to be the subject of intense debate and scrutiny for some time to come. In this electronic age, it is increasingly easy to assemble vast amounts of information on individuals. Technology has made it easier to collect a vast array of data about consumers, data that may easily be compiled, sorted, and transferred. Financial information, data about the use of credit and discount cards and other information furnished through the visitation of internet sites, can be used to track a person's purchasing and spending habits.

The issue of privacy has arisen in a number of contexts over the past year. It has been the subject of a special study by the Federal Trade Commission, several federal bank regulatory bulletins, litigation in the State of Minnesota, and was a critical issue in the federal financial modernization enacted in 1999.

In June, 1998, the Federal Trade Commission issued its report, "Privacy Online: A Report to Congress"[15]. In its study the FTC surveyed over 1400 commercial Web sites and found that approximately 85% collect personal information from consumers with only 2% providing notice by means of a comprehensive privacy policy. The Federal Deposit Insurance Corporation conducted its own informal survey of Web sites of FDIC-supervised banks and found that privacy statements are frequently absent from bank Web pages. The Bureau, in its informal review of Web sites, found only 9 of the 25 bank Web sites in Maine contained a privacy statement. While it is recognized that many of these Web sites are informational only and, therefore, do not, as yet, collect financial information, the Bureau will continue to monitor Internet banking sites to assure that appropriate practices are followed to protect financial privacy.

[15] This report can be found on the Internet at www.ftc.gov/reports/privacy3/toc.htm.

The year 1999 also saw the demise of a proposed federal banking regulation, largely over the issue of privacy. Federal banking regulators released a proposed "Know Your Customer Rule" in December of 1998. In March of 1999, the proposed rule was withdrawn because of the "unprecedented number of comments received," most of which reflected public concern over the privacy of information that would be collected and held by financial institutions.

In the State of Minnesota, the Attorney General brought suit against U.S. Bancorp alleging various violations of law arising out of the sale of customer information to a telemarketing agency. According to the complaint filed by the Attorney General, the information included customer names, addresses, telephone numbers, checking account numbers, credit card numbers, social security numbers, date of birth, account status and frequency of use, gender, marital status, homeownership, occupation, date of account opening, average account balance, year-to-date charges, behavior score, bankruptcy score, credit insurance status, and last credit card purchase information. The lawsuit was quickly settled, with U. S. Bancorp agreeing (1) to make charitable contributions of approximately 3 million dollars (characterized in the announcement of the settlement as an amount equal to the total revenue the bank had ever received from such "cooperative marketing programs"), (2) to inform customers of the bank's privacy policy and to provide notice of the customer's right to restrict the sharing of information by the bank with its affiliates for marketing purposes, and (3) to make refunds to Minnesota customers who purchased the services but were not satisfied.

The Federal Congress as well as State Legislatures across the nation are debating privacy public policy issues and enacting laws to protect confidential financial information. Privacy was a critical component of the recently enacted Gramm-Leach-Bliley Financial Services Act of 1999, which was signed into law by President Clinton on November 12, 1999. Had compromise on the privacy issues not been reached, it is very likely that the legislation would have been vetoed.

Maine law currently provides stringent protections of financial information and permits disclosure under limited circumstances. Maine has not yet experienced the degrees of abuse of confidential consumer information that has been seen in other parts of the country. Federal regulators must issue rules implementing the new federal financial privacy protections by May, 2000. The Bureau will monitor such rules, offer comment as appropriate, and recommend any necessary amendments to state law in response. In addition, the Bureau plans to initiate a dialogue in the coming year with representatives of the financial services community with respect to the privacy issue to heighten awareness and collaboratively explore ways to address privacy issues.

Security

The security of electronic communications is one of the most important aspects of an Internet payment infrastructure. Some banks allow direct dial-in access to their systems over private networks while others provide network access through the Internet. Both types of connections are vulnerable to interception and alteration and security measures must be established to limit liability both for the bank as well as the consumer. Hardware or software "sniffers" can obtain passwords, account numbers, credit card numbers, etc. without regard to means of access. Firewalls are frequently used to protect internal systems from these intruders. Authentication through the use of encryption technology is another means to provide added security. Digital signatures, as described earlier in this report may play an important role in the authentication process.

Consumers must remain vigilant in order to minimize risks associated with potential fraudulent activity. Maintenance of banking records and timely review of account statements are important to limiting liability. Every day, hundreds of consumers are victims of identity theft, or the misappropriation of a person's identifying information such as name, date of birth, or Social Security number, for criminal purposes.
Personal information can be obtained via unsecured Web sites or through a practice known as pretext calling, whereby individuals are encouraged to disclose confidential information to unscrupulous account information brokers.

While the World Wide Web contains a plethora of data on any topic imaginable, it also provides an environment for individuals to create, advertise, and advance themselves as legitimate when they are actually engaging in fraudulent activities. Consumers are approached daily by companies that display themselves as banks or holders of federally insured deposit accounts. People can check the legitimacy of such organizations by contacting the Maine Bureau of Banking via the World Wide Web at www.MaineBankingReg.org or by calling the Bureau's toll-free consumer assistance number: 1-800-965-5235. In addition, the Federal Deposit Insurance Corporation offers a toll free number: 1- 800-934-3342 and maintains a search engine at www.fdic.gov/structur/search from which an individual can review the FDIC data base to determine whether they are dealing with an insured depository institution.

The world of online finance continues to grow dramatically as many new providers enter the marketplace on a daily basis. Geographic boundaries are crumbling as Internet services reach global proportions. State and federal bank regulators alike must formulate regulatory strategies that embrace the brave new world of electronic banking and commerce. The challenges are formidable. The Bureau of Banking will remain vigilant that appropriate statutes and rules provide a comprehensive program to ensure that adequate public protection measures are in place and that Maine financial institutions have the powers with which to compete in the global marketplace.

E-Commerce

The world of finance has undergone tremendous changes over the past several years. With the evolution of the Internet, consumers and businesses can now access a variety of services electronically. Recent studies, as reported by Business Week magazine[16], reflect statistical evidence that promises a prosperous future for online finance:

- In 1998, the number of households trading stocks online was four million. It is expected that this will jump to 20 million by 2003.
- Approximately four million households were engaged in online banking in 1998; estimates hold that as many as 26 million will transact banking business online by 2003.
- Amazon.com reported $250 million in quarterly revenue in 1999 from a base of over five million customers.

[16] "The World of OnLine Finance", Business Week Magazine, December 6, 1999.

E-Commerce and Banking

Recent financial institution guidelines issued by federal banking regulators have increased the world of e-commerce available through bank operated delivery systems. Financial institutions can now dispense alternative media such as public transportation tickets, event tickets, gift certificates, and prepaid telephone cards through automated teller machines (ATM's). Joint ventures between bank holding companies now permit the use of ATM's for the purchase of mutual fund shares or insurance policies, where permitted by applicable law. Other examples of partnership programs involving banks and nonbanking entities that have been approved by the Office of the Comptroller of the Currency include:

Processing and transmission of medical payment data between health care providers (such as physicians, hospitals, and pharmacies) and entities responsible for providing medical benefits (such as health insurers, health maintenance organizations and preferred providers).

Collecting premiums and co-payments from participants in Medicare, Medicaid and similar government health insurance plans and remitting funds to the appropriate government agency.

Processing claims and disbursement services in connection with bankruptcy and class action judgments or settlements.

Contracting with a public authority to operate an electronic toll collection system.

Hosting Web sites for retailers and offering other services designed to enable small business customers to establish a retail sales presence on the Internet.

Selling excess capacity in long-line telecommunications equipment.

Lower computer prices, increasingly free or low-cost access to the Internet, younger consumers, and a significant rise in the number of retailers who are bringing their businesses on line, are all contributing to the explosion of electronic commerce.

Internet Banking

As of February 1999, it is estimated that over 3,600 financial institutions across the nation offer some form of Internet banking services. In general, there are three types of Internet banking Web sites:

Informational – where data about the depository institution and its products or services are displayed, but there is no interactive capability;

Information-Exchange – which provide information and allow customers to send information to the depository institution or make inquiries about their accounts; and

Transactional –which offer the aforementioned capabilities as well as some additional services, such as real-time account queries, transfers of funds among accounts, bill payment, or other banking services.

Very few Maine financial institutions operate transactional Web sites today. However, given the growing acceptance of e-commerce, the rising level of comfort and accessibility to computers and the Internet, it is a matter of when, not if, Maine consumers with demand electronic access to their accounts. Internet banking is primarily just another delivery channel. However, the breadth and the potential of Internet business make it one of the most exciting arenas that has evolved in the financial services sector.

There are approximately 19 leaders in Internet banking today. Some operate as independent real-time Internet only banks; others are Internet bank operations of larger entities. Generally, start-up costs for these organizations are much higher than a traditional bank start-up, since with the rapidly moving and changing Internet environment, a new player must have immediate visibility to as broad an audience as possible. Marketing/advertising costs are very high to attract a customer base that is generally comprised of individuals who demand deep discounts for dealing on the Web and higher rates of return. While overhead costs are somewhat lower with no brick and mortar facilities to erect or maintain, in many instances it takes several years to realize any meaningful profits from Internet activities. A recent study conducted by First

Manhattan Consulting Group indicated that 70% of Internet banking accounts are unprofitable.

The largest banks in the country: Citibank, Bank of America, First Union, Chase Manhattan, and Bank One are in the top 19 leaders in Internet banking today. Many analysts think that the Internet will allow the mega-banks to dominate banking. Still others believe that the lower overhead costs associated with Internet banks will allow the emergence of new smaller banks that can offer better rates and efficiently target groups who, until now, were considered unprofitable. The concept of a system for delivering financial service products without brick and mortar branches is not a new one. However, web-based services provide an alternative that could have a dramatic impact on the current manner in which financial services needs are met. As transactional sites become a more important feature of the overall distribution system and to the degree that a significant number of transactions are removed from the existing distribution network by the Internet, there will be a need to rationalize existing distribution networks.

Risk Control

All three forms of Internet banking create new risk control challenges for financial institutions. From a supervisory perspective, risk is defined as the potential that events, expected or unexpected, may have an adverse impact on the bank's earnings or capital. The risks identified with respect to Internet banking are as follows:

1. **Credit Risk** – the risk arising from an obligor's failure to meet the terms of any contract with the bank or otherwise to perform as agreed. This risk, which predominates transactional sites, arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements.
2. **Interest Rate Risk** – is the risk to earnings or capital arising from movements in interest rates. Greater access to customers available through Internet banking attracts deposits, loans and other relationships from a larger pool of customers. This poses significant challenges to bank officials to maintain appropriate asset/liability management systems that can react quickly to changing market conditions.

3. **Liquidity Risk** – is the risk to earnings or capital arising from a bank’s inability to meet its obligations when they come due. Internet banking can increase deposit volatility from nontraditional customers or those whose relationship with the financial institution is solely based upon rate or terms.
4. **Price Risk** – occurs with changes in the value of traded portfolios of financial instruments. Banks may incur additional price risk when they create or expand activities such as deposit brokering, loan sales or securitization.
5. **Foreign Exchange Risk** – is the risk which becomes more predominant when a loan or portfolio of loans is denominated in a foreign currency. While Maine banks traditionally do not engage in transactions that may be subject to wide exchange-rate fluctuations, the Internet knows no geographic boundaries. Therefore, foreign exchange risk may become more of a reality for some market players.
6. **Transaction Risk** – is the risk which represents the current and prospective risk to earnings and capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information, is perhaps the most pervasive of all risks associated with engaging in Internet banking.
7. **Compliance Risk** – is the risk arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards, is also an issue that rises incrementally as a financial institution expands its Internet presence.
8. **Strategic Risk** – is the risk emanating from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Marketing on the Internet permits a financial institution to compete with other providers of financial services beyond its existing trade area. There must be a clear nexus between the bank’s development/introduction of Internet banking products and the tangible business objectives in the bank’s strategic plan in order to assure consistency and that they are within the bank’s risk tolerance.
9. **Reputation Risk** – arises from negative public opinion and can substantially affect an institution’s ability to establish new relationships or services or continue servicing existing relationships. A bank's reputation can be damaged by Internet banking services that are poorly executed or otherwise alienate customers and the public.

