



MEMBER BANKS

Androscoggin Bank
Bangor Savings Bank
Bank of America, N.A.
Bar Harbor Bank & Trust
Bar Harbor Savings & Loan
Bath Savings Institution
Biddeford Savings Bank
Border Trust Company
Camden National Bank
Damariscotta Bank & Trust Co.
First Federal S&L Association of Bath
Franklin Savings Bank
Gorham Savings Bank
Katahdin Trust Company
Kennebec Federal Savings
Kennebec Savings Bank
Kennebunk Savings Bank
KeyBank, N.A.
Machias Savings Bank
Mechanics Savings Bank
Northeast Bank
Norway Savings Bank
People's United Bank
Rockland Savings Bank, FSB
Saco & Biddeford Savings Institution
Sanford Institution For Savings
Skowhegan Savings Bank
TD Bank, N.A.
The Bank of Maine
The First, N.A.

Non-depository Members

H.M. Payson & Company
Spinnaker Trust

PRESIDENT'S ANNUAL REPORT 2010-2011

What a year has just passed! The MBA's administrative year ends with intense negotiations underway in both Washington and Augusta on significant issues that are very important to the banking industry, and in both instances the debate is more about the negative image of banking and not entirely about the issues. The political reality of recent elections, the attitude of the public toward banking and the ongoing economic malaise have created circumstances that make CEOs and CFOs stay awake at night, and in the meantime you have made your Association the center of many activities. Training and working together through our many programs and conferences have helped support the membership at a time of great challenges and that cooperation has paid dividends. We thank the leadership of our membership for their support.



Your Executive Committee and Association officers have had a busy year as the frequent asks to contact our Washington Delegation on federal issues or to jump on a plane and visit them have far exceeded our contacts in recent years. All of the member banks have stepped up letter writing, and in many cases senior managers are now in frequent contact with Congressional staffers. The same has occurred at the state level as more bankers supported a very successful series of post-election coffees, testified at public hearings and attended the annual meet Your Local Banker event. All of this outreach helps us build a process to redefine how we communicate with our state and federal elected officials. We thank you for all of your efforts.

Highlights of this past year must include a mention of the state's economy as the lending prospects for both individuals and businesses remain weak. We see continued job losses, more foreclosures initiated each month and a general belief that improvements in the outlook for the economy are not in the near term. Given these economic challenges, add the implementation of the Consumer Financial Protection Bureau on July 21 and the regulatory scrutiny of bank capital, loan loss reserves and compliance in general and you have a recipe for nervous bankers who continue to be risk adverse.

Your staff at the MBA office works daily to provide service to our membership and to surpass your expectations of efforts to monitor the constantly changing industry challenges. While advocacy remains JOB ONE, the attention to compliance, director and staff education, peer group discussions and preparing for the next generation of banking leadership all present complex issues for the industry to meet and discuss under the MBA umbrella. We are proud to be the one voice of the Maine banking community and represent the industry on your behalf. We thank the many members who volunteer their time and expertise to the goal of improving the Maine banking environment.

Executive Committee

Chairman

JAMES J. CONLON, PRESIDENT
Bangor Savings Bank

Vice Chairman

PETER L. JUDKINS, PRESIDENT
Franklin Savings Bank

Term Expiring 2011

JOSEPH MURPHY, PRESIDENT
Bar Harbor Bank & Trust

EARLE F. HARVEY, PRESIDENT
Border Trust

CHRISTOPHER W. EMMONS, PRESIDENT
Gorham Savings Bank

Term Expiring 2012

JON J. PRESCOTT, PRESIDENT
Katahdin Trust Company

LAWRENCE A. WOLD, MAINE PRESIDENT
TD Bank, N.A.

