FDIC State Profile

Spring 2004

Maine

Employment picture brightens in Maine.

- Maine experienced only a modest decline in employment during the 2001 recession and its aftermath. Revised data indicate that jobs have returned to pre-recession peak levels.

- Restated payroll employment data cover the period July 2002 through year-end 2003. These new seasonally adjusted data now show that job losses were less severe in the second half of 2002 than originally reported, but more severe in the early months of 2003 (See Chart 1). Sharp upward revisions after mid-year were associated with a rebound in job growth that reversed the earlier declines in employment. January 2004 employment levels dipped below year-end levels, which may be related to severely cold weather.

- Data revisions were concentrated in a few industries. Downward revisions were noted in durable-goods manufacturing and retail trade employment, while construction employment and employment in hospitality and food services were revised higher. Other sectors exhibited generally minor, but mostly positive, revisions.

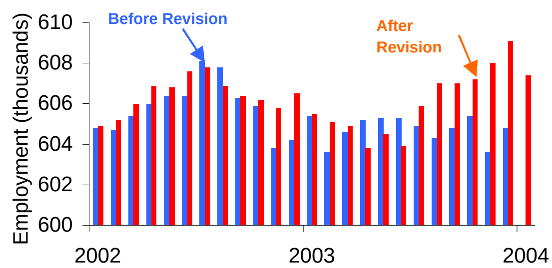
Maine's unemployment rate was revised slightly upward.

- The unemployment rate for Maine—estimated separately from payroll employment—also was revised (See Chart 2). Upon revision, unemployment estimates were somewhat higher for 2003, although the change at year end was minor. According to these data, Maine's unemployment rate was under modest upward pressure during much of the year, but remained below the national average.

Initial claims for unemployment reflect little change.

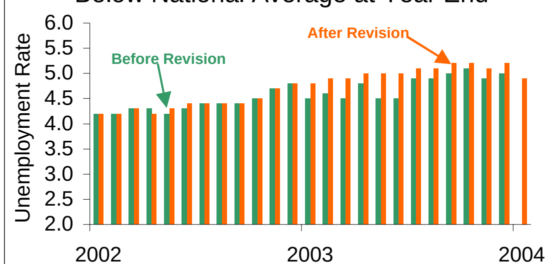
- Initial unemployment insurance claims in Maine provide another measure of labor market performance. During the past year, Maine's new unemployment insurance claims moved lower with a brief interruption early in the year (See Chart 3). At year end, new claims were only marginally above levels experienced prior to the recession.

Chart 1: Payroll Employment Revised Significantly Higher in Maine to Show Full Recovery of Job Losses by Yearend



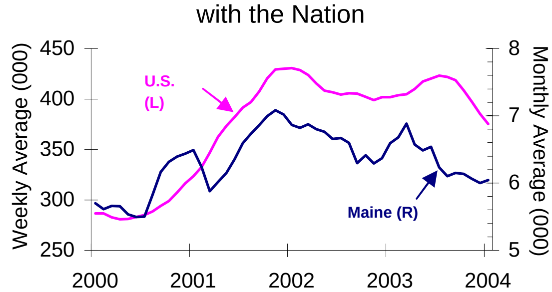
Source: Bureau of Labor Statistics of the Department of Labor, Haver Analytics. Data seasonally adjusted.

Chart 2: 2003 Unemployment Rate in Maine was Revised Modestly Higher, but Remains Below National Average at Year End



Source: Bureau of Labor Statistics of the Department of Labor, Haver Analytics. Data seasonally adjusted.

Chart 3: Maine's New Unemployment Insurance Claims Continue to Show Improvement Along with the Nation



Source: Employment and Training Administration of the Department of Labor, Haver Analytics, FDIC

Housing continues to perform well during the weak recovery.

- Housing activity surged during the second half of 2003, especially in terms of new construction. During the second half of the year, permits reached almost 7,500 units at a seasonally adjusted annual rate, the highest level since 1989.

Maine's commercial institutions saw earnings decline in 2003, under pressure from declining net interest margins, while the savings institutions boosted earnings through noninterest income.

- Among the state's commercial institutions, the median net interest margin (NIM) declined to 3.93 percent as of December 31, 2003, down from 4.32 percent at year-end 2002. Funding costs declined as noncore funding growth slowed; asset yields also declined, negatively affecting NIMs. The savings institutions also continued to experience NIM pressure. The margin was 3.85 percent as of December 31, 2003, a 15-basis point decline during the year. Funding costs declined slightly, but were still at relatively high levels, as noncore funding increased 22 percent during 2003. With asset yields also showing pressure, NIMs decreased (See Chart 4).

- Maine's commercial institutions reported a median return on assets (ROA) of 1.01 percent as of December 31, 2003, down ten basis points since the end of 2002. Earnings were affected most from declines in net interest income as noninterest income increased and operating efficiencies improved. Low loan-loss provision expenses and gains on the sale of securities, representing 11 percent of net income, also helped to support profitability. Utilizing gains on the sale of securities may not be viable in the long term, as unrealized gains declined from about two percent of the available for sale portfolio at the end of 2002 to 0.68 percent as of December 31, 2003.

- The state's savings institutions posted a median ROA of 0.93 percent at the end of 2003, a 13-basis point increase since year-end 2002. Profitability was boosted by low loan-loss provision expenses, increases in noninterest income, and gains on the sale of securities representing almost nine percent of net income. Maine's savings institutions still have unrealized gains available at 2.17 percent of the available for sale portfolio.