It is the responsibility of the Board and senior management to develop policies that will appropriately manage a bank's use of Internet banking technology and the technology-related risks. It is the responsibility of the regulators to assure that such policies create a sound system of internal controls that will adequately measure and manage the risks associated with operating in an Internet banking environment.

Risks associated with Internet banking can be mitigated to some degree through effective disclosures and security measures. Sound management of Internet banking programs is fundamental to maintaining a high level of public confidence not only in the individual bank, but in the banking system as a whole.

Electronic Disclosures

From a consumer protection perspective, the Federal Reserve has issued rules for comment that would permit electronic delivery of disclosure requirements mandated under:

1. Regulation B – Equal Credit Opportunity Act, which governs unlawful discrimination in credit transactions based upon sex, race, color, religion, national origin, marital status, age, or the derivation of income from a public assistance program.
2. Regulation E – Electronic Fund Transfer Act, which establishes the rights, liabilities, and responsibilities of participants in electronic transfer systems.
3. Regulation M – Consumer Leasing, which requires lessors to provide consumers with uniform disclosures about consumer lease transactions.
4. Regulation Z – Truth in Lending Act, which requires creditors to disclose the cost of credit to assist consumers in comparison shopping.
5. Regulation DD – Truth in Savings Act, which requires depository institutions to disclose consumer yields, fees, and other terms concerning deposit accounts.

These proposals,[17] which included a public comment period that has been extended to March 3, 2000, have received support from the financial community, but

[17] These proposals may be viewed at the following World Wide Web site: www.federalreserve.gov/boarddocs/press/BoardActs/1999/199909012/

some opposition from consumer advocacy groups that feel the proposals dilute the current mandatory paper disclosure requirements. The Bureau will monitor these activities closely in order to assure that state disclosure requirements maintain consistency with federal rules.

Signature Authentication

Signature authentication is a mechanism that protects the parties to a legally binding contract. The extent to which digital or electronic signatures are accepted as legally valid raises significant challenges in a world in which more transactions are being performed online. Electronic signatures are generally defined as any mark, letter, or symbol made with an intent to authenticate. A digital signature is a means of signing an electronic document and ensuring its ultimate integrity during the transmission process.

In July, 1999 the National Conference of Commissioners on Uniform State Laws approved and recommended for enactment in all the states the Uniform Electronic Transactions Act (UETA).[18] The draft legislation creates guidelines that would define and permit the use of electronic signatures. The Internet Policy Commission of the Maine Legislature will be asked to consider this uniform legislation as well as other bills relating to e-commerce during the current session.

[18] This proposal may be viewed, in its entirety, at the following World Wide Web site: www.law.upenn.edu/library/ulc/uecicta/uetast84.htm

MORTGAGE ORIGINATIONS
By Maine Banks and Thrifts

	Year Ended 12/31/98			Year Ended 12/31/97		
	Number	Amount (In 000'S)	% Dollar Volume	Number	Amount (In 000'S)	% Dollar Volume
Conventional	24,141	2,186,264	95.3%	16,431	1,396,684	93.7%
Insured	1,243	108,986	4.7%	1,170	93,834	6.3%
Total Mortgages Originated	25,384	2,295,250	100.0%	17,601	1,490,518	100.0%
Variable Rate	4,253	391,208	17.0%	4,960	455,693	30.6%
Fixed Rate	21,131	1,904,042	83.0%	12,641	1,034,825	69.4%
Total Mortgages Originated	25,384	2,295,250	100.0%	17,601	1,490,518	100.0%
Refinances (Included above)	14,023	1,296,452	56.5%	6,583	505,405	33.9%

MORTGAGES SOLD
ON SECONDARY MARKET
by Maine Banks & Thrifts

	Year Ended 12/31/98			Year Ended 12/31/97		
	Number	Amount (In 000'S)	% Dollar Volume	Number	Amount (In 000'S)	% Dollar Volume
Current Year	36,188	3,709,732	90.0%	25,650	3,188,287	95.5%
Seasoned	4,632	414,031	10.0%	2,026	149,311	4.5%
Total Mortgages Sold	40,820	4,123,763	100.0%	27,676	3,337,598	100.0%
Variable Rate	782	107,585	2.6%	8,640	1,059,012	31.7%
Fixed Rate	40,038	4,016,178	97.4%	19,036	2,278,586	68.3%
Total Mortgages Sold	40,820	4,123,763	100.0%	27,676	3,337,598	100.0%
Servicing Retained	39,829	4,005,333	97.1%	25,307	2,707,306	81.1%
Servicing Released	991	118,430	2.9%	2,369	630,292	18.9%
Total Mortgages Sold	40,820	4,123,763	100.0%	27,676	3,337,598	100.0%

Note: Mortgage originations for 1998 and 1997 do not include $4.2 billion and $2.9 billion, respectively, in purchased mortgages, some of which were subsequently sold during those years.

SUMMARY OF MAINE FINANCIAL INSTITUTIONS

June 30, 1999

		ASSETS		DEPOSITS/SHARES		LOANS	
	No.	Dollars (000's)	% of Total	Dollars (000's)	% of Total	Dollars (000's)	% of Total
Trust Companies	11	3,698,774	20.09	2,958,142	18.44	2,742,374	19.19
Limited Purpose Banks	5	31,593	0.17	772	0.00	4,109	0.03
National Banks*	5	1,250,250	6.79	2,920,566	18.20	2,374,326	16.61
State Savings Banks	17	9,547,397	51.87	6,909,744	43.07	6,334,103	44.32
Federal Savings Banks	4	911,238	4.95	661,957	4.13	725,566	5.08
State Savings and Loans	3	117,683	0.64	95,868	0.60	87,827	0.61
Federal Savings and Loans	4	217,030	1.18	178,385	1.11	163,681	1.15
State Credit Unions	13	567,975	3.09	501,390	3.13	391,525	2.74
Federal Credit Unions	75	2,064,617	11.22	1,816,004	11.32	1,467,194	10.27
TOTAL	137	18,406,557	100.00	16,042,828	100.00	14,290,705	100.00
Commercial Banks*	16	4,949,024	26.89	5,878,708	36.64	5,116,700	35.80
Limited Purpose Banks	5	31,593	0.17	772	0.00	4,109	0.03
Thrifts	28	10,793,348	58.64	7,845,954	48.91	7,311,177	51.16
Credit Unions	88	2,632,592	14.30	2,317,394	14.45	1,858,719	13.01
TOTAL	137	18,406,557	100.00	16,042,828	100.00	14,290,705	100.00
State-Chartered	49	13,963,422	75.86	10,465,916	65.24	9,559,938	66.90
Federally Chartered*	88	4,443,135	24.14	5,576,912	34.76	4,730,767	33.10
TOTAL	137	18,406,557	100.00	16,042,828	100.00	14,290,705	100.00
In-State Ownership	135	16,372,900	88.95	12,333,782	76.88	11,084,459	77.56
Out-of-State Ownership*	2	2,033,657	11.05	3,709,046	23.12	3,206,246	22.44
TOTAL	137	18,406,557	100.00	16,042,828	100.00	14,290,705	100.00

**Note: During 1997, KeyBank of Maine merged with KeyBank, N.A. KeyBank's deposits and loans for its Maine operations are included in this exhibit; however, Maine assets are not available.*

ASSET/DEPOSIT & SHARE/LOAN DISTRIBUTION BY FACILITY TYPE
(000's omitted)

	12/31 1995	12/31 1996	06/30 1997	06/30 1998	06/30 1999
Commercial Banks					
Trust Companies					
Banks	14	14	13	12	11
Branches	233	237	147	142	118
Assets	7,666,885	7,577,338	3,782,972	3,603,763	3,698,774
Deposits	5,612,664	5,379,443	2,790,194	2,660,195	2,958,142
Loans	5,277,166	5,080,569	2,609,126	2,616,375	2,742,374
National Banks					
Banks	5	5	6	5	5
Branches	33	35	128	103	102
Assets	1,325,898	1,418,945	1,523,574	1,075,190	1,250,250
Deposits	1,066,251	1,054,196	3,433,699	2,915,928	2,920,566
Loans	902,970	986,924	3,775,651	2,449,376	2,374,326
Limited Purpose Banks					
Merchant Banks					
Banks				1	1
Branches				0	0
Assets				20,015	19,595
Deposits				0	0
Loans				836	4
Uninsured Banks					
Banks					1
Branches					0
Assets					3,566
Deposits					772
Loans					3,200
Nondepository Trust Companies					
Banks					3
Branches					0
Assets					8,432
Deposits					N/A
Loans					N/A
Thrift Institutions					
Savings Banks					
Banks	17	17	17	17	17
Branches	138	149	152	189	198
Assets	6,176,563	6,550,089	6,871,847	8,617,818	9,547,397
Deposits	5,017,631	5,173,298	5,307,205	6,501,801	6,909,744
Loans	4,495,235	4,812,875	5,083,110	6,277,715	6,334,103

ASSET/DEPOSIT & SHARE/LOAN DISTRIBUTION BY FACILITY TYPE (000's omitted)

	12/31 1995	12/31 1996	06/30 1997	06/30 1998	06/30 1999
Thrift Institutions (continued)					
Federal Savings Banks					
Banks	4	4	4	4	4
Branches	16	22	25	29	31
Assets	540,532	707,419	754,241	849,901	911,238
Deposits	419,973	523,273	556,835	611,442	661,957
Loans	417,957	562,787	598,001	688,982	725,566
State Savings & Loan Associations					
Associations	3	3	3	3	3
Branches	0	0	0	0	0
Assets	99,142	102,961	105,068	112,256	117,683
Deposits	83,978	88,437	88,399	91,170	95,868
Loans	73,717	82,515	84,541	86,223	87,827
Federal Savings & Loan Associations					
Associations	5	4	4	4	4
Branches	6	4	4	4	4
Assets	297,656	201,580	203,264	206,475	217,030
Deposits	244,628	167,967	168,591	173,385	178,385
Loans	224,654	155,475	159,678	163,134	163,681
Credit Unions					
State Credit Unions					
Credit Unions	13	12	11	12	13
Branches	9	10	9	11	14
Assets	390,491	409,629	430,322	478,256	567,975
Shares	350,928	365,645	380,613	421,299	501,390
Loans	252,992	274,905	283,557	317,496	391,525
Federal Credit Unions					
Credit Unions	82	80	80	77	75
Branches	23	21	47	49	44
Assets	1,659,614	1,744,848	1,848,919	1,941,498	2,064,617
Shares	1,489,837	1,556,965	1,650,747	1,721,661	1,816,004
Loans	1,160,463	1,285,963	1,334,964	1,408,596	1,467,194
State Totals					
Financial institutions	143	139	138	135	137
Branches	458	478	512	527	511
Assets	18,156,781	18,712,809	15,520,207	16,905,172	18,406,557
Shares & Deposits	14,285,890	14,309,224	14,376,283	15,096,881	16,042,828
Loans	12,805,154	13,242,013	13,928,628	14,008,733	14,290,705

Note: During 1997, KeyBank of Maine converted from a state charter to a national charter and merged with KeyBank of Ohio. KeyBank's deposits and loans for its Maine operation are included in this exhibit for 1997, 1998, and 1999; however, its Maine assets are not available for those years.
Source of data: Call reports and branch loan and deposit/share survey.

