MAINE DEPARTMENT OF Professional & Financial Regulation

ANNUAL REPORT FROM THE SUPERINTENDENT OF THE BUREAU OF BANKING TO THE LEGISLATURE

PREPARED BY THE STAFF OF THE MAINE BUREAU OF BANKING

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Angus S. King, Jr.
Governor

S. Catherine Longley
Commissioner

Howard R. Gray, Jr.
Superintendent

INTRODUCTION

Between June 1999 and May 2000 the Federal Reserve Board raised its overnight rate from 4.75 to 6.5% and the consequences of those rate increases to the national economy became most evident from economic analyses of the third quarter of 2000. Key economic and industry indicators, including weakening autos sales, housing sales, computer sales, capital spending, corporate profits, consumer confidence, factory production, store sales, job creation and stock prices, now indicate that an economic slowdown is occurring. The six interest rate hikes that have been enacted by the Federal Reserve Board since June 1999 have definitely taken much of the steam out of the long national economic expansion.

Within the context of these interest rate increases, the Maine economy remained steadfastly robust during the first three quarters of 2000. Personal income grew measurably. The labor force participation rate rose to a peak high, and unemployment was the lowest since the 1980s. The total number of payroll jobs in Maine also increased. Not unexpectedly, labor markets experienced significant labor shortages. Consumer retail sales, auto sales and building supply sales also grew nicely. The construction and real estate industries continued to respond very well to business and consumer demand. The number of new business ventures in Maine increased at a solid clip as the levels of available venture capital remained strong. At the beginning of the fourth quarter, employment remained at an all-time high. Despite this, there were a few indicators that Maine was beginning to feel the effects of the nation's cooling economy. For example, job growth began to moderate and auto sector sales began to slow. The Maine economy in 2001 is forecast to moderate in conformance with the national economy.

The Federal Reserve Board has continually emphasized that domestic demand must slow below the pace of potential supply in order for inflationary pressure to vent out of the economy, and that perspective had not changed by midyear 2000. Whatever economic slowdown had been achieved, it was not enough to alter the Federal Reserve Board’s view that the risks in the future were weighted toward conditions that could generate higher inflation. The possible inflation threat from drum-tight labor markets and higher oil and natural gas prices was still too great for the Board to relax its concerns regarding inflation. The overall and unbending objective of the Federal Reserve Board is to create a softening in business and household demand, complemented by tighter financial conditions, which will result in the reduction of the economy's growth rate to a pace that is more generally sustainable.

The Gross Domestic Product (GDP), the standard measure of how much the nation is producing, expanded at an annual rate of 2.4% in the third quarter of 2000—the slowest quarterly growth in four years—after averaging 5.2% in the first half of 2000. Many economists are now projecting that GDP growth in 2001 will approximate 3%, the slowest pace since 1995. Federal government surveys of companies in critical economic and industrial sectors reflect a general souring in their attitudes regarding economic growth. With the signs of a slowdown increasingly more evident, private and public sector planners are reassessing and then decreasing their operating and capital budgets in the light of newly projected lower revenues.

The long economic boom of the 1990s has deluded many into thinking that the course of economic cycles always runs smoothly. The Federal Reserve Board, however, can never be certain either how much effect a change in interest rates will have or how long it will take for that effect to occur. Until quite recently, the higher interest rates initiated in May 1999 did not seem to be having much effect. However, Chairman Alan Greenspan acknowledged in a presentation to community bankers on December 5, 2000 that the economy had slowed "appreciably." Despite the explicit decline in the GDP growth rate, it still seems reasonable to conclude that the economy's basic underpinnings are sound. Some even suggest that a slower GDP growth scenario would be a refreshing pause after the "irrational exuberance" of the late 1990s. For now, prognosticators expect this emerging pattern of modest, and comparatively stable, growth to extend throughout 2001. Virtually no one speaks openly about the possibility of a recession.

The Federal Reserve interest rate hikes and the slowing economy have resulted in reduced projected corporate revenues and profits and a consequent tightening of available credit to businesses of all sizes. Many financial officers have reported a greater than expected increase in commercial and industrial loan delinquencies over the past year. Problem loans have doubled since 1998. The Federal Reserve Bank's latest survey of bank lending practices shows that loan officers are becoming increasingly selective about business borrowing in the fourth quarter of 2000. The net percentage of banks across the nation that tightened their standards for commercial and industrial loans for both large and small businesses rose to its highest level in 10 years. Companies that want to delay payments or restructure loans are finding their lenders less sympathetic. A further tightening of both loan standards and credit terms can also be expected next year. Conversely, bank attitudes toward consumer lending remain relatively lax. Credit standards for all types of household borrowing were little changed over the last three months.

Banks and credit unions in Maine and across the nation have enjoyed several years of profitable operations. However, other trends in performance at both the national and local levels indicate the need for renewed caution for the future. These trends include (a) marginal growth in core deposits (checking and savings accounts and certificates of deposit) with a resultant significant increase in the borrowing of funds from non-traditional sources to offset the weak growth in core deposits; (b) a steady decline in net interest income as a percentage of assets; (c) ever-narrowing net interest margins; (d) an increasing reliance on non-interest income to supplement the shrinking revenues derived from net interest income; and (e) asset growth outpacing growth in capital accumulation.

Even without a severe economic contraction, these trends are certainly worrisome. The most troublesome is the continuing decline in the levels of core deposits, which represent the least expensive funding available to banks and credit unions to support their lending programs and, therefore, offer the best opportunity for larger net interest margins and higher net interest income. Inability to attract core deposits forces financial institutions to rely on other, more costly sources of borrowed funding, which in turn reduces net interest margins and the level of net interest income. This circular dilemma creates an untenable situation which must be addressed. Two proposals have been made that could effectively increase core deposit levels. The first proposal before Congress would permit the payment of interest on business checking accounts. The second proposal, offered by the Federal Deposit Insurance Corporation, would increase federal insurance on deposit accounts to $200,000 per account. There is little enthusiasm within the affected industries, however, for the belief that these proposals will positively affect the lagging growth trends for core deposits.

The Bureau of Banking continually endeavors to keep pace with the ever-changing financial services industry. One source of significant change has been through legislation. The federal Financial Modernization Act, the Maine Uniform Electronic and Transmission Act, Maine's Digital Signature Act, and the national Electronic Signatures in Global and National Commerce Act are excellent examples of recent legislation that will modify not only how financial services business will be conducted in the future, but will also broaden the regulatory responsibilities of the Bureau. Technology represents another source of change to supervisory examination methodologies. The dynamic and rapid evolution of technology-driven Internet banking throughout the country signals a significant change to the dissemination of information and the delivery of products and services within the financial services industry. Concurrent with this development have been the required alterations to the Bureau's examination approaches. Ongoing and thorough training of Bureau personnel in these increasingly sophisticated business approaches represents one tried and certain method for coping with substantial change.

The year 2000 was a noteworthy one for the Bureau of Banking. In June and October, two of Maine's largest state-chartered banks, Peoples Heritage Bank and Fleet Bank of Maine, converted to national charter, removing approximately $6 billion of assets from the state chartering system. The loss of those supervised assets also produced a substantial decrease in the Bureau's budgeted revenue. The Bureau responded to this decrease in revenues with the necessary and fiscally prudent action steps that balanced the budget for Fiscal Year 2001 and recommended budget-balancing proposals, which the Legislature must approve, for the next biennium. Other events during the year included other charter conversions, multibranch acquisitions, and acquisitions of entire institutions which increased state supervised assets. In other transactions, several Maine institutions, seeking opportunities to engage in the business of selling investments and/or insurance, acquired insurance agencies or brokerage entities or achieved contractual participation in new business efforts by partnering with others.

The Bureau continued to experience interest in its specialty, or limited bank, charters. H. M. Payson & Company, Maine's oldest investment company, formed a non-depository trust company and transferred its existing business to that entity. Forum Trust Company, a non-depository trust company, received approval of its application to convert to an uninsured bank. There has also been significant interest expressed from a variety of groups with diverse geographies in chartering "virtual" institutions. These organizations would provide financial products and services over the World Wide Web and would not have a physical presence in the State of Maine.

Each of the preceding transactions required substantial commitment of the Bureau's time and human resources. Prior to the submission of the formal application, frequent meetings between the applicant and Bureau staff are required to discuss how the application process will unfold, what kinds of information are most important for the Bureau's consideration, and the resolution of other business issues. The applicant's business plan, which sets forth its business development goals, objectives, and strategies, is of paramount importance in determining the viability of the proposal and, therefore, consumes much time in the preliminary discussion and analysis phase. Such detailed information has been lacking in several of the "virtual" business propositions brought to the Bureau. In most transactions, a simultaneous application must be filed with the appropriate federal bank or credit union regulatory agency with whom the Bureau works closely to minimize the applicant's regulatory burden.

Maine banks and credit unions have clearly profited from the many years of a bounteous economy and have extended their reach to new financial modernization opportunities through new products, services, and delivery systems and the purchase of other businesses so as to compete more broadly in the financial services arena.

Over the years the Maine Legislature has, through passage of progressive statutory changes, provided state-chartered institutions with the tools to expand and grow. With passage of the Universal Bank Charter in 1997, Maine identified itself as a leader in banking law modernization. The federal Gramm-Leach-Bliley Act of 1999, which created a national standard for financial services modernization, paved the way for banks to expand into the securities and insurance lines of business. To date, Maine financial institutions have been cautious, but purposeful, in their pursuit of these new business expansion opportunities.

In 2000, Maine lawmakers enacted legislation that removed geographical and contractual barriers to the effective use of evolving electronic delivery systems for financial products and services. The passage of the Maine Uniform Electronic Transmission Act and the Digital Signatures Act earlier in the year endorsed a concept that was only at a point of debate in the nation's capital. Then, on June 20, 2000, President Clinton signed into law the Electronic Signatures in Global and National Commerce Act which eliminated barriers to the use of electronic (digital) signatures and records in interstate and foreign commercial transactions. Maine banks and credit unions are moving deliberately to take advantage of these new statutory changes and to embrace the electronic age.

Recent market surveys indicate that consumer use of the Internet for banking transactions is somewhat limited, primarily because of lack of consumer demand rather than availability. Though current customer use of Internet banking transactional web sites is now disproportionately concentrated among large banks, most of the future growth in transactional web sites is expected from smaller financial institutions. On-line banking is an extremely efficient device for institutions of all sizes to collect and manage information to meet the various financial needs of individuals and businesses. It is an important and effective way to communicate with and deliver services to customers. It is unlikely, however, that today's Internet banking programs have a beneficial direct impact on the bottom line. Consumers generally seem somewhat unconvinced that on-line banking products and services provide sufficient value to warrant a substantial change in their banking habits. This will change. Electronic banking is here to stay.

In these times of significant change, bank and credit union supervisors are constantly challenged to develop and implement more sophisticated regulatory approaches and programs. This emphasis is required both for products and services as well as unique delivery systems. The adoption of electronic distribution systems introduces a variety of compliance issues regarding advertising and consumer disclosures and requires substantial security initiatives to ensure that the risks inherent in such activities are minimized for consumer and commercial customers. The Bureau of Banking has established a new electronic banking component in its regular safety and soundness examination to provide essential regulatory oversight of these activities. The Bureau has also inaugurated an off-site monitoring system to review institutions' products and services offered over the World Wide Web.

Training remains a critical requirement to maintain parity between the supervisory skills of the Bureau and the quickly changing financial services environment. Over the years, the scope of training, which spans such diverse areas as safety and soundness, information technology, compliance and trust examination techniques, is illustrative of how much change has occurred in the world of financial regulation. Entry-level bank examiners receive approximately 12 weeks of intensive training over a 4-year period. Mid-level examiners receive, on average, 2 weeks of training each year and must complete a graduate program before advancing to the most senior grade. The Bureau has successfully retained a very talented group of examiners who have an average tenure with the agency of more than 10 years. To maximize their talents, however, it has been necessary to continually hone these skills through advanced educational programs and seminars with their federal and state colleagues. For the Bureau to continue its successful supervisory endeavors, training must remain a top priority.

The Bureau of Banking, as Maine's primary financial institution regulator, is charged with the responsibility of assuring that state-chartered financial institutions operate in a safe and sound manner. It must also ensure the maintenance of a system of internal controls within these institutions that adequately measures and manages the risks associated with operating in the financial services environment. To meet the varying challenges of statutory and technological change, the Bureau must work closely with state and federal legislative and regulatory bodies to craft a program of regulatory oversight that is vigilant without impinging on legitimate management prerogatives or imposing excessive burden. Through the judicious use of technology and the retention of a highly trained staff, the Bureau of Banking will continue to develop regulatory programs that provide essential public protections.

/s/ Howard R. Gray, Jr.
Superintendent

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SECTION I

INDUSTRY CONDITIONS

Economic Conditions

U.S. Economy[1]

The current state of the U.S. economy remains strong. Future prospects for the economy, however, are much less certain than in the recent past. Reduced GDP growth, apparent inflationary pressures, a possible end to the long-running bull market, the unprecedented length of the economic expansion, increased oil prices, the Middle East crisis, and an uncertain political situation in the United States all combine to create significant uncertainty for the future course of the nation's economy. The question is whether these conditions will lead to a growth recession, or economic soft landing, or whether they will lead to a recession during the next 12-18 months.

Because of the unexpected strength in the economy in 1999 and the concurrent fears that inflationary pressures were building in the economy, the Federal Reserve Board raised its target federal funds rate 25 basis points three times in the latter part of the year. Gross Domestic Product (GDP) grew approximately 5% in 1999, with growth exceeding 8% in the fourth quarter on an annualized basis. During 2000, the Federal Reserve Board has continued to tighten monetary policy in an effort to cool the economy to a sustainable, non-inflationary level. Beginning in February 2000 and ending in May 2000, the Federal Reserve Board raised its target federal funds rate from 5.5% to 6.5% with the increase on May 16, 2000 accounting for 50 basis points of the increase in 2000. As the Chart #1 shows, the Federal Reserve Board's tightening has begun to affect the economy. Annualized quarterly GDP growth slowed to 2.7% during the 3rd quarter of 2000. Personal consumption expenditures and private investment have mirrored the trend of GDP as one would expect, though the annualized quarterly growth rate of personal consumption expenditures increased from

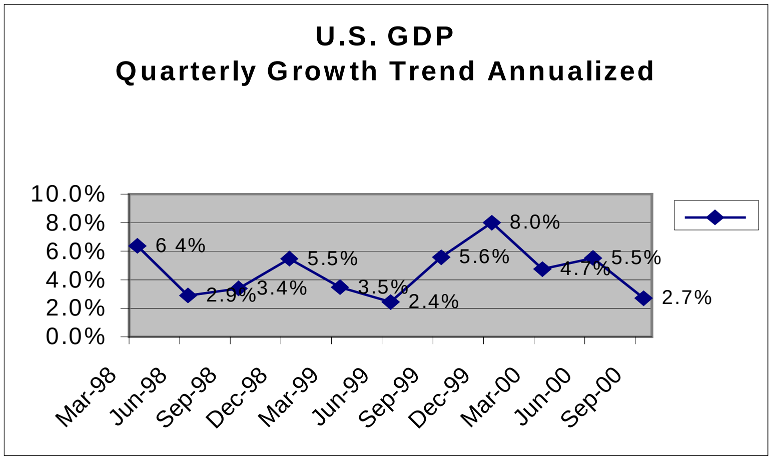


Chart #1

3.0% in the second quarter of 2000 to 4.5% in the third quarter of 2000. Private investment growth was 2.7% in the third quarter of 2000.

Inflation, while relatively modest by historical standards, is increasing. As Chart #2 indicates, the rate of quarterly inflation, as measured by the Consumer Price Index (CPI), is increasing. The 5.9% rise in the first quarter was particularly remarkable because of the dramatic upsurge in the price of energy, primarily the price of oil and gasoline. The price of crude oil, as measured by the price of West Texas Intermediate Crude,

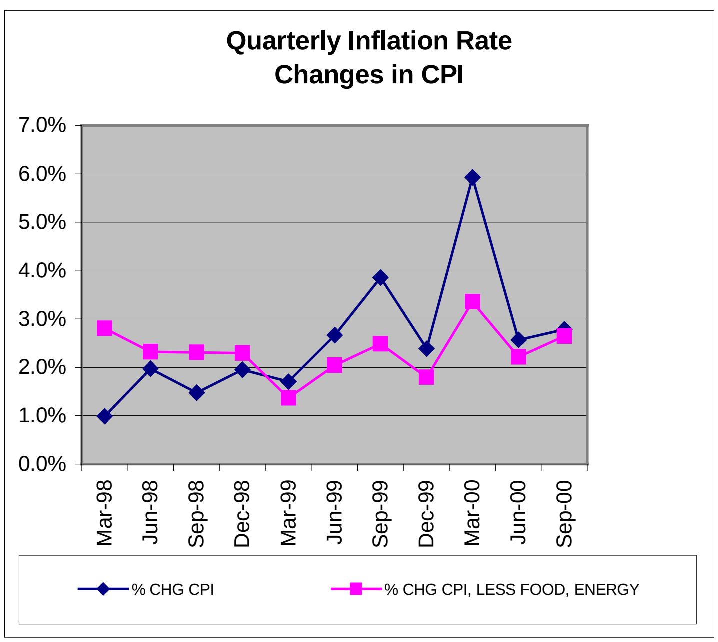


Chart #2

has increased from $14.39 a barrel in October 1998 to $33.08 in October 2000,

[1] Data and information on the U.S economy was obtained from several sources, including the Federal Reserve Board, the State Planning Office, and the Bureau of Economic Analysis.

although the price has stabilized in recent months. As a result of this stabilization, inflation in the 2nd and 3rd quarters has been more modest, at 2.6% and 2.8%, respectively. If food and energy prices are not included in the CPI, the inflation rate is reduced, particularly in the 1st quarter. Despite this dramatic increase in energy prices, the overall impact on the economy may not be very significant. Oil prices have increased from an unusually low level in 1998 and the use of energy is much more efficient than in the 1970's when significant increases in the cost of energy had a significant impact on the economy.