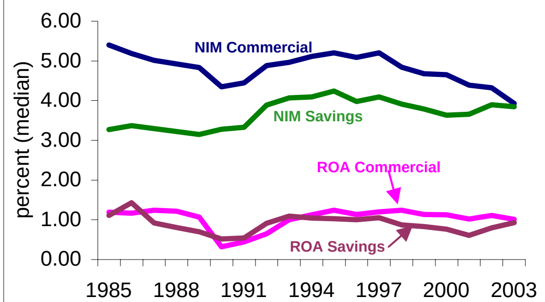
Interest rate risk remains a concern for Maine's institutions as concentrations of fixed-rate, long-term assets continue to increase.

- The conventional 30-year mortgage rate has declined significantly over the past several years and is still historically low. According to the Mortgage Bankers Association, on a national basis, the level of adjustable rate mortgages has increased from only about 13.5 percent of originations in December 2002 to almost 27 percent as of December 2003. While this ultimately may allow insured institutions to reprice some assets, they still hold large volumes of long-term assets with low fixed rates.

- Since the late 1990s, asset maturities lengthened at many institutions, began to moderate late in 2002, and increased again in 2003. As of December 31, 2003, the median ratio of long-term assets to total assets was among historical highs at about 34.5 percent. With the large volume of long term assets on the books, insured institutions may be faced with a mismatch of asset and liability repricing. Net interest margin compression may occur, when short-term interest rates increase, as liabilities reprice at a faster rate than assets (See Chart 5).

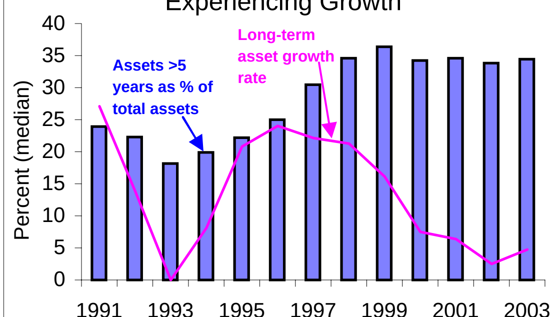
- The extension of asset maturities is pronounced in the state, as well as New England, reflecting the large percentage of thrifts and residential lenders. Savings institutions represent 58 percent of insured institutions in Maine, and residential real estate loans comprised almost 54 percent of their average loan portfolio as of December 31, 2003.

Chart 4: Earnings Favorable But NIMs Still Show Pressure



Source: Bank and Thrift Call Reports, Data as of 4th quarter.

Chart 5: Long-Term Asset Concentrations Still Experiencing Growth



Source: Bank Call Reports, Data as of 4th quarter.

Maine at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	40	39	39	41	44
Total Assets (in thousands)	40,265,496	36,139,705	16,322,148	15,050,169	16,234,862
New Institutions (# < 3 years)	1	0	0	0	0
New Institutions (# < 9 years)	2	1	1	2	3

Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.27	8.78	8.83	9.13	9.27

Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.06%	1.52%	1.90%	2.05%	1.62%
Past-Due and Nonaccrual >= 5%	2	6	1	2	1
ALLL/Total Loans (median %)	1.18%	1.19%	1.17%	1.12%	1.17%
ALLL/Noncurrent Loans (median multiple)	2.51	1.85	1.61	1.50	1.74
Net Loan Losses/Loans (aggregate)	0.19%	0.24%	0.23%	0.24%	0.20%

Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	1	1	0	0	0
Percent Unprofitable	2.50%	2.56%	0.00%	0.00%	0.00%
Return on Assets (median %)	0.98	0.86	0.76	0.92	0.93
25th Percentile	0.75	0.66	0.49	0.62	0.67
Net Interest Margin (median %)	3.91%	4.09%	3.90%	4.06%	4.02%
Yield on Earning Assets (median)	5.81%	6.70%	7.75%	8.14%	7.78%
Cost of Funding Earning Assets (median)	1.99%	2.67%	3.79%	4.17%	3.75%
Provisions to Avg. Assets (median)	0.14%	0.14%	0.21%	0.16%	0.14%
Noninterest Income to Avg. Assets (median)	0.69%	0.66%	0.63%	0.57%	0.60%
Overhead to Avg. Assets (median)	3.01%	3.04%	3.23%	3.01%	3.14%

Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	98.65%	92.40%	94.11%	94.14%	92.86%
Loans to Assets (median %)	72.81%	70.04%	71.11%	70.91%	70.05%
Brokered Deposits (# of Institutions)	17	11	10	7	9
Bro. Deps./Assets (median for above inst.)	2.28%	4.46%	1.89%	3.54%	2.56%
Noncore Funding to Assets (median)	23.92%	22.49%	21.79%	21.67%	18.53%
Core Funding to Assets (median)	63.26%	66.75%	66.91%	67.77%	70.37%

Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	8	7	7	7	8
National	6	6	6	6	5
State Member	3	2	2	2	3
S&L	7	7	7	7	7
Savings Bank	2	2	2	3	4
Stock and Mutual SB	14	15	15	16	17

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	29	9,333,277	72.50%	23.18%
Portland ME	4	27,314,241	10.00%	67.84%
Lewiston-Auburn ME	4	1,249,490	10.00%	3.10%
Bangor ME	3	2,368,488	7.50%	5.88%