MAINE
STATE CHARTERED
TRUST COMPANIES

	June 30, 1999 Dollars (000's)		
	Assets	**Deposits**	**Loans**
Sheldon Goldthwait, President **BAR HARBOR BANKING AND TRUST COMPANY** 82 Main St. Bar Harbor, Maine 04609	433,821	270,472	251,793
James P. Violette, Jr., President **BORDER TRUST COMPANY** 280 State Street Augusta, Maine 04330	55,028	48,924	34,673
Thomas J. Finn, Jr., President **DAMARISCOTTA BANK & TRUST** Main Street Damariscotta, Maine 04543	83,980	74,105	60,106
David I. Dorsey, President **FIRST CITIZENS BANK & TRUST** PO Box 231 Presque Isle, Maine 04769	107,851	93,180	86,504
Elizabeth Greenstein, President **FLEET BANK OF MAINE** One City Center Portland, Maine 04112	2,033,657	1,675,493	1,678,716
Jon J. Prescott, President **KATAHDIN TRUST COMPANY** Main Street Patten, Maine 04765	134,924	110,132	109,649
Wayne McGarvey, President **MAINE BANK & TRUST COMPANY** PO Box 619 Portland, Maine 04104	228,410	202,881	157,369
Edwin Clift, President **MERRILL MERCHANTS BANK** 201 Main St., PO Box 925 Bangor, Maine 04402-0925	199,606	158,774	132,361

MAINE
STATE CHARTERED
TRUST COMPANIES

June 30, 1999
(dollars 000's)

	Assets	Deposits	Loans
John Everett, IV, President **PEPPERELL TRUST COMPANY** 163 Main Street Biddeford, Maine 04005	46,023	39,306	36,548
Peter Blyberg, President **UNION TRUST COMPANY** 66 Main St., PO Box 479 Ellsworth, Maine 04605	243,020	185,052	119,465
Bruce D. Bartlett, President **UNITED BANK** 145 Exchange St., PO Box 906 Bangor, Maine 04401	132,454	99,823	75,190
TOTAL: 11	**3,698,774**	**2,958,142**	**2,742,374**

MAINE
STATE CHARTERED
LIMITED PURPOSE BANKS

	June 30, 1999 (dollars 000's)		
	Assets	**Deposits**	**Loans**
John Keffer, President **FORUM TRUST, LLC** Two Portland Square Portland, Maine 04101	7,550	N/A	N/A
Donald Glecklin, President **MAINE MERCHANT BANK** Two Monument Square Portland, Maine 04101	19,595	0	909
John P.M. Higgins, President **RAM TRUST COMPANY** 45 Exchange Street Portland, Maine 04101	122	N/A	N/A
Christopher Tyborowski, President **RSGROUP TRUST COMPANY** 295 Forest Avenue, No. 610 P.O. Box 9715 Portland, Maine 04104-5015	760	N/A	N/A
Melvin W. Morrison, President **SINCLAIR BANK & TRUST*** 148 Middle St Portland, ME 04101	3,566	772	3,200
TOTAL: 5	**31,593**	**772**	**4,109**

**In process of voluntary liquidation.*

MAINE
STATE CHARTERED
SAVINGS BANKS

	Assets	June 30, 1999 (dollars 000's) Deposits	Loans
Steven A. Closson, President **ANDROSCOGGIN SAVINGS BANK** PO Box 1407 30 Lisbon Street Lewiston, Maine 04240	361,302	286,696	237,321
P. James Dowe, Jr., President **BANGOR SAVINGS BANK** 3 State Street, PO Box 930 Bangor, Maine 04401	1,174,720	940,393	994,027
Glen Hutchinson, President **BATH SAVINGS INSTITUTION** 105 Front Street, PO Box 548 Bath, Maine 04530	229,352	183,064	145,284
Wayne Sherman, President **BIDDEFORD SAVINGS BANK** 254 Main Street Biddeford, Maine 04005	166,843	126,613	107,411
Gregory T. Caswell, President **COASTAL BANK** PO Box 8550 Portland, Maine 04105	178,664	138,697	113,778
Gary M. Downs, President **FRANKLIN SAVINGS BANK** 81 Main Street, PO Box 825 Farmington, Maine 04938	250,392	201,837	190,605
Charles M. Yandell, President **GORHAM SAVINGS BANK** 64 Main Street, PO Box 38 Gorham, Maine 04038	343,337	275,475	209,981
Mark L. Johnston, President **KENNEBEC SAVINGS BANK** 150 State Street, PO Box 50 Augusta, Maine 04330	302,905	219,481	256,436

MAINE
STATE CHARTERED
SAVINGS BANKS

	Assets	**June 30, 1999 (dollars 000's) Deposits**	**Loans**
Joel Stevens, President **KENNEBUNK SAVINGS BANK** 104 Main Street Kennebunk, Maine 04043	314,020	284,303	240,705
John C. Witherspoon, President **KINGFIELD SAVINGS BANK** Main Street, PO Box 105 Kingfield, Maine 04947	180,703	134,169	143,743
Edward L. Hennessey, Jr., President **MACHIAS SAVINGS BANK** Center Street, PO Box 318 Machias, Maine 04947	267,449	207,076	207,773
Sherwood Moody, President **MECHANICS' SAVINGS BANK** 100 Minot Avenue Auburn, Maine 04210	115,864	88,953	85,760
Peter Montpelier, President **NORWAY SAVINGS BANK** 132 Main Street Norway, Maine 04268	339,853	272,375	233,941
David Ott, President **PEOPLES HERITAGE SAVINGS BANK** One Portland Square, PO Box 9540 Portland, Maine 04112	4,444,491	2,899,686	2,599,198
Kevin P. Savage, President **SACO AND BIDDEFORD SAVINGS INSTITUTION** 252 Main Street Saco, Maine 04072	297,712	220,029	199,555
Rodney Normand, President **SANFORD INSTITUTION FOR SAVINGS** 184 Main Street Sanford, Maine 04073	231,681	150,092	129,382

MAINE
STATE CHARTERED
SAVINGS BANKS

	June 30, 1999 (dollars 000's)		
	Assets	**Deposits**	**Loans**
William Randall, President **SKOWHEGAN SAVINGS BANK** 7 Elm Street, PO Box 250 Skowhegan, Maine 04976	348,109	280,805	239,203
TOTAL: 17	**9,547,397**	**6,909,744**	**6,334,103**

MAINE
STATE CHARTERED
SAVINGS AND LOAN ASSOCIATIONS
June 30, 1999
(dollars 000's)

	Assets	Deposits	Loans
Allen Sterling, President **AUBURN SAVINGS AND LOAN ASSOCIATION** 256 Court Street, PO Box 3157 Auburn, Maine 04210	39,863	30,777	30,542
Norman P. Shaw, Secretary/Treasurer **BAR HARBOR SAVINGS AND LOAN ASSOCIATION** Main Street Bar Harbor, Maine 04609	15,988	12,583	11,131
Harry Mank, President **ROCKLAND SAVINGS AND LOAN ASSOCIATION** PO Box 585 Rockland, Maine 04841	61,832	52,508	46,154
TOTAL: 3	**117,683**	**95,868**	**87,827**

MAINE
STATE CHARTERED
CREDIT UNIONS

	Assets	June 30, 1999 (dollars 000's) Shares	Loans
BIW FIVE COUNTY CREDIT UNION 765 Washington St., PO Box 598 Bath, Maine 04530	55,660	50,816	40,718
CHESTNUT CREDIT UNION PO Box 604 Augusta, Maine 04332	5,867	5,531	4,498
COAST LINE CREDIT UNION 38 Rigby Road West Portland, Maine 04104	15,777	12,818	7,896
COMMUNITY CREDIT UNION 144 Pine Street Lewiston, Maine 04240	32,950	30,194	27,560
EVERGREEN CREDIT UNION 35 Cumberland Street Westbrook, ME 04092	60,965	55,784	43,049
GOVERNMENT EMPLOYEES CREDIT UNION 555 Forest Avenue Portland, Maine 04101	75,511	68,522	54,706
GREATER PORTLAND MUNICIPAL CREDIT UNION 799 Broadway South Portland, Maine 04106	44,438	40,818	39,445
MAINE EDUCATION CREDIT UNION 36 Community Drive, PO Box 1096 Augusta, Maine 04330	10,008	8,603	6,493
MAINE STATE EMPLOYEES CREDIT UNION PO Box 5659 Augusta, Maine 04332-5659	143,536	123,929	70,067

MAINE
STATE CHARTERED
CREDIT UNIONS

	June 30, 1999 (dollars 000's)		
	Assets	**Shares**	**Loans**
SABATTUS REGIONAL CREDIT UNION 9 High Street Sabattus, Maine 04280	17,419	16,140	12,028
SACO VALLEY CREDIT UNION PO Box 740 Saco, Maine 04072	26,987	24,227	21,706
UNIVERSITY CREDIT UNION Rangeley Road University of Maine Orono, Maine 04473	71,484	57,341	58,556
UNUM EMPLOYEES' CREDIT UNION 2211 Congress Street Portland, Maine 04102	7,373	6,667	4,803
TOTAL: 13	**567,975**	**501,390**	**391,525**

MAINE
FEDERAL CHARTERED
NATIONAL BANKS

	June 30, 1999 (dollars 000's)		
	Assets	**Deposits**	**Loans**
Robert Daigle, President **CAMDEN NATIONAL BANK** 2 Elm Street, PO Box 310 Camden, Maine 04843	582,092	414,965	391,862
Timothy Healey, President **THE FIRST NATIONAL BANK OF BAR HARBOR** 102 Main Street, PO Box A Bar Harbor, Maine 04609	140,601	113,248	97,793
Daniel R. Daigneault, President **THE FIRST NATIONAL BANK OF DAMARISCOTTA** Main Street, PO Box 940 Damariscotta, Maine 04543	327,202	201,934	225,700
Michael McNamara, Maine District President **KEYBANK, NATIONAL ASSOCIATION** One Canal Plaza Portland, ME 04112	N/A	2,033,553	1,527,530
Russell G. Cole, President **THE OCEAN NATIONAL BANK OF KENNEBUNK** 100 Main Street, PO Box 58 Kennebunk, Maine 04043	200,355	156,866	131,441
TOTAL: 5	**1,250,250**	**2,920,566**	**2,374,326**

MAINE
FEDERAL CHARTERED
SAVINGS BANKS

	June 30, 1999 (dollars 000's)		
	Assets	**Deposits**	**Loans**
Dennis Young, President **AUGUSTA FEDERAL SAVINGS BANK** 22 Western Avenue Augusta, Maine 04330	97,174	77,670	80,844
Arthur Markos, President **GARDINER SAVINGS INSTITUTION, FSB** 190 Water Street Gardiner, Maine 04345	377,896	309,641	268,131
James D. Delameter, President **NORTHEAST BANK, FSB** 232 Center Street Auburn, Maine 04210	363,759	220,471	318,480
Wesley Richardson, President **THE WALDOBORO BANK, FSB** 1768 Atlantic Way Waldoboro, Maine 04572	72,409	54,175	58,111
TOTAL: 4	**911,238**	**661,957**	**725,566**

MAINE
FEDERAL CHARTERED
SAVINGS & LOAN ASSOCIATIONS
June 30, 1999
(dollars 000's)

	Assets	Deposits	Loans
John S. Swanberg **AROOSTOOK COUNTY FEDERAL SAVINGS AND LOAN ASSOCIATION** 43 High Street, PO Box 808 Caribou, Maine 04736	51,958	44,467	46,484
Dennis H. Brown, President **CALAIS FEDERAL SAVINGS AND LOAN ASSOCIATION** 136 Main Street Calais, Maine 04619	35,477	29,179	21,285
Daniel R. Donovan, President **FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF BATH** 125 Front Street Bath, Maine 04530	99,735	80,859	71,341
Allen L. Rancourt, President **KENNEBEC FEDERAL SAVINGS AND LOAN ASSOCIATION** 70 Main Street Waterville, Maine 04901	29,860	23,880	24,571
TOTAL: 4	**217,030**	**178,385**	**163,681**

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

	Assets	June 30, 1999 (dollars 000's) Shares	Loans
BANGOR FEDERAL CU 74 Harlow Street Bangor, Maine 04401	38,509	35,496	34,126
BANGOR HYDRO FEDERAL CU 193 Broad Street Bangor, Maine 04401	7,468	6,467	5,145
BANSCO FEDERAL CU 87-89 Hillside Avenue, Suite 3 Bangor, Maine 04401	10,134	9,583	6,620
BARCO FEDERAL CU PO Box 347 Hamden, Maine 04463	95,996	84,621	79,336
BLUE CROSS AND BLUE SHIELD OF MAINE FEDERAL CU 2 Gannett Drive South Portland, Maine 04106	5,044	4,378	2,635
BOWDOINHAM FEDERAL CU PO Box 73 Bowdoinham, Maine 04008	8,712	7,737	7,372
BREWER FEDERAL CU 77 N. Main St. Brewer, Maine 04412	17,646	16,371	10,907
CAPITAL AREA FEDERAL CU 23 Maple Street Augusta, Maine 04430	10,145	9,518	7,699
CENTRAL MAINE POWER COMPANY FEDERAL CU 44 Edison Drive Augusta, Maine 04330	29,579	24,830	15,337

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 1999
(dollars 000's)

	Assets	**Shares**	**Loans**
CUMBERLAND COUNTY TEACHERS FEDERAL CU 173 Gray Road Falmouth, Maine 04105	30,697	25,660	20,738
DEXTER REGIONAL FEDERAL CU PO Box 233 Dexter, Maine 04930	40,870	38,397	24,816
EASTERN MAINE MEDICAL CENTER FEDERAL CU 489 State Street Bangor, Maine 04401	20,023	18,518	14,074
EASTMILL FEDERAL CU 60 Main Street East Millinocket, Maine 04430	38,617	32,985	16,954
FORT KENT FEDERAL CU 6 East Main Street Fort Kent, Maine 04743	24,379	20,912	20,173
FRANKLIN COUNTY FEDERAL CU PO Box 5061 Farmington, Maine 04938	14,181	13,026	11,893
FRASER FEDERAL CU 534 Main St. Madawaska, Maine 04756	58,393	50,745	51,793
GARDINER FEDERAL CU 8 Brunswick Road Gardiner, Maine 04345	12,319	11,134	8,577
GATEWAY FEDERAL CU 306 Main Street Van Buren, Maine 04785	8,701	7,408	4,119
GORHAM REGIONAL FEDERAL CU 375 Main Street Gorham, Maine 04038	19,766	17,957	15,833

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 1999
(dollars 000's)

	Assets	Shares	Loans
GRAND ISLE COMMUNITY FCU PO Box 199 Grand Isle, Maine 04746	1,587	1,483	639
GREAT FALLS REGIONAL FCU 34 Bates St Lewiston, Maine 04240	19,089	16,496	12,956
HANNAFORD ASSOCIATES FEDERAL CU PO Box 1440 Portland, Maine 04104	17,816	15,688	14,659
HEALTHFIRST FEDERAL CU 9 Quarry Road Waterville, Maine 04901	5,839	5,163	4,457
HOULTON FEDERAL CU 13 Market Square Houlton, Maine 04730	10,100	9,197	5,565
HOWLAND ENFIELD FEDERAL CU Box 405 Howland, Maine 04448	9,756	8,682	6,637
INFINITY FEDERAL CU 202 Larrabee Rd. Westbrook, Maine 04074	95,800	76,097	65,210
KV FEDERAL CREDIT UNION 316 Northern Avenue Augusta, Maine 04330	37,105	33,881	30,666
KATAHDIN FEDERAL CU 1000 Central Street Millinocket, Maine 04462	63,583	54,034	40,882
KESO FEDERAL CU PO Box 298 Fairfield, Maine 04937	2,974	2,712	2,042

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 1999
(dollars 000's)

	Assets	Shares	Loans
KEYES FIBRE FEDERAL CU c/o Keyes Fibre Company 222 College Avenue Waterville, Maine 04901	24,695	23,029	20,020
KNOX COUNTY FEDERAL CU PO Box 159 Rockland, Maine 04841	12,755	11,318	7,916
LA VALLEE FEDERAL CU 794 Main Street Madawaska, Maine 04756	22,846	19,813	15,997
LEWISTON MUNICIPAL FEDERAL CU 291 Pine Street Lewiston, Maine 04240	8,417	7,204	5,925
LINCOLN MAINE FEDERAL CU Outer West Broadway Lincoln, Maine 04457	15,890	14,831	10,324
LISBON COMMUNITY FEDERAL CU 325 Lisbon Road Lisbon Center, Maine 04251	39,422	34,899	23,518
MADISON ANSON COMMUNITY FCU 48 Main Street Madison, Maine 04950	2,727	2,410	1,788
MAINE FAMILY FEDERAL CU 555 Sabattus Street Lewiston, Maine 04240	53,861	47,842	37,250
MAINE MEDIA FEDERAL CU 390 Congress St Portland, ME 04104	5,089	4,226	2,690
MEBS FEDERAL CU One Congress Square Portland, Maine 04101	328	267	285

**MAINE
FEDERAL CHARTERED
CREDIT UNIONS**

**June 30, 1999
(dollars 000's)**

	Assets	Shares	Loans
MEDICAL SERVICES FEDERAL CU 272 Park Avenue Portland, Maine 04104	28,516	25,948	22,554
MIDCOAST FEDERAL CU 831 Middle Street Bath, Maine 04530	54,439	48,567	41,860
MONMOUTH FEDERAL CU PO Box 150 Monmouth, Maine 04259	5,332	4,941	3,782
NISSEN EMPLOYEES FEDERAL CU 56 Washington Avenue Portland, Maine 04104	2,356	2,019	1,192
NOPAR FEDERAL CU PO Box 274 South Paris, Maine 04281	5,209	4,843	2,415
NOTRE DAME WATERVILLE FEDERAL CU 61 Grove Street Waterville, Maine 04901	35,538	32,561	23,553
OCEAN COMMUNITIES FEDERAL CU 1 Pool Street Biddeford, Maine 04005	68,593	64,574	54,648
OTIS FEDERAL CU PO Box 27 Jay, Maine 04329	52,582	41,335	40,882
OXFORD FEDERAL CU 255 River Road Mexico, Maine 04257	66,227	58,424	43,996
PENOBSCOT FEDERAL CU PO Box 434 Old Town, Maine 04468	18,278	17,553	14,982

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 1999
(dollars 000's)

	Assets	Shares	Loans
PEOPLES REGIONAL FEDERAL CU PO Box 10 Pittsfield, Maine 04967	19,533	17,341	11,627
PORTLAND MAINE POLICE DEPARTMENT FEDERAL CU 109 Middle Street Portland, Maine 04101	2,227	1,896	1,948
PORTLAND ME TRANSIT FEDERAL CU 67 Allen Avenue Falmouth, Maine 04105	292	248	196
PORTLAND REGIONAL FEDERAL CU PO Box 6693 Portland, Maine 04103	15,171	13,354	9,195
R. C. H. FEDERAL CU 420 Franklin Street Rumford, Maine 04104	383	270	188
RAINBOW FEDERAL CU PO Box 741 Lewiston, Maine 04243-0741	66,419	57,148	54,097
RIVERVIEW FEDERAL CU 15 Depot Square Gardiner, Maine 04345	6,622	6,043	3,689
ST. AGATHA FEDERAL CU PO Box 130 Saint Agatha, Maine 04772	11,428	10,363	6,191
ST. CROIX FEDERAL CU PO Box 130 Baileyville, Maine 04694	32,322	26,385	28,846
ST. FRANCIS COMMUNITY FEDERAL CU PO Box 38 Saint Francis, Maine 04774	1,233	1,091	1,040

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 1999
(dollars 000's)

	Assets	Shares	Loans
ST. FRANCIS DE SALES FEDERAL CU 50 Elm Street Waterville, Maine 04901	18,364	15,737	8,327
ST. JOHN'S (BRUNSWICK) FEDERAL CU 55 Cushing Street Brunswick, Maine 04011	127,068	103,259	87,431
ST. JOSEPH'S (BIDDEFORD) FEDERAL CU PO Box 488 Biddeford, Maine 04405	65,890	59,017	48,191
STE. CROIX REGIONAL FEDERAL CU PO Box 1746 Lewiston, Maine 04240	68,783	62,350	46,940
SEABOARD FEDERAL CU 531 Main Street Bucksport, Maine 04416	57,295	50,854	42,581
SEMICONDUCTOR OF MAINE FEDERAL CU 333 Western Avenue South Portland, Maine 04106	5,123	3,937	2,445
SHAW'S EMPLOYEES FEDERAL CU 205 Spencer Drive Wells, Maine 04090	6,329	5,300	3,715
SKOWHEGAN COMMUNITY FEDERAL 43 Leavitt Street Skowhegan, Maine 04976	9,552	8,966	6,130
SPRAGUE-SANFORD FEDERAL CU PO Box 231 Sanford, Maine 04073	3,605	3,032	2,299
TACONNET FEDERAL CU 60 Benton Avenue Winslow, Maine 04901	26,858	24,912	15,257

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 1999
(dollars 000's)

	Assets	Shares	Loans
THE COUNTY FEDERAL CU PO Box 939 Caribou, Maine 04736	64,520	57,595	51,375
TOWN & COUNTRY FEDERAL CU 557 Main Street South Portland, Maine 04106	64,150	58,810	40,044
VASSALBORO FEDERAL CU 36 Main Street North Vassalboro, Maine 04962	12,396	11,794	8,403
WINSLOW COMMUNITY FEDERAL CU PO Box 8117 Winslow, Maine 04901	17,251	15,386	7,586
WINTHROP AREA FEDERAL CU PO Box 55 Winthrop, Maine 04364	26,351	23,653	17,781
YORK COUNTY TEACHERS FEDERAL 124 Main Street Sanford, Maine 04073	57,524	51,483	44,235
TOTAL: 75	**2,064,617**	**1,816,004**	**1,467,194**

DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION
MAINE BUREAU OF BANKING

Howard R. Gray, Jr., Superintendent
Howard.r.gray.jr@state.me.us
624-8575

MISSION

Our mission is to assure the strength, stability and efficiency of all financial institutions, to assure reasonable and orderly competition, thereby encouraging the development and expansion of financial services advantageous to the public welfare and to maintain close cooperation with other supervisory authorities.

EMPLOYEE	POSITION	PHONE	INTERNET ADDRESS
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Banking Advisory Committee

In March, 1994, the Bureau established the Banking Advisory Committee. The role of that Committee, which meets quarterly, is to review the financial issues relating to the Bureau's operation. Over the past four years, the Bureau has benefited from the discussions and guidance of this advisory group. The following is a list of the current members of the Banking Advisory Committee and its immediate past members. Special thanks to all for dedication and interest of these individuals serving in this advisory capacity to the Bureau.

Thomas Finn, Jr., President, Damariscotta Bank & Trust Company
Howard R. Gray, Jr., Superintendent, Maine Bureau of Banking
Donald W. Groves, Chief Bank Examiner, Maine Bureau of Banking
Elizabeth Greenstein, Executive Vice President, Fleet Bank of Maine
Gretchen Jones, General Counsel, Maine Credit Union League
Samuel Ladd, Executive Vice President, Maine Bank & Trust Co.
Colette L. Mooney, Deputy Superintendent, Maine Bureau of Banking
Joseph J. Pietroski, Jr., Executive Director, Maine Bankers Association
Christopher W. Pinkham, President, Maine Association of Community Banks
Kevin P. Savage, President, Saco and Biddeford Savings Institution
Donna Steckino, President, Community Credit Union

Immediate past members (1999)

Gary Downs, President, Franklin Savings Bank
L. Gary Knight, President, Livermore Falls Trust Company

EXHIBIT V

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"THE STATUS OF MAINE'S FINANCIAL INSTITUTIONS"

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