Employment statistics remain favorable, although these statistics tend to be a lagging indicator of economic performance. The national unemployment rate was 3.9% in September 2000 and has been consistently below 5% since mid-1997. Employment growth has ranged from 2% to 3% on a quarterly basis since the end of 1997; however, the quarterly annualized growth rate fell to .4% in the 3rd quarter of 2000. If the 3rd quarter employment statistics portend slower employment growth in the future, this may ease tight labor markets nationwide and reduce inflationary pressure on wages and salaries.

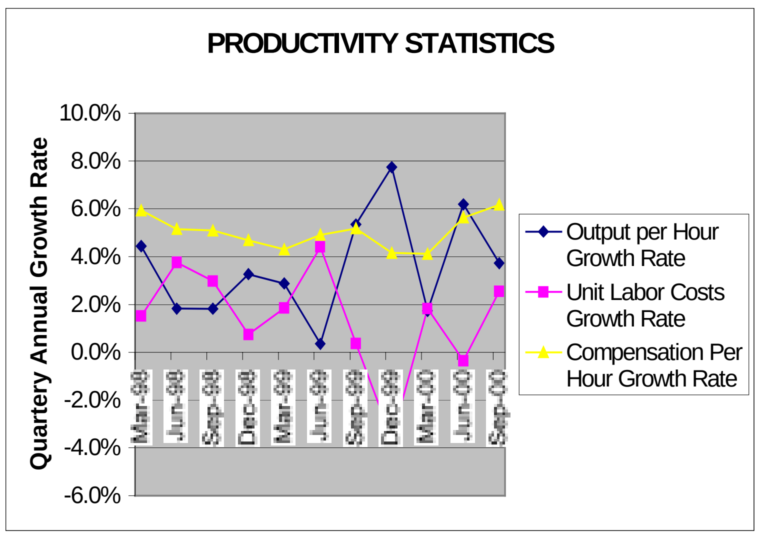


Chart #3

Productivity growth, which has been fueled largely by investments in technology, has been essential to non-inflationary economic expansion, given the tight labor markets of the past two years. Productivity growth offsets increases in compensation by maintaining or lowering the per unit costs of labor. Since March 1998, annualized quarterly growth in productivity, as measured by growth in output per hour (See Chart #3), has ranged from .4% in the 2nd quarter of 1999 to 7.7% in the 4th quarter of 1999. Annual productivity growth was 2.9% in 1998 and 4.1% in 1999. Productivity growth for the first three quarters of 2000 was 3.9% annualized. The quarterly growth rate in compensation per hour has ranged between 4% and 6% during the period. The growth in compensation costs, however, appears to have accelerated somewhat in the 2nd and 3rd quarters of 2000, when growth was 5.6% and 6.2%, respectively, after a growth rate of approximately 4.1% during the previous two quarters. Unit labor costs grew 2.3% and .7% in 1998 and 1999, respectively, and have grown 1.3% annualized for the first three quarters of 2000. The growth in unit labor costs, however, increased to 2.6% in the 3rd quarter of 2000. These statistics suggest that productivity growth (3%-4%) may be insufficient to offset increases in compensation (approximately 6% in the last two quarters) to maintain or minimize increases in unit labor costs. If these recent results indicate a trend, inflation will increase and/or corporate profits will decrease.

The federal budget situation is very favorable. After years of significant budget deficits, the federal government is reporting large surpluses. In 1999, the federal government reported a surplus of $124 billion, $670 million on-budget and $123.7 billion off-budget. In 2000, the surplus increased to $237 billion, $87.2 billion on-budget and $149.8 billion off-budget. The off-budget amounts consist primarily of social security surpluses. The Congressional Budget Office projects budget surpluses for the next ten years. The July 2000 Budget Outlook indicates annual budget surpluses from $268 billion in 2001 to $695 billion in 2010 a total $4.6 trillion during this period, assuming discretionary federal spending grows at the rate of inflation. If these projections prove to be accurate, then the federal government will have substantial resources to address the long-term social security funding problem, Medicare, and health care issues, provided that funds are not expended for other purposes.

The nation's equities markets have performed significantly less favorably this year than in the past three years, leading some to speculate that the long running bull market may be over. After three years in which increases in excess of 20% per year were common (the NASDQ composite index increased over 75% from October 1998 to October 1999, for example), the S&P 500, the Dow Jones Industrials, and the NASDQ composite increased 4.8%, 2.2%, and 18.4%, respectively from October 1999 to October 2000. (See Chart #4) All three indices have receded from their 2000 highs with a particularly dramatic drop in the NASDQ composite index, which is dominated by technology or "new economy companies". This index reached a high of 5,047 on March 9, 2000 only to fall back to 3,334 at the end of October, a decrease of 34%. Fundamentals, such as earnings, have become more important to investors during 2000; they previously focused more intensively on growth prospects. Consequently, the stock prices of many "new economy" companies, many of which have posted little or no earnings, have fallen dramatically since March 2000. The stock prices of "old economy" companies that have not met their earnings targets have been adversely affected as well. It follows that future increases in equity prices will depend more on earnings and earnings growth than they did in the recent past, indicating more modest returns, particularly if corporate earnings growth is adversely affected by a cooler economy. This trend may reduce or eliminate the "wealth effect" in which growth in personal consumption expenditures is predicated on increases in equity values as well as increases in personal income. Reduction or elimination of the wealth effect will contribute to a reduction in GDP growth. In addition, lower equity

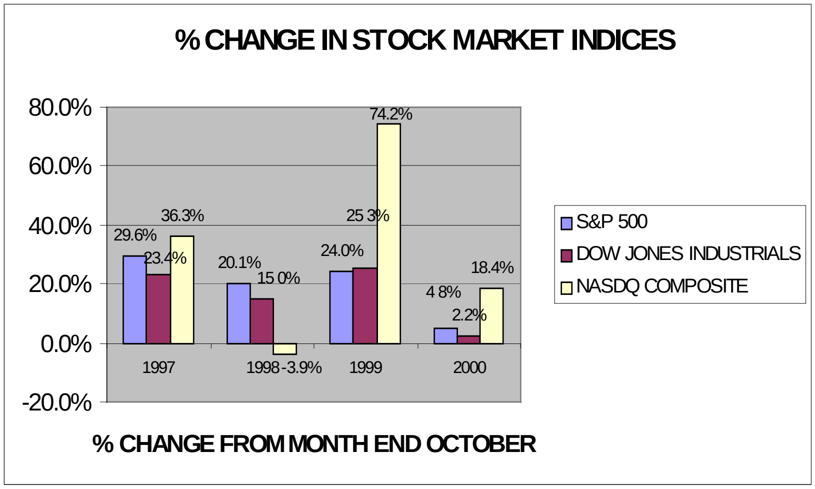


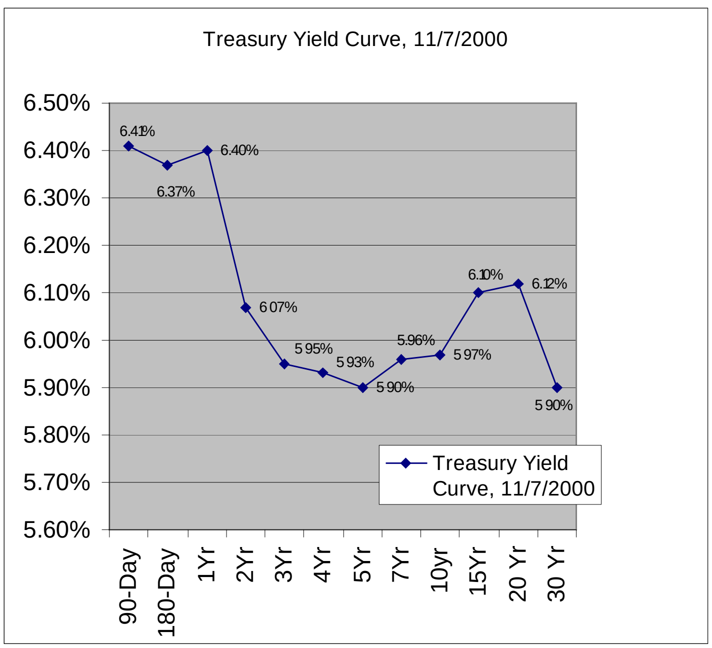
Chart #4

prices may affect corporate profits because many companies have equity investments that have increased earnings during the bull market.

As a result of the Federal Reserve Board's increase in its target federal funds rate and subsequent rise in market interest rates, the prime rate charged by banks for commercial loans increased from 7.75% to 9.5% since June 1999. Typical 30-year fixed rate mortgage rates have increased from approximately 7% in late 1998 to 8.5% in October 2000. Mortgage rates, however, have abated somewhat since the summer of 2000, when rates were 8.75%.

Despite these increases, the U.S. Treasury yield curve foreshadows lower rates in the future because the curve is mildly inverted. (See Chart #5) The 30-year rate is currently 50 basis points below the 1-year rate. The 10-year rate is 43 basis points below the 1-year rate. An inverted yield curve is often a precursor to a recession. It is also makes it difficult for the banking industry to maintain interest margins without increasing either interest rate risk or credit risk. However, given that the U.S. Treasury is retiring federal debt as a result of budget surpluses, the Treasury yield curve may not be the best measure of market interest rates. This is particularly true at the long end of the curve because the supply of long U.S. Treasury bonds has been reduced and will continue to be reduced as long as the federal budget is in a surplus position.

Chart #5



As the previous paragraphs indicate, trends in the U.S. economy are currently mixed. Employment remains robust, and the federal budget situation is quite favorable. GDP growth, inflation, stock market indices, and the market interest rates, while not particularly adverse as measured by historical standards, are not as favorable as they were just a few months ago. Many analysts view these conditions as evidence that the Federal Reserve Board will guide the economy to an economic soft landing, with GDP growth stabilizing in the 3%-3.5% range. Others are less optimistic, seeing the potential for a recession if inflation continues to rise, stock market indices decline, and interest rate conditions remain unfavorable. The consensus view is for a soft landing; however, this economic expansion has been unprecedented in its length and robustness, and it seems unlikely that economic growth can continue unabated without some recessionary impact, at least during the next few years.

Maine Economy[2]

The Maine economy continues to grow, although at a somewhat slower pace than it did during the past few years. Consumer retail sales for the first seven months of 2000 were up 6.4% from the same period in 1999. Maine payroll jobs increased 2.0%, or 12,200 jobs, from January 2000 to August 2000. This figure is somewhat reduced from the 2.9% in 1999 and less than the 2.5% forecasted by the State

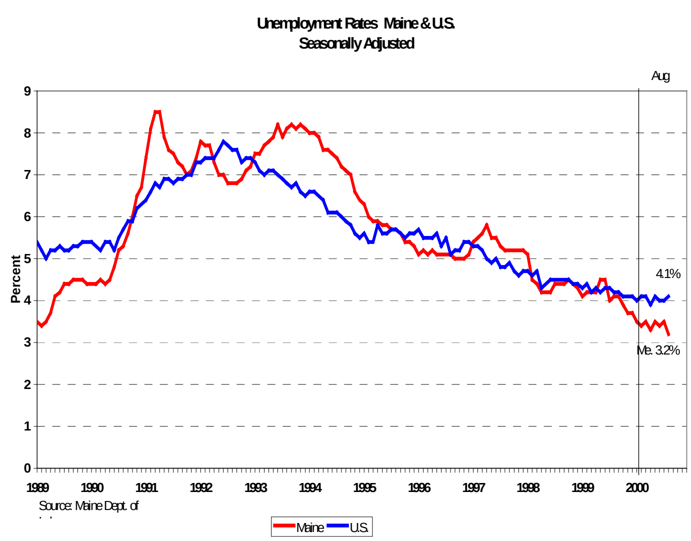


Chart #6

[2] Information regarding the Maine economy was obtained from the Maine State Planning Office, including the October 18, 2000 Commentary on Maine Economic Conditions and Maine Graph.

Planning Office; however, job creation is over 4 times as fast as population growth. As a result of the rapid rate of job creation, the unemployment rate fell to 3.2% in August 2000 as compared 4.1% for the entire United States in August 2000. (See Chart #6) What is particularly remarkable about Maine’s unemployment statistics is a substantial narrowing of the comparative unemployment rates for Maine’s 16 counties. The unemployment rate (not seasonally adjusted) for August 2000 between the county with the lowest unemployment rate, Knox at 1.4%, and the county with the highest unemployment rate, Franklin at 5.8% is narrower than it has been in the past. In fact, the balance of counties have unemployment rates less than 5%, which is remarkable given the dependence of Maine’s northern and eastern counties on national resource-based industries, which are generally mature and declining.

Consumer retail sales grew approximately 6.5% from January 2000 to July 2000, down modestly from the 8%+ recorded the last couple of years for the same period. The housing and construction sectors continue to be strong. Housing permits are holding at the 5,500-5,700 (12-month moving average) level since early 1999. Total construction contract awards have been steady in the 300-350 (12-month moving average) for the past two years. Net population migration is also favorable. After negative net migration during the early/mid-1990’s, net migration was approximately 4,100 in 1999 and is anticipated to remain at approximately that level for 2000.

The State Planning Office is forecasting slower growth over the next five years, but economic conditions should remain relatively favorable if the forecast proves accurate. Maine’s unemployment rate is projected to rise steadily from 2001-2005, but is projected to remain less than 5%. Population growth is forecasted to slip slightly from the .5% to .3% by 2005. Personal income growth is anticipated to be 5% during the period, down slightly from the current 6%. Taxable retail sales growth is projected to decline from the 8%-9% recorded during the past two years to 2.9% in 2001, but recovering to approximately 4% by 2003.

The Corporation for Enterprise Development (CFED), a Washington, D.C. think tank, reduced its economic performance grade for Maine from A to B in its 2000 report card, while the state's grades for development capacity and business vitality, D and C, respectively, remained unchanged. With respect to the criteria for the economic performance grade, the state gets high marks for quality of life, equity, and resource efficiency, but does not compare as favorably to other states in the area of employment and earnings/job quality. The state's short-term employment growth and unemployment rate are favorable, but its long-term employment growth and level of mass layoffs rank 36th and 37th, respectively, out of the 50 states. Maine's average annual pay ($25,875) ranks 39th among the states and its annual pay growth (3.9%) ranks 41st. Maine does, however, rank quite favorably in terms of the percentage of jobs with health benefits, 68.8%, or 20th out of the 50 states. The state's D grade for development capacity, which portends future growth potential, is based on factors such as education, financial resources, infrastructure, and research and development. The state gets favorable marks for certain educational factors, such as performance on standardized tests for math and reading, but it gets very unfavorable marks for research and development and the number of science and engineering graduate students.

Overall, the state's economic prospects are reasonably favorable, although, as the CFED report points out, some areas continue to need improvement. Assuming that economic growth continues without a significant recession, state government will likely have the resources to address some of those areas. A significant recession, however, that causes state budget problems similar to those of the early 1990's, will hurt government's ability to address those issues.

Performance of Maine's Banks

Maine headquartered FDIC-insured financial institutions continue to report solid performance.[3] Calendar year 1999 was a good year for Maine's financial institutions, but changes in several key ratios, albeit relatively modest, were greater than they had been in recent years. Performance for the first six months of 2000 was generally stable, extending the trends seen in 1999. Because a year-to-year comparison often masks longer-term trends, this Section will combine a review of current performance with a comparison of performance for 1995.

Between year-end 1995 and June 2000, there has been a significant change in the distribution of Maine's financial institutions by asset size. The average asset size of the large institutions (i.e., those with assets greater than $500 million) has declined, and those institutions now hold a lower percentage of the State's banking assets, falling from 59% to 49%. On the other hand, the average asset size of the smaller institutions has increased. This growth has been centered in institutions with between $250 million and $500 million in assets. The number of institutions in this size category has more than doubled, from 7 to 16, and their share of total assets rose from 14% to 35%. Overall, between December 1995 and June 2000, the average assets of a Maine financial institution increased from $265 million to $390 million.

Mergers have reduced the number of institutions over the past four-and-a-half years from 48 to 42. During this time, growth rates have been modest, at best, with assets increasing at a 6% compound annual growth rate, to $16.5 billion; loans

[3] The FDIC-insured institutions include 15 commercial banks, 16 state-chartered savings banks and 11 thrift institutions as of June 2000.

increased at a 6% rate, to $11.4 billion; deposits, 4%, to $11.7 billion; equity, 4%, to $1.5 billion; and net income, only 2% to $166 million (as of June 2000, annualized). A notable exception to the slow growth has been borrowings, which grew at a 24% compound annual growth rate, climbing from 9% to 19% of assets.

Loan Mix

The loan mix has changed modestly over the last four-and-a-half years as real estate loans dropped from 77% of total loans to 71%. Virtually all of this decline was in residential real estate, which dropped from 46% to 40% of loans. Over the past 18 months commercial real estate loans increased slightly, to 20%, and home equity loans have been steady at 8%. Construction loans increased nominally, but this category has accounted for less than 2% of loans for the past 7 years (compared to almost 10% as of 12/88). Commercial loans increased from 13% to 15% and consumer loans increased from 8% to 10%. (See Chart 7.) Credit card loans continue to be insignificant, at less than .5% of total

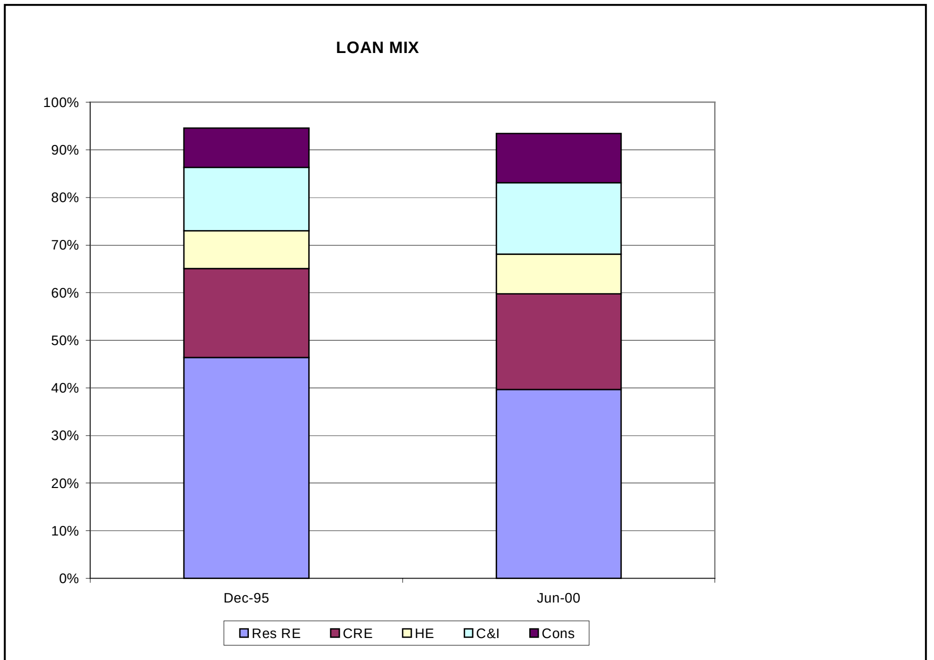


Chart #7

loans. Commercial loan growth, including commercial real estate as well as commercial and industrial loans, is expected to continue to exceed consumer loan growth, including residential mortgages, due to the increasing presence and advantages of specialized consumer lenders. Increased use of loan securitizations and sales by the banks will also play a role in the shifting loan mix. Any shift in the mix should not be interpreted as a decrease in credit availability to creditworthy consumers.

Loan Quality

Loan quality indicators continue to improve, and, generally, are at their strongest levels since before 1988. The year 1999 saw a decline in both the ratio and dollar volume of loans less than 90 days Past Due (PD) and Non-Current Loans, (NCL), which are more than 90 days past due or on non-accrual. During the first half of 2000, NCL continued to decline but PD increased, rising to their highest dollar level since December 1995. For 1999 and June 2000, Net Loan Losses (NLL) were

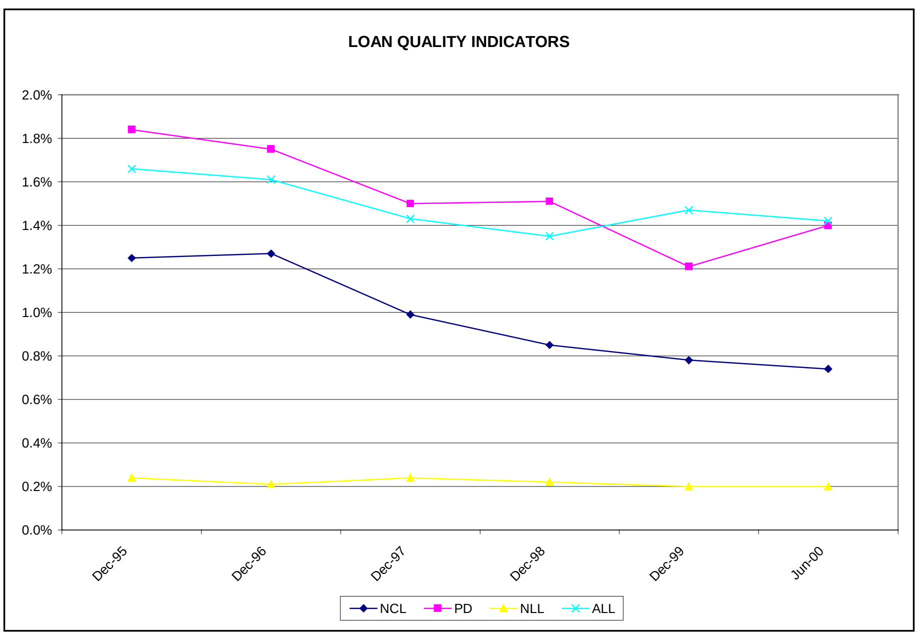
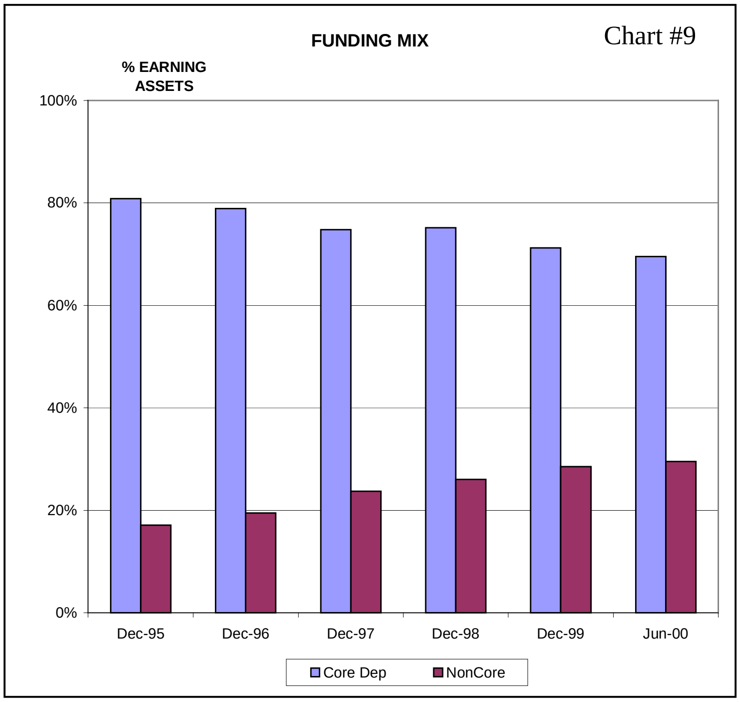


Chart #8

.20% of average loans, a level that has been lower only once in the last 12 years (1994, at .19%). Reflecting the improvement in loan quality, Allowance for Loan Losses (ALL) declined as a percentage of loans throughout most of the 1990s, only climbing in 1999 before dropping slightly to 1.42% as of June 2000. See Chart 8. Although the ALL was at a higher level during the 1990s, the coverage of NCL was much weaker. As of June 2000, the ALL was 1.9 times NCL, up from 1.6 times as of December 1998. By comparison, as of December 1990, the ALL was 2.35% of total loans, but only 48% of NCL. Given the softening in both the national and local economy and the current very strong loan quality indicators, an increase in NLL and NCL seems inevitable. However, this deterioration, if in fact it does materialize, is expected to be relatively mild and nowhere nearly as severe as the crisis of the early 1990s.

Funding

Between 1995 and June 2000, deposit growth (3.6% average annual compound rate) lagged asset and loan growth, resulting in an increased loan-to-deposit ratio, rising from 87% to 98%. Core deposit growth was even weaker, rising only at a 2.7% average rate; this resulted in a more dramatic increase in loan-to-core deposit ratio, climbing from 93% to 109%. In 1999, core deposit growth was an anemic .2%. In five of the last 11 years, core deposit growth was negative, and, over the last 11 years, core deposits increased at only a 2% average annual compound rate. To offset the weak core deposit growth, noncore funding nearly doubled as a percentage of earning assets, climbing from 17% as of December 1995 to 30% as of June 2000. See Chart 9. Borrowings, which constitute the largest source of noncore funding, supported 21% of all earning assets as of June 2000. Most of the borrowings are from the Federal Home Loan Bank, a government-sponsored, privately owned agency that supports residential mortgage and community development lending activities of its member financial institutions. There does not appear to be an end in sight to this growing reliance on noncore funding. It is expected that institutions will increasingly implement a variety of strategies to combat its negative impact on the net interest margin and earnings. Expansion of products and services to increase noninterest income will continue. In addition, the sale of financial institutions will continue to shift from credit originators and credit holders to credit facilitators or credit arrangers.



Earnings

Total dollar net income fell in 1999, even after excluding a large gain on branch sales recognized by Fleet Bank in 1998. Industry Return On Assets (ROA) dropped to its lowest level since 1993. However, a ROA of 1.03% (1.13%, adjusted, in 1998) is still considered strong and, for the third consecutive year, all Maine institutions were profitable. In 1999, 19 institutions reported lower dollar net income than in 1998 and 25 institutions reported a lower ROA. Institutions in the $250 - $500 million asset size category performed best in terms of net income with 70% showing a higher ROA. Institutions under $100 million reported a higher ROA, with 45% improving. Dollar net income for the period ending June 2000 was flat compared to June 1999. The ROA also held steady, at 1.02%, because lower overhead and a lower provision for loan losses offset lower net interest income and lower securities gains.

Net Interest Income (NII) continues to be the primary source of revenues and, hence, of ROA. Although NII has increased in dollars, as a percentage of assets it has declined since June 1996, dropping 54 basis points, or 13%, and has been the driving factor in the lower earnings performance, as seen in Chart 10.[4] At June 2000, NII was at its lowest level since June 1992. The Net Interest Margin has behaved similarly, and is also at its lowest level since June 1992. Both

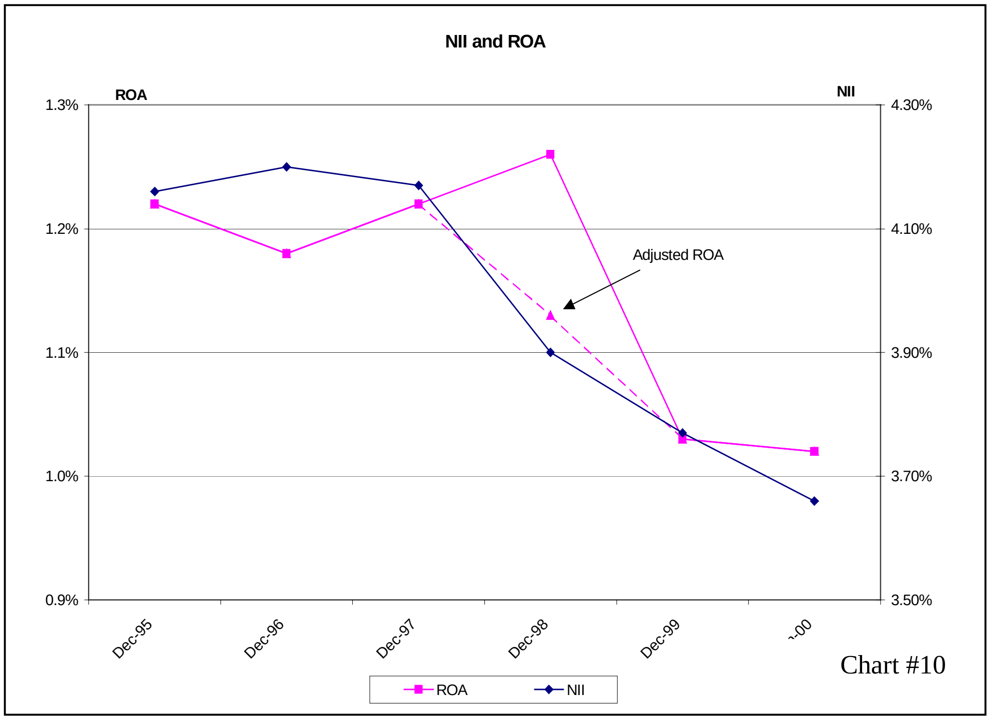


Chart #10

bank assets and liabilities are being adversely affected by competition, with the effects showing up on the income statement. On the asset side, there is intense competition for loans which is constraining pricing. On the liability side, the competition with nonbanks has limited the financial institutions' abilities to attract and retain deposits, thereby increasing reliance on more expensive borrowings. The result of this

[4] As stated in the preceding paragraph, the 1998 ROA would have been 1.13% absent the extraordinary gain recorded by Fleet Bank.

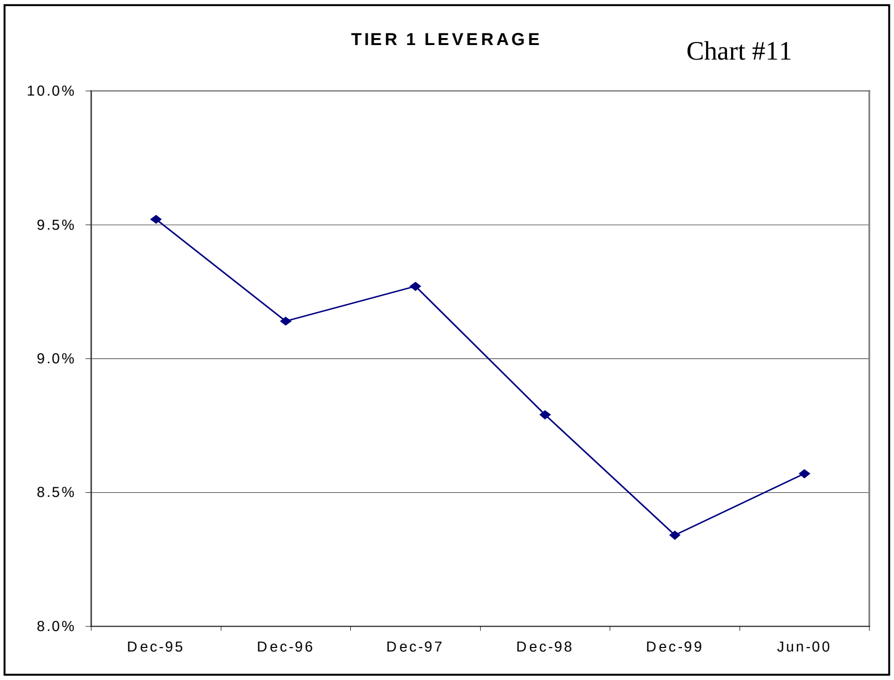
competition has been a declining Net Interest Margin, which fell for 31 institutions in 1999.

Banks are increasingly looking for noninterest income to supplement narrowing NII. Between June 1995 and June 2000, noninterest income grew at an average annual compound rate of 11% vs. only 4% for NII, reflecting an increase from 17% of total revenues to 23%. As a percentage of assets, noninterest income peaked in 1997 at 1.18%, dropping to 1.10% in both 1998 and 1999 and to 1.09% as of June 2000. Deposit account service charges, the largest single category of noninterest income, increased significantly as of June 2000, after declining for the two prior years. Trust fees jumped dramatically in 1997, but have declined subsequently, although they still remain above pre-1997 levels. Other fee income and other noninterest income have been much more erratic, reflecting, in part, the volatility of mortgage banking, which accounts for a significant portion of such income. Overhead expense increased from 2.66% of assets in 1988 to 3.49% in 1997, but has dropped each successive year and was 3.07% as of June 2000. A large part of the decrease is attributable to lower personnel expense, reversing an eight-year trend of rising costs. Consolidation, increased efficiencies and holding company-related personnel shifts have contributed to the lowering of personnel expenses.

Long-term growth in ROA will largely depend on the ability of financial institutions to generate additional sources of noninterest income. Historically the large banks have been primarily responsible for growing noninterest income. In the near term, moderately lower ROA would be consistent with the anticipated deterioration in credit quality and accompanying increased provision for loan losses.

Capital

Capital growth has not kept pace with asset growth over the last four-and-a-half years. The equity capital-to-asset ratio fell below 9.0% for the first time since 1994, dropping to 8.9% as of June 2000. During this same period, Tier 1 leverage capital fell from 9.5% to 8.6%, the lowest level since June 1993. (See Chart #11) Other risk-based capital ratios have also dropped, falling to their lowest levels since 1992. In 1999, the Tier 1 leverage ratio declined at 29 institutions. The increase in Tier 1 between December 1999 and June 2000 is attributable to a shrinkage in assets and a lower dividend payout. Despite the declines, all institutions continue to satisfy the "well-capitalized" requirements. Capital ratios should remain relatively stable, based on expected flat earnings and modest asset growth.



Summary

Performance of Maine's financial institutions continues to be solid, with the possible exception of deposit growth and the increased reliance on borrowed funds.

Concern is rising, however, about the quality of earnings growth, given the intense competition constraining the interest margin, which is still the mainstay for community bank net income. Noninterest income, which has been the principal source of improved earnings in recent years, is expected to level off. In the face of low revenue growth, institutions are increasingly looking to cut expenses. However, the ability to reduce or even maintain the current level of expenses is suspect, given the expected rise in problem loans and the technological and risk management needs necessary to compete effectively in the rapidly changing and intensely competitive environment. Minimizing the efficiency ratio is certainly a laudable goal, but there is a minimum expense level below which an institution cannot prudently operate.[5] Thus, at the same time that revenue is being squeezed, expenses are expected to rise. Lower earnings are the natural result.

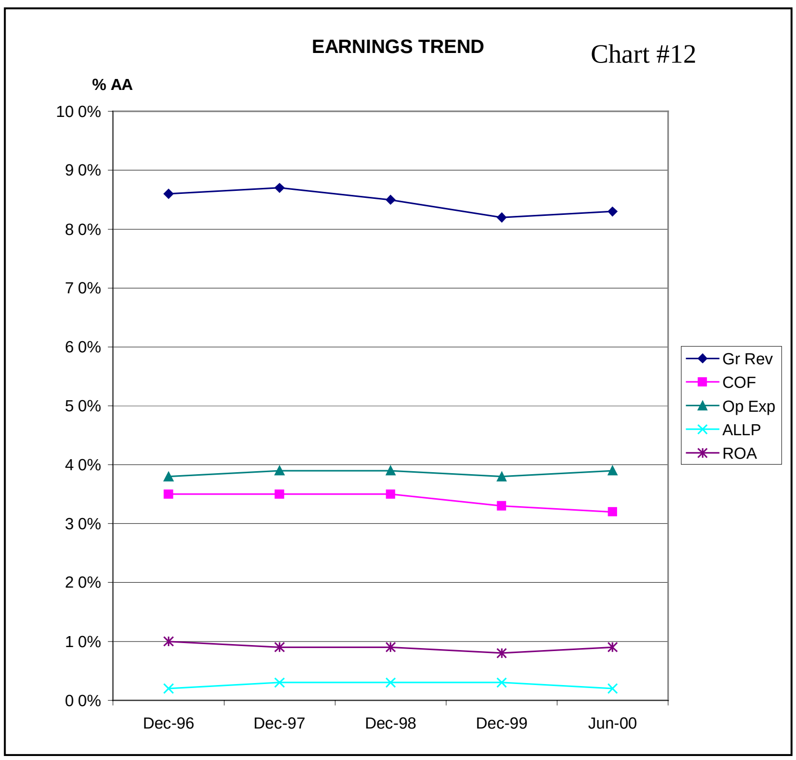
Adding to the concerns about the quality of earnings are the increasing economic uncertainty and rising predictions for a national slowdown. Although the outlook for Maine's economy calls for continued steady growth, a downturn would adversely impact credit quality. Indeed, cracks are beginning to show in credit quality. This deterioration has thus far been concentrated in very large syndicated credits. However, it is expected that diminishing credit quality will filter down to small business and consumer loans. Deterioration in credit quality will increase collection expenses and also require higher loan loss provisions, both of which will reduce income.

[5] The efficiency ratio is noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Maine’s institutions continue to have the financial resources necessary to tackle the challenges confronting all financial institutions. The Bureau continues to encourage each institution to strengthen its risk infrastructure and to develop and maintain practices that are appropriate for the level of risk incurred by the institution. Each institution should also regularly assess its strategic goals and its competitive position as the face of banking rapidly changes. As financial modernization takes hold, traditional banks, those that concentrated on taking deposits, making loans and covering operational costs through the spread between the two, are being transformed into financial services conglomerates, or institutions that provide consumer finance, mortgage banking, commercial finance, venture capital, asset management, investment banking and insurance. These new activities require new skills not only for the bankers, but also for the bank regulators.

Credit Unions

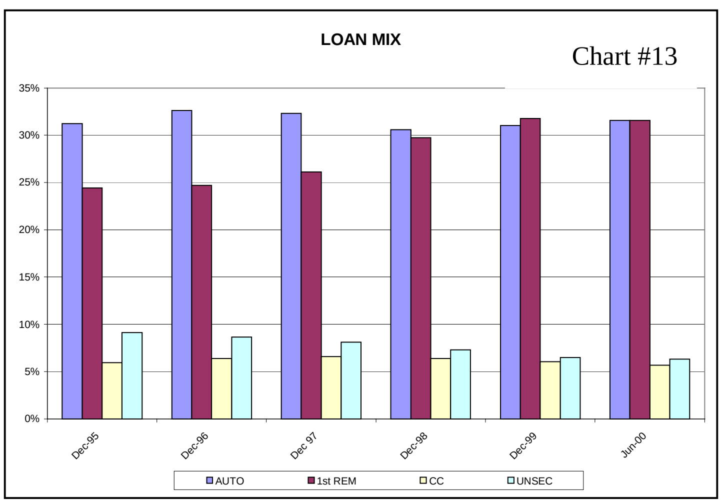
Maine's credit unions continue to report very stable and acceptable performance. Key performance ratios are generally in line with national indicators, and no undue areas of concern are noted. With the exception of a nominal dip in 1998, capital ratios have steadily improved as earnings have outpaced asset growth. (See Chart #12) As of June 30, 2000, the total capital-to-assets ratio for Maine credit unions was a very healthy 11.1%. Return on assets, which recorded nominal declines in 1997, 1998 and 1999, rebounded during the first half of 2000, primarily because of a slight uptick in net interest income and a lower provision for loan losses. Overall, key earnings' components have been remarkably stable during the past five years with only minimal fluctuations in net interest margin and noninterest expense. Only



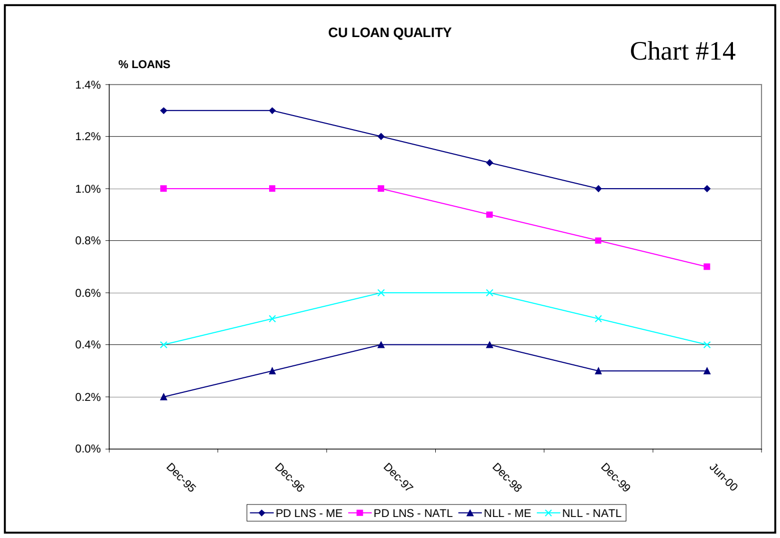
noninterest income, which has climbed from .62% of assets in 1996 to .77% and from 7% of total revenues to 9%, has had a consistent and significant movement.

The improved net interest margin is due to a combination of factors, including a significant increase in the investment yield and an increased loan-to-asset ratio, resulting from strong loan growth. A shift in loans towards lower yielding residential mortgages and increased borrowings has moderated these positive developments. The loan-to-asset ratio climbed from 71% at yearend 1998 to 74%, while residential mortgages rose from 30% to 32% of total loans, and borrowings doubled from 1% to 2% of total assets. Borrowings still remain at a low level, but the increase is symptomatic of the funding issues confronting nearly all depository institutions. In general, core share growth has lagged behind loan growth, necessitating increased reliance on wholesale funding and decreased investments. Reflecting the shifting asset and loan mix, cash and short-term investments fell from 19% of assets to 14%, which still provides adequate liquidity. Net long-term assets increased from 28% of assets to 32%.

Loan quality indicators improved during 1999 but leveled off during the first six months of 2000. Continued favorable economic conditions and a changing loan mix, (i.e., an increase in residential mortgages and a decrease in credit card and unsecured loans) contributed to the reduction in delinquent loan and net loan losses. Past due loans have steadily declined since year-end 1996 and are at their lowest dollar level since year-end 1995. Chart #13 shows the shift in loan mix, and Chart #14 compares past due and net loan loss ratios for Maine's credit unions with credit unions nationwide.



Maine's 85 credit unions represent two-thirds of all financial institutions in the State. However, their total share of loans and deposits, although steadily climbing, is less than 15%. Nationally, credit unions account for about 50% of all financial institutions and hold between 6% and 7% of loans and deposits. Credit unions at both the State and national levels are gaining market share, but Maine's credit unions are gaining at a faster pace. The average asset size of a Maine credit union is $32 million, compared to the national average of $41 million. By contrast, Maine banks have average assets of $485 million -- $307 million if Peoples Heritage Bank and Fleet Bank are excluded -- and the thrifts have average assets of $107 million. Only three Maine credit unions have assets exceeding $100 million (and none greater than $150 million), whereas only three banks and eight thrifts have assets less than $100 million. Although Maine has a greater percentage of large credit unions (assets greater than $50 million) than does the country, it does not have any very large credit unions. As of December 31, 1999, there were more than 100 credit unions nationally with total assets exceeding $500 million and 36 that had assets exceeding $1 billion.



The following table contrasts the size distribution of credit unions in Maine and nationwide.

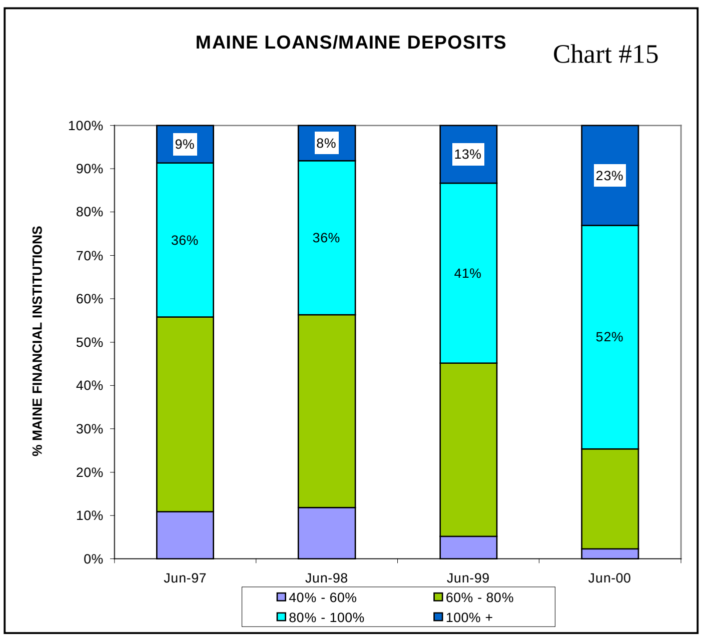
Asset Size	National		Maine	
(Millions of $)	% of #	% of Assets	% of #	% of Assets
0 – 10	58%	5%	31%	5%
10 – 50	28%	16%	42%	32%
50 +	14%	79%	27%	63%

Based on their growing market share, credit unions in Maine continue to be strong competitors to banks and thrifts.

Deposit Production Offices

Legislation enacted in 1996 prohibits any financial institution authorized to do business in this state from operating a deposit production office, which 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.[6] 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)[7] assessment from its primary federal regulator is deemed to be in compliance with the Bureau's implementing regulation.[8] Each financial institution authorized to do business in Maine is required to complete a Branch Loan and Deposit Survey as of June 30th of each year. This survey provides information on loans and deposits that is used to determine compliance with Bureau of Banking Regulation #36.

Based on the reports and other available data, all Maine institutions were found to be in compliance with the State law for the period ending June 30, 2000. The average ratio of Maine loans to Maine deposits for all Maine institutions was 89%, which represents a significant increase from the 82% ratio at June 30, 1999. This ratio continues to compare favorably to the experience nationwide. Chart #15 compares the distribution of the Maine loan-to-Maine deposit ratio over the last four years. As can be seen in this chart,



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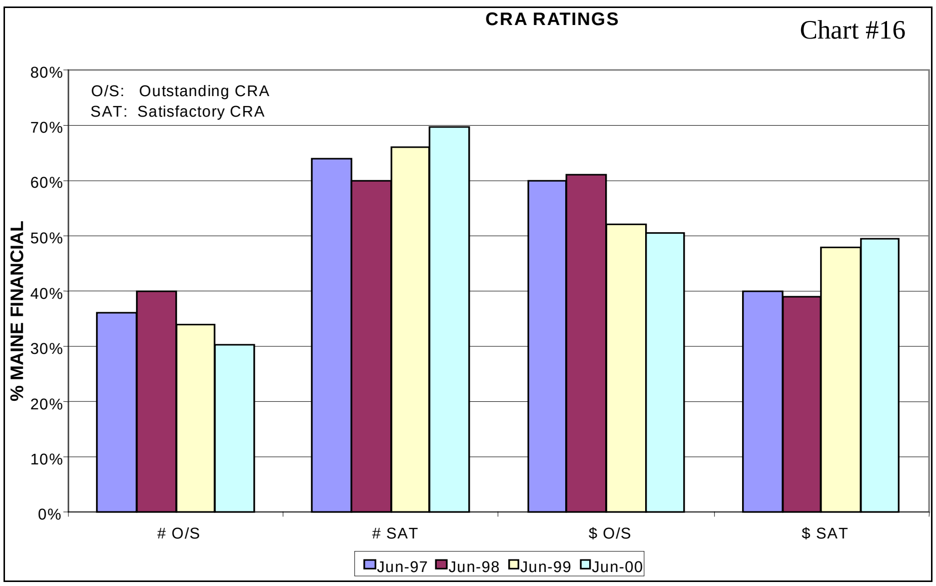
6 See Title 9-B MRSA §241.8.

7 The CRA is a federal law intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods.

8 See Bureau of Banking Regulation #36 (Chapter 36).

the number of institutions with a loan-to-deposit ratio exceeding 80% jumped dramatically from 54% in mid-1999 to 75% in mid-2000.

Each Maine financial institution that is subject to CRA received either an “outstanding” or “satisfactory” CRA rating (the two highest of the four ratings) from its primary federal regulator. The percentage of institutions and assets in the “outstanding” category declined; however, one-half of total deposits are still held by institutions rated “outstanding.” Based on CRA ratings, Maine institutions compare very favorably to institutions nationwide.[9] Chart #16 shows the trend in CRA ratings over the past four years.



[9] According to a June 1999 speech by Federal Reserve System Governor Edward M. Gramlich, approximately 20% of all institutions receive an Outstanding CRA rating. During calendar year 1999, 13% of the institutions examined by the FDIC received an Outstanding CRA rating and 6% received a rating lower than Satisfactory.

Applications and Structural Changes

Maine's financial institutions remain active participants in the consolidation and modernization trends transforming the financial services industry. However, those transactions have been small, routine and non-controversial, consistent with the relatively small asset size of Maine institutions.

Maine's state-chartered institutions established more branches in the twelve months between July 1999 and June 2000 than they did in the prior twelve months. Most of the increase was with in-store branches. Since July 2000, the pace of new branches continues to accelerate. Maine's institutions, in an effort to stay competitive, continue to utilize new branches to expand into geographic markets and to increase customer convenience while simultaneously increasing internet banking options.

Intrastate acquisitions resulted in the loss of two institutions: (1) Camden National Corporation acquired Kingfield Savings Bank, which merged with Camden's wholly-owned subsidiary, United Bank, and (2) Waldoboro Bank, FSB was merged into Union Trust Company. Additionally, Merrill Merchants Bank and Katahdin Trust Company were both able to expand their respective market areas through the acquisition of branches as the selling banks rationalized their branch networks strategies.

While most transactions completed since the January 2000 Annual Report were limited to intrastate, there were some transactions involving interstate banking. Peoples Heritage Financial Group received approval for, and consummated its acquisition of, the Vermont-based Banknorth Group. This acquisition was a major factor in that company's decision to convert each of its subsidiary banks in six states, including Peoples Heritage Savings Bank in Maine, to federal charter. Banknorth Group, which became the new corporate name for Peoples Heritage Financial Group, continued to expand its insurance business with its purchase of a Connecticut-based agency. One other interstate transaction which occurred during the year was the merger of Fleet Bank of Maine into its affiliate Fleet National Bank of Providence, Rhode Island.

Aside from Banknorth's insurance agency acquisition, the only other bank that directly expanded its non-banking activities was Bar Harbor Banking & Trust Company. That bank acquired Dirigo Investments, Inc., a securities broker dealer and established Block Capital Management, an investment advisor. Part of the restructuring and expansion of Bar Harbor's financial services included the spin-off of its trust department into a separately incorporated nondepository trust company called Bar Harbor Trust Services. In another transaction, H.M. Payson & Co., Maine's oldest investment company, formed a nondepository trust company and transferred its existing business to that new entity. The Bureau is also aware of other organizations that are exploring acquisitions of various financial-related companies. In addition, several banks have established agency relationships with insurance agencies and securities firms. Overall, Maine's institutions are cautiously watching developments in the rapidly consolidating financial services industry and actively participating after thorough analysis, and then only when and where resources permit.

Maine's credit unions continue to make structural changes through mergers and field of membership expansions. St. Joseph's Federal Credit Union converted to state charter. In addition, a few smaller credit unions, finding it increasingly difficult to compete effectively, merged with larger credit unions. Several credit unions have expanded their respective fields of membership by either converting to a community charter or increasing the community served. A continuation of these trends is expected as this segment of the financial community seeks to compete effectively.

SECTION II

PRIVACY

In the Annual Report on The Status Of Maine's Financial Institutions, dated 1/15/2000, the Bureau presented summary information regarding the Gramm-Leach-Bliley Act of 1999 (GLB). This landmark federal legislation removes several longstanding barriers between various providers of financial services. In summary, it:

- Repeals the provisions of the federal Glass-Steagall Act that prohibited banks from affiliating with insurance and securities firms;
- Provides for the functional regulation of securities activities for banks, with the Securities and Exchange Commission and the Federal Reserve Board a joint rulemaking and resolution process with respect to new hybrid products;
- Provides for functional regulation of insurance activities, establishing which insurance products may be provided by banks and bank subsidiaries as principal;
- Modernizes the Federal Home Loan Bank system, establishing a new capital structure for the Banks and decentralizing certain governance issues; and
- Modifies the federal Community Reinvestment Act (CRA) providing some regulatory relief from the frequency of CRA examinations for small banks and savings and loan associations (those with no more than $250 million in assets).

In addition, this legislation creates a national standard intended to safeguard the security and confidentiality of any information shared by a customer with his or her financial institution.

Under GLB, the term "financial institution" is defined broadly to include any type of business that engages in a "financial activity" as defined under a new section (Section 4k) of the federal Banking Holding Company Act. This definition includes banks, credit unions, insurance companies, investment firms, finance companies and mortgage companies. The federal functional regulator of each of these types of institutions is charged with the responsibility to issue rules implementing Title V - Privacy.

Over the past year, state and federal regulatory agencies, including bank and credit union regulatory agencies (Federal Deposit Insurance Corporation, Federal Reserve System, Comptroller of the Currency, Office of Thrift Supervision and the National Credit Union Administration), the Securities and Exchange Commission, the Federal Trade Commission and the National Association of Insurance Commissioners, have issued rules implementing Title V (Privacy) of the Gramm-Leach-Bliley Act of 1999. These rules are substantially similar in scope and requirements. The following provides a brief description of federal banking rules that have been implemented.

Federal Banking Privacy Rules

In February 2000, the federal bank and credit union regulatory agencies published notice of joint rulemaking to implement the provisions of Title V. Those agencies collectively received over 8,100 comments in response to the proposal, including letters from financial institutions, members of Congress, consumer groups and individuals. After months of deliberation, final rules were issued effective November 13, 2000. However, many persons and organizations urged the agencies to extend the effective date beyond November 13, 2000 because complying with the rules would place an extraordinary burden on their businesses. To address those concerns, the agencies deferred compliance with the final rule to July 1, 2001. In addition, the rules require that a contract with a nonaffiliated third party to perform services for a financial institution must contain a provision that prohibits the third party from disclosing or using the information other than to carry out the purposes for which the financial institution disclosed the information to the third party. A two-year grandfathering of service agreements is provided for in the rules. Therefore, any contract entered into on, or before, July 1, 2000 has until July 1, 2002 to be brought into compliance.

Federal banking privacy rules govern the sharing of information by both state and federally-chartered financial institutions (banks and credit unions). They embody three principal requirements relating to the privacy of consumer financial information:

- Financial institutions must provide their customers with notices describing their privacy policies and practices, including their policies with respect to the disclosure of nonpublic personal information[10] to affiliates and to nonaffiliated third parties[11]. The notices must be provided at the time the customer relationship is established and annually thereafter.

- Subject to specified exceptions, financial institutions may not disclose nonpublic personal information about consumers to any nonaffiliated third party unless consumers are given a reasonable opportunity to direct that such information not be shared (to "opt out").

- Financial institutions generally may not disclose an account number or similar form of access number or access code for a credit card account, deposit account, or transaction account of a consumer to any nonaffiliated third party for use in telemarketing, direct mail, or other marketing through electronic mail to the consumer.

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[10] "Nonpublic personal information" is defined in federal banking privacy rules as (1)any personally identifiable financial information and (2)any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived using any personally identifiable financial information that is not publicly available.
[11] "Nonaffiliated third party" is defined in federal privacy rules as any person (which includes natural persons as well as corporate entities, except (1)an affiliate of a bank/credit union or (2)a joint employee of the bank/credit union and a third party.

Under these general tenets, the following information is protected:

1. Personally identifiable financial information given by a consumer to a financial institution to obtain a financial product or service,
2. Information resulting from the transaction between the consumer and a financial institution,
3. Information that a financial institution otherwise obtains about the consumer in connection with a the financial product or service, and
4. Information that a financial institution collects from the consumer through a web site "cookie"[12].

These rules prescribe different levels of protections for consumers, defined as individuals who apply for or obtain a "financial product or service" from a bank or credit union, and customers, defined as consumers who have "customer relationships" with a bank or credit union. Those protections only apply only to accounts of individuals who apply for, or obtain, financial products or services for personal, family, or household purposes and do not apply to persons who apply for, or obtain, financial products for business purposes.

Federal rules governing privacy present comprehensive, complex guidelines to assure protection of consumer information. With such new, complex regulatory guidelines comes overriding concern of the regulatory agencies that financial institutions understand the guidelines sufficiently to develop essential programs that insure compliance. The financial services industry, itself, also demands clarifying directions and interpretive rulings in order to understand the issues on which to base compliance efforts. In June 2000 the Bureau of Banking joined with representatives of the Maine banking and credit union industries to form The Privacy Working Group.

[12] "Cookie" is defined in federal privacy rules as an information collecting device from a web server.

Over the past several months that Group has met for the purposes of understanding the compliance features and implementation issues relating to GLB and federal and state banking privacy regulations. The Group developed a list of vendors and operational areas where information has been, or could be, shared and invited several national vendors to present information on how they are preparing to meet the privacy requirements under GLB. The Group also published a survey to collect data about industry readiness to comply with the rules and regulations issued from Washington, D.C. This survey served to heighten industry awareness regarding privacy issues. In addition, it became readily apparent from the survey that bank and credit union management had made compliance with privacy rules a priority program.

Considerable national media attention on privacy issues has heightened the awareness of consumers and consumer advocates. Federal banking regulatory agencies, trade associations, and other private groups have created comprehensive guidelines and checklists for establishing and implementing compliance programs. The Department of Professional & Financial Regulation, which includes the Bureau of Banking, Bureau of Insurance, Securities Division, Office of Consumer Credit Regulation and Office of Licensing and Registration, is planning to introduce legislation in the 1st Regular Session of the 2000 Legislature to bring state law governing financial institutions into conformance with the privacy provisions of the Gramm-Leach-Bliley Act of 1999. The Bureau of Banking, in its role as Maine's primary bank and credit union regulator, remains committed to safeguarding the privacy of nonpublic financial information protected under either state or federal law.

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SECTION III

Internet Banking

The passage of the federal Electronic Signatures in Global and National Commerce Act, the Maine Uniform Electronic Transactions Act, and the Maine Digital Signature Act in 2000 paves the way for a boon in electronic commerce, particularly in the financial services industry. These statutes provide for the legal validity of electronic signatures and contracts. (See Section #4 for a more detailed explanation of these laws.)

The year 2000 was a watershed year for financial institutions in terms of electronic banking. As Y2K (the Century Date Change) came and went almost without incident, many financial institutions turned their attention to the development or enhancement of Web sites for the delivery of financial services. As can be seen from Chart #17, the number of banks and thrifts with Web sites, nationally, has increased exponentially each year since 1995. According to the Federal Deposit Insurance Corporation (FDIC), 46% of all-FDIC insured banks and thrifts have Web sites; 15% of

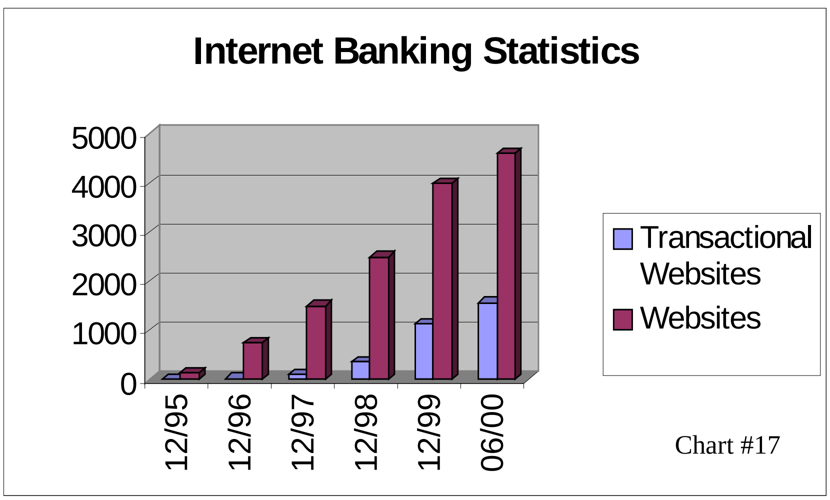
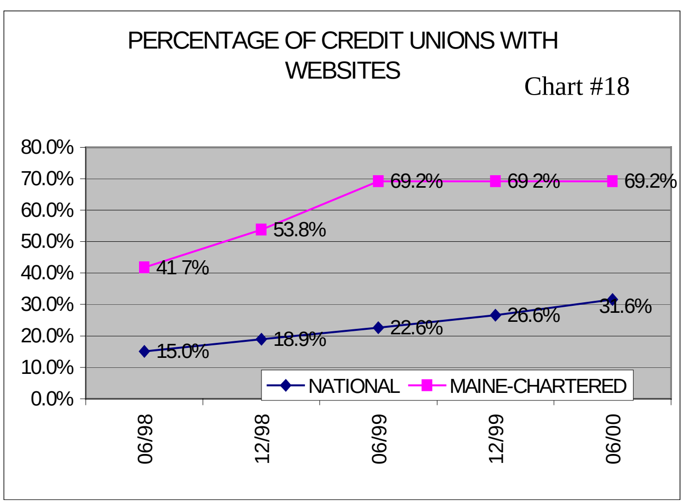


Chart #17

all banks and thrifts have transactional Web sites, which allow customers to transfer between accounts, pay bills, make loan payments, open deposit accounts, obtain loans, or purchase other products and services.[13]

The percentage of banks with transactional Web sites varies dramatically by the size of the institution. As the following table shows, the larger the size of the bank in terms of assets, the more likely it is to maintain a transactional Web site. It is anticipated that substantial growth in the number of banks maintaining transactional Web sites will come from the institutions in the middle of the two extremes.

Asset Size of Bank	Percentage with Transactional Web Sites
0-100 Million	5%
101-500 Million	19%
501 Million – 1 Billion	40%
1.1 – 3 Billion	52%
3.1 – 10 Billion	61%
10.1 Billion +	90%
Source: FDIC, Data as of 6/30/00	



Similarly, The National Credit Union Administration reports the number of credit unions with Web sites nearly doubled in the last 2 years, from 1,672 in June, 1998 to 3,307 in June, 2000. Chart #18 records the growth in credit union Web sites over this period of time.

[13] Source: FDIC Call Report data as of June 30*, 2000 and Bureau off-site monitoring.

This trend is as evident in Maine as it is at the national level. In August 2000, the Bureau of Banking conducted an Internet banking survey of all Maine-chartered institutions. Of the 42 responses received, 93% of state-chartered financial institutions either are presently maintaining Web sites or have plans to do so by year-end 2001. Only three small financial institutions have no plans to develop Web sites. Some of the existing Web sites are primarily informational or communicative in nature[14]; however, many Maine financial institutions are in the process of developing or upgrading their Web sites to include more sophisticated and interactive options.

In response to the explosive growth in the number of financial institutions offering or planning to offer Internet-banking services, the Bureau of Banking has formulated enhanced supervisory plans for monitoring such programs. The following summarizes the Bureau's Internet banking monitoring initiatives:

Electronic Banking Examination Procedures

The FDIC has developed comprehensive examination procedures for reviewing electronic banking (or e-banking) programs in financial institutions. The Bureau of Banking has utilized the FDIC's e-banking procedures during Safety and Soundness examinations or specialized Information Technology (IT) examinations since 1998. The Bureau expects to continue this practice. It is estimated that e-banking reviews will take 40-80 hours per examination, depending upon the products and services offered and the type or nature of the Internet banking system being used. These procedures will also be applied during trust examinations, as appropriate. Bureau staff

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[14] "Informational" Web sites typically provide marketing information about a financial institution's products and services, hours of operation, etc. "Communicative" Web sites usually allow some communication between the financial institution's systems and the customer such as account inquiry, electronic mail, and downloading loan applications.

will continue to receive additional training in examination procedures for electronic banking as it becomes available.

Off-Site Compliance Reviews

Because the content of Web sites changes periodically, the Bureau determined[15] that more frequent reviews of compliance with advertising and disclosure regulations are as necessary as the current program of conducting reviews every 2 years through regular, on-site compliance examinations. At a minimum, an off-site review of each institution's Website will be conducted for compliance with applicable consumer regulations every six months. The Bureau commenced these periodic examinations during the fourth quarter of 2000. At the conclusion of the review, an institution receives a letter that reports what was reviewed and the results. Follow-up on-site examinations may be conducted depending upon the severity of non-compliance findings.

Periodic Reporting

The Bureau of Banking's Bulletin #70 issued In June 2000. That Bulletin requires each institution to notify the Bureau when a Web site is established and when the functionality of a Web site is significantly altered. This information will assist the Bureau in the development and maintenance of its on-site and off-site monitoring program.

E-banking is becoming more accepted and demanded by consumers. It is estimated that over half of US households now have personal computers. The

Strategies Group, a Washington, D.C.-based market research and consulting firm predicts that the number of U.S. households with Internet access will nearly double to 90 million by 2004[15] According to a Gallup poll conducted in February 2000, 54% of Americans polled said they had recently used the Internet. Of those respondents, 48% said that they had purchased products or information on the Internet. Consumer acceptance of e-commerce has arrived.

During the past year, both state and federal banking regulators received a growing number of inquiries and complaints from the general public regarding e-banking products and services. In September 2000, The Federal Deposit Insurance Corporation, in collaboration with the Federal Reserve Bank of New York, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, published the brochure "*Tips for Safe Banking Over the Internet*". This brochure will assist a consumers with online banking with tips on how to confirm the legitimacy of an online bank, verify FDIC insured status, and determine the limit of deposit insurance applicable to an individual account. Consumer can also learn how to protect their personal information and maintain secure transactions online, how to file a complaint on suspicious or fraudulent banks, where to find information on consumer protection laws and regulations, and where to seek assistance from banking regulators. This publication is available by accessing the FDIC Web site at the following address: http://www.fdic.gov/bank/individual/online/safe.html. Also in 2000, the Federal Bureau of Investigation and the National White Collar Crime Center announced the formation of a jointly developed Web site with which to report incidences of suspected Internet

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[15]Strategies Group, Press Release, February 8, 2000.

fraud. Titled the Internet Fraud Complaint Center, this site may be found at https://www.ifccfbi.gov/.

Clearly the use of the Internet to deliver financial services is poised for rapid growth. The Bureau will continue to monitor and develop these programs to ensure appropriate supervision of the industry and provide assistance to Maine consumers.

SECTION IV

E-COMMERCE LEGISLATION

Electronic Signatures in Global and National Commerce Act

On June 30, 2000, President Clinton signed into law the "Electronic Signatures in Global and National Commerce Act" (E-SIGN law), effective October 1, 2000. The federal E-SIGN law encourages contracting through electronic means by eliminating barriers to the use of electronic signatures and electronic records in interstate and foreign commercial transactions. The E-SIGN law adopts the strong stance on retaining the principal of "technology neutrality" (meaning state laws cannot favor one form of electronic signature or authentication over another), and requires that any state law not preempted by the Act be technology neutral. Any state law that mandates specific technologies would be preempted.

Maine Uniform Electronic Transactions Act and Maine Digital Signature

On the state level, Maine enacted the Uniform Electronic Transactions Act (Maine UETA) and the Maine Digital Signature Act. Both statutes were effective on August 11, 2000. These laws were enacted in response to recommendations of the Blue Ribbon Commission to Establish a Comprehensive Internet Policy. These laws enable businesses and residents of the state to conduct business and transactions electronically by affording such transactions the same legal status as traditional paper transactions. The Maine Digital Signature law defines a digital signature as a "computer-created electronic signature" and incorporates, by reference, the definition of electronic signature in Maine UETA. It discusses the use and effect of such signatures both in private and governmental agreements. The Digital Signature Act is intended to augment and supplement, rather than preempt, negate or replace, items contained in Maine UETA.

Both state and federal E-SIGN legislation provides a boon to business-to business e-commerce solutions in the financial service industry. These laws also benefit consumers by promoting the development of faster delivery systems and more efficient mechanisms with which to access account information, conduct business through electronic transactions, and enter into electronic contractual agreements. Delivery of existing products and services over the Internet, rather than through traditional delivery methods, is thus made more attractive. Prior to the E-SIGN laws, authorization for on-line banking services would have to be secured from the customer in advance at a desk in the bank. With such authorization, most institutions would only offer a customer access to informational screens to view current account balances on-line, transfer funds between accounts at the same institution, initiate bill paying services and retrieve data. Interactive, transactional banking was practically non-existent. Maine UETA and federal E-SIGN have paved the way in removing certain impediments to e-commerce.

- Under both the state and federal laws, an electronic signature is defined as an electronic sound, symbol or process attached to, or logically associated with, a record and executed or adopted by a person with the intent to sign the record. Thus, an electronic signature may be interpreted as clicking the "I agree" or "OK" button with the computer mouse and an electronic contract can be validated.

- Neither state nor federal laws require parties to agree to use or accept electronic records, but instead say that, if a law requires a record to be in writing, an electronic record satisfies the law.

- Both the federal E-SIGN law and Maine UETA remove the stamp and seal requirements for electronically notarized, acknowledged or verified documents. These laws set forth a process by which the authorized person or entity is able to "authenticate" the documentation electronically, thereby satisfying statutory requirements.

- Under both the federal and state statutes, a contract in electronic form must meet specific record retention and content requirements. It must be accessible to all parties entitled to access its contents and it must be capable of being retrieved by either printing a copy or saving it to disk or storage by the recipient.

- Finally, the laws provide guidance with respect to resolving errors in transmission, and each party to a transaction must be made aware of methods for correcting changes or errors.

Implementation Issues for Financial Institutions

With the advent of E-SIGN and Maine UETA legislation, a financial institution can now offer full transactional services to its customers over the Internet. This will enable each of Maine's financial institutions to compete more aggressively in the growing financial services marketplace.

An institution that adopts electronic delivery systems of products and services must first address certain operational risks, however. A financial institution utilizing these technologies must provide the appropriate technical apparatus that will properly verify "signatures" and attribute them to the proper individual, entity or agent. The financial institution must also offer a secure environment for the continuous storage and retrieval of executed agreements, providing the requisite firewalls that segregate these transaction types from more traditional bank operations. Also, software must be constructed to retain an electronic agreement so that it cannot be changed or altered. Finally, related contemporaneous information (e.g. e-mail, voice mail) must be retained as part of the "file" for interpreting the overall circumstances of an electronic agreement should a dispute arise. A consumer contract must include appropriate notices and confirmation prompts (i.e. "Are you sure you want to execute the following command?") prior to executing the agreement.

Federal Exemptions and Preemption

Federal law specifically exempts six transactions from the rules permitting electronic authentication. Two of the transactions, those governing wills and trusts and certain provisions of the Uniform Commercial Code, mirror the Maine UETA exemptions. There are four additional federal exemption categories, including laws governing family law, court documents, certain specified consumer notices, and documentation required to accompany the transportation of hazardous materials. The absence of similar provisions in state law does not preempt the application or enforcement of Maine UETA. Federal E-SIGN legislation allows state law to apply and provides that federal E-SIGN will not preempt a state law if that law is consistent in content with the Uniform Electronic Transactions Act. Thus, Maine is not required to adopt or enforce the additional exemptions contained within the federal E-SIGN law for state laws because the Maine version of UETA does conform to the Uniform Electronic Transactions Act.

The Federal Reserve Board, however, has proposed revisions to Regulation B (Equal Credit Opportunity Act), Regulation E (Electronic Fund Transfers), Regulation DD (Truth-in-Savings), Regulation M (Consumer Leasing) and Regulation Z (Truth in Lending Act) that would permit a financial institution to use electronic communication to provide consumer disclosures via personal computer if the consumer agrees to such delivery. These regulations were proposed in 1999 and the public comment period was extended through March 2000. To date, these rules have not been finalized; as the E-SIGN law begins to be applied, however, it is expected that revisions to federal disclosure rules will be resolved in the near future.

State Agency Issues

Enactment of state and federal laws such as E-SIGN and UETA, coupled with the expansion of banking activity on the World Wide Web, raises new and interesting challenges for bank and credit union regulators. State and federal regulatory agencies must refine examination and enforcement guidelines in order to effectively monitor the diverse channels and delivery systems that e-commerce technology encourages. Bureau staff must develop the expertise to review bank and credit union systems that use electronic delivery systems for products and services. Examination protocols must be developed to:

- Test the integrity and security of electronic documents within a financial institution's operating system (“firewalls”).

- Verify the processes employed by a financial institution to authenticate consent, approval and notice processes used in e-banking.

- Synchronize approaches to transaction authorization, collection of personal information and privacy concerns.

- Check information retention and storage retrieval and the integrity of the relevant systems for maintaining such documentation.

In addition to revising the on-site examination program, the Bureau must also establish a mechanism to monitor bank and credit union use of Internet Web sites to deliver products and services, in order to assure compliance with state advertising and disclosure laws. To that end, the Bureau recently developed a program to monitor the Web sites maintained by each state-chartered financial institution. That program, as further discussed in Section 3 of this report, envisions periodic off-site reviews of a financial institution's Web site for compliance with appropriate state laws.

P. L. 1999 c. 762 also requires that state departments and agencies implement procedures for accepting payment of fees by major credit cards or other electronic means. The Bureau presently collects assessment, examination, application and volume fees from state-chartered banks and credit unions. The Bureau does not generally collect fees from individuals other than an occasional charge for research and photocopying in response to a request for data. The Bureau has also conducted an inventory of all of its forms, many of which can be downloaded from the Bureau’s Web site at www.mainebankingreg.org. In the future, the Bureau anticipates refinement of state specific applications to facilitate electronic transmission as well as payment of fees by major credit cards or other electronic means. The Bureau will continue to review its Web site to improve both its content and functionality in the future.

Conclusion

The benefits of E-signature laws permitting electronic transactions outweigh the inherent risks, provided proper and appropriate security measures are implemented. As Maine’s financial institutions face the challenges of developing or enhancing programs utilizing electronic means to deliver products and services, the Bureau will work closely with those institutions to identify and address the risks associated with the implementation of these new business endeavors.

SECTION V

TRAINING AND EDUCATION

Training and education have always been important elements at the Bureau of Banking's efforts to maintain a well-informed, highly qualified staff. Over the years, the Bureau has sent personnel to federal agency schools, Federal Financial Institutions Examination Council (FFIEC) courses, Conference of State Bank Supervisors (CSBS) training and NCUA specialized courses. In addition, the Bureau supports advanced degree programs and graduate banking schools for its staff.

In 1996 the Bureau was accredited through the Conference of State Bank Supervisors, a national organization composed of state banking departments. Every five years, CSBS reviews accredited state banking departments for reaccredidation. The Maine Bureau of Banking will be reviewed in 2001. The Conference of State Bank Supervisors also has a certification program that awards professional designations to banking department staff based upon qualifications and training. The assessment process for the Bureau of Banking resulted in four senior staff members receiving the highest designation of Certified Examinations Manager (CEM), a designation that requires experience and training related to a supervisory role, satisfactory completion of specified advanced courses, and a supervisor's confirmation of successful job performance and mastery of appropriate job-related. Seven Examiners received the designation of Certified Examiner-in-Charge (CEIC). That designation requires experience and training as an Examiner-In-Charge, completion of specified courses, and a supervisor’s confirmation of successful job performance and mastery of appropriate job-related skills.

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank (FRB), the National Credit Union Administration (NCUA), and the Conference of State Bank Supervisors have created core educational programs for examination staff development. Over the past several years the Bureau has sent staff to the FDIC sponsored courses, which are provided at no cost to the state for tuition or accommodations. Most of the programs are held at the FDIC Training Center in Washington, D.C.

Examiners also receive specialized training in trust, consumer compliance, information systems, management and supervision, and other current issue topics as offered. The Bureau currently schedules approximately forty weeks of training per year for its professional staff. The types of courses attended have changed over the years as the Bureau's examination approach has changed with technology. Courses in 2001 will include Web Banking & Payment Systems Risk, Advanced White Collar Crime, Capital Markets Conference, Emerging Issues, a Trust Conference for more seasoned staff, and Introduction to Examinations for new Examiners. In addition, senior staff attend seminars devoted to current issues.

Bank Examiner Training Requirements

Each Bank Examiner, during the first four years with the Bureau of Banking. is required to complete all four core safety and soundness courses and to complete the FDIC’s Small Computer School. Those individuals choosing to specialize in trust or compliance must also complete the core course in that specialty. The following Chart contains a brief description of that technical training:

COURSE/SEMINAR	AGENCY	DURATION	DESCRIPTION
Introduction to Examinations	FDIC	3 Weeks	Fundamental bank supervision, analysis, and accounting applicable to banking
Financial Institution Analysis	FDIC	2 Weeks	Ratio analysis, capital markets, interest rate risk, earnings, and liquidity
Loan Analysis School	FDIC	2 Weeks	Commercial and commercial real estate loans, cash flow analysis, loan structure and pricing, consumer installment lending, and letters of credit
Examination Management	FDIC	3 Weeks	Appraisal of bank management, effective writing, mock examinations, Board presentations, enforcement actions, and bank fraud
Introduction to Compliance Examinations	FDIC	2 Weeks	Truth in Lending, Truth in Savings, Regulation CC, Fair Credit Reporting, Consumer Leasing, and other consumer protection rules
Small Computer School	FDIC	1 Week	Instruction in the Community Bank Data Center Workprogram
Trust Examination School	FDIC	2 Weeks	Basic principles of fiduciary management, trust operations, investment management, conflicts of interest, and account administration

The courses listed below, represent those that an Examiner is required to attend once core training has been completed:

COURSE/SEMINAR	AGENCY	DURATION	DESCRIPTION
Commissioned Examiner Seminar	FDIC	1 Week	Advanced topics in capital markets, derivative securities, accounting, and current topics
Advanced Credit Analysis	FFIEC	3.5 Days	Advanced commercial credit analysis
Capital Markets	FFIEC	3.5 Days	Advanced interest rate risk, futures and options, asset-based securities, and accounting for capital markets products
Cash Flow Construction and Analysis from Federal Tax Returns	FFIEC	2 Days	Advanced credit analysis using tax returns
Web Banking and Payment Systems Risk	FFIEC	3.5 Days	Systemic risk, Wire transfer, ACH, merchant processing, banking on the Internet, auditing paperless transactions, and emerging payment systems
White Collar Crime	FFIEC	3.5 Days	Financial statement misrepresentations, money laundering, technologically oriented fraud, SAR's and investigation techniques
Advanced Trust	FRB	2 Weeks	Advanced trust training building upon the basic FDIC course
Real Estate Lending Seminar	FRB	1 Week	Advanced commercial real estate loan analysis

These seminars, provided by different organizations, focus on current issues and Senior Examiners are required to attend them periodically to keep abreast of current developments.

COURSE/SEMINAR	**AGENCY**	***DURATION***	**DESCRIPTION**
Information Systems and Technology	FFIEC	3.5 Days	Current information technology developments and issues
Technology Conference	CSBS	2.5 Days	Current information technology developments and issues
Trust Conference	CSBS or FFIEC	3.5 Days	Current trust developments and issues
Emerging Issues – Community Financial Institutions	FFIEC	3.5 Days	Current safety and soundness issues focusing on changes in accounting, current underwriting issues, economic conditions, and other current topics
NCUA/NASCUS Conference	NCUA	2.5 Days	Current issues seminar for senior personnel
Deputy Seminar	CSBS	2.5 Days	Current issues seminar for deputy superintendents and senior personnel

Specialized seminars are also provided by the Bureau through partnership with state or federal regulators, as well as other professional organizations:

COURSE/SEMINAR	**AGENCY**	***DURATION***	**DESCRIPTION**
Electronic Banking	FDIC	2 Days	Electronic Banking Examination Procedures
Electronic Banking	Bureau	½ Day	Presentation by Baker, Newman, and Noyes
Electronic Banking	State of Mass.	7 Days	MIS Training Institute

In addition to these courses and seminars, federal regulatory agencies provide training in the specialized software packages used in the examination process. Examiners have been trained in GENESYS software by the FDIC and in AIRES software by the National Credit Union Administration (NCUA).

The Bureau will be sending members of the examination staff to the FFIEC Web Banking and Payment Systems Risks seminar in 2000-2001. This seminar will improve their understanding of the risks associated with emerging and existing payment systems, methods used to minimize these risks, and the means of evaluating these risks in the examination process. Upon completion of this course, an Examiner will be able to discuss an array of topics pertaining to the Fedwire payment systems, including: systemic risk; operating procedures of FedWire, CHIP's, and regionally automated clearing houses; controls for Fedline terminals; and ACH guidelines and risks. In addition, seminar attendees will be able to discuss critical issues related to Internet banking, including trends and standards for data encryption, emerging Web-based computer applications and their impact on banking, and risk factors which must be addressed in an effective contingency plan.

The evolving global financial marketplace demands that financial institutions keep pace with new products and services and changing delivery systems to remain competitive. Examiners must also keep pace in order to provide essential oversight of the rapidly changing financial services system. The Bureau's examination staff will continue to receive extensive training in safety and soundness, compliance, and other specialized operations of the financial services industry to keep abreast of e-commerce evolution and the expanding role that financial institutions play in the development of these new delivery systems.

MORTGAGE ORIGINATIONS
By Maine Banks and Thrifts

	Year Ended 12/31/99			Year Ended 12/31/98		
	Number	Amount (In 000'S)	% Dollar Volume	Number	Amount (In 000'S)	% Dollar Volume
Conventional	20,974	1,933,065	90.7%	24,141	2,186,264	95.3%
Insured	2,383	199,173	9.3%	1,243	108,986	4.7%
Total Mortgages Originated	23,357	2,132,238	100.0%	25,384	2,295,250	100.0%
Variable Rate	4,003	430,557	20.2%	4,253	391,208	17.0%
Fixed Rate	19,354	1,701,681	79.8%	21,131	1,904,042	83.0%
Total Mortgages Originated	23,357	2,132,238	100.0%	25,384	2,295,250	100.0%
Refinances(Included above)	11,750	1,074,180	50.4%	14,023	1,296,452	56.5%

MORTGAGES SOLD
ON SECONDARY MARKET
by Maine Banks & Thrifts

	Year Ended 12/31/99			Year Ended 12/31/98		
	Number	Amount (In 000'S)	% Dollar Volume	Number	Amount (In 000'S)	% Dollar Volume
Current Year	6,758	663,822	58.4%	36,188	3,709,732	90.0%
Seasoned	3,973	473,463	41.6%	4,632	414,031	10.0%
Total Mortgages Sold	10,731	1,137,285	100.0%	40,820	4,123,763	100.0%
Variable Rate	12	2,098	.2%	782	107,585	2.6%
Fixed Rate	10,719	1,135,187	99.8%	40,038	4,016,178	97.4%
Total Mortgages Sold	10,731	1,137,285	100.0%	40,820	4,123,763	100.0%
Servicing Retained	9,846	1,076,001	94.6%	39,829	4,005,333	97.1%
Servicing Released	885	61,284	5.4%	991	118,430	2.9%
Total Mortgages Sold	10,731	1,137,285	100.0%	40,820	4,123,763	100.0%

Note: This chart contains only mortgage data reported by banks operating in this State. Given the increase in other mortgage lenders, both located in Maine and outside of Maine, and the growing use of the Internet to provide alternative mortgage lending opportunities, this data no longer provides comprehensive information. Therefore, the Bureau will cease collecting this data and will no longer be incorporating it into the Annual Report.

EXHIBIT II

SUMMARY OF MAINE FINANCIAL INSTITUTIONS

June 30, 2000

		ASSETS		DEPOSITS/SHARES		LOANS	
	No.	Dollars (000's)	% of Total	Dollars (000's)	% of Total	Dollars (000's)	% of Total
Trust Companies	10	3,472,002	18.12	2,488,507	15.40	2,555,152	16.94
Limited Purpose Banks	5	30,406	0.16	0	0.00	120	0.00
National Banks*	6	5,736,194	29.94	6,035,433	37.34	5,069,224	33.60
State Savings Banks	16	5,824,585	30.40	4,269,611	26.42	4,344,859	28.80
Federal Savings Banks	4	1,042,663	5.44	750,020	4.64	836,880	5.55
State Savings and Loans	3	122,368	0.64	94,665	0.59	98,966	0.66
Federal Savings and Loans	4	227,889	1.19	179,365	1.11	184,841	1.22
State Credit Unions	13	585,849	3.06	502,274	3.11	431,371	2.86
Federal Credit Unions	72	2,116,854	11.05	1,841,490	11.39	1,564,601	10.37
TOTAL	133	19,158,810	100.00	16,161,365	100.00	15,086,014	100.00
Commercial Banks*	16	9,208,196	48.06	8,523,940	52.74	7,624,376	50.54
Limited Purpose Banks	5	30,406	0.16	0	0.00	120	0.00
Savings Banks	20	6,867,248	35.84	5,019,631	31.06	5,181,739	34.35
Savings and Loans	7	350,257	1.83	274,030	1.70	283,807	1.88
Credit Unions	85	2,702,703	14.11	2,343,764	14.50	1,995,972	13.23
TOTAL	133	19,158,810	100.00	16,161,365	100.00	15,086,014	100.00
State-Chartered	47	10,035,210	52.38	7,355,057	45.51	7,430,468	49.25
Federally Chartered*	86	9,123,600	47.62	8,806,308	54.49	7,655,546	50.75
TOTAL	133	19,158,810	100.00	16,161,365	100.00	15,086,014	100.00
In-State Ownership	131	17,359,323	90.61	12,724,757	78.74	11,991,215	79.49
Out-of-State Ownership*	2	1,799,487	9.39	3,436,608	21.26	3,094,799	20.51
TOTAL	133	19,158,810	100.00	16,161,365	100.00	15,086,014	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 1996	06/30 1997	06/30 1998	06/30 1999	06/30 2000
Commercial Banks					
Trust Companies					
Banks	14	13	12	11	10
Branches	237	147	142	118	113
Assets	7,577,338	3,782,972	3,603,763	3,698,774	3,472,002
Deposits	5,379,443	2,790,194	2,660,195	2,958,142	2,488,507
Loans	5,080,569	2,609,126	2,616,375	2,742,374	2,555,152
National Banks					
Banks	5	6	5	5	6
Branches	35	128	103	102	169
Assets	1,418,945	1,523,574	1,075,190	1,250,250	5,736,194
Deposits	1,054,196	3,433,699	2,915,928	2,920,566	6,035,433
Loans	986,924	3,775,651	2,449,376	2,374,326	5,069,224
Limited Purpose Banks					
Merchant Banks					
Banks			1	1	1
Branches			0	0	0
Assets			20,015	19,595	16,782
Deposits			0	0	0
Loans			836	4	120
Uninsured Banks					
Banks				1	0
Branches				0	0
Assets				3,566	0
Deposits				772	0
Loans				3,200	0
Nondepository Trust Companies					
Banks				3	4
Branches				0	0
Assets				8,432	13,624
Deposits				N/A	N/A
Loans				N/A	N/A
Savings Banks and Savings and Loan Associations					
Savings Banks					
Banks	17	17	17	17	16
Branches	149	152	189	198	139
Assets	6,550,089	6,871,847	8,617,818	9,547,397	5,824,585
Deposits	5,173,298	5,307,205	6,501,801	6,909,744	4,269,611
Loans	4,812,875	5,083,110	6,277,715	6,334,103	4,344,859
	12/31	**06/30**	**06/30**	**06/30**	**06/30**

ASSET/DEPOSIT & SHARE/LOAN DISTRIBUTION BY FACILITY TYPE

(000's omitted)

	1996	1997	1998	1999	2000
Savings Banks and Savings and Loan Associations (continued)					
Federal Savings Banks					
Banks	4	4	4	4	4
Branches	22	25	29	31	31
Assets	707,419	754,241	849,901	911,238	1,042,663
Deposits	523,273	556,835	611,442	661,957	750,020
Loans	562,787	598,001	688,982	725,566	836,880
State Savings & Loan Associations					
Associations	3	3	3	3	3
Branches	0	0	0	0	0
Assets	102,961	105,068	112,256	117,683	122,368
Deposits	88,437	88,399	91,170	95,868	94,665
Loans	82,515	84,541	86,223	87,827	98,966
Federal Savings & Loan Associations					
Associations	4	4	4	4	4
Branches	4	4	4	4	4
Assets	201,580	203,264	206,475	217,030	227,889
Deposits	167,967	168,591	173,385	178,385	179,365
Loans	155,475	159,678	163,134	163,681	184,841
Credit Unions					
State Credit Unions					
Credit Unions	12	11	12	13	13
Branches	10	9	11	14	12
Assets	409,629	430,322	478,256	567,975	585,849
Shares	365,645	380,613	421,299	501,390	502,274
Loans	274,905	283,557	317,496	391,525	431,371
Federal Credit Unions					
Credit Unions	80	80	77	75	72
Branches	21	47	49	44	48
Assets	1,744,848	1,848,919	1,941,498	2,064,617	2,116,854
Shares	1,556,965	1,650,747	1,721,661	1,816,004	1,841,490
Loans	1,285,963	1,334,964	1,408,596	1,467,194	1,564,601
State Totals					
Financial institutions	139	138	135	137	133
Branches	478	512	527	511	516
Assets	18,712,809	15,520,207	16,905,172	18,406,557	19,158,810
Shares & Deposits	14,309,224	14,376,283	15,096,881	16,042,828	16,161,365
Loans	13,242,013	13,928,628	14,008,733	14,290,705	15,086,014

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, 1999; and 2000; however, its Maine assets are not available.
Source of data: Call reports and branch loan and deposit/share survey.

MAINE
STATE CHARTERED
TRUST COMPANIES

		June 30, 2000 Dollars (000's)	
	Assets	**Deposits**	**Loans**
Dean Read, President **BAR HARBOR BANKING AND TRUST COMPANY** 82 Main St. Bar Harbor, Maine 04609	478,939	273,270	276,990
James P. Violette, Jr., President **BORDER TRUST COMPANY** 280 State Street Augusta, Maine 04330	65,411	54,562	43,276
Thomas J. Finn, Jr., President **DAMARISCOTTA BANK & TRUST** Main Street Damariscotta, Maine 04543	92,241	76,443	67,692
David I. Dorsey, President **FIRST CITIZENS BANK & TRUST** PO Box 231 Presque Isle, Maine 04769	114,563	96,299	93,735
Elizabeth Greenstein, President **FLEET BANK OF MAINE** One City Center Portland, Maine 04112	1,799,487	1,258,123,	1,451,905
Jon J. Prescott, President **KATAHDIN TRUST COMPANY** Main Street Patten, Maine 04765	151,768	115,009	121,510
Samuel Ladd, III, President **MAINE BANK & TRUST COMPANY** PO Box 619 Portland, Maine 04104	226,496	197,556	167,179
Edwin Clift, President **MERRILL MERCHANTS BANK** 201 Main St., PO Box 925 Bangor, Maine 04402-0925	225,689	188,313	150,654

MAINE
STATE CHARTERED
TRUST COMPANIES

June 30. 2000
(dollars 000's)

	Assets	Deposits	Loans
Robert Johnson, President **PEPPERELL TRUST COMPANY** 163 Main Street Biddeford, Maine 04005	52,488	41,109	43,819
Peter Blyberg, President **UNION TRUST COMPANY** 66 Main St., PO Box 479 Ellsworth, Maine 04605	264,920	187,823	138,392
TOTAL: 10	**3,472,002**	**2,488,507**	**2,555,152**

MAINE
STATE CHARTERED
LIMITED PURPOSE BANKS

	June 30, 2000 (dollars 000's) Assets	Deposits	Loans
John Keffer, President **FORUM TRUST, LLC** Two Portland Square Portland, Maine 04101	9,542	N/A	N/A
John H. Walker, President **H. M. PAYSON AND COMPANY** P.O. Box 31 Portland, Maine 04112	3,102	N/A	N/A
James Quigley, CEO **MAINE MERCHANT BANK** Two Monument Square Portland, Maine 04101	16,782	0	120
John P.M. Higgins, President **RAM TRUST COMPANY** 45 Exchange Street Portland, Maine 04101	115	N/A	N/A
Christopher Tyborowski, President **RSGROUP TRUST COMPANY** 295 Forest Avenue, No. 610 P.O. Box 9715 Portland, Maine 04104-5015	865	N/A	N/A
TOTAL:5	**30,406**	**0**	**120**

MAINE
STATE CHARTERED
SAVINGS BANKS

	Assets	June 30, 2000 (dollars 000's) Deposits	Loans
Steven A. Closson, President **ANDROSCOGGIN SAVINGS BANK** PO Box 1407 30 Lisbon Street Lewiston, Maine 04240	434,511	294,791	307,991
P. James Dowe, Jr., President **BANGOR SAVINGS BANK** 3 State Street, PO Box 930 Bangor, Maine 04401	1,307,332	959,378	1,109,470
Glen Hutchinson, President **BATH SAVINGS INSTITUTION** 105 Front Street, PO Box 548 Bath, Maine 04530	254,621	202,705	172,380
Wayne Sherman, President **BIDDEFORD SAVINGS BANK** 254 Main Street Biddeford, Maine 04005	177,905	133,617	110,588
Gregory T. Caswell, President **COASTAL BANK** PO Box 8550 Portland, Maine 04105	203,801	133,026	124,473
Gary M. Downs, President **FRANKLIN SAVINGS BANK** 81 Main Street, PO Box 825 Farmington, Maine 04938	256,778	203,716	204,802
Charles M. Yandell, President **GORHAM SAVINGS BANK** 64 Main Street, PO Box 38 Gorham, Maine 04038	414,068	277,534	238,490
Mark L. Johnston, President **KENNEBEC SAVINGS BANK** 150 State Street, PO Box 50 Augusta, Maine 04330	333,116	231,080	285,585

MAINE
STATE CHARTERED
SAVINGS BANKS

	June 30, 2000 (dollars 000's)		
	Assets	**Deposits**	**Loans**
Joel Stevens, President **KENNEBUNK SAVINGS BANK** 104 Main Street Kennebunk, Maine 04043	372,747	313,919	298,856
Edward L. Hennessey, Jr., President **MACHIAS SAVINGS BANK** Center Street, PO Box 318 Machias, Maine 04947	306,267	209,886	248,890
Sherwood Moody, President **MECHANICS' SAVINGS BANK** 100 Minot Avenue Auburn, Maine 04210	131,008	107,531	102,533
Peter Montpelier, President **NORWAY SAVINGS BANK** 132 Main Street Norway, Maine 04268	355,139	279,122	252,041
Kevin P. Savage, President **SACO AND BIDDEFORD SAVINGS INSTITUTION** 252 Main Street Saco, Maine 04072	324,610	234,875	220,355
Rodney Normand, President **SANFORD INSTITUTION FOR SAVINGS** 184 Main Street Sanford, Maine 04073	231,270	167,723	148,216
William Randall, President **SKOWHEGAN SAVINGS BANK** 7 Elm Street, PO Box 250 Skowhegan, Maine 04976	377,830	288,423	269,013

**MAINE
STATE CHARTERED
SAVINGS BANKS**

	Assets	June 30, 2000 (dollars 000's) Deposits	Loans
John C. Witherspoon, President **UNITEDKINGFIELD BANK** 145 Exchange St. Bangor, ME 04401	343,582	232,285	251,176
TOTAL: 16	**5,824,585**	**4,269,611**	**4,344,859**

MAINE
STATE CHARTERED
SAVINGS AND LOAN ASSOCIATIONS
June 30, 2000
(dollars 000's)

	Assets	Deposits	Loans
Allen Sterling, President **AUBURN SAVINGS AND LOAN ASSOCIATION** 256 Court Street, PO Box 3157 Auburn, Maine 04210	48,566	35,040	38,034
Norman P. Shaw, Secretary/Treasurer **BAR HARBOR SAVINGS AND LOAN ASSOCIATION** Main Street Bar Harbor, Maine 04609	15,292	11,692	12,057
Harry Mank, Jr., President **ROCKLAND SAVINGS AND LOAN ASSOCIATION** PO Box 585 Rockland, Maine 04841	58,510	47,933	48,875
TOTAL: 3	**122,368**	**94,665**	**98,966**

MAINE
STATE CHARTERED
CREDIT UNIONS

	June 30, 2000 (dollars 000's)		
	Assets	**Shares**	**Loans**
Richard B. Dupuis, CEO **BIW FIVE COUNTY CREDIT UNION** 765 Washington St., PO Box 598 Bath, Maine 04530	57,057	51,825	42,749
Paul J. Gurney, CEO **CHESTNUT CREDIT UNION** PO Box 604 Augusta, Maine 04332	5,873	5,488	4,480
Matthew P. Griffiths, CEO **COAST LINE CREDIT UNION** 38 Rigby Road West Portland, Maine 04104	16,088	12,976	9,075
Donna R. Steckino, CEO **COMMUNITY CREDIT UNION** 144 Pine Street Lewiston, Maine 04240	33,306	30,587	27,531
Tucker Cole, CEO **EVERGREEN CREDIT UNION** 35 Cumberland Street Westbrook, ME 04092	59,254	54,209	45,512
John O. Greenlaw, CEO **GOVERNMENT EMPLOYEES CREDIT UNION** 50 Riverside Industrial Parkway Portland, Maine 04103	74,890	63,155	60,512
Mariann Goff, CEO **GREATER PORTLAND MUNICIPAL CREDIT UNION** 799 Broadway South Portland, Maine 04106	50,886	44,041	47,510
Richard P. LaChance, CEO **MAINE EDUCATION CREDIT UNION** 36 Community Drive, PO Box 1096 Augusta, Maine 04330	9,904	8,463	6,990

MAINE
STATE CHARTERED
CREDIT UNIONS

	June 30, 2000 (dollars 000's)		
	Assets	**Shares**	**Loans**
Normand R.Dubreuil, CEO **MAINE STATE EMPLOYEES CREDIT UNION** PO Box 5659 Augusta, Maine 04332-5659	140,808	119,835	75,435
Charles E. Hinkley, CEO **SABATTUS REGIONAL CREDIT UNION** 9 High Street Sabattus, Maine 04280	18,284	16,973	12,119
Carrie A. Shaw, CEO **SACO VALLEY CREDIT UNION** PO Box 740 Saco, Maine 04072	31,357	27,999	26,784
Howard Dunn, CEO **UNIVERSITY CREDIT UNION** Rangeley Road University of Maine Orono, Maine 04473	82,169	61,519	67,781
Susan C. Mottice, CEO **UNUMPROVIDENT CORPORATION CREDIT UNION** 2211 Congress Street Portland, Maine 04102	5,973	5,204	4,893
TOTAL: 13	**585,849**	**502,274**	**431,371**

MAINE
FEDERAL CHARTERED
NATIONAL BANKS

June 30, 2000
(dollars 000's)

	Assets	Deposits	Loans
Robert Daigle, President & CEO **CAMDEN NATIONAL BANK** 2 Elm Street, PO Box 310 Camden, Maine 04843	652,749	446,605,	438,574
Timothy Healey, President **THE FIRST NATIONAL BANK OF BAR HARBOR** 102 Main Street, PO Box A Bar Harbor, Maine 04609	167,990	125,212	111,020
Daniel R. Daigneault, President **THE FIRST NATIONAL BANK OF DAMARISCOTTA** Main Street, PO Box 940 Damariscotta, Maine 04543	363,062	221,832	252,451
Katherine Underwood, District President **KEYBANK, NATIONAL ASSOCIATION** One Canal Plaza Portland, ME 04112	N/A	2,178,485	1,642,894
Russell G. Cole, President **THE OCEAN NATIONAL BANK OF KENNEBUNK** 100 Main Street, PO Box 58 Kennebunk, Maine 04043	219,542	181,281	153,509
Michael McNamara, President **PEOPLES HERITAGE BANK, N.A.** One Portland Square, PO Box 9540 Portland, Maine 04112	4,332,851	2,882,018	2,470,776
TOTAL: 6	**5,736,194**	**6,035,433**	**5,069,224**

MAINE,
FEDERAL CHARTERED
SAVINGS BANKS

	June 30, 2000 (dollars 000's) Assets	Deposits	Loans
Dennis Young, President **AUGUSTA FEDERAL SAVINGS BANK** 22 Western Avenue Augusta, Maine 04330	103,464	81,735	85,349
Arthur Markos, President **GARDINER SAVINGS INSTITUTION, FSB** 190 Water Street Gardiner, Maine 04345	423,154	345,171	305,075
James D. Delameter, President **NORTHEAST BANK, FSB** Main Street Bethel, Maine 04217	432,789	261,785	381,875
Wesley Richardson, President **THE WALDOBORO BANK, FSB** 1768 Atlantic Way Waldoboro, Maine 04572	83,256	61,329	64,581
TOTAL: 4	**1,042,663**	**750,020**	**836,880**

MAINE
FEDERAL CHARTERED
SAVINGS & LOAN ASSOCIATIONS

June 30, 2000
(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	57,447	48,663	53,384
Dennis H. Brown, President **CALAIS FEDERAL SAVINGS AND LOAN ASSOCIATION** 136 Main Street Calais, Maine 04619	34,578	28,393	22,408
Daniel R. Donovan, President **FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF BATH** 125 Front Street Bath, Maine 04530	100,624	75,783	79,299
Allen L. Rancourt, President **KENNEBEC FEDERAL SAVINGS AND LOAN ASSOCIATION** 70 Main Street Waterville, Maine 04901	35,240	26,526	29,750
TOTAL: 4	**227,889**	**179,365**	**184,841**

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 2000
(dollars 000's)

	Assets	Shares	Loans
Steve J. Obrin, CEO **ATLANTIC REGIONAL FEDERAL CU** 55 Cushing Street Brunswick, Maine 04011	128,495	104,584	98,468
Stephen K. Clark, CEO **BANGOR FEDERAL CU** 74 Harlow Street Bangor, Maine 04401	42,383	38,265	37,770
Darla R. King, CEO **BANGOR HYDRO FEDERAL CU** 193 Broad Street Bangor, Maine 04401	7,782	6,695	6,658
Susan M. Cross, CEO **BANSCO FEDERAL CU** 87-89 Hillside Avenue, Suite 3 Bangor, Maine 04401	9,717	9,149	7,384
John C. Reed, CEO **BARCO FEDERAL CU** PO Box 347 Hamden, Maine 04463	116,756	100,538	89,755
Cynthia Burke, CEO **BLUE CROSS AND BLUE SHIELD OF MAINE FEDERAL CU** 2 Gannett Drive South Portland, Maine 04106	5,128	4,406	2,653
Daniel A. Daggett, CEO **BOWDOINHAM FEDERAL CU** PO Box 73 Bowdoinham, Maine 04008	9,991	8,914	7,976
Barry A. Jordan, CEO **BREWER FEDERAL CU** 77 N. Main St. Brewer, Maine 04412	19,192	17,678	16,419

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

	June 30, 2000 (dollars 000's)		
	Assets	**Shares**	**Loans**
Beth R. Oliver, CEO **CAPITAL AREA FEDERAL CU** 23 Maple Street Augusta, Maine 04430	10,120	9,326	8,140
Judith A. Griffin, CEO **CENTRAL MAINE POWER COMPANY FEDERAL CU** 44 Edison Drive Augusta, Maine 04330	29,382	24,329	16,120
Scott D. Harriman, CEO **CUMBERLAND COUNTY TEACHERS FEDERAL CU** 173 Gray Road Falmouth, Maine 04105	32,024	26,602	21,966
Rhonda M. Taylor, CEO **DEXTER REGIONAL FEDERAL CU** PO Box 233 Dexter, Maine 04930	40,041	36,804	25,138
Ralph E. Ferland, CEO **EASTERN MAINE MEDICAL CENTER FEDERAL CU** 489 State Street Bangor, Maine 04401	20,786	18,998	16,561
Dan Byron, CEO **EASTMILL FEDERAL CU** 60 Main Street East Millinocket, Maine 04430	39,658	33,564	16,721
Bernadette N. Michaud, CEO **FORT KENT FEDERAL CU** 6 East Main Street Fort Kent, Maine 04743	25,325	21,289	21,393

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

	June 30, 2000 (dollars 000's)		
	Assets	**Shares**	**Loans**
David E. Rossignol, CEO **FRASER FEDERAL CU** 534 Main St. Madawaska, Maine 04756	61,648	51,089	54,225
Philip J. Bergeron, CEO **GARDINER FEDERAL CU** 8 Brunswick Road Gardiner, Maine 04345	11,091	10,081	8,460
Howard R. Ayotte, CEO **GATEWAY FEDERAL CU** 306 Main Street Van Buren, Maine 04785	8,348	6,992	4,291
David A. Sayers, CEO **GORHAM REGIONAL FEDERAL CU** 375 Main Street Gorham, Maine 04038	20,693	18,661	16,432
Nancy Bard, CEO **GREAT FALLS REGIONAL FCU** 34 Bates St. Lewiston, Maine 04240	19,380	16,528	13,511
Jeffrey M. Vachon, CEO **HANNAFORD ASSOCIATES FEDERAL CU** PO Box 1440 Portland, Maine 04104	21,267	19,249	14,590
Deborah A. Pomeroy, CEO **HEALTHFIRST FEDERAL CU** 9 Quarry Road Waterville, Maine 04901	6,003	5,298	4,906
Kathleen, Smith, CEO **HOULTON FEDERAL CU** 13 Market Square Houlton, Maine 04730	10,348	9,312	6,420

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 2000
(dollars 000's)

	Assets	Shares	Loans
Gary Bragan, CEO **HOWLAND ENFIELD FEDERAL CU** Box 405 Howland, Maine 04448	8,795	8,278	6,613
Kenneth Williams, CEO **INFINITY FEDERAL CU** 202 Larrabee Rd. Westbrook, Maine 04074	96,788	76,935	71,718
Beverly W. Beaucage, CEO **KV FEDERAL CREDIT UNION** 316 Northern Avenue Augusta, Maine 04330	38,655	35,473	30,227
Donald P. Casko, CEO **KATAHDIN FEDERAL CU** 1000 Central Street Millinocket, Maine 04462	63,939	53,794	44,808
Tonia M. Westman, CEO **KESO FEDERAL CU** PO Box 298 Fairfield, Maine 04937	2,994	2,737	2,426
Anne L. Boulette, CEO **KEYES FIBRE FEDERAL CU** c/o Keyes Fibre Company 222 College Avenue Waterville, Maine 04901	23,087	21,277	19,845
Alvera S. Bosica, CEO **KNOX COUNTY FEDERAL CU** PO Box 159 Rockland, Maine 04841	12,536	10,846	9,662
Eddie A. Plourde, CEO **LA VALLEE FEDERAL CU** 794 Main Street Madawaska, Maine 04756	24,622	21,258	18,124

**MAINE
FEDERAL CHARTERED
CREDIT UNIONS**

**June 30, 2000
(dollars 000's)**

	Assets	Shares	Loans
Donald S. Sansouci, CEO **LEWISTON MUNICIPAL FEDERAL CU** 291 Pine Street Lewiston, Maine 04240	8,151	6,832	6,521
David Brillant, CEO **LINCOLN MAINE FEDERAL CU** Outer West Broadway Lincoln, Maine 04457	15,393	14,124	10,885
George Roy, CEO **LISBON COMMUNITY FEDERAL CU** 325 Lisbon Road Lisbon Center, Maine 04251	42,208	37,358	24,695
Charisse A. Keach, CEO **MADISON ANSON COMMUNITY FCU** 48 Main Street Madison, Maine 04950	2,673	2,348	2,014
Ronald J. Fournier, CEO **MAINE FAMILY FEDERAL CU** 555 Sabattus Street Lewiston, Maine 04240	52,881	46,538	38,708
Jennifer Hartel, CEO **MAINE MEDIA FEDERAL CU** 390 Congress St Portland, ME 04104	5,043	4,100	3,159
Karen U. Callaghan, CEO **MEBS FEDERAL CU** One Congress Square Portland, Maine 04101	323	263	300
Kenneth B. Acker, CEO **MEDICAL SERVICES FEDERAL CU** 272 Park Avenue Portland, Maine 04104	30,154	27,239	24,008

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 2000
(dollars 000's)

	Assets	Shares	Loans
Albert A. Seguin, CEO **MIDCOAST FEDERAL CU** 831 Middle Street Bath, Maine 04530	58,041	51,709	45,705
Catherina A. Pinard, CEO **MONMOUTH FEDERAL CU** PO Box 150 Monmouth, Maine 04259	5,558	5,054	4,558
Raymond S. Glover, CEO **NOPAR FEDERAL CU** PO Box 274 South Paris, Maine 04281	5,514	5,092	3,058
Jean a. Moulton, CEO **NOTRE DAME WATERVILLE FEDERAL CU** 61 Grove Street Waterville, Maine 04901	35,072	31,689	26,233
Joseph J. Chapin, CEO **OCEAN COMMUNITIES FEDERAL CU** 1 Pool Street Biddeford, Maine 04005	71,141	66,557	55,381
Roland L. Poirier, CEO **OTIS FEDERAL CU** PO Box 27 Jay, Maine 04329	53,862	41,797	43,746
Matthew J. Kaubris, CEO **OXFORD FEDERAL CU** 255 River Road Mexico, Maine 04257	66,654	58,232	43,268
Judith K. Wilcox, CEO **PENOBSCOT FEDERAL CU** PO Box 434 Old Town, Maine 04468	17,681	16,930	15,978

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

	June 30, 2000 (dollars 000's)		
	Assets	**Shares**	**Loans**
James R. Lemieux, CEO **PEOPLES REGIONAL FEDERAL CU** PO Box 10 Pittsfield, Maine 04967	23,677	21,379	16,767
John Barry, CEO **PORTLAND MAINE POLICE DEPARTMENT FEDERAL CU** 109 Middle Street Portland, Maine 04101	2,557	2,211	2,121
Robert Hill, CEO **PORTLAND ME TRANSIT FEDERAL CU** 67 Allen Avenue Falmouth, Maine 04105	289	244	269
Bert L.Beaulieu, CEO **PORTLAND REGIONAL FEDERAL CU** PO Box 6693 Portland, Maine 04103	14,974	13,161	8,870
Lillian Turner, CEO **R.C.H. FEDERAL CU** 420 Franklin Street Rumford, Maine 04104	389	275	202
Philippe R. Moreau, CEO **RAINBOW FEDERAL CU** PO Box 741 Lewiston, Maine 04243-0741	72,579	62,761	52,859
James O'Mara, CEO **RIVERVIEW FEDERAL CU** 15 Depot Square Gardiner, Maine 04345	6,322	5,763	3,638
Mary Ann Chamberlain, CEO **ST. AGATHA FEDERAL CU** PO Box 130 Saint Agatha, Maine 04772	10,649	9,592	6,501

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

	June 30, 2000 (dollars 000's) Assets	Shares	Loans
David W. Tozier, CEO **ST. CROIX FEDERAL CU** PO Box 130 Baileyville, Maine 04694	34,346	27,622	30,831
Theresa L'Italien, CEO **ST. FRANCIS COMMUNITY FEDERAL CU** PO Box 38 Saint Francis, Maine 04774	1,351	1,185	1,279
Barbara A. Haynes, CEO **ST. FRANCIS DE SALES FEDERAL CU** 50 Elm Street Waterville, Maine 04901	18,879	15,770	8,753
Andrew J. Michaud, CEO **ST. JOSEPH'S (BIDDEFORD) FEDERAL CU** PO Box 488 Biddeford, Maine 04405	67,548	60,048	51,069
Vicki L. Stuart, CEO **STE. CROIX REGIONAL FEDERAL CU** PO Box 1746 Lewiston, Maine 04240	59,229	52,299	41,916
Kyle W. Casburn, CEO **SEABOARD FEDERAL CU** 531 Main Street Bucksport, Maine 04416	59,310	52,275	43,780
Daniel A. Clark, CEO **SEMICONDUCTOR OF MAINE FEDERAL CU** 333 Western Avenue South Portland, Maine 04106	5,377	4,187	3,133
Debra Hegarty, CEO **SHAW'S EMPLOYEES FEDERAL CU** 205 Spencer Drive Wells, Maine 04090	6,347	5,180	4,140

MAINE
FEDERAL CHARTERED
CREDIT UNIONS

June 30, 2000
(dollars 000's)

	Assets	Shares	Loans
Cass R. Hirschfelt, CEO **SKOWHEGAN COMMUNITY FEDERAL CU** 43 Leavitt Street Skowhegan, Maine 04976	8,910	8,240	6,932
Bok K. Cho, CEO **SPRAGUE-SANFORD FEDERAL CU** PO Box 231 Sanford, Maine 04073	3,854	3,250	2,260
Sidney J. Wilder, CEO **TACONNET FEDERAL CU** 60 Benton Avenue Winslow, Maine 04901	23,903	21,918	17,197
Patrick St. Peter, CEO **THE COUNTY FEDERAL CU** PO Box 939 Caribou, Maine 04736	68,039	60,679	54,177
Chris Daudelin, CEO **TOWN & COUNTRY FEDERAL CU** 557 Main Street South Portland, Maine 04106	68,204	61,773	46,575
Lewis D. Raymond, CEO **WINSLOW COMMUNITY FEDERAL CU** PO Box 8117 Winslow, Maine 04901	16,784	14,803	8,048
Jeffrey J. Seguin, CEO **WINTHROP AREA FEDERAL CU** PO Box 55 Winthrop, Maine 04364	26,272	23,291	20,173
James E. Nelson, CEO **YORK COUNTY TEACHERS FEDERAL CU** 124 Main Street Sanford, Maine 04073	65,256	55,652	54,679
TOTAL: 72	**2,116,854**	**1,841,490**	**1,564,601**

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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
Examination/Supervision Division			
Donald W. Groves	Chief Bank Examiner	624-8577	Donald.w.groves@state.me.us
Chris N. Hadiaris	Principal Bank Examiner	624-8567	Chris.n.hadiaris@state.me.us
Daniel H. Warren, Jr.	Principal Bank Examiner	624-8588	Daniel.h.warren.jr@state.me.us
W. Kenneth Anderson	Principal Bank Examiner	624-8583	Ken.anderson@state.me.us
Bruce G. Doyle	Principal Bank Examiner	624-8589	Bruce.g.doyle@state.me.us
Carl R. Falcone	Senior Bank Examiner	624-8582	Carl.r.falcone@state.me.us
Judith F. Gore	Senior Bank Examiner	624-8586	Judith.f.gore@state.me.us
John J. O'Connor	Senior Bank Examiner	624-8587	John.j.oconnor@state.me.us
Shelley K. Foster	Clerk IV - Exam Secretary	624-8571	Shelley.k.foster@state.me.us
Research/Administration Division:			
Colette L. Mooney	Deputy Superintendent	624-8574	Colette.l.mooney@state.me.us
Christine D. Pearson	Principal Bank Examiner	624-8576	Christine.d.pearson@state.me.us
Robert B. Studley	Principal Bank Examiner	624-8573	Robert.b.studley@state.me.us
David M. Leach	Consumer Outreach	624-8578	David.m.leach@state.me.us
Carole C. Sanders	Consumer Outreach	625-8581	Carole.c.sanders@state.me.us
Christine L. Solomon	Administrative Secretary	624-8572	Christine.l.solomon@state.me.us
Jolynn Oldfield	Receptionist	624-8648	Jolynn.oldfield@state.me.us
Martine M. Ortiz	Legal Consultant	624-8561	Martine.m.ortiz@state.me.us
Assistant Attorney General:			
Jim Bowie		626-8800	Jimbowie@state.me.us

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 six 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.

Edwin Clift, President, Merrill Merchants Bank
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
Samuel Ladd, Executive Vice President, Maine Bank & Trust Co.
Colette L. Mooney, Deputy Superintendent, Maine Bureau of Banking
John Murphy, President, Maine Credit Union League
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 (2000)

Elizabeth Greenstein, Executive Vice President, Fleet Bank of Maine
Gretchen Jones, Former General Counsel, Maine Credit Union League

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"THE STATUS OF MAINE'S FINANCIAL INSTITUTIONS"

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