Term Expiring 2013

BETSEY TIMM, MAINE PRESIDENT
Bank of America - Maine

RICHARD J. VAIL, PRESIDENT
Mechanics Savings Bank

JOHN WITHERSPOON, PRESIDENT
Skowhegan Savings Bank

Immediate Past Chair

MARK T. MICKERIZ, PRESIDENT
Sanford Institution for Savings

Additional Board Members

STEVEN A. CLOSSON, PRESIDENT
Androscoggin Bank

WILLIAM R. WEIR, PRESIDENT
Bar Harbor Savings & Loan

GLENN L. HUTCHINSON, PRESIDENT
Bath Savings Institution

CHARLES M. PETERSEN, PRESIDENT
Biddeford Savings Bank

GREGORY A. DUFOUR, PRESIDENT
Camden National Bank

SCOTT D. CONANT, PRESIDENT
Damariscotta Bank & Trust

ANDREW C. PERRY, PRESIDENT
First Federal Savings & Loan Assoc. of Bath

ALLAN L. RANCOURT, PRESIDENT
Kennebec Federal Savings

MARK L. JOHNSTON, PRESIDENT
Kennebec Savings Bank

BRADFORD C. PAIGE, PRESIDENT
Kennebunk Savings Bank

STERLING KOZLOWSKI, DISTRICT PRESIDENT
KeyBank, N.A.

EDWARD L. HENNESSEY, JR., PRESIDENT
Machias Savings Bank

SAMUEL A. LADD III, PRESIDENT
People's United Bank - Southern Division

JAMES D. DELAMATER, PRESIDENT
Northeast Bank

ROBERT A. HARMON, PRESIDENT
Norway Savings Bank

HARRY C. MANK, JR., PRESIDENT
Rockland Savings Bank, FSB

KEVIN P. SAVAGE, PRESIDENT
Saco & Biddeford Savings Institution

JOHN EVERETS, CHAIRMAN & CEO
The Bank of Maine

DANIEL R. DAIGNEAULT, PRESIDENT
The First, N.A.

Annual Convention—Mt. Washington

The **2010 Annual Convention** September 16-19 drew 335 attendees to the Mount Washington Hotel to hear presentations by FHLB president Ed Hjerpe; bank finance and strategy consultant Robert Kafafian of the Kafafian Group; UNH economist Ross Gittel; technology analyst Jack Vonder Heide; ABA Senior EVP Diane Casey Landry; and former Harley Davidson communications director Ken Schmidt.

Bank Expo—Holiday Inn By The Bay

BANK EXPO 2011 was a huge success with 313 in attendance, including bankers, exhibitors and guest speakers. Twenty-six of our 30 member banks were represented. Sixteen educational sessions were held concurrently throughout the day, and vendor booths filled the exhibit hall and vestibule.



Trust and Wealth Management Conference—Harraseeket Inn

At the May 4 **Trust & Wealth Management Conference**, Amy Florian of Corgenius presented a keynote address on how to deal with grieving clients. In addition, Eric Hayes of Wells Fargo Private Bank discussed ethics and the duty of loyalty; Nikki Noriega of Federated Investors covered key themes in international investing; and Dr. Robert Strong of the University of Maine highlighted aspects of the psychology of investing in his session on behavioral finance. A panel of lawyers updated legal issues in trust and wealth management. Ninety were in attendance, including representatives from exhibiting vendors.

Director Education—Two Conferences

One hundred bank directors and senior officers attended MBA's 8th Annual **Directors College** October 19, 2010. Keynote speaker Jim Clarke of Clarke Consulting outlined opportunities and threats to banks as a result of the financial crisis. Concurrent workshops were conducted by FDIC examiners. Fred Breimyer and Kathleen Gibson of FDIC presented a luncheon address on the economy and state of the industry.

More than 175 bank directors and senior officers attended the MBA **Directors Forum** May 11, 2011. Federal Reserve Bank of Boston economist Yolanda Kodrzycki led off with an economic overview followed by David Kemp, president of Bankers Management, Inc., with his talk entitled "Asset Quality and the Director," a presentation that covered a range of asset quality issues for boards including loan policy, loan committee duties, growth and risk.

CEO Quarterly Meetings

Four CEO meetings are held each year. During the past 12 months MBA CEOs have convened at the Bar Harbor Harborside for the **CEO Overnight and Annual Meeting** June 23-24, 2010; at the Mount Washington Hotel September 18 for the **CEO Breakfast** during the Annual Convention; at the Senator Inn November 9 for the **Fall CEO Dinner**; and at the Harraseeket Inn February 17 for the **CEO Midwinter**. Guest speakers: Gov. Paul LePage, FDIC's Dan Frye, Maine Senate Majority Leader Jon Courtney, