

# MAINE STATE LEGISLATURE

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ANNUAL REPORT FROM THE  
SUPERINTENDENT  
OF  
THE BUREAU OF FINANCIAL INSTITUTIONS  
TO THE LEGISLATURE

PREPARED BY THE STAFF OF THE  
MAINE BUREAU OF FINANCIAL INSTITUTIONS

January 15, 2011

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Governor

*Anne L. Head*  
Acting Commissioner

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Superintendent

## **INTRODUCTION**

The statutory mission of the Maine Bureau of Financial Institutions is to ensure the strength, stability and efficiency of the financial institutions that it regulates, encourage the development and expansion of financial services, ensure reasonable and orderly competition, protect consumers against unfair practices by institutions that provide consumer credit, provide consumer education, and encourage the development of economically sound credit practices.

The Bureau of Financial Institutions is charged with the responsibility of supervising and regulating all state-chartered banks, credit unions, savings and loan associations and limited purpose banks in the State of Maine. At the close of 2010, the Bureau was responsible for the supervision and regulation of 42 such institutions which included 20 banks, 12 credit unions and 10 nondepository trust companies. The total assets held by the financial institutions regulated by the Bureau were approximately \$15 billion.

Calendar year 2010 will be remembered as a year in which the economy experienced a slow recovery from the weak economic conditions of 2009. Stories of layoffs, corporate bankruptcies, salary freezes and mandatory furloughs were common throughout the nation. Amid high unemployment at the national level and a still devastated real estate market, the nation closed out the year with 157 FDIC-insured bank failures and 19 NCUA-insured credit union failures. In 2009, there were 140 FDIC-insured bank failures and 15 NCUA-insured credit union failures. Approximately one half of the 2010 failures involved financial institutions headquartered in the states of California, Florida, Georgia and Illinois.

In 2010, Maine's state-chartered financial institutions weathered the recession and the continuing sluggish recovery. Earnings were sufficient to support slow growth and the rapid deterioration of loan quality that occurred in 2008 and 2009 eased in 2010. Although credit was not as readily or easily available as it had been in the mid-2000's, loans were obtainable for creditworthy borrowers with somewhat tighter underwriting standards.

Section I of this Report focuses on legislative and regulatory developments at both the state and federal level and provides a review of the foreclosure activity in Maine over the last three years. The efforts of Congress to enact federal financial regulatory reform in 2010 were closely monitored by Maine financial institutions and state financial regulators. On July 21, 2010, President Barack Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act. A significant outcome for states and state-chartered financial institutions was the preservation and strengthening of the dual banking system. The Dodd-Frank legislation retained the state bank charter and the joint supervision of state-chartered financial institutions by the Bureau of Financial Institutions and federal regulators.

Section II of this Report focuses on the consumer outreach efforts by the Bureau. Through its Consumer Outreach Program, the Bureau continues to offer education and mediation services to Maine citizens in order to assist them in understanding their rights and responsibilities as recipients of financial services. In 2010, the Bureau provided assistance to over 1050 consumers with complaints or inquiries related to a specific financial institution or a type of financial product. A significant number of these complaints and inquiries concerned issues relating to credit cards and mortgage loans. In an effort to address the issue of “unbanked” households identified in a study recently conducted by the FDIC, the Bureau convened the “Bank on ME Working group” and strategized with stakeholders to identify ways to encourage consumers to use financial institutions for their daily transactional needs. As a result of these efforts, the Bureau recently published a brochure outlining the advantages of maintaining an account at a financial institution and how to find a low cost account.

Section III of this Report focuses on application activity at the Bureau and provides aggregate information relating to Maine Banks, Maine Credit Unions and Limited Purpose Banks. Application activity by Maine chartered financial institutions increased significantly in 2010. A large portion of this activity was in the area of branching. While institutions continue to evaluate their branch networks for cost efficiencies, there was also increased emphasis on expanding geographic service area to broaden their customer base and increase deposit and loan potential. In 2010, the Bureau approved the application submitted by Nixon Peabody, a New York-based law

firm, to establish Watch Point Trust Company, LLC as a Maine chartered nondepository trust company. In addition, Section III provides the Bureau's thoughts on issues and challenges that Maine financial institutions must address in order to remain successful in the current economic environment.

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# **SECTION I**

## **BUREAU OVERSIGHT ACTIVITIES AND REGULATORY DEVELOPMENTS**

### ***Dodd-Frank Wall Street Reform and Consumer Protection Act***

#### **Overview of Dodd-Frank**

The massive Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law on July 21, 2010 (“Dodd-Frank”). The hundreds of pages of new legislation touch nearly all areas of the US financial system. Despite its breadth, Dodd-Frank stands as a mere introduction to an enormous federal research and rulemaking effort. Dodd-Frank requires federal agencies to draft over 200 rules and conduct over 50 different studies. Some significant provisions of Dodd-Frank are immediately effective, while those requiring additional rulemaking will not be effective for years to come. As implementation of Dodd-Frank proceeds, it presents a challenge for state regulators, including the Bureau of Financial Institutions, to adapt to the new law and to help provide a clear legal framework for financial institutions that do business in Maine. State efforts will include proposals to conform state law to federal law where the laws are similar while maintaining the enhanced consumer protections as directed by the Maine Legislature. This section discusses some of Dodd-Frank’s more notable provisions that will impact Maine’s financial institutions.

#### **Federal Bureau of Consumer Financial Protection**

After protracted debate, the final version of Dodd-Frank created a new federal consumer protection regulator known as the Bureau of Consumer Financial Protection (“the BCFP”). It is an independent organization within the Federal Reserve charged with regulating the provision of consumer financial products. The BCFP is given regulatory authority over most of the federal consumer protection laws such as the Truth-in-Lending Act, the Truth-in-Savings Act, and the Real Estate Settlement Procedures Act. The goal of the BCFP is to enforce the federal consumer financial laws consistently for the purpose of ensuring that all consumers have access to markets



for consumer financial products and that the markets for products and services are fair, transparent and competitive.

The BCFP is currently in its formative stages. Once operational, it will enforce consumer financial protection laws, conduct financial education programs, investigate consumer complaints and draft new rules. Importantly, the BCFP's enforcement authority extends beyond financial institutions to mortgage companies and other non-bank lenders. For Maine's relatively smaller state-chartered banks and credit unions, supervision will remain substantially the same. When an institution has over 10 billion in assets, the BCFP is responsible for examinations and enforcement actions. For smaller institutions, the state and federal regulators will retain primary responsibility for supervision. The BCFP will provide oversight over small institutions only on a sampling basis, and will have authority to accompany other examiners and review third party reports.

### **Mortgage Reform and Anti-predatory Lending laws**

In an effort to protect consumers and prevent a recurrence of the current housing crisis, Congress included mortgage and anti-predatory lending language in Dodd-Frank. In many ways, the new laws are similar to the mortgage protections adopted by the Maine Legislature in recent years. Dodd-Frank sets minimum standards for various consumer loans and holds lenders and other service providers accountable for their practices and procedures. Similarities include requirements for creating escrows, ensuring counseling for certain borrowers, and verifying borrowers have the ability to repay their loans. Also similar are the limits on prepayment penalties and new duties on mortgage loan originators. One consumer protection in Maine law that is not in Dodd-Frank is a requirement that a new loan have a net tangible benefit to the borrower. This requirement exists for certain loans to prevent predatory lenders from "flipping" residential loans. Flipping is a harmful practice whereby fees are extracted in a refinancing process without any real benefit to the borrower.

As the housing crisis began, the Maine Legislature took action to protect Maine citizens from financial harm. This action was well in advance of the federal government's efforts to restrict predatory lending. Like other states, Maine demonstrated that it could rapidly respond to the crisis. As the federal government

catches up with state lawmaking, and broad consumer protections now exist at both state and federal levels, the focus now turns to assisting lenders comply with both laws. A certain level of conformity improves compliance because a broader spectrum of lenders and compliance personnel work with the same or similar lending requirements. The 124<sup>th</sup> Maine Legislature understood this process when it passed legislation to conform Maine's predatory lending laws with changes at the federal level. The conforming law reduced unnecessary compliance burdens, while maintaining a high level of consumer protection. As Dodd-Frank continues to change the landscape, and new federal laws and regulations become effective, it is likely that Maine will again need to conform its laws to similar, or more protective, federal consumer laws. The legislature may retain certain laws it deems better than federal law, while conforming Maine law to those federal laws where differences merely add complexity without benefit to consumers or lenders.

### **Consumer Lending Regulations**

As with legislation, the process of conforming to federal law has also been taking place at the regulatory level. Under Maine's Truth in Lending Act, the Bureau of Financial Institutions, in concert with the Maine Bureau of Consumer Credit Protection, is obliged to keep pace with federal truth-in-lending regulations. This is necessary to preserve Maine's exemption to the federal Truth-in-Lending Act. Maine has kept pace with the federal regulations while maintaining certain state specific enhancements to the federal law.

By maintaining substantial conformity with the federal regulations, the Bureau retains the authority provided by the exemption to enforce the truth-in-lending laws within state-chartered institutions. The Bureau views this as a critical part of its mission. Not only does the exemption protect consumers, but it also plays an important role in the Bureau's assessment of financial institutions' safety and soundness. Failure to comply with truth-in-lending laws subjects financial institutions to consumer suits and regulatory sanctions. State examination of such laws allows the Bureau to obtain a more complete picture of the health of financial institutions. It allows enforcement of state laws by a local authority that is acquainted with the institution and more in tune with local lending conditions and economic trends. Maine's exemption to federal truth-

in-lending regulations requires that Maine's lending laws be substantially similar to the federal law. Given the numerous recent changes and anticipated future changes to federal regulations under the new CFPB, the Bureau anticipates continual adjustments to its regulations over the next 2 to 3 years. Historically, the adjustments have conformed Maine law to more protective federal laws.

### **Preservation of State Law**

Of significant importance to state legislatures, Dodd-Frank unequivocally preserves the dual banking system in the United States. Dual banking allows financial institutions to choose to do business under a state or federal charter. Congress recognized that a system with both state and federal financial institutions, and state and federal regulators, benefits the US financial landscape as a whole by providing a diversity of methods, oversight and opinions. Under Dodd-Frank, states continue to serve as "laboratories" to advance financial innovation and to establish levels of consumer protection appropriate for their citizens.

Title X of Dodd-Frank, known as the Consumer Financial Protection Act, bolsters the dual banking system, and the states' role in financial supervision, by enhancing state authority and encouraging cooperation between state and federal regulators. It does this by preserving state law and weakening the preemptive force of federal banking laws. Under Dodd-Frank, federal consumer protection laws generally constitute a floor above which states can enact more protective consumer laws. With respect to Title X, and the consumer protection regulations promulgated thereunder, only inconsistent state laws will be preempted. A state law is not inconsistent if it affords greater protection than the protection provided by Title X. Importantly, existing preemption standards currently found in various federal laws known as enumerated consumer laws in Title X, have been preserved. Given that authority over the numerous consumer laws now rests with the CFPB, preemption determinations will be made by the CFPB with respect those laws as well as for Title X and regulations issued thereunder.

If a state law is not preempted by Title X, the regulations promulgated by CFPB, or the enumerated laws, then the state law is applicable to state-chartered banks. Additional analysis is necessary to determine if such laws also apply to nationally-

chartered banks. Dodd-Frank has pushed aside traditional and, until recently, expanding preemption laws and regulations. Where federal thrifts and national banks have enjoyed broad preemption, both types of organizations must now adjust to a less protective standard of preemption. The shift is, generally, from field preemption, where federal institutions could operate without regard to most state consumer protection and banking laws, to conflict preemption, where they must test the applicability of individual state consumer financial laws against the new preemption standards.

Under the new standard, state consumer financial laws are preempted by the National Bank Act and, thus, inapplicable to national banks (and similarly by the Home Owners Loan Act for thrift institutions) only if: 1) the law would have a discriminatory effect on a national bank; 2) the law prevents or significantly interferes with the exercise by the national bank of its powers; or 3) the law is preempted by another federal law. The new landscape of state and federal banking regulation will emerge slowly as the various parties begin to test the new Dodd-Frank preemption standards.

### **Shared authority of state and federal regulators**

Of particular interest to state regulators is the concept of shared authority over federal consumer protection laws. Dodd-Frank allows state regulators to enforce federal consumer laws, including the rules adopted by the BCFP, with respect to state-chartered financial institutions. Under certain conditions, states are thus able to take action if the federal regulators are unwilling or unable to perform their duties. Importantly, the new authority also allows state attorneys general to bring an action against federally-chartered banks to enforce the regulations issued under Title X of Dodd-Frank. Such authority over federally-chartered financial institutions was previously retained (and guarded) by the federal banking regulators. A recent court decision clarifying the reach of federal visitorial powers was also incorporated into Dodd-Frank. Federal restrictions on visitorial powers no longer prevent a state from bringing an action against a national bank to enforce an applicable state law.

### **Elimination of the Office of Thrift Supervision**

The Bureau is closely watching a provision of Dodd-Frank that calls for the transfer of the powers and functions of the Office of Thrift Supervision (OTS) to the

Office of the Comptroller of the Currency (OCC). The OTS offers a thrift charter for savings institutions primarily engaged in residential lending. This transfer results from Title III of Dodd-Frank and will essentially eliminate the OTS. The Act does not eliminate the thrift charter. The federal thrift institutions will be supervised and examined by the OCC. Thrifts, however, will no longer enjoy a regulator that is solely dedicated to their supervision.

The elimination of the OTS is a significant development and it is unsettling to federal thrift institutions. Federal thrifts may seek to convert to state charters, thereby placing themselves under state supervision because they will have lost their historical advantages over other types of financial institutions. Under the pending Dodd-Frank structure, thrifts will no longer have the most generous branching capabilities, the strongest state preemption, or consolidated supervision with their holding companies. (Thrift holding companies will be subject to supervision by the Federal Reserve.) In the event of a conversion to a state charter, non-fed member thrifts would be subject to FDIC supervision and no longer subject to OTS fees. Many thrift institutions converted to federal charter, in part, to avoid having to pay fees to both the OTS and the chartering state. Absent such historical advantages, and facing a regulator in the OCC that is more accustomed to commercial bank supervision than thrift supervision, it is understandable why federal thrifts are currently evaluating the benefits of the state charter.

### ***Legislative and Regulatory Updates***

#### **Resolve, To Increase the Financial Stability of Low-Income Families in Maine**

Last session, the Maine Legislature passed LD 1649, "Resolve, To Increase the Financial Stability of Low-Income Families in Maine." Pursuant to the Resolve, the Superintendent of Financial Institutions created a working group to develop programs to educate Maine residents and improve access to financial services, specifically, to help provide the so-called un-banked with bank or credit union accounts. This bill was sponsored by Senator Deborah Simpson and the Bureau of Financial Institutions testified in support of the bill. Details relating to the progress of the working group and

the Superintendent's report provided to the Committee in November 2010 are discussed in further detail in the Consumer Outreach and Protection section.

### **An Act to Prohibit Surcharges on the Use of Debit Cards**

This bill, sponsored by Representative Sharon Treat, sought to extend the prohibition on surcharges currently in place for credit cards, to debit cards. The Bureau supported the bill for several reasons. Maine law already prohibits surcharges when credit cards are used. The Bureau testified that debit cards should be treated in the same manner as credit cards. The Bureau also testified that, on balance, greater transparency would be served if consumers knew the highest price they would have to pay before they reach the cash register. This bill was passed by the Legislature.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010, addresses many of the concerns that were raised by merchants relating to interchange fees during the public hearing. Notably, interchange fees will have to be “reasonable and proportional” to the issuer’s transaction costs; this new standard will be further delineated by regulations. Furthermore, this Act limits the extent to which issuers can impose payment restrictions on merchants.

### **An Act to Allow a Maine-chartered Financial Institution to Conduct a Savings Promotion Raffle**

This bill, sponsored by Senator Deborah Simpson, was supported by the Bureau. The Bureau testified that, by permitting financial institutions to conduct savings promotion raffles, individuals would be encouraged to open accounts to start or enhance a personal savings program. After considering certain observations made by the Department of Public Safety that allowing financial institutions to conduct savings promotion raffles could lead to other businesses requiring individuals to give money or purchase a product as a condition of participating in a game or contest, the interested parties put forward an amended bill that was passed by the Legislature. The bill allows financial institutions in Maine to conduct “savings promotion raffles” pursuant to which the sole consideration required for a chance to win is the deposit of money into a savings account or savings program.

## **Truth-in-lending**

Since the enactment of the Credit Card Accountability, Responsibility and Disclosure Act in May 2009 and the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010, federal regulators have been promulgating new, more protective truth-in-lending rules on a frequent basis.

Maine is one of several states that has been granted an exemption from the federal Truth-in-Lending Act. In order to qualify for this exemption, the Bureau and the Bureau of Consumer Credit Protection must demonstrate to the Federal Reserve on an ongoing basis that Maine's laws are substantially similar to or afford greater protection than federal law. Maine's exemption allows state regulators with knowledge of local lending conditions to assist financial institutions in complying with a complicated federal law. This exemption allows Maine to enforce and examine Maine-chartered financial institutions for violations of truth-in-lending rules under its own Regulation Z-2. Both Bureaus have been re-promulgating state Regulation Z-2, which incorporates by reference many of the provisions of federal Regulation Z so as to incorporate these new, more protective truth-in-lending rules.

In May of 2010, the Bureaus adopted a revised Regulation Z-2 incorporating the first and second phases of the new credit card rules. These "first and second phase" rules generally provide for greater notice to consumers when the terms of credit card agreements will change and give consumers the option to reject interest rate increases. They also restrict interest rate increases, over-the-limit fees and late payment fees. In November of this year, the Bureaus adopted a further revised Regulation Z-2 incorporating the third phase of the new credit card rules. These "third phase" rules generally provide that penalty fees must be reasonable and proportional and that rate increases must be re-evaluated. By continuing to incorporate these new truth-in-lending rules in their state regulation, the Bureaus are better positioned to justify to the Federal Reserve that Maine continues to qualify for its exemption.

The Bureaus believe it is important that that they continue to play a role in truth-in-lending compliance in order to protect Maine consumers and evaluate financial institutions' safety and soundness. The Bureaus intend to continue working toward preserving its exemption from federal Regulation Z, providing enhanced protections to

consumers while, at the same time, providing greater consistency and clarity in compliance to lenders.

### ***Foreclosure Survey***

The Bureau initiated a survey (the “FC Survey”) in October 2007 requesting various data related to residential mortgages, focusing on the extent of the foreclosure problem in Maine. Maine’s 32 state-chartered banks and credit unions (“MSFI”) have now completed the FC Survey, which has been revised several times, for 16 consecutive quarters. The FC Survey collects data on the number and dollar volume of residential mortgage loans, mortgage loans in process of foreclosure (“IPF”), foreclosures completed (“FC”) and delinquent mortgage loans.

### **First Lien Residential Mortgages**

The number of outstanding first residential mortgages (“First REMs”) has increased for four consecutive quarters, climbing a modest 2.1% during this period. During the first nine months of 2010, the MSFIs originated more than 7,700 First REMs, which is down nearly 1,700, or 18%, from the comparable period of 2009. The number of originations increased in the second and third quarters of 2010 and, in the third quarter, exceeded the number of originations in the third quarter of 2009. Through September 2010, the MSFIs retained a greater percentage of the loans than in the prior year, 63% to 52%. The FC Survey does not request data distinguishing between purchase and refinancing mortgages, but it appears from available data that a substantial portion of the originations represent refinancings. Nationally, refinancings accounted for more than 80% of new First REM originations in the third quarter 2010.

Single-family housing sales in Maine are up slightly, less than 1%, year-to-date October 2010 compared to the same period of 2009, but sales in each of the last four months (July through October) have been less, in the aggregate by nearly 25%, than in the same month of 2009, according to data from Maine Real Estate Information System, Inc. The 2010 median sales price is also up from 2009, but peaked in June and has trended downward since, dropping nearly 5% from June to October. Nationally, it is estimated that nearly 25% of all homeowners with a mortgage are underwater (owe



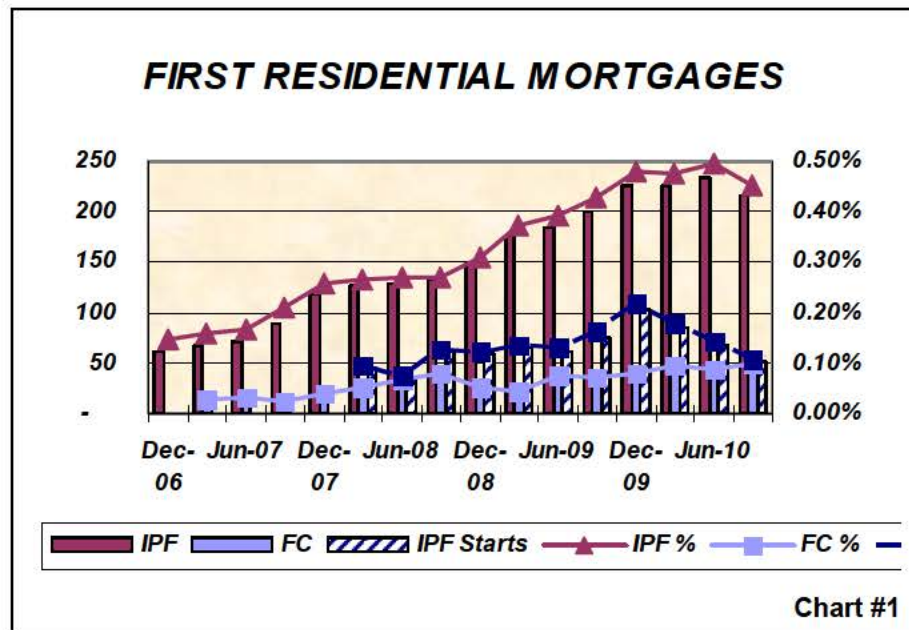
more than the home is worth) at the end of the third quarter; data for Maine were not available.

Table #1 summarizes various foreclosure-related data for First REMs. As seen in Chart #1, which uses the same data as Table #1, the trend for First REMs IPF and IPF starts in the current quarter is positive (declining) while the trend for FC continued in a negative direction (increasing). The combination of lower quarterly IPF starts and increased FC has resulted in the lower IPF. IPF decreased for the first time since the FC Survey began, dropping to 216 at September 2010, the lowest level in the last four quarters. The number of IPF starts in the current quarter also dropped, from 67 to 52, 0.11% of outstanding First REMs, its lowest level since the second quarter of 2008. IPF starts peaked in the fourth quarter of 2009 and have steadily declined in each of the last three quarters. FC, on the other hand, continued on an upward trend, climbing to 46, their highest level since inception of the FC Survey. Year-to-date September 2010 total FC of 132 are nearly 50% higher than for the comparable period of 2009.

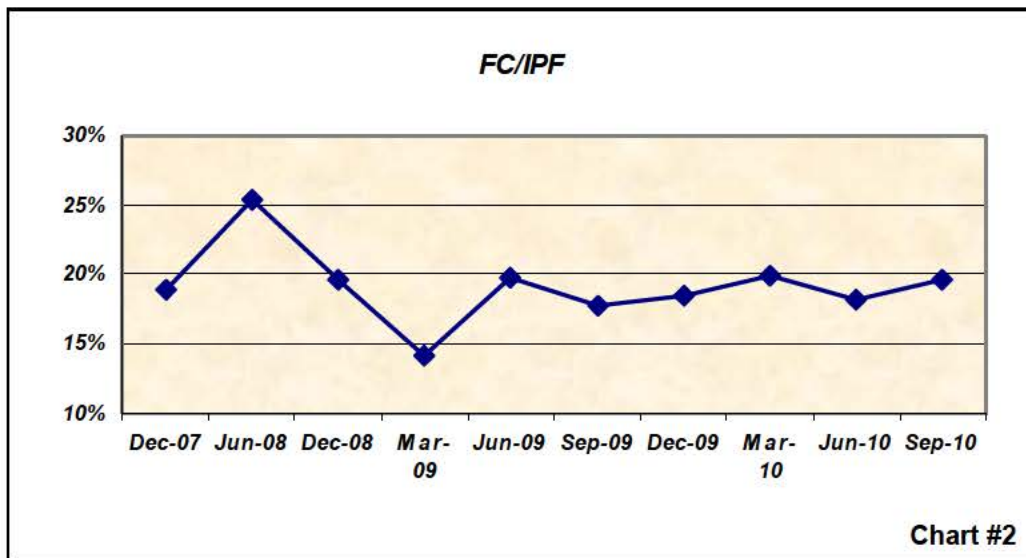
**Table #1**

<b>1<sup>st</sup> REM</b>	<b>12/06</b>	<b>12/07</b>	<b>12/08</b>	<b>9/09</b>	<b>12/09</b>	<b>3/10</b>	<b>6/10</b>	<b>9/10</b>
<b># Loans</b>	42,299	46,341	47,975	46,813	46,884	47,265	47,278	47,774
<b>IPF</b>	62	120	148	200	226	226	234	216
<b>FC</b>	N/A	17	26	33	37	45	41	46
<b>IPF Start</b>	N/A	N/A	59	76	103	85	67	52
<b>IPF</b>	0.15%	0.26%	0.31%	0.43%	0.48%	0.48%	0.49%	0.45%
<b>FC</b>	N/A	0.040%	0.053%	0.070%	0.079%	0.096%	0.087%	0.097%
<b>IPF Start</b>	N/A	N/A	0.12%	0.16%	0.22%	0.18%	0.14%	0.11%

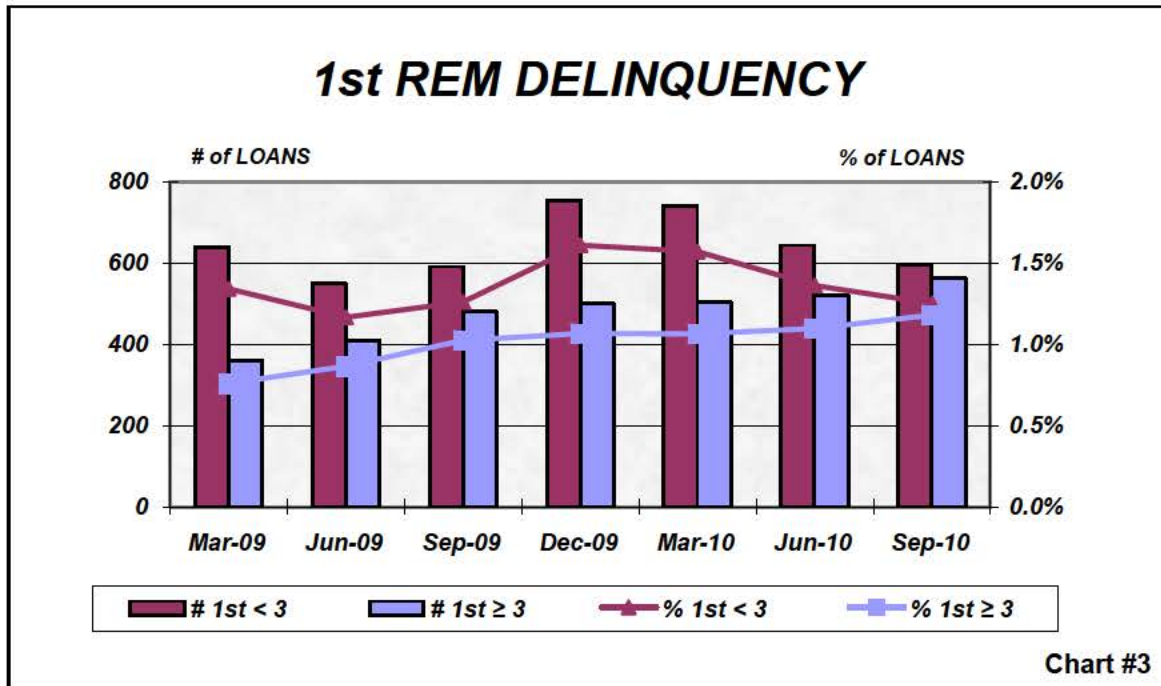
FC and IPF starts are compared to prior quarter-end # of loans.



The ratio of FC to IPF has been very steady over the last six quarters (Chart #2), as the MSFI complete the foreclosure process on approximately one First REM for every five First REMs on which they have initiated the foreclosure process. The percentage of First REMs that dropped out of the foreclosure process for a reason other than a completed foreclosure steadily increased throughout 2009, was flat in the first quarter of 2010, dropped significantly in the second quarter, and nearly doubled in the third quarter (but was still slightly below that for the first quarter). The average drop-out rate for both the last seven quarters and for the first three quarters of 2010 is 12%; it was 10% for the third quarter. The higher the drop-out rate, the greater the number of IPF mortgages on which the foreclosure process is terminated, presumably because the mortgage is paid current, modified, refinanced, or paid-in-full.



The number of First REMs past due one to two months (“PD<3 months”) decreased for the third consecutive quarter, dropping from 643 at June 2010 to 597 at September 2010; since the peak at December 2009, the number of PD<3 months has declined by 21%, or from 1.61% of total First REMs to 1.25%. See Chart #3. Most of the reduction in the PD<3 months has been the result of movement to the more seriously past due category, past due three or more months (“PD≥3 months”), rather than due to curing the past due status. The number of First REMs PD≥3 months has steadily increased since the Bureau began collecting the data in March 2009 (prior to this date, past due data were only collected in dollars), climbing by 56% from 361 to 564, or from 0.76% to 1.18%. At March 2009, PD≥3 months accounted for 36% of all past due First REMs but at September 2010 their share had increased to 49%.



The percentage of FC to First REMs PD $\geq$ 3 months (based on prior quarter-end PD $\geq$ 3 months) has held steady in a narrow range, between 7.5% and 10.0%, for the last six quarters (Table #2). This indicates that less than one in ten mortgage loans PD $\geq$ 3 months is actually foreclosed.

**Table #2**

	6/09	9/09	12/09	3/10	6/10	9/10
FC	35	33	37	45	41	46
PD $\geq$ 3 months *	361	408	480	500	503	519
FC/ PD $\geq$ 3	9.7%	8.1%	7.7%	9.0%	8.2%	8.9%

\* Prior quarter-end PD $\geq$ 3 months

Two ratios suggested an increased hesitancy by the MSFI in the third quarter of 2010 to initiate foreclosure proceedings. The percentage of IPF to PD $\geq$ 3 months, which had been steady at 45% for the last three quarters, dropped to 38% and the ratio of IPF starts to PD $\geq$ 3 months (prior quarter-end PD $\geq$ 3 months) declined for the third consecutive quarter, falling to 10%. Both ratios are the lowest level since the pertinent data have been collected. This is consistent with a national trend of an increasing



“shadow” inventory of loans that are delinquent but not yet in the foreclosure process as financial institutions and servicers delay initiating foreclosure and/or external factors, such as government moratoriums, local and state regulations and court delays, extend the process.

The MSFI inventory of foreclosed properties increased significantly in the third quarter, from 65 to 81, nearly double the number of properties held one year earlier. The ratio of sales to new FC, 72%, was the lowest in the last nine quarters, and the turnover ratio, 34%, was the lowest in the last ten quarters.<sup>1</sup>

### **Junior Lien Residential Mortgages**

The number of outstanding junior lien residential mortgages (“Junior REMs”) decreased 2.3% in the third quarter. Although most of the decrease was due to one institution that had been incorrectly reporting in prior quarters, even excluding that one institution the number of Junior REMs decreased by 0.7%. Only in one quarter, the second quarter of 2010, since June 2008 has the number of outstanding Junior REMs increased. During this period, total outstanding Junior REMs, after adjusting for the incorrect reporting, are down more than 5%. Originations in the third quarter were the second lowest quarterly total (behind first quarter of 2010) since the data were collected beginning in the first quarter of 2008 and 75% of third quarter 2009 originations; year-to-date originations were 80% of originations for the comparable period of 2009. All Juniors REMs originated by the MSFI are retained by the MSFI.

As can be seen in Table #3 and Chart #4, all the foreclosure-related numbers continued to move in a positive direction in the third quarter. The number of IPF decreased from 63 to 49, the lowest number since December 2007 and 30 below the December 2009 peak of 79. The number of FC was down by one-third from the prior quarter and more than 60% from the first quarter of 2010; notwithstanding the quarterly decreases in the second and third quarters, year-to-date 2010 FC are nearly double the FC for the comparable period of 2009. The number of IPF starts was the lowest since the first quarter of 2009.

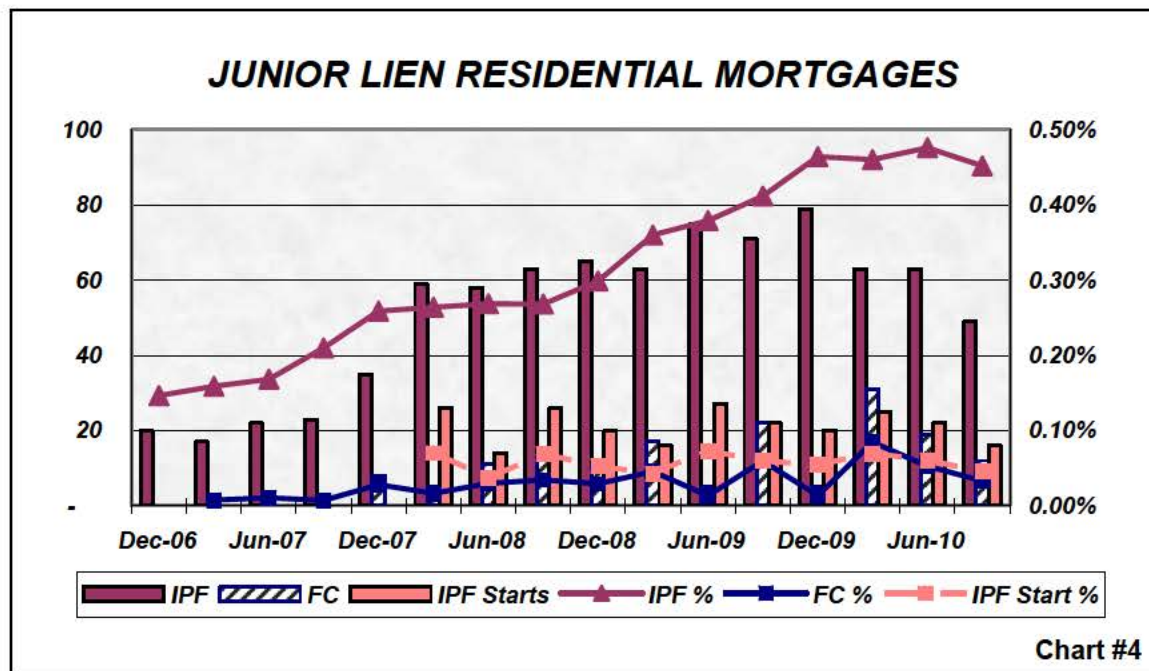
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<sup>1</sup> The turnover ratio is calculated by dividing the current quarter sales by the sum of (1) the prior quarter-end REO plus (2) the current quarter FC. A 34% ratio indicates a sale of 1 property for every 2.9 properties held in REO at the beginning of the quarter or acquired during the quarter.

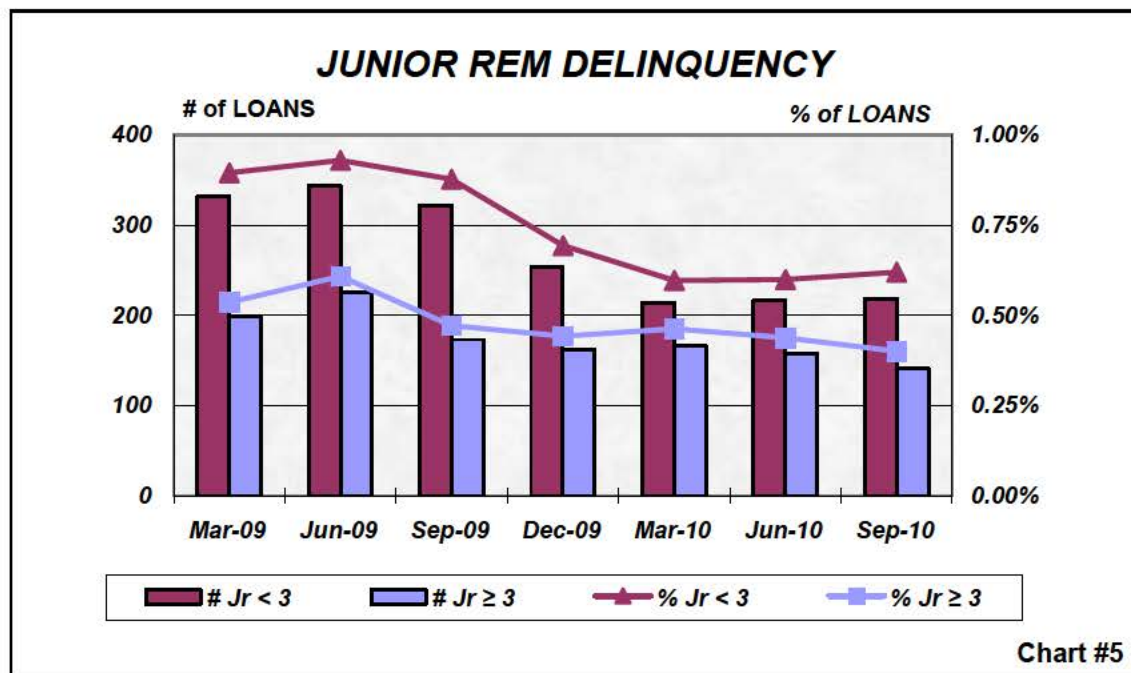
**Table #3**

Jr. Lien	12/06	12/07	12/08	9/09	12/09	3/10	6/10	9/10
# Loans	26,401	29,974	37,534	36,710	36,651	35,904	36,079	35,234
IPF	20	35	65	71	79	63	63	49
FC	N/A	8	11	22	5	31	19	12
IPF Start	N/A	N/A	20	22	20	25	22	16
IPF	0.08%	0.12%	0.17%	0.19%	0.22%	0.18%	0.17%	0.14%
FC	N/A	0.028%	0.029%	0.059%	0.014%	0.085%	0.053%	0.033%
IPF Start	N/A	N/A	0.05%	0.06%	0.05%	0.07%	0.06%	0.05%

FC and IPF starts are compared to prior quarter-end # of loans.



The total number of Junior REMs delinquent also continued to decline, as seen in Chart #5. There was a nominal increase in the number of PD<3 months, from 216 at June 2010 to 218 at September 2010, and in the PD ratio, from 0.60% to 0.62%. The PD≥3 months decreased, dropping from 158 to 141, 0.40% of outstanding Junior REMs. Both the number of loans and percentage of loans past due were the lowest in the seven quarters these data have been collected; total past due has steadily dropped from a high of 1.54% at June 2009 to 1.02%.



The percentage of Junior REMs IPF to PD≥3 months decreased, from 40% to 35%, the lowest percentage since June 2009. A lower ratio means the MSFI have deferred initiating foreclosure on a greater percentage of seriously delinquent Junior REMs. As seen in Table #4, the ratio of FC to PD≥3 months dropped significantly in both the second and third quarters of 2010.

**Table #4**

	6/09	9/09	12/09	3/10	6/10	9/10
FC	5	22	5	31	19	12
PD≥3 months *	199	225	173	162	166	158
FC/ PD≥3	2.5%	9.8%	2.9%	19.1%	11.4%	7.6%

\* Prior quarter-end PD≥3 months

### Serviced First REMs

The number of serviced first residential mortgages (all mortgages serviced are First REMs) increased for the seventh consecutive quarter, and the MSFI continue to

service approximately one mortgage for every four owned First REMs.<sup>2</sup> As seen in Table #5, there has been little change in the numbers of IPF and FC in the first three quarters of 2010 and the IPF and FC ratios continue to be slightly better than those for the MSFI.

**Table #5**

		12/07	12/08	9/09	12/09	3/10	6/10	9/10
# 1 <sup>st</sup> REM		11,70	11,50	12,75	13,07	13,20	13,32	13,56
		2	6	4	6	7	6	0
# IPF		13	21	43	46	54	57	55
% IPF		0.11%	0.18%	0.34%	0.35%	0.41%	0.43%	0.41%
% IPF - MSFI		0.26%	0.31%	0.43%	0.48%	0.48%	0.49%	0.45%
# FC		2	6	7	10	7	7	8
% FC	*	0.017	0.052	0.056	0.078	0.054	0.053	0.060
		%	%	%	%	%	%	%
% FC - MSFI	*	0.040	0.053	0.070	0.079	0.096	0.087	0.097
		%	%	%	%	%	%	%
FC/IPF –Svcd	**	15.4%	33.3%	25.9%	23.3%	15.2%	13.0%	14.0%
FC/IPF–MSFI	**	18.9%	19.7%	17.8%	18.5%	19.9%	18.1%	19.7%

\* % based on prior quarter-end loans

\*\* % based on prior quarter-end IPF

While the data for the third quarter remained mixed, the numbers looking forward were generally positive, suggesting that the trough may be close at hand. The decreases in the PD<3 months, IPF and FC starts for First REMs all bode well for 2011 reductions in PD≥3 months and FC. However, tempering this good news is the continuing, and accelerating, increase in seriously delinquent First REMs, which provides strong evidence that problems will persist into 2011 and that the recovery will be slow and drawn out. Meaningful progress, if not the avoidance of a relapse, appears

<sup>2</sup> Serviced mortgages refer to mortgages owned by a third-party for which a bank processes payments, etc. Under most servicing contracts, the servicer is responsible for collecting delinquent payments as well as initiating foreclosure proceedings. It is presumed that most of the loans serviced by a MSFI were originated by the MSFI. However, all loans originated and sold by a MSFI are not serviced by the MSFI. Year-to-date September 2010, servicing has been retained on 57% of the First REMs sold and released on 43%.



closely tied to an improving employment picture. All Junior REM foreclosure trends were positive as these mortgages continue to outperform the First REMs. The MSFI continue to delay initiating foreclosure proceedings against seriously delinquent mortgages and, once proceedings are initiated, foreclosure is completed against less than one-in-five mortgages. MSFI delinquency and foreclosure ratios also continue to compare favorably to national data. Inasmuch as the well-publicized robo-signing and subsequent legally-imposed moratoriums on foreclosures have been limited to a handful of the largest banks and mortgage servicers, the MSFIs have not been affected by these developments.

## SECTION II

### **CONSUMER OUTREACH ACTIVITIES AND DEVELOPMENTS**

#### ***Consumer Outreach and Protection***

The Bureau's Consumer Outreach Program provides help for consumers who have questions or concerns related to a financial institution or its products and services. Consumers may contact the Bureau's Consumer Outreach Specialist by phone, mail, encrypted email or in person. The Consumer Outreach Specialist also provides financial education, mediation and referral services. In addition, the Bureau's website includes a variety of information for the public, including financial education literature, foreclosure resources and tools for teachers.

During the fiscal year ending June 30, 2010, the Bureau responded to 1053 consumer complaints and inquiries (9% more than last year). One hundred forty eight of these complaints and inquiries required intervention by the Consumer Outreach Specialist. The Bureau's Consumer Outreach Specialist is most successful when intervening in disputes involving Maine-chartered financial institutions. When a federally-chartered financial institution is involved, the Consumer Outreach Specialist often forwards these inquiries to the appropriate federal regulatory agency. Table #6 lists the Bureau's consumer contacts by account type in fiscal years 2009 and 2010.

**Table #6**

<b>Type of Account</b>	<b>Number of Contacts</b>		<b>% of Total</b>	
	<b>FY09</b>	<b>FY10</b>	<b>FY09</b>	<b>FY10</b>
Credit Cards	335	<b>353</b>	36%	<b>34%</b>
Mortgage Loans	217	<b>267</b>	22%	<b>25%</b>
Checking Accounts	172	<b>176</b>	18%	<b>17%</b>
Installment Loans	62	<b>78</b>	6%	<b>7%</b>
Other <sup>1</sup>	178	<b>179</b>	18%	<b>17%</b>
Total	964	<b>1053</b>	100%	<b>100%</b>

<sup>1</sup>Included in "Other" are the following: credit report problems, fees to cash checks, forgery, funds availability, gift cards, identity theft and telemarketing.

Inquiries regarding credit cards or mortgages account for fifty nine percent of the consumer complaints.

### **Credit Card Changes**

Over the past four years, the number of complaints received by the Bureau relating to credit cards has steadily increased. The Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 and the implementing regulations of the Act that were issued subsequently may be reversing that trend. The regulations implementing the Act went into affect in three stages. The most significant changes took effect February 22, 2010. Some of these changes include: allowing consumers to opt-out of over-the-limit fees; prohibiting interest rate increases on pre-existing balances unless the consumer is more than 60 days late paying their credit card bill; prohibiting universal default and double billing; requiring that penalty fees be “reasonable and proportional”; and requiring that rate increases be re-evaluated. Since the changes in February, the Bureau has seen a 45% decrease in the number of credit card complaints it received compared to the beginning of this fiscal year. This decrease is likely related to these new prohibitions and requirements. Interestingly, there had been a sharp increase in the number of complaints just prior to the effective date of the implementing regulations perhaps because certain large credit card lenders increased interest rates in advance of the new restrictions (35 per month from July to February 2010 compared to 19 per month from March to June 2010).

The consumer protections included in the Credit CARD Act appear in the federal truth-in-lending laws. The same protections have been adopted by reference in Maine’s truth-in-lending regulation and so the new laws apply to Maine-chartered financial institutions as well as federally-chartered institutions.

### **Foreclosures**

The Bureau’s Consumer Outreach Specialist regularly offers assistance to consumers seeking to avoid foreclosure. In addition, many consumers are given information by the Consumer Outreach Specialist regarding other resources available to them. The Bureau’s Consumer Outreach Specialist refers many consumers to housing counselors through NeighborWorks Center for Foreclosure, Community Action

Programs (CAP) agencies and legal services agencies to assist with pre-foreclosure planning and lender negotiation. Furthermore, consumers are advised by the Consumer Outreach Specialist that they may request court mediation if their lender proceeds with foreclosure.

Maine's foreclosure mediation program started as a pilot program in York County in 2009 to assist homeowners and lenders in finding an alternative to foreclosure. The program began state-wide in January 2010. The loan modification process has often frustrated consumers because they have been unable to speak to their lender. Since Maine's foreclosure mediation law requires lenders to send a representative to the mediation who is authorized to restructure the loan, many homeowners have been able to secure a modification.

### **Financial Literacy**

The Consumer Outreach Specialist once again participated in the Maine Jumpstart Coalition for Personal Financial Literacy. This organization is associated with the national Jumpstart program and helps raise public awareness about the importance of financial literacy. The Maine Office of Securities, the Jumpstart Coalition and other organizations held the first annual Financial Literacy Summit on May 7, 2010. Over 160 teachers, administrators and others interested in fostering financial literacy in Maine attended the event. The Summit gave educators practical financial literacy tools and free curriculum resources to help students become financially capable adults. The day-long event included national and state experts for panel discussions, break-out sessions and event speakers. Presentations were made by Governor Baldacci, former Governor Angus King, Jeanne Hogarth from the Federal Reserve Board and others. The lunch time speakers were Jack Gallagher and Pam Krueger from the PBS series "Money Track."

The educators' response to the Summit was very positive. The Finance Authority of Maine (FAME) presented an award to the Summit planning committee for its commitment to increased financial education and literacy for the people of Maine. The second Summit is in the planning stages and is tentatively scheduled for May 12, 2011.

## **Banking the Unbanked**

Pursuant to the “Resolve To Increase the Financial Stability of Low-Income Families in Maine,” the Bureau of Financial Institutions established a group known as the “Bank on ME working group,” which included members of the Bureau, consumer advocates, bank and credit union representatives and community organization representatives, to develop programs to educate Maine residents and improve access to financial services, specifically, to help provide the so-called un-banked with bank or credit union accounts.

During its meetings, the working group determined that efforts are, indeed, needed to help those who do not use financial institutions recognize that the benefits of having a low cost account outweigh their reasons for avoiding financial institutions. The working group further agreed that it would be helpful to create a brochure outlining the advantages of having an account at a financial institution and advising individuals how to find one of the low cost accounts that are currently provided by Maine banks and credit unions. With input from the working group, the Bureau created a brochure setting forth the advantages of opening an account with a bank or credit union that also includes a questionnaire for people to use when shopping for a low cost account.

Pursuant to the Resolve, the Superintendent of Financial Institutions submitted a report to the Insurance and Financial Services Committee on November 3, 2010. In December, the Bureau made available for distribution a brochure to encourage the unbanked to establish bank and credit union accounts.

## **Deceptive and unauthorized solicitations using the names of Maine’s financial institutions**

In 2009, the Maine Legislature passed “An Act to Prevent the Unauthorized or Deceptive Use of the Names of Financial Institutions.” Solicitations using the names of Maine’s financial institutions, generally from out-of-state third parties having no connection with Maine’s financial institutions, were causing confusion to Maine residents who received these solicitations and loss of goodwill to Maine’s financial institutions whose names were on them. This year, the Bureau continued its prosecution of this law, obtaining agreements from several out-of-state mortgage and home-owner service providers, as well as one in-state automobile dealer, that these

entities immediately desist from using the names of Maine's financial institutions on their solicitations.

## **Deposit Insurance**

On July 21, 2010, President Barack Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which, in part, permanently raises the current standard maximum deposit insurance amount to \$250,000. The standard maximum insurance amount of \$100,000 had been temporarily raised to \$250,000 until December 31, 2013. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

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## SECTION III

### INDUSTRY CONDITIONS

#### **Maine Banks**

As of September 30, 2010, there were 28 banks and thrifts headquartered in Maine, unchanged from September 30, 2009.<sup>3</sup> In addition to the Maine Banks, there are four banks headquartered outside Maine that operate branches in Maine: TD Bank, Bank of America, KeyBank and People's United Bank. Each of these four banks continues to conduct the majority of its operations outside of Maine and, except for Maine loans and deposits, Maine-specific data are not available. Aggregate Maine deposit growth at these four out-of-state banks was nominally greater than that experienced by the Maine Banks, increasing very slightly from 39.5% to 40.0%; aggregate loan growth, however, was significantly greater as the share of these four out-of-state banks increased from 32.4% to 40.7%.

Performance for 2009 at the Maine Banks was mixed. On the positive side, earnings rebounded slightly in 2009 and capital ratios strengthened; on the negative side, loan quality continued to deteriorate. After declining for three consecutive years, net income increased, but at \$75 million was still the second lowest total in the past 12 years. Unfortunately, the improvement in net income was due solely to changes in securities gains and losses, which were a negative \$72 million in 2008 and a positive \$3 million in 2009. Core operating earnings ("COE" - defined as net interest income plus noninterest income less noninterest expenses) declined 4% and net operating income ("NOI" – COE minus the provision for loan losses – "PLL") declined 33%. The substantial increase in the Provision for Loan Losses ("PLL") was necessary due to increased net loan losses and increased problem loans. A majority of the increase in noninterest expense ("OVHD") was due to higher cost for federal deposit insurance. Capital ratios benefitted from lower intangible assets, the continuing recovery of fair value of securities and minimal asset growth, as well as the higher net income; three

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<sup>3</sup> The 28 banks and thrifts consist of seven commercial banks, 17 savings banks, and four savings and loan associations; 20 are state-chartered and eight are federally-chartered. These 28 banks are referred to as the "Maine Banks." None of the Maine Banks operates a branch outside of Maine.



banks accepted TARP funds in 2009 which also improved their capital ratios. Also experiencing very low growth in addition to assets were loans and core deposits – growth for each of these three was either the lowest or second lowest in the past 12 years. The slow asset growth and increased equity capital allowed noncore funding to decline for the first time in at least 12 years.

COE improved moderately for the first three quarters of 2010 compared to the same period of 2009 due to a combination of revenue gains and lower OVHD. The PLL was reduced by one-half, resulting in a near doubling of NOI and a more than doubling of net income. Table #7 summarizes the dollar performance of the Maine Banks for 2008, 2009 and year-to-date September 2010. Nationally, 19% of all FDIC-insured institutions were unprofitable for the first nine months of 2010; by comparison, only one, 4%, of the Maine Banks was unprofitable.

**TABLE #7**

	<b>2008</b>	<b>2009</b>	<b>% Chg</b>	<b>9/09</b>	<b>9/10</b>	<b>% Chg</b>
<b>NII</b>	552	590	6.9	441	450	2.0
<b>OI</b>	128	139	8.6	103	107	3.9
<b>OVHD</b>	449	508	13.1	381	378	(0.8)
<b>COE</b>	231	221	(4.3)	163	179	9.8
<b>PLL</b>	75	116	54.7	93	46	(50.5)
<b>NOI</b>	156	105	(32.7)	70	133	90.0
<b>Sec G/L</b>	(72)	3	N/A	(2)	8	N/A
<b>Taxes</b>	17	34	100.0	23	41	78.3
<b>Net Income</b>	66	75	13.6	45	101	124.4

Amounts are in millions of dollars.

Table #8 shows the same data as Table #7, but as a percentage of average assets instead of in dollars, and compares the ratios for the Maine Banks to a subset of banks nationwide with total assets between \$100 million and \$1 billion.<sup>4</sup> The performance of the Maine Banks has improved significantly vis-à-vis the National Peer since 2007, due to a combination of: (1) improving net interest income (“NII”); (2) flat noninterest income (“OI”) whereas that for the National Peer has declined significantly (OI has decreased from 25.9% of net revenue for the National Peer in 2007 to 22.4% at September 2010 while for the Maine Banks the decrease has been from 20.1% to

<sup>4</sup> This subset, referred to as the National Peer (“NP”), consists of 4,414 commercial banks and savings institutions as of September 30, 2010. Nearly two-thirds of the Maine Banks fall within the same asset parameters; most of those outside the parameters are not significantly larger or smaller.

19.2%); (3) relatively flat OVHD vs. increasing OVHD for the National Peer (most likely due to greater loan problems); and (4) smaller increases in the PLL.

**TABLE #8**

	12/07		12/08		12/09		9/09		9/10	
	ME	NP	ME	NP	ME	NP	ME	NP	ME	NP
NII	3.13	3.23	3.27	3.27	3.36	3.32	3.35	3.26	3.37	3.32
OI	0.79	1.13	0.76	1.05	0.79	1.02	0.79	0.98	0.80	0.96
OVHD	2.84	3.13	2.67	3.23	2.89	3.28	2.90	3.22	2.83	3.17
COE	1.07	1.23	1.36	1.09	1.26	1.06	1.24	1.02	1.34	1.11
PLL	0.14	0.25	0.44	0.68	0.66	1.08	0.71	0.96	0.35	0.78
NOI	0.93	1.31	0.92	0.42	0.60	0.02	0.53	0.13	0.99	0.58
Sec G/L	0.05	N/A	-0.43	N/A	0.02	N/A	-0.02	N/A	0.06	N/A
ROA	0.67	0.99	0.39	0.32	0.43	-0.01	0.34	0.08	0.75	0.39

Overall, net income for the Maine Banks over the past few years has been less than desirable, but it has been sufficient to strengthen their capital ratios such that, for the first time in several years, they are higher than the National Peer (Chart #6).

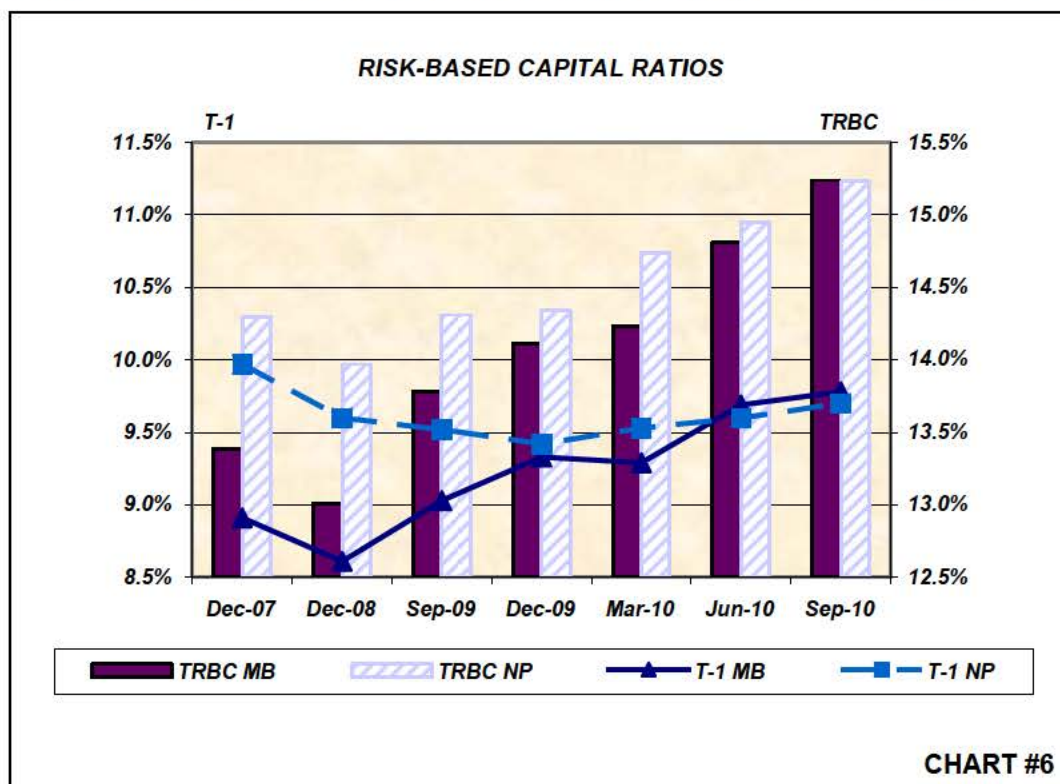


Table #9 details some key balance sheet numbers for the Maine Banks and compares their growth rate between September 2009 and September 2010 with those of the National Peer. The decline in loans in the 12-month period September 2009 to September 2010 was the first time in more than a decade that loans declined during the

September to September period. The decline is principally due to the runoff of indirect loans (primarily automobile loans, but also some mobile home and recreational vehicle loans) at a handful of banks that terminated their dealer relationships in 2008 and 2009. On a quarterly basis, loans increased in the fourth quarter of 2009 and in the second quarter of 2010, but the quarterly decreases in the first and third quarters of 2010 were greater, resulting in the net decrease. Loans declined at a much more rapid pace at the National Peer, and the decline was across all major loan types. The indirect runoff lead to a slight increase in the real estate concentration, up to 86% of all loans vs. 78% for the National Peer. Loans secured by one- to four-family homes (Residential REM plus Home Equity) account for 53% of all loans (National Peer, 32%). Commercial Real Estate loans ("CRE") are the second largest category, at 27% (National Peer, 29%), followed by Commercial and Industrial loans ("C&I") at a steady 8% (National Peer, 13%). Individual loans (3% of total loans; National Peer, 4%) were not the only major category to experience a major drop as construction loans fell by 16%, dropping to 4% of total loans (National Peer, 9%). Credit card loans remain immaterial, at \$2 million.

**TABLE #9**

	<b>9/09</b>	<b>9/10</b>	<b>% Chg – MB</b>	<b>% Chg – NP</b>
Assets	17,529	18,069	3.1	-2.2
Core Deposits	9,788	10,186	4.1	N/A
Total Deposits	12,345	13,146	6.5	-0.7
Borrowings	3,283	2,852	-13.1	N/A
Non-Core Funding	5,840	5,811	-0.5	N/A
Equity	1,727	1,905	10.3	0.1
Loans	13,363	13,274	-0.7	-6.1
Construction & Development	623	526	-15.6	-28.1
Commercial RE (CRE)	3,482	3,580	2.8	-2.0
Residential REM	5,756	5,725	-0.5	-3.0
Home Equity (HE)	1,226	1,320	7.7	-4.8
Total Real Estate	11,357	11,439	0.7	-6.1
Commercial & Industrial (C&I)	1,101	1,105	0.4	-7.8
Individual	608	442	-27.3	-13.7
Non-Current Loans (NCL)	301	314	4.3	-2.2
PD Loans < 90 Days	151	139	-7.9	-16.9
Net Loan Losses (NLL)	45.6	45.7	0.2	-6.4

Amounts are in millions of dollars.

While most loan quality measures continued to deteriorate between September 2009 and September 2010, positive signs are beginning to emerge suggesting that the peak, if not already reached, is close at hand. All key indicators improved, albeit very nominally, in the third quarter of 2010. Past Due less than 90 days (“PD”) have fallen for two consecutive quarters; the more seriously delinquent Noncurrent Loans (“NCL” – loans past due more than 90 days and loans not accruing interest) have increased only minimally over the past four quarters; Nonperforming Assets (“NPA” – NCL plus other real estate owned (“REO”)) are at their lowest level of the year; and Net Loan Losses (“NLL”), the most lagging of the indicators, have been relatively flat for the last five quarters (NLL typically highest in the fourth quarter and lowest in the first quarter). As seen in Table #10, these ratios generally compare favorably to those for the National Peer and remain well below the levels reached in the early 1990s.

**TABLE #10**

	<b>Maine Banks</b>							<b>NP</b>
	<b>12/90</b>	<b>9/08</b>	<b>9/09</b>	<b>12/09</b>	<b>3/10</b>	<b>6/10</b>	<b>9/10</b>	<b>9/10</b>
PD - %	3.70	1.29	1.13	1.45	1.47	1.17	1.04	1.41
NCL - %	4.92	0.98	2.26	2.28	2.31	2.38	2.37	3.56
NPA/TA - %	4.90	0.91	1.88	1.93	1.98	2.03	1.96	3.40
NLL - % *	2.18	0.26	0.43	0.63	0.38	0.47	0.46	1.00
ALL/Lns - %	2.35	1.06	1.64	1.50	1.54	1.51	1.51	1.85
ALL/NCL – X	0.48	1.09	0.73	0.66	0.66	0.64	0.64	0.52
PLL/NLL* – X	1.33	0.95	2.19	1.38	1.32	1.06	1.00	1.15
REO - \$	164	28	28	35	42	44	41	N/A

\* Year-to-date ratio, annualized.

As problem loans and NLL increased, the Maine Banks increased their PLL in order to strengthen the Allowance for Loan Losses (“ALL”), which peaked at 1.64% of total loans at September 2009. However, over the past twelve months, PLL coverage of NLL has steadily fallen, from more than 200% at September 2009 to just 100% at September 2010. This has resulted in the ALL falling to 1.51% of total loans at September 2010. Further, ALL coverage of NCL has weakened from 73% to 64%. It is not unusual to see these ratios fall as the credit cycle begins to turn positive.

Table #11 segregates the PD, NCL and NLL by the three major categories of loans, Real Estate, C & I, and Individual. Overall, there are slightly more positive movements than negative movements between September 2009 and September 2010:

C&I shows improvement in each of the three ratios (PD, NCL and NLL) whereas, for RE and Individual, only one ratio improved and two weakened. Generally, the ratios for the Maine Banks compare favorably to the National Peer, especially in the more serious NCL and NLL categories.

**TABLE #11**

	<b>Maine Banks</b>							<b>NP</b>
	<b>12/90</b>	<b>9/08</b>	<b>9/09</b>	<b>12/09</b>	<b>3/10</b>	<b>6/10</b>	<b>9/10</b>	<b>9/10</b>
RE PD - %	3.46	1.22	1.02	1.39	1.49	1.14	0.99	1.48
C&I PD - %	5.10	1.68	1.96	1.60	1.23	1.29	1.34	1.18
Indiv PD - %	4.26	1.82	2.01	2.73	2.05	2.16	2.07	1.81
PD - \$	317	170	151	194	196	157	139	N/A
RE NCL - %	5.4	0.96	2.33	2.37	2.43	2.53	2.49	4.06
C&I NCL - %	5.90	1.58	2.76	2.42	2.16	1.98	2.10	2.43
Indiv NCL - %	1.38	0.46	0.82	0.95	0.87	0.87	0.99	0.79
NCL - \$	421	129	301	305	308	318	314	N/A
RE NLL - %	2.42	0.16	0.31	0.54	0.32	0.43	0.43	0.93
C&I NLL - %	1.48	0.80	1.10	1.15	0.72	0.72	0.63	1.48
Indiv NLL - %	1.62	0.85	1.34	1.43	1.06	0.88	0.95	1.37

As stated previously, residential real estate loans remain the largest asset category for the Maine Banks, accounting for 39% of total assets at September 2010. This concentration ratio has been very steady over the past twelve years. Mortgages (“Res REM” - both first lien and junior lien mortgages) on 1 – 4 family residential homes account for 81% of all residential loans (and 32% of assets) and home equity loans account for the remaining 19% of residential loans (7% of assets). Table #12 tracks the performance of residential mortgage loans over the five most recent quarters as well as yearend 2008 and 2006. The lack of growth in outstanding Res REM over the past year is misleading as the Maine Banks, based on data obtained from the Bureau’s quarterly Foreclosure Survey, continue to originate new mortgage loans but are then selling a significant portion of those new originations. (The 28 state-chartered banks originated more than \$900 million in new residential first mortgages in the first three quarters of 2010, of which nearly 50% were sold.) There is a definite seasonality to Res REM delinquency rates, which accounts for a large part of the quarterly fluctuations. While each of the ratios has worsened on a year-over-year basis, the deterioration is not as

great as in the prior twelve month period (between September 2008 and September 2009). After declining in 2006 and 2007, outstanding home equity loans (“HE”) continue to increase moderately with the key ratios holding in a narrow range. Note that the delinquency rates for the HE are consistently well below those for the Res REM but that there is only a nominal difference in the respective NLL ratios. The ratios continue to compare favorably to those of the National Peer, especially the NLL ratio.

**TABLE #12**

<b>1 – 4 Family</b>	<b>Maine Banks</b>							<b>NP</b>
<b>Res REM</b>	<b>12/06</b>	<b>12/08</b>	<b>9/09</b>	<b>12/09</b>	<b>3/10</b>	<b>6/10</b>	<b>9/10</b>	<b>9/10</b>
O/S - \$*	5,269	5,911	5,756	5,762	5,753	5,762	5,725	237.0
PD < 90	0.90	1.55	1.03	1.62	1.60	1.16	1.14	1.67
NCL	0.43	1.12	1.84	1.88	1.97	2.10	2.09	2.76
NLL	0.01	0.08	0.19	0.25	0.20	0.22	0.25	0.60
<b>HE</b>								
O/S - \$*	1,042	1,126	1,226	1,261	1,272	1,296	1,320	37.7
PD < 90	0.84	0.83	0.60	0.73	0.67	0.64	0.73	0.88
NCL	0.23	0.55	0.72	0.65	0.72	0.82	0.75	1.26
NLL	0.03	0.12	0.20	0.21	0.15	0.22	0.21	0.68

\* Dollars for Maine Banks in millions and for the NP in billions.

Business loans, consisting of C&I and CRE, are the second largest segment of loans for the Maine Banks, totaling \$4.7 billion, 35% of total loans at September 2010. Between September 2009 and September 2010, business loans increased \$100 million, 2.2%, with nearly all the growth in CRE. CRE has increasingly been the principal vehicle for making business loans (primarily because the real estate affords more reliable collateral), accounting for 76% of such loans vs. 62% ten years ago. Only twice in the past ten years have C&I increased at a greater rate than CRE. The June Call Report for all banks includes a schedule for loans to small businesses, segregated by (a) type of loan and (b) dollar amount of the original loan. The two types of loan are C&I and CRE and the three size classes are (a) less than \$100,000, (b) between \$100,000 and \$250,000, and (c) between \$250,000 and \$1,000,000. In each of the last three reporting periods (June to June) total business loans for the Maine Banks increased at a faster rate than did total loans, climbing from 33% of total loans at June 2007 to 35% at June 2010. Not surprisingly, given the state of the economy, the growth rate of business loans has slowed in each of the last three reporting periods. Likewise, during this same period the percentage of small business loans has declined, falling from 59%

at June 2007 to 52% at June 2010 (Table #13). In dollars, CRE less than \$1 million has increased each period (but only 0.1% in the most recent period) whereas C&I has decreased in each of the last two periods. In general, the largest decreases have been in the smallest loans.

**TABLE #13**

	<b>&lt; \$100M</b>	<b>\$100M - \$250M</b>	<b>\$250M - \$1MM</b>	<b>Total &lt; \$1MM</b>
<b>6/07</b>	11.6	15.4	32.4	59.3
<b>6/08</b>	10.0	13.9	31.0	54.9
<b>6/09</b>	8.8	13.6	31.5	53.8
<b>6/10</b>	8.2	12.5	31.1	51.8

Percentage of total business loans.

CRE and Construction and Development ("C&D") loans continue to receive a great deal of publicity, amid concerns that they may present a greater threat to banks than that experienced in residential real estate. As stated earlier, CRE is the second largest category of loans, 27%, steadily increasing from 23% five years ago and 18% ten years ago. A majority of CRE held by the Maine Banks is secured by owner-occupied property, which is generally less risky than investor-owned property. The sharp decline in PD, for both CRE and C&D, suggests that the worst of new problems may be behind the banks, leaving only existing, identified problem loans to be resolved. Unfortunately, this may lead to higher NLL over the near term. The comparatively low level of C&D NLL is attributed to the minimal amount of speculative building financed by the Maine Banks.

**TABLE #14**

	<b>Maine Banks</b>							<b>NP</b>
<b>CRE</b>	<b>12/06</b>	<b>12/08</b>	<b>9/09</b>	<b>12/09</b>	<b>3/10</b>	<b>6/10</b>	<b>9/10</b>	<b>9/10</b>
O/S - \$*	2,777	3,279	3,482	3,540	3,540	3,576	3,580	263.6
O/S - % Cap	166.2	184.3	178.9	180.2	178.4	172.8	170.1	N/A
PD < 90	1.17	1.72	1.15	1.34	1.60	1.31	0.93	1.25
NCL	1.10	1.31	3.02	3.33	3.35	3.37	3.30	3.29
NLL	0.07	0.53	0.34	0.94	0.43	0.69	0.66	0.60
<b>Constructio</b>								
O/S - \$*	540	687	623	625	591	565	526	77.7
O/S - % Cap	32.3	38.6	32.0	31.8	29.8	27.3	25.0	N/A
PD < 90	0.60	2.52	0.83	1.06	1.77	1.09	0.65	2.37
NCL	0.89	1.60	5.95	4.34	4.86	5.52	6.14	13.00
NLL	0.02	0.88	1.46	1.66	0.91	1.34	1.29	3.30

\* Dollars for Maine Banks in millions and for the NP in billions.

Securities increased at their fastest rate in several years, and at a faster rate than assets. At September 2010, securities represented 17.3% of total assets, their highest level since 2004. There also was a fairly dramatic shift in the mix, undoing the emphasis of the past few years on mortgage-backed securities (“MBS”) for the increased safety and liquidity of US Government obligations. The majority of MBS continues to be pass-through securities issued by or guaranteed by the various Government Sponsored Enterprises, which generally are less risky and have maintained their market values much better than private-label MBS (the so-called “toxic” securities). While detailed information on the securities portfolios of the thrift institutions is not available, detailed information is available for the commercial banks and the state-chartered savings banks. The available data, which cover more than 90% of total securities, are summarized in Table #15. The unrealized gain (the difference between the amortized cost and fair value) of \$90 million compares to the unrealized loss of \$57 million at September 2008.

**TABLE #15**

	<b>9/09</b>		<b>9/10</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
MBS	1,958	70.2	1,805	59.0
Equities	108	3.9	107	3.5
Other	722	25.9	1,147	37.5
Total	2,788	100.0	3,059	100.0
Unreal Gain	71	2.6	90	3.0

Dollars are in millions.

Total deposits increased \$800 million, 6.5%, between September 2009 and September 2010, up from the \$300 million and 2.4% increases for the prior twelve-month period. Almost one-half the growth was in core deposits (core deposits exclude certain brokered deposits and certificates of deposits in excess of FDIC-insurance limits), producing the strongest core deposit growth since 2007; the year-to-date September 2010 core deposit growth is nearly double that for all of 2008 and 2009 combined. The Maine Banks continued to augment their reliance on brokered deposits in 2010, adding \$146 million, or 14%, in the first nine months of the year on top of the nearly \$200 million, 22%, added in 2009. Brokered deposits, if structured properly and within prudent limits, are an acceptable supplementary funding source. This relatively



strong deposit growth and low asset growth have enabled the Maine Banks to reduce their reliance on borrowings (primarily from the Federal Home Loan Bank of Boston) and noncore funding (borrowings, brokered deposits, and large certificates of deposits). The Maine Banks historically have had a stronger reliance on noncore funding than have other banks nationwide (shown as Nat'l in Table #16).

**TABLE #16**

	<b>Maine Banks</b>							<b>Nat'l</b>
	<b>12/05</b>	<b>12/08</b>	<b>9/09</b>	<b>12/09</b>	<b>3/10</b>	<b>6/10</b>	<b>9/10</b>	<b>9/10</b>
Core Dep - \$	8,696	9,646	9,807	9,793	9,772	9,915	10,186	N/A
% TA	58.6	55.3	55.9	55.5	55.3	55.4	56.4	66.1
Brokered - \$	728	874	929	1,067	1,212	1,260	1,213	N/A
% Tot Dep	6.8	7.4	7.5	8.5	9.6	9.8	9.2	2.3
Borrowings	2,570	3,789	3,283	3,207	3,057	2,967	2,852	N/A
% TA	17.3	21.7	18.7	18.2	17.3	16.6	15.8	3.6
Noncore Fdg -	4,602	6,033	5,821	5,992	5,953	5,935	5,811	N/A
% TA	31.0	34.6	33.3	33.6	33.7	33.2	32.2	16.5

### **Limited Purpose Banks**

The number of Maine-chartered limited purpose banks increased by one in 2010, due to the commencement of operations by Watch Point Trust Company in October 2010. Watch Point, formed by the New York-based law firm of Nixon Peabody, was approved by the Bureau in August 2010. The addition of Watch Point brings the number of limited purpose banks to ten. Nine of the limited purpose banks are chartered as a nondepository trust company and the tenth is chartered as a merchant bank, although the latter continues to function as a nondepository trust company. Five of the limited purpose banks provide “traditional” trust services (e.g., investment management, advisory and custodial services to individuals) while the other five concentrate on custodial and administrative services to retirement plans (these five are referred to as “specialized”). None of the limited purpose banks is authorized to accept deposits and only the merchant bank is authorized to make loans.

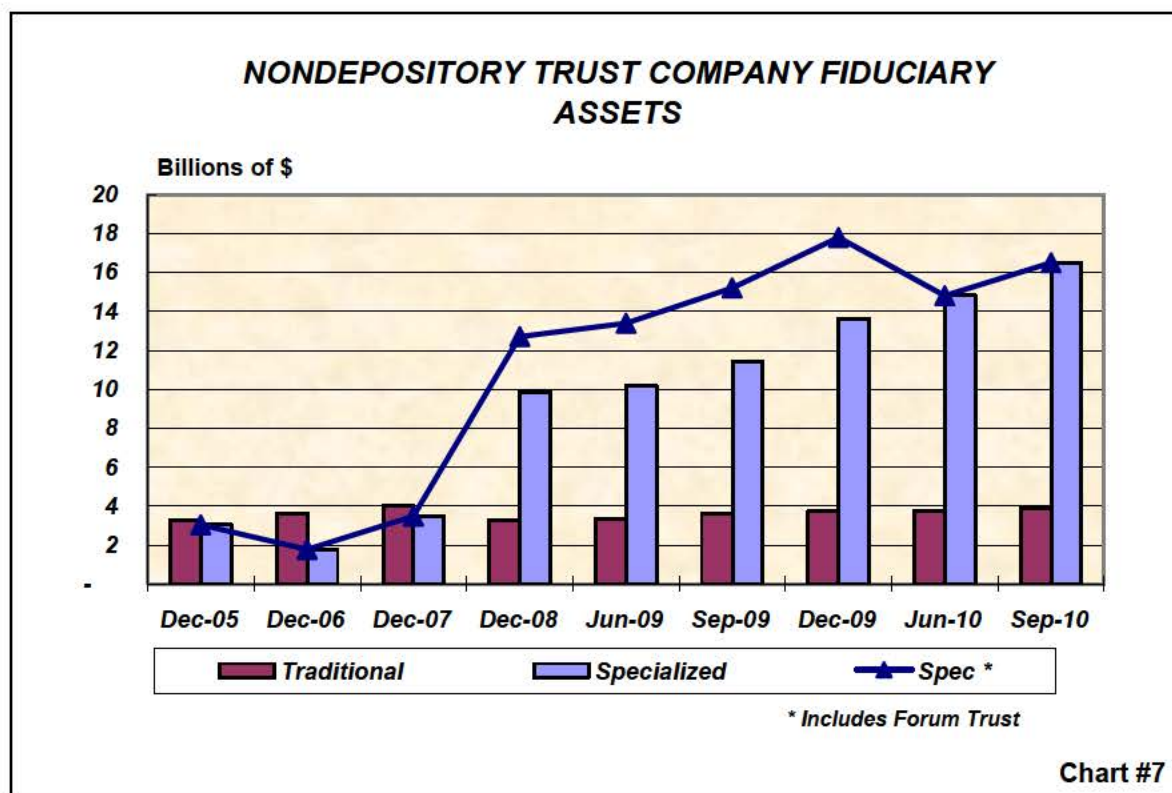
Both the traditional and the specialized limited purpose banks were severely impacted by the financial crisis that began in 2007. The resultant October 2008 - March 2009 stock market crash significantly reduced the value of their trust assets which

consequently reduced their revenue.<sup>5</sup> The traditional limited purpose banks have yet to fully recover from the market collapse during which they suffered an aggregate 20% decrease in market value of trust assets; at September 2010, the same four traditional limited purpose banks still reported trust assets 3% lower than at December 2007. See Chart #7. Each of the four reported lower net income in 2009 than in 2008, which was significantly lower for each than in 2007; aggregate net income fell from \$9.2 million in 2007 to \$5.9 million in 2008 to \$4.9 million in 2009. Net income for the first six months of 2010, however, is up an aggregate 43% to \$3.0 million as each of the four reported higher earnings.

In contrast to the traditional limited purpose banks, the specialized banks have experienced significant growth over the past four years, as seen in Chart #7. This growth is the result of a combination of an increased client base; ownership changes, acquisitions and expanded lines of business; and changes in the number of banks and in the number of banks reporting trust assets. The most recent changes, occurring since September 2009, were the internal reorganization of Forum Trust (reportable trust assets declined from \$4.1 billion at December 2009 to \$0 at June 2009) and the rapid growth of Global Trust. Profitability through 2009 at several of the specialized banks was negatively impacted by internal changes and three reported a net loss for the year. Each, however, has reported significant improvement in net earnings in 2010 and only one is currently reporting a net loss.

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<sup>5</sup> A major portion of the limited purpose banks' revenue is derived from asset-based fees, and therefore the rapid and sharp fall in asset values caused a significant decline in revenues. Expenses, on the other hand, are much more fixed and do not fluctuate with asset values.



Each of the limited purpose banks has capital well in excess of its required amount with aggregate capital (nearly \$80 million) almost seven times greater than required capital. Additionally, the Bureau has entered into asset pledge agreements with each nondepository trust company whereby each trust company has pledged a specified minimum amount of liquid assets to the Bureau to be used only in the event the trust company is placed into conservatorship or receivership.

## Maine Credit Unions

Maine Credit Unions consist of the 66 natural person credit unions headquartered in Maine as of September 30, 2010: 12 are Maine-chartered and 54 are federally-chartered. There has been no change in the number of Maine Credit Unions in the last 12 months.

Calendar 2009 performance continued to be hindered by the ongoing deterioration in loan portfolios. Also adversely impacting the Maine Credit Unions is the

crisis in the corporate credit union system.<sup>6</sup> Nevertheless, positive dollar gains in NII, OI and Overhead resulted in a modest increase in net income, to \$17 million (Table #17). This was, however, the second lowest annual dollar net income in at least 15 years. Results through the first nine months of 2010 show further modest gains in net income as higher net revenue, both NII and OI, and a lower PLL more than offset the higher Overhead and Corporate Credit Union Stabilization Expense (“Stabilization Expense”).

**TABLE #17**

	<b>2008</b>	<b>2009</b>	<b>% Chg</b>	<b>9/09</b>	<b>9/10</b>	<b>% Chg</b>
<b>NII</b>	161	166	3.6	123	132	6.6
<b>OI</b>	59	67	14.4	49	52	4.1
<b>OVHD</b>	189	187	-1.0	139	149	7.0
<b>PLL</b>	16	22	39.2	14	10	-27.1
<b>Stabil’n</b>	N/A	0	N/A	0	-6	N/A
<b>Other Inc</b>	0	-7	N/A	0	1	N/A
<b>NI</b>	15	17	17.1	19	20	4.4

Amounts are in millions of dollars.

Table #18 presents the same data as in Table #17, but as a percentage of average assets instead of in dollars; it also presents historical data which reveals some significant changes in categories. The decrease in net revenues has slowed as NII and OI stabilized over the last 12 months although OI continues to grow in importance as NII erodes. The large positive NII variance that the Maine Credit Unions enjoyed vs. the national average (the “CUNP” – 7,402 federally insured credit unions as of September 2010) has largely disappeared and the negative Overhead variance has increased. Over the last 15 years, net revenue has decreased nearly three times more than Overhead. The lower PLL was the primary factor in the September 2010 improvement in net income. Net income in 2008 and 2009 was not sufficient to keep pace with asset

<sup>6</sup> Corporate credit unions (“CCU”) are credit unions owned by natural person credit unions; their primary purpose is to provide correspondent banking services, as well as liquidity and investment services, to their member natural person credit unions. CCUs do not conduct business with the general public. Several large CCUs invested heavily in private label MBS whose market value plummeted below their cost in 2008 and 2009, necessitating writedowns in the value of the securities. In some instances, the requisite writedowns exceeded capital, resulting in five CCUs being placed into conservatorship by the NCUA; member natural person credit unions had to reduce the value of their CCU investment as appropriate. The NCUA has estimated the total resolution cost to the credit union system at between \$14 billion and \$16 billion, of which \$6 billion represents depleted member capital and the balance is the estimated cost of the Stabilization Fund. The Stabilization Fund, authorized by federal legislation, was created to function as a borrowing facility to pay expenses associated with the CCU problems; borrowings are repaid by periodic and variable assessments to natural person credit unions. The Fund terminates June 2021. Assessments collected from all credit unions nationally in 2009 were \$310 million and \$1.0 billion in 2010.

growth, resulting in the net worth-to-asset ratio ("NW/TA") declining for both the Maine Credit Unions and credit unions nationally; the ratio increased nominally for both groups at September 2010 as asset growth slowed somewhat and net income increased.

**TABLE #18**

	<b>96 - 00</b>	<b>04 - 06</b>		<b>12/09</b>		<b>9/10</b>	
	<i>ME</i>	<i>ME</i>	<i>CUNP</i>	<i>ME</i>	<i>CUNP</i>	<i>ME</i>	<i>CUNP</i>
<b>NII</b>	4.32	3.77	3.24	3.35	3.21	3.32	3.26
<b>OI</b>	0.72	1.05	1.21	1.35	1.36	1.31	1.30
<b>OVHD</b>	3.87	3.84	3.26	3.75	3.32	3.72	3.14
<b>PLL</b>	0.27	0.18	0.36	0.44	1.13	0.26	0.78
<b>Stabil'n</b>	N/A	N/A	N/A	N/A	N/A	0.15	0.19
<b>ROA</b>	0.89	0.83	0.86	0.34	0.18	0.50	0.45
<b>NII/REV</b>	85.6	77.7	72.4	71.3	70.3	71.7	71.5
<b>NW/TA</b>	10.53	10.97	11.24	10.28	9.89	10.29	9.97

Asset and share growth continued to exceed loan growth in 2009 and year-to-date September 2010, resulting in further declines in loan-to-asset and loan-to-share ratios for the Maine Credit Unions, 66% and 77%, respectively. Both ratios, however, remain above the average for all credit unions nationally which continued to decline through September 2010. The "excess" shares have been used to increase investments, which have risen from 14% of assets at December 2006 to 22% at September 2010. Borrowings, never a material funding source, have fallen steadily since yearend 2008, dropping 28%, from 5.5% of assets to 3.5% of assets.

Loan growth slowed in 2009, to 3.3%, the lowest in at least 15 years, and has slowed further in 2010, to 2.6% annualized through September. These rates compare to 1.2% and a negative 1.3%, respectively, for credit unions nationally. Growth in 2009 for the Maine Credit Unions was centered in first real estate mortgages ("First REMs"), up 7%, and used automobile loans, up 5%. Year-to-date September 2010 growth in these two portfolios was 7% and 2%, respectively. New automobile loans have declined \$76 million, 23%, since December 2007. Home equity loans declined \$9 million, 1%, in 2009 but did increase in the second and third quarters of 2010. Indirect loans, after steadily climbing from \$187 million, 6.3% of total loans, at December 2005, to \$250 million, 7.2% of total loans, at September 2009, have fallen each of the last four quarters, dropping to \$240 million, 6.8% of loans, at September 2010. Business loans continue to steadily increase, rising from 2.1% of loans at yearend 2006 to 3.6% at

yearend 2009 and to 4.0% at September 2010; for all credit unions nationally, business loans are moderately higher, at 4.2%, 5.8% and 6.2%, respectively. Table #19 compares the loan mix for the Maine Credit Unions with that of credit unions nationally as well as showing the change in mix between 2000 and 2010.

**TABLE #19**

<b>LOAN MIX</b>	<b>6/00</b>		<b>9/10</b>	
	<b>ME</b>	<b>CUNP</b>	<b>ME</b>	<b>CUNP</b>
<b>Auto</b>	32%	40%	24%	29%
<b>1<sup>st</sup> REMs</b>	32%	26%	43%	39%
<b>Other REMs</b>	13%	13%	21%	16%
<b>Unsecured</b>	12%	14%	6%	11%
<b>Other</b>	11%	7%	7%	5%

Credit unions report each quarter the dollar amount of new real estate loans granted. In 2009, the Maine Credit Unions granted \$419 million of First REMs and \$210 million of Other REMs; this compares to \$358 million and \$294 million, respectively, for 2008. For the nine months through September 2010, they granted \$309 million First REMs and \$139 million Other REMs, compared to \$337 million and \$164 million, respectively, for the same nine months of 2009.

The dollar amount of past due loans increased 18% in 2009, on top of a 17% increase in 2008, but is down 15% year-to-date September 2010 and down 10% from September 2009. There has been a corresponding drop in the past due ratio, from a high of 1.45% at December 2009 to 1.23% at September 2010. As seen in Table #20, most of the decline came in the first quarter of 2010. Past due loans greater than six months ("PD > 6"), which are included in total past due, increased significantly in 2009 but have stabilized over the last five quarters. Foreclosed real estate and repossessed assets ("FC") also increased significantly in 2009 and in the first quarter of 2010. Foreclosed real estate comprised 90% of total FC at September 2010 vs. 82% at September 2009 and only 46% at December 2007. The increase in both PD > 6 and FC caused total nonperforming assets ("NPA" – the sum of PD > 6 plus FC) to rise by more than one-third in 2009. While NPA continue to increase, the rate has slowed considerably in 2010. Each of these problem asset ratios for the Maine Credit Unions continues to compare favorably with that for credit unions nationally.

**TABLE #20**

	<b>Maine Credit Unions</b>						<b>CUNP</b>
	<b>12/08</b>	<b>9/09</b>	<b>12/09</b>	<b>3/10</b>	<b>6/10</b>	<b>9/10</b>	<b>9/10</b>
PD - \$	42,794	48,901	50,539	41,995	45,594	43,773	N/A
PD - %	1.27	1.41	1.45	1.22	1.30	1.23	1.75
PD > 6 - \$	11,442	16,499	16,259	16,873	16,814	16,803	N/A
PD > 6 - %	0.34	0.48	0.47	0.49	0.48	0.47	0.65
FC - \$	4,188	5,236	5,038	6,009	5,989	6,213	N/A
NPA - \$	15,630	21,735	21,297	22,882	22,803	23,016	N/A
NPA/TA - %	0.33	0.42	0.41	0.43	0.43	0.43	0.60
NPA/NW - %	3.0	4.1	4.0	4.2	4.2	4.2	6.0

Dollars are in thousands.

Not surprisingly, given the sharp rise in NPA in 2009, NLL also increased, but at a slightly lower pace. Year-to-date September 2010 dollar NLL decreased 14% from the comparable period of 2009, dropping from 0.43% of loans to 0.36%. More significantly, the ratio declined slightly in both the second and third quarters; an increase in the fourth quarter would not be surprising, inasmuch as losses historically are highest in the last quarter of the year.

The 2009 PLL was 140% of NLL which, coupled with the modest 3% loan growth, allowed the ALL to improve from 0.47% of loans to 0.63% at yearend. For the first nine months of 2010, the PLL continued to exceed NLL, but by a much smaller margin and the ALL climbed to 0.65% of loans. Due to the very rapid increase in loans past due six months or more ("NPL") in 2009, ALL coverage of NPL fell slightly but has rebounded in the first nine months of 2010. ALL coverage of NLL also has improved significantly in 2010. The ALL-to-loan ratio and the ALL/NPL ratio for the Maine Credit Unions continue to compare unfavorably to those for credit unions nationally but the Maine Credit Union's ALL/NLL ratio remains higher than that for credit unions nationally. See Table #21.

**TABLE #21**

	<b>Maine Credit Unions</b>					<b>CUNP</b>
	<b>12/07</b>	<b>12/08</b>	<b>12/09</b>	<b>9/09</b>	<b>9/10</b>	<b>9/10</b>
NLL - \$	9,767	12,197	15,881	10,978	9,412	4,832
NLL - %	0.31	0.37	0.46	0.43	0.36	1.13
ALL/Lns - %	0.38	0.47	0.63	0.55	0.65	1.64
ALL/NPL - %	122.1	138.9	135.4	115.5	137.7	253.3
ALL/NLL - %	126.0	130.3	138.6	130.2	184.4	144.3

Dollars are in thousands for MCU and in millions for the CUNP.

After climbing further in 2009, past due First REMs have declined in 2010, dropping to their lowest level in more than one year. The past due 12 months or more, however, has continued to rise, most likely the result of delayed foreclosures, increased modification efforts, and the lengthened period to complete the foreclosure process. The improvement has been limited to fixed rate mortgages, which account for 87% of all First REMs. Historically, adjustable rate mortgages (“ARMs”) have had a higher delinquency rate. Overall, while past due rates at September 2010 compared to those one year earlier have generally declined for the Maine Credit Unions, they have increased for credit unions nationally, thus widening the Maine Credit Unions’ positive variance. First REM NLL nearly tripled in 2009 for the second consecutive year and were up further, albeit only nominally, at September 2010 vs. September 2009. NLL for credit unions nationally have continued to increase significantly year-to-date September 2010 and were nearly three times that for the Maine Credit Unions. See Table #22.

**PAST DUE FIRST REMs**

**TABLE #22**

	<b>Maine Credit Unions</b>				<b>CUNP</b>
	<b>12/07</b>	<b>12/08</b>	<b>12/09</b>	<b>9/10</b>	<b>9/10</b>
2 - < 6 Mos	0.86	0.93	1.14	0.86	1.22
6 - < 12 Mos	0.22	0.29	0.36	0.29	0.61
> 12 Mos	0.12	0.07	0.22	0.24	0.43
<b>Total PD</b>	<b>1.20</b>	<b>1.30</b>	<b>1.71</b>	<b>1.39</b>	<b>2.26</b>
<b>FIXED RATE - %</b>	86.7	87.1	86.8	86.8	68.9
2 - < 6 Mos	0.81	0.96	1.08	0.75	1.02
6 - < 12 Mos	0.20	0.25	0.33	0.28	0.52
> 12 Mos	0.11	0.02	0.22	0.21	0.32
<b>Total PD</b>	<b>1.13</b>	<b>1.24</b>	<b>1.63</b>	<b>1.24</b>	<b>1.86</b>
<b>ADJ RATE - %</b>	13.3	12.9	13.2	13.2	31.1
2 - < 6 Mos	1.16	0.71	1.49	1.59	1.69
6 - < 12 Mos	0.33	0.58	0.57	0.36	0.79
> 12 Mos	0.16	0.42	0.23	0.43	0.69
<b>Total PD</b>	<b>1.65</b>	<b>1.71</b>	<b>2.29</b>	<b>2.38</b>	<b>3.16</b>
<b>NLL - \$</b>	198	617	1,811	1,359	567
<b>NLL - %</b>	<b>0.02</b>	<b>0.05</b>	<b>0.13</b>	<b>0.12</b>	<b>0.34</b>

Dollars are in thousands for MCU and in millions for the CUNP.



Table #23 compares the same data as shown in Table #22, but for Other REMs instead of First REMs. Open-end lines of credit increased to 58% of Other REMs for the Maine Credit Unions and to 51% of such loans for credit unions nationally. Unfortunately, past due data are reported on the basis of interest rate (fixed vs. adjustable) and not on the basis of maturity (open-end vs. closed-end). However, because more than 96% of fixed rate Other REMs, both at the Maine and national level, are closed-end and more than 95% of adjustable rate Other REMs, both at the Maine and national level, are open-end, the data for the fixed rate loans are viewed as a proxy for closed-end loans and the data for the adjustable rate loans are viewed as a proxy for the open-end loans. A comparison of the past due rates for both First REMs and Other REMs at September 2010 shows the Other REMs rates are consistently lower, with the greatest variance in the adjustable rate loans. The rise in dollar NLL for Other REMs slowed considerably in 2009, increasing a comparatively modest 26% vs. 97% in 2008 and 430% in 2007; year-to-date September 2010 NLL were down nearly one-third, dropping from 0.38% of such loans at September 2009 to 0.26%. Conversely, NLL for credit unions nationally continued to climb, rising from 1.12% to 1.31%.

PAST DUE OTHER REMs					TABLE #23
	Maine Credit Unions				CUNP
	12/07	12/08	12/09	9/10	9/10
2 - < 6 Mos	0.58	0.77	0.62	0.58	0.97
6 - < 12 Mos	0.14	0.15	0.20	0.35	0.36
> 12 Mos	0.07	0.12	0.24	0.20	0.22
<b>Total PD</b>	<b>0.79</b>	<b>1.03</b>	<b>1.06</b>	<b>1.13</b>	<b>1.55</b>
<b>FIXED RATE - %</b>	45.7	45.9	42.5	41.4	48.4
2 - < 6 Mos	0.36	0.70	0.64	0.59	1.21
6 - < 12 Mos	0.10	0.13	0.16	0.38	0.43
> 12 Mos	0.07	0.04	0.16	0.11	0.25
<b>Total PD</b>	<b>0.52</b>	<b>0.86</b>	<b>0.96</b>	<b>1.07</b>	<b>1.89</b>
<b>ADJ RATE - %</b>	54.3	54.1	57.5	58.6	51.6
2 - < 6 Mos	0.77	0.83	0.61	0.57	0.74
6 - < 12 Mos	0.17	0.17	0.23	0.34	0.29
> 12 Mos	0.07	0.19	0.30	0.26	0.20
<b>Total PD</b>	<b>1.01</b>	<b>1.18</b>	<b>1.13</b>	<b>1.17</b>	<b>1.23</b>
NLL - \$	1,281	2,544	3,213	1,412	888
<b>NLL - %</b>	<b>0.19</b>	<b>0.35</b>	<b>0.44</b>	<b>0.26</b>	<b>1.31</b>

Dollars are in thousands for MCU and in millions for the CUNP.

Maine Credit Union shares increased 11.2%, \$446 million, in 2009, or nearly 3.5 times faster than the increase in loans. This was the highest rate of increase since 2001. Year-to-date September 2010 share growth slowed to 6.6%, but was still more than three times faster than loan growth. Shares for credit unions nationally increased 10.5% in 2009 and 4.8% year-to-date September 2010. Because loan growth has not kept pace with share or asset growth, an increasing percentage of assets are being held as investments. Whereas investments represented 14% of assets at yearend 2006, at September 2010 they accounted for 22%. Table #24 shows the growth in investments as well as the change in mix between December 2006 and September 2010. A significant portion of the reduction in investments in CCUs is the result of writedowns due to aforementioned CCU crisis. Maine Credit Unions, and credit unions nationally, continue to have a very large portion their net worth tied up in CCUs.

CU INVESTMENTS				TABLE #24			
	12/06		12/09		9/10		CUNP
	\$	%	\$	%	\$	%	%
Securities	151	25.3	335	31.2	391	33.4	68.8
Bank Deposits	244	40.7	530	49.4	593	50.6	18.6
CCU	163	27.2	166	15.4	141	12.0	9.8
Other	41	6.8	42	3.9	47	4.0	2.8
TOTAL	599	100.0	1,073	100.0	1,172	100.0	100.0
% TA	14.3		20.7		21.8		24.9
Cash @ CCU - \$	213		275		257		N/A
Invest CCU/TA - %	3.9		3.2		2.6		2.4
Invest CCU/NW -	34.4		31.2		25.4		24.4
CCU Assets/TA -	9.0		8.5		7.4		6.8
CCU Assets/NW -	79.3		83.2		71.9		68.4

Dollars are in millions.

For a variety of reasons, the number of Maine Credit Unions has steadily declined, falling by 20% between 2000 and 2009, or from 82 to 66. Nationally, the decline has been greater, 27%. While the number of credit unions nationally decreased an additional 2% during the first nine months of 2010, the number of Maine Credit Unions held steady at 66. The decrease in the number of credit unions combined with steady asset growth resulted in an increase in average assets per credit union during

this period, from \$34 million to \$79 million for the Maine Credit Unions and from \$42 million to \$117 million for credit unions nationally.

### **Application Activity**

Application activity by Maine-chartered financial institutions for the twelve-month period between November 1 and October 31 increased significantly in the last year, rising to its highest level since the comparable period of 2006 - 2007. Similar to the 2008 - 2009 period, however, virtually all activity related to branches, as seen in Table #25. The net increase of nine new branches was the highest since 2005 – 2006 and nearly double the number of net new branches for the past two years combined. As in recent years, most of the closings were either offset by a new branch in the same general service area or represented a consolidation of multiple overlapping branches in the same general service area. While institutions continue to evaluate their branch networks for cost efficiencies, there was also increased emphasis on expanding geographic service area to broaden their customer base and increase deposit and loan potential. Accordingly, most of the new branches were located in more populated urban areas.

The three non-branch related applications were filed by (1) Skowhegan Savings to acquire the Jackman branch of Border Trust; (2) several non-related investors to acquire control of Northeast Bancorp; and (3) Nixon Peabody, a New York-based law firm, to establish a nondepository trust company in Boston.

**TABLE #25**

	<b>11/07 – 10/08</b>	<b>11/08 – 10/09</b>	<b>11/09 – 10/10</b>
<b>Charters – Nondepository Inst.</b>	1	0	1
<b>Mergers, Acquisitions</b>	1	0	1
<b>New Activities</b>	2	1	0
<b>Branch Establishment</b>	5	5	13
<b>Branch Relocation</b>	2	3	2
<b>Branch Closing</b>	1	4	4
<b>Internal Reorganization</b>	3	0	0
<b>Other</b>	1	0	1

## **Summary 2010**

The overall condition of Maine's financial institutions remains satisfactory as, to date, they have weathered the recession and the continuing sluggish recovery. Earnings, while weak and less than necessary to sustain growth long-term, have been sufficient to support the current slow growth; capital ratios have actually increased, largely due to increased fair values of securities, which positively affect equity. The rapid deterioration in loan quality that occurred in 2008 and 2009 has eased, with indications that the trough, if not reached, is close at hand. Although credit clearly is not as readily or easily available as during the "go-go" years of the mid-2000s, loans are obtainable for creditworthy borrowers, but most likely with tighter underwriting standards (i.e., higher down payment, higher collateral coverage).

Unfortunately, meaningful improvement in credit availability and credit quality is closely tied to progress in economic and employment growth, both of which have been disappointingly slow. Forecasts for recovery have been ambiguous, marked by persistent fears of a double-dip recession and/or a double-dip decline in the housing market, leading to highly cautious investors. As stated last year, the performance of financial institutions, particularly smaller community-based institutions such as the Maine financial institutions, generally parallels, but on a lagging basis, local economic conditions. Consequently, it is anticipated that the performance of Maine's financial institutions will remain weakened.

Further negatively impacting the institutions' performance will be the sweeping changes from recently enacted federal financial reform legislation. These changes will alter the landscape of the financial services industry and create increased uncertainty as there are numerous regulations to be drafted. While the impact may be greatest on the largest commercial banks, community-based institutions will not be immune. The new regulations and increased regulatory oversight and responsibility will require higher and better quality of capital, greater liquidity, increased risk management expectations and accountability, and a more customer-oriented and lower risk focus. Sources of revenues will be reduced and costs will be increased, squeezing profitability.

Maine financial institutions entered the crisis with strong capital, solid core earnings, adequate liquidity and acceptable asset quality. The recent performance of

the Maine financial institutions, notwithstanding its weakening, substantiates that, in general, they adhered to conservative underwriting standards and avoided subprime and predatory-based loans and investments. The challenges going forward will be numerous and difficult, especially if the economy remains stalled, unemployment high and real estate markets depressed, but Maine's financial institutions continue to have adequate resources to support the banking needs of Maine's consumers and businesses.

# EXHIBITS

**SUMMARY OF FINANCIAL INSTITUTIONS  
AUTHORIZED TO DO BUSINESS IN MAINE  
June 30, 2010**

	<u>No.</u>	<u>ASSETS</u>		<u>DEPOSITS/SHARES</u>		<u>LOANS</u>	
		<u>Dollars (000's)</u>	<u>% of Total</u>	<u>Dollars (000's)</u>	<u>% of Total</u>	<u>Dollars (000's)</u>	<u>% of Total</u>
Commercial Banks							
Chartered by the State of							
Maine	5	2,446,478	10.45%	1,647,610	6.32%	1,647,479	6.30%
National Banks	5	3,565,679	<sup>1</sup> 15.23%	10,303,635	39.51%	10,864,364	41.57%
State Limited Purpose							
Banks	10	160,291	0.68%	0	0.00%	0	0.00%
Federal Limited Purpose							
Banks	1	13,252	0.06%	N/A	N/A	N/A	N/A
State Savings Banks	14	10,499,563	44.84%	7,658,761	29.37%	8,129,575	31.11%
Federal Savings Banks	4	1,041,109	<sup>1</sup> 4.45%	1,589,457	6.09%	1,617,678	6.19%
State Savings and Loans	1	56,575	0.24%	51,513	0.20%	40,380	0.15%
Federal Savings and							
Loans	3	288,371	1.23%	230,787	0.88%	247,299	0.95%
Credit Unions Chartered							
by the State of Maine	12	1,444,068	6.17%	1,241,340	4.76%	932,162	3.57%
Credit Unions Chartered							
by Other States	1	N/A	<sup>1</sup> N/A	10,783	0.04%	7,558	0.03%
Federal Credit Unions	56	3,899,997	<sup>1</sup> 16.65%	3,345,859	12.83%	2,647,702	10.13%
<b>TOTAL</b>	<b>112</b>	<b>23,415,383</b>	<b>100.00%</b>	<b>26,079,745</b>	<b>100.00%</b>	<b>26,134,197</b>	<b>100.00%</b>
Commercial Banks	10	6,012,157	<sup>1</sup> 25.68%	11,951,245	45.83%	12,511,843	47.87%
Limited Purpose Banks	11	173,543	0.74%	0	0.00%	0	0.00%
Savings Banks	18	11,540,672	<sup>1</sup> 49.29%	9,248,218	35.46%	9,747,253	37.30%
Savings and Loans	4	344,946	1.47%	282,300	1.08%	287,679	1.10%
Credit Unions	69	5,344,065	<sup>1</sup> 22.82%	4,597,982	17.63%	3,587,422	13.73%
<b>TOTAL</b>	<b>112</b>	<b>23,415,383</b>	<b>100.00%</b>	<b>26,079,745</b>	<b>100.00%</b>	<b>26,134,197</b>	<b>100.00%</b>
Chartered by the State of							
Maine	42	14,606,975	62.38%	10,599,224	40.64%	10,749,596	41.13%
Chartered by Other							
States	1	N/A	<sup>1</sup> N/A	10,783	0.04%	7,558	0.03%
Federally Chartered	69	8,808,408	<sup>1</sup> 37.62%	15,469,738	59.32%	15,377,043	58.84%
<b>TOTAL</b>	<b>112</b>	<b>23,415,383</b>	<b>100.00%</b>	<b>26,079,745</b>	<b>100.00%</b>	<b>26,134,197</b>	<b>100.00%</b>
In-State Ownership	105	23,415,383	100.00%	17,437,632	66.86%	16,865,039	64.53%
Out-of-State Ownership	7	N/A	<sup>1,2</sup> N/A	8,642,113	33.14%	9,269,158	35.47%
<b>TOTAL</b>	<b>112</b>	<b>23,415,383</b>	<b>100.00%</b>	<b>26,079,745</b>	<b>100.00%</b>	<b>26,134,197</b>	<b>100.00%</b>

<sup>1</sup> Maine assets are unavailable for the following multi-state banks and credit unions:

Bank of America, N.A.	Northeast Credit Union
KeyBank, National Association	People's United Bank
Navy Federal Credit Union	TD Bank, N.A.
	United Methodist Federal Credit Union

<sup>2</sup> Out of State Ownership:

	<b>Deposits/ Shares</b>	<b>Loans</b>
Bank of America, N.A.	1,655,815	1,146,222
KeyBank, National Association	2,701,072	1,058,389
Navy Federal Credit Union	31,923	78,686
Northeast Credit Union	10,783	7,558
People's United Bank	808,212	792,492
TD Bank, N.A.	3,433,841	6,185,669
United Methodist Federal Credit Union	467	142
<b>TOTAL:</b>	<b>8,642,113</b>	<b>9,269,158</b>

**ASSETS, DEPOSITS/SHARES, AND LOANS BY FACILITY TYPE  
(IN THOUSANDS)**

	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10
<b>Commercial Banks Chartered by the State of Maine</b>					
Number of Institutions	11	10	6	5	5
Number of Offices	93	93	54	50	49
Assets	3,659,000	3,698,233	2,324,363	2,384,581	2,446,478
Deposits	2,607,078	2,597,012	1,597,101	1,578,709	1,647,610
Loans	2,650,729	2,640,283	1,640,416	1,606,171	1,647,479
<b>Commercial Banks Chartered by Other States</b>					
Number of Institutions		1			
Number of Offices		7			
Assets		N/A			
Deposits		201,315			
Loans		115,827			
<b>National Banks</b>					
Number of Institutions	7	6	5	5	5
Number of Offices	199	207	214	213	205
Assets	2,283,783	2,874,213	3,548,077	3,622,696	3,565,679
Deposits	8,921,400	8,857,274	9,102,622	9,682,144	10,303,635
Loans	7,517,154	7,715,431	7,918,395	8,031,088	10,864,364
<b>State Chartered Savings Banks</b>					
Number of Institutions	15	14	14	14	14
Number of Offices	178	170	176	180	181
Assets	9,112,567	9,109,810	9,815,406	10,211,778	10,499,563
Deposits	6,595,416	6,622,160	6,910,877	7,234,136	7,658,761
Loans	7,148,026	7,271,436	7,769,211	7,969,836	8,129,575
<b>Federal Savings Banks</b>					
Number of Institutions	1	2	5	4	4
Number of Offices	21	30	63	69	67
Assets	751,574	1,038,867	1,985,635	1,124,243	1,041,109
Deposits	594,530	849,142	1,538,290	1,605,618	1,589,457
Loans	572,571	760,616	1,607,701	1,804,023	1,617,678
<b>State Chartered Savings &amp; Loan Associations</b>					
Number of Institutions	3	2	2	1	1
Number of Offices	5	3	3	1	1
Assets	165,092	98,495	101,162	44,412	56,575
Deposits	114,745	71,244	77,745	39,530	51,513
Loans	143,928	86,915	91,686	34,201	40,380
<b>Federal Savings &amp; Loan Associations</b>					
Number of Institutions	4	3	3	3	3
Number of Offices	9	7	8	8	8
Assets	316,746	271,492	278,106	278,120	288,371
Deposits	231,630	204,916	211,789	218,052	230,787
Loans	285,736	240,284	242,248	240,745	247,299



**ASSETS, DEPOSITS/SHARES, AND LOANS BY FACILITY TYPE  
(IN THOUSANDS)**

	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10
<b>State Chartered Credit Unions</b>					
Number of Institutions	12	13	12	12	12
Number of Offices	34	44	48	49	49
Assets	1,042,126	1,197,684	1,292,834	1,385,798	1,444,068
Shares	874,877	1,002,378	1,080,994	1,160,980	1,241,340
Loans	747,784	851,852	901,632	922,513	932,162
<b>Credit Unions Chartered by Other States</b>					
Number of Institutions	1	1	1	1	1
Number of Offices	1	1	1	1	1
Assets	N/A	N/A	N/A	N/A	N/A
Shares	9,623	10,688	9,930	10,116	10,783
Loans	10,267	10,074	8,622	8,859	7,558
<b>Federal Credit Unions</b>					
Number of Institutions	62	59	57	56	56
Number of Offices	135	135	138	139	140
Assets	3,077,238	3,203,968	3,399,344	3,668,192	3,899,997
Shares	2,645,217	2,752,028	2,906,505	3,140,880	3,345,859
Loans	2,366,452	2,379,849	2,480,451	2,588,020	2,647,702
<b>State Chartered Merchant Banks</b>					
Number of Institutions	1	1	1	1	1
Assets	45,098	46,313	45,093	46,505	52,166
Deposits	N/A	N/A	N/A	N/A	N/A
Loans	22,585	0	663	0	0
<b>State Chartered Nondepository Trust Companies</b>					
Number of Institutions	9	9	8	9	9
Assets	42,891	94,089	76,604	123,526	108,125
Deposits	N/A	N/A	N/A	N/A	N/A
Loans	N/A	N/A	N/A	N/A	N/A
<b>Federal Nondepository Trust Companies</b>					
Number of Institutions	1	1	1	1	1
Assets	8,560	9,513	13,578	12,910	13,252
Deposits	N/A	N/A	N/A	N/A	N/A
Loans	N/A	N/A	N/A	N/A	N/A
<b>State Totals</b>					
Number of Institutions	127	122	115	112	112
Number of Offices	675	697	705	710	701
Assets	20,504,675	21,642,677	22,880,202	22,902,761	23,415,383
Shares & Deposits	22,594,516	23,168,157	23,435,853	24,670,165	26,079,745
Loans	21,465,232	22,072,567	22,661,025	23,205,456	26,134,197

**Note:** Maine deposits, shares, and loans for the following banks and credit unions operating in a multi-state environment are included in this exhibit; however, Maine assets are not available for:

Bank of America, National Association, Charlotte, North Carolina

KeyBank National Association, Cleveland, Ohio

People's United Bank, Bridgeport, Connecticut

Navy Federal Credit Union, Merrifield, Virginia

Northeast Credit Union, Portsmouth, New Hampshire

TD Bank, N.A., Portland, Maine

United Methodist Federal Credit Union, Montclair, California

**Source of data:** Calls reports and FDIC's Summary of Deposits Report.

**STATE CHARTERED  
COMMERCIAL BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/10 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Joseph Murphy, CEO <b>BAR HARBOR BANKING AND TRUST COMPANY</b> 82 Main St. Bar Harbor, ME 04609	1,083,745	668,535	684,826
Earle Harvey, President <b>BORDER TRUST COMPANY</b> 227 Water St. Augusta, ME 04330	80,494	61,228	59,658
Scott Conant, President <b>DAMARISCOTTA BANK &amp; TRUST</b> 25 Main St. Damariscotta, ME 04543	153,522	135,461	114,836
Jon Prescott, President <b>KATAHDIN TRUST COMPANY</b> 11 Main St. Patten, ME 04765	508,021	396,907	405,850
James Delamater, President <b>NORTHEAST BANK</b> 500 Canal Street Lewiston, ME 04240-6594	620,696	385,479	382,309
<b>TOTAL: 5</b>	<b>2,446,478</b>	<b>1,647,610</b>	<b>1,647,479</b>

**STATE CHARTERED  
LIMITED PURPOSE BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<b><u>Assets</u></b>	<b>06/30/10 \$ in (000's) <u>Deposits</u></b>	<b><u>Loans</u></b>
Daniel Hurley, III, President <b>BAR HARBOR TRUST SERVICES</b> 135 High St., PO Box 1100 Ellsworth, ME 04605	1,736	N/A	N/A
G. West Saltonstall, President <b>EATON VANCE TRUST COMPANY</b> 255 State Street Boston, MA 02109	9,549	N/A	N/A
John Keffer, President <b>FORUM TRUST, LLC</b> Two Portland Sq., PO Box 446 Portland, ME 04112	14,252	N/A	N/A
Thomas Forese, Jr., President <b>GLOBAL TRUST COMPANY</b> 4A Gill St. Woburn, MA 01801-1721	2,290	N/A	N/A
Michael Currie, President <b>H. M. PAYSON AND COMPANY</b> 1 Portland Sq., PO Box 31 Portland, ME 04101	3,712	N/A	N/A
Joseph Yohlin, President <b>MAINE MERCHANT BANK</b> 977 Congress St., Suite 1100 Portland, ME 04101	52,166	N/A	0
John Higgins, CEO <b>RAM TRUST COMPANY</b> 45 Exchange St. Portland, ME 04101	3,256	N/A	N/A
William Dannecker, President <b>PENTEGRA TRUST COMPANY</b> 317 Madison Ave. New York, NY 10017	1,528	N/A	N/A
Richard Curran, Jr., President <b>SPINNAKER TRUST</b> 5 Milk St., PO Box 7160 Portland, ME 04112-7160	908	N/A	N/A
Warren Eastman, President <b>TD AMERITRADE</b> 6940 Columbia Gateway Drive, Suite 200 Columbia, MD 21046	70,894	N/A	N/A
<b>TOTAL: 10</b>	<b>160,291</b>	<b>N/A</b>	<b>0</b>

**STATE CHARTERED  
SAVINGS BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/10 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Steven Closson, President <b>ANDROSCOGGIN SAVINGS BANK</b> 30 Lisbon St., PO Box 1407 Lewiston, ME 04240	704,284	512,797	575,685
James Conlon, CEO <b>BANGOR SAVINGS BANK</b> 99 Franklin St., PO Box 930 Bangor, ME 04402-0930	2,338,548	1,691,721	1,635,534
Glenn Hutchinson, President <b>BATH SAVINGS INSTITUTION</b> 105 Front St., PO Box 548 Bath, ME 04530-0548	568,106	427,879	388,681
Charles Petersen, President <b>BIDDEFORD SAVINGS BANK</b> 254 Main St., PO Box 525 Biddeford, ME 04005-0525	311,822	217,178	218,065
Peter Judkins, President <b>FRANKLIN SAVINGS BANK</b> 197 Main St., PO Box 825 Farmington, ME 04938-0825	314,453	231,220	260,807
Christopher Emmons, President <b>GORHAM SAVINGS BANK</b> 10 Wentworth Dr., PO Box 39 Gorham, ME 04038	921,909	600,996	639,844
Mark Johnston, President <b>KENNEBEC SAVINGS BANK</b> 150 State St., PO Box 50 Augusta, ME 04330	759,915	502,752	628,940
Bradford Paige, President <b>KENNEBUNK SAVINGS BANK</b> 104 Main St., P.O. Box 28 Kennebunk, ME 04043-0028	800,698	630,741	650,331
Edward Hennessey, Jr., President <b>MACHIAS SAVINGS BANK</b> 4 Center St., PO Box 318 Machias, ME 04654-0318	952,602	829,728	851,322
Richard Vail, President <b>MECHANICS' SAVINGS BANK</b> 100 Minot Ave., PO Box 400 Auburn, ME 04210	271,338	214,769	250,819

**STATE CHARTERED  
SAVINGS BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/10 \$ in (000's) <u>Deposits</u>	<u>Loans</u>
Robert Harmon, President <b>NORWAY SAVINGS BANK</b> 261 Main St., PO Box 347 Norway, ME 04268	945,160	698,597	819,238
Kevin Savage, President <b>SACO AND BIDDEFORD SAVINGS INSTITUTION</b> 252 Main St., PO Box 557 Saco, ME 04073	747,851	499,130	596,251
Mark Mickeriz, President <b>SANFORD INSTITUTION FOR SAVINGS</b> 900 Main St., PO Box 472 Sanford, ME 04073	426,789	315,053	342,509
John Witherspoon, President <b>SKOWHEGAN SAVINGS BANK</b> 13 Elm St., PO Box 250 Skowhegan, ME 04976	436,088	286,200	271,549
<b>TOTAL: 14</b>	<b>10,499,563</b>	<b>7,658,761</b>	<b>8,129,575</b>

**STATE CHARTERED  
SAVINGS AND LOAN ASSOCIATIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/10 \$ in (000's) <u>Deposits</u>	<u>Loans</u>
William Weir, President <b>BAR HARBOR SAVINGS AND LOAN ASSOCIATION</b> 103 Main St. Bar Harbor, ME 04609	56,575	51,513	40,380
<b>TOTAL: 1</b>	<b>56,575</b>	<b>51,513</b>	<b>40,380</b>

**STATE CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/10 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Matthew Griffiths, CEO <b>COAST LINE CREDIT UNION</b> 333 Cottage Rd. South Portland, ME 04106	47,515	35,097	31,503
Donna Steckino, CEO <b>COMMUNITY CREDIT UNION</b> 144 Pine St., PO Box 7810 Lewiston, ME 04240	43,541	38,989	34,308
Eugene Ardito, CEO <b>cPORT CREDIT UNION</b> 50 Riverside Industrial Pkwy., PO Box 777 Portland, ME 04101-0777	129,323	116,491	75,832
David Tozier, CEO <b>DOWN EAST CU</b> 23 Third Ave., PO Box 130 Baileyville, ME 04694	86,082	70,631	68,532
H. Tucker Cole, CEO <b>EVERGREEN CREDIT UNION</b> 225 Riverside St. Portland, ME 04103	205,966	190,092	155,703
Richard Dupuis, CEO <b>FIVE COUNTY CREDIT UNION</b> 765 Washington St., PO Box 598 Bath, ME 04530-0598	181,408	156,725	117,569
Richard LaChance, CEO <b>MAINE EDUCATION CREDIT UNION</b> 23 University Dr., PO Box 1096 Augusta, ME 04330-1096	27,688	24,568	16,273
Normand Dubreuil, CEO <b>MAINE STATE CREDIT UNION</b> 200 Capital St., PO Box 5659 Augusta, ME 04332-5659	299,101	258,231	134,098
Luke Labbe, CEO <b>PEOPLESCHOICE CREDIT UNION</b> 35 Bradbury St., PO Box 463 Biddeford, ME 04005	121,344	106,695	76,273

**STATE CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/10 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Shelly Page, CEO <b>SABATTUS REGIONAL CREDIT UNION</b> 2 Middle Rd., PO Box 250 Sabattus, ME 04280	34,565	31,238	18,093
Carrie Shaw, CEO <b>SACO VALLEY CREDIT UNION</b> 312 Main St., PO Box 740 Saco, ME 04072-0740	81,214	73,919	58,265
Matthew Walsh, CEO <b>UNIVERSITY CREDIT UNION</b> Rangeley Rd. University of ME Orono, ME 04469-5779	186,321	138,664	145,713
<b>TOTAL: 12</b>	<b>1,444,068</b>	<b>1,241,340</b>	<b>932,162</b>

**STATE CHARTERED  
CREDIT UNIONS  
CHARTERED BY OTHER STATES**

	<u>Assets</u>	06/30/10 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Peter Kavalauskas, CEO <b>NORTHEAST CREDIT UNION</b> 100 Borthwick Ave. Portsmouth, NH 03801 1 Maine branch: Kittery	N/A	10,783	7,558
<b>TOTAL: 1</b>	<b>N/A</b>	<b>10,783</b>	<b>7,558</b>

*Note: Maine shares and loans for Northeast Credit Union, which operates in a multi-state environment, are included in this exhibit; however, Maine assets are not available.*

**FEDERALLY CHARTERED  
NATIONAL BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/10 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Elizabeth Greenstein, Regional CEO <b>BANK OF AMERICA, N.A.</b> 2 Portland Sq. Portland, ME 04101	N/A	1,655,815	1,146,222
Gregory Dufour, President <b>CAMDEN NATIONAL BANK</b> 2 Elm St., PO Box 310 Camden, ME 04843	2,271,990	1,562,962	1,542,074
Sterling Kozlowski, District President <b>KEYBANK, NATIONAL ASSOCIATION</b> One Monument Sq., PO Box 678 Portland, ME 04112	N/A	2,701,072	1,058,389
Larry Wold, Maine President <b>TD BANK, N.A.</b> One Portland Sq., PO Box 9540 Portland, ME 04112	N/A	3,433,841	6,185,669
Daniel Daigneault, President <b>THE FIRST, N.A.</b> 223 Main St., PO Box 940 Damariscotta, ME 04543	1,293,689	949,945	932,010
<b>TOTAL: 5</b>	<u><u>3,565,679</u></u>	<u><u>10,303,635</u></u>	<u><u>10,864,364</u></u>

*Note: Maine deposits and loans for the following banks authorized to do business in a multi-state environment are included in this exhibit; however, Maine assets are not available:*

*Bank of America, N.A.*

*KeyBank, National Association*

*TD Bank, N.A.*

**FEDERALLY CHARTERED  
NONDEPOSITORY TRUST COMPANIES  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/10 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Gregory DuFour, President <b>ACADIA TRUST, NATIONAL ASSOCIATION</b> 511 Congress St. Portland, ME 04101	13,252	N/A	N/A
<b>TOTAL: 1</b>	<u><u>13,252</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>



**FEDERALLY CHARTERED  
SAVINGS BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/10 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Allen Sterling, President <b>AUBURN SAVINGS BANK, FSB</b> 256 Court St., PO Box 3157 Auburn, ME 04210	80,654	56,006	69,367
<b>PEOPLE'S UNITED BANK</b> Samuel Ladd, President, Maine Southern Division 467 Congress St. Portland, ME 04101 William Lucy, President, Maine Northern Division 201 Maine St. Bangor, ME 04401	N/A	808,212	792,492
Harry Mank, Jr., President <b>ROCKLAND SAVINGS BANK, FSB</b> 582 Main St. Rockland, ME 04841	77,077	59,288	70,163
John Everets, CEO <b>SAVINGS BANK OF MAINE</b> 190 Water St., PO Box 190 Gardiner, ME 04345-0190	883,378	665,951	685,656
<b>TOTAL: 4</b>	<b>1,041,109</b>	<b>1,589,457</b>	<b>1,617,678</b>

*Note: Maine deposits and loans for People's United Bank, which operates in a multi-state environment, are included in this exhibit; however, Maine assets are not available.*

**FEDERALLY CHARTERED  
SAVINGS AND LOAN ASSOCIATIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/10 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
John Swanberg, President <b>AROOSTOOK COUNTY FEDERAL SAVINGS AND LOAN ASSOCIATION</b> 43 High St., PO Box 808 Caribou, ME 04736-0808	97,228	87,891	80,760
Andrew Perry, President <b>FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF BATH</b> 125 Front St., PO Box 488 Bath, ME 04530	109,800	89,522	100,018
Allen Rancourt, President <b>KENNEBEC FEDERAL SAVINGS AND LOAN ASSOCIATION</b> 70 Main St., PO Box 488 Waterville, ME 04903-0497	81,343	53,374	66,521
<b>TOTAL: 3</b>	<b>288,371</b>	<b>230,787</b>	<b>247,299</b>

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	<u>06/30/10 \$ in (000's) Shares &amp; Deposits</u>	<u>Loans</u>
David Desjardins, CEO <b>ACADIA FEDERAL CU</b> 9 East Main St. Fort Kent, ME 04743-1398	87,030	72,223	67,827
Judith Griffin, CEO <b>ALLIANCE OF MAINE<sup>7</sup></b> 44 Edison Dr., PO Box 1056 Augusta, ME 04332-1056	35,066	28,574	16,967
Roger Sirois, CEO <b>ATLANTIC REGIONAL FEDERAL CU</b> 55 Cushing St., PO Box 188 Brunswick, ME 04011-0188	233,652	200,953	150,913
Stephen Clark, CEO <b>BANGOR FEDERAL CU</b> 339 Hogan Rd., PO Box 1161 Bangor, ME 04401-1161	111,830	102,826	88,439
Mary Pinkham, CEO <b>BLUE CROSS AND BLUE SHIELD OF ME FEDERAL CU</b> 2 Gannett Dr. South Portland, ME 04106-6911	6,864	5,567	3,740
Richard Kaul, CEO <b>BREWER FEDERAL CU</b> 77 N. Main St., PO Box 189 Brewer, ME 04412-0189	45,119	41,295	33,817
Diana Winkley, CEO <b>CAPITAL AREA FEDERAL CU</b> 10 North Belfast Ave., PO Box 2626 Augusta, ME 04438	19,434	17,550	15,478
James Stone, CEO <b>CASCO FEDERAL CU</b> 375 Main St., PO Box 87 Gorham, ME 04038-0087	35,097	31,049	22,683
Vicki Stuart, CEO <b>CENTRAL MAINE FEDERAL CU</b> 1000 Lisbon St., PO Box 1746 Lewiston, ME 04241-1746	82,566	72,005	39,074

<sup>7</sup> Merged with Hannaford FCU under the name of Trademark FCU, effective 10/1/10.

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	<u>06/30/10 \$ in (000's) Shares &amp; Deposits</u>	<u>Loans</u>
Darla King, CEO <b>CHANGING SEASONS FEDERAL CU</b> 193 Broad St. STE 3 Bangor, ME 04401-6323	19,975	17,752	14,927
Scott Harriman, CEO <b>CUMBERLAND COUNTY FEDERAL CU</b> 101 Gray Rd. Falmouth, ME 04105-2514	133,157	118,578	75,714
Ralph Ferland, CEO <b>EASTERN MAINE MEDICAL CENTER FEDERAL CU</b> 489 State St. Bangor, ME 04401-6616	40,075	35,600	25,223
Daniel Byron, CEO <b>EASTMILL FEDERAL CU</b> 60 Main St. East Millinocket, ME 04430-1128	57,393	46,792	16,539
Cass Hirschfelt, CEO <b>FRANKLIN SOMERSET FEDERAL CU</b> 485 Wilton Rd., PO Box 5061 Farmington, ME 04938-9600	64,177	57,896	37,601
Philip Bergeron, CEO <b>GARDINER FEDERAL CU</b> 8 Brunswick Rd. RR 5 Box 105 Gardiner, ME 04345-9006	28,215	25,434	19,414
Nancy Bard, CEO <b>GREAT FALLS REGIONAL FCU</b> 34 Bates St. Lewiston, ME 04240	24,675	20,118	9,308
Hunter King, CEO <b>HANNAFORD ASSOCIATES FEDERAL CU<sup>8</sup></b> 145 Pleasant Hill Rd., PO Box 1440 Scarborough, ME 04104-5034	33,084	29,905	24,019
Deborah Pomeroy, CEO <b>HEALTHFIRST FEDERAL CU</b> 9 Quarry Rd. Waterville, ME 04901	15,573	14,423	14,464
Kathleen Smith, CEO <b>HOULTON FEDERAL CU<sup>9</sup></b> 13 Market Sq. Houlton, ME 04730-1775	14,886	12,214	8,098

<sup>8</sup> Merged with Alliance FCU under the name of Trademark FCU, effective 10/1/10.

<sup>9</sup> Merged into The County FCU, effective 10/1/10.

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/10 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Gary Bragdon, CEO <b>HOWLAND ENFIELD FEDERAL CU</b> 4 Coffin St., PO Box 405 Howland, ME 04448-0405	7,757	7,216	5,222
Kenneth Williams, CEO <b>INFINITY FEDERAL CU</b> 202 Larrabee Rd., PO Box 9742 Westbrook, ME 04104-5060	241,453	142,591	142,218
Christine Devine, CEO <b>KV FEDERAL CU</b> 316 Northern Ave., PO Box 2108 Augusta, ME 04338	54,603	48,998	27,099
Donald Casco, CEO <b>KATAHDIN FEDERAL CU</b> 1000 Central St. Millinocket, ME 04462-2193	71,013	59,579	44,111
Deseree Gilman, CEO <b>KSW FEDERAL CU</b> 222 College Ave. Waterville, ME 04901	36,416	32,542	27,087
Amanda Piper, CEO <b>LEWISTON MUNICIPAL FEDERAL CU</b> 291 Pine St., PO Box 60 Lewiston, ME 04243-0060	17,496	15,636	7,755
Cris Kinney, CEO <b>LINCOLN MAINE FEDERAL CU</b> 171 W Broadway, PO Box 220 Lincoln, ME 04457-0220	38,227	34,551	30,687
George Roy, CEO <b>LISBON COMMUNITY FEDERAL CU</b> 325 Lisbon Rd., O Box 878 Lisbon, ME 04240-0878	74,174	65,350	49,951
Rachel Caron, CEO <b>MAINE FAMILY FEDERAL CU</b> 555 Sabattus St. Lewiston, ME 04240-4195	105,266	94,924	65,955
Rhonda Taylor, CEO <b>MAINE HIGHLANDS FEDERAL CU</b> 73 Main St., PO Box 233 Dexter, ME 04930-0233	76,339	69,015	50,456

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	<u>06/30/10 \$ in (000's) Shares &amp; Deposits</u>	<u>Loans</u>
Jennifer Hartel, CEO <b>MAINE MEDIA FEDERAL CU</b> 390 Congress St., PO Box 7702 Portland, ME 04112-7702	4,567	3,506	2,805
John Reed, CEO <b>MAINE SAVINGS FEDERAL CU</b> 1101 Western Ave., PO Box 347 Hampden, ME 04444-0347	212,047	190,273	162,384
Gail Richardson, CEO <b>MIDCOAST FEDERAL CU</b> 831 Middle St., PO Box 780 Bath, ME 04530-0780	116,725	103,881	66,324
Marguerite Gagne, CEO <b>MONMOUTH FEDERAL CU</b> 1176 Main St., PO Box 150 Monmouth, ME 04259-0150	14,106	13,022	9,072
Cutler Dawson, CEO <b>NAVY FEDERAL CU</b> P. O. Box 3000 Merrifield, VA 22119 1 Maine branch: Brunswick	N/A	31,923	78,686
Ryan Poulin, CEO <b>NEW DIMENSIONS FEDERAL CU</b> 61 Grove St. Waterville, ME 04901-5826	55,444	47,042	37,657
Ramon Noperi, CEO <b>UNITED METHODIST FEDERAL CU</b> 9040 Benson Ave. Montclair, CA 91763 1 Maine branch: Westbrook	N/A	467	142
David Rossignol, CEO <b>NORSTATE FEDERAL CU</b> 78 Fox St. Madawaska, ME 04756	134,792	113,035	109,624
Joseph Chapin, CEO <b>OCEAN COMMUNITIES FEDERAL CU</b> 1 Pool St., PO Box 1961 Biddeford, ME 04005-1961	139,368	122,684	110,796

*Note: Maine shares and loans for Navy Federal Credit Union, which operates in a multi-state environment, are included in this exhibit; however, Maine assets are not available.*

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	<u>06/30/10 \$ in (000's) Shares &amp; Deposits</u>	<u>Loans</u>
Roland Poirier, CEO <b>OTIS FEDERAL CU</b> 170 Main St., PO Box 27 Jay, ME 04329-0027	117,865	97,571	74,047
Matthew Kaubris, CEO <b>OXFORD FEDERAL CU</b> 225 River Rd., PO Box 252 Mexico, ME 04257-0252	135,166	118,395	101,316
Steve Baillargeon, CEO <b>PENOBSCOT COUNTY FEDERAL CU</b> 191 Main St., PO Box 434 Old Town, ME 04468-0434	46,458	43,179	35,376
John Barry, CEO <b>PORTLAND MAINE POLICE DEPARTMENT FEDERAL CU</b> 109 Middle St. Portland, ME 04101	7,007	6,479	5,829
Lillian Turner, CEO <b>R.C.H. FEDERAL CU</b> 420 Franklin St. Rumford, ME 04276	434	357	144
Philippe Moreau, CEO <b>RAINBOW FEDERAL CU</b> 391 Main St., PO Box 741 Lewiston, ME 04243-0741	168,657	136,317	92,599
Kyle Casburn, CEO <b>SEABOARD FEDERAL CU</b> 177 Main St., PO Box G Bucksport, ME 04416-1207	95,047	85,824	74,256
James Lemieux, CEO <b>SEBASTICOOK VALLEY FEDERAL CU</b> 14 Seabasticook St., PO Box 10 Pittsfield, ME 04967-0010	60,147	49,488	50,137
Diana Garcia, CEO <b>SEMICONDUCTOR OF ME FEDERAL CU</b> 333 Western Ave. South Portland, ME 04106-0022	12,073	10,347	7,304
Susan Thurlow, CEO <b>SHAW'S EMPLOYEES FEDERAL CU</b> 205 Spencer Dr. Wells, ME 04090-5553	7,660	5,600	2,686

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<b><u>Assets</u></b>	<b>06/30/10 \$ in (000's) <u>Shares &amp; Deposits</u></b>	<b><u>Loans</u></b>
MaryAnn Chamberlain, CEO <b>ST. AGATHA FEDERAL CU</b> 315 Mason St., PO Box 130 Saint Agatha, ME 04772-0130	15,459	14,232	8,397
Karen Denis, CEO <b>TACONNET FEDERAL CU</b> 60 Benton Ave. Winslow, ME 04901-6798	54,389	51,384	31,347
Kenneth Hensler, CEO <b>THE COUNTY FEDERAL CU</b> 82 Bennett Dr., PO Box 939 Caribou, ME 04736-1944	134,586	121,054	84,405
David Libby, CEO <b>TOWN &amp; COUNTRY FEDERAL CU</b> 557 Main St., PO Box 9420 South Portland, ME 04106-9420	203,478	186,669	137,511
Kenneth Acker, CEO <b>TRUCHOICE FEDERAL CU</b> 272 Park Ave., PO Box 10659 Portland, ME 04104-6059	70,879	61,694	57,641
Cathy Bond, CEO <b>WINSLOW COMMUNITY FEDERAL CU</b> 12 Monument St., PO Box 8117 Winslow, ME 04901	26,782	24,185	12,475
Jeffrey Seguin, CEO <b>WINTHROP AREA FEDERAL CU</b> 22 Highland Ave., PO Box 55 Winthrop, ME 04364	52,952	47,639	31,430
James Nelson, CEO <b>YORK COUNTY FEDERAL CU</b> 1516 Main St. Sanford, ME 04073-3530	203,297	138,456	128,526
<b>TOTAL: 56</b>	<b><u>3,899,997</u></b>	<b><u>3,345,859</u></b>	<b><u>2,647,702</u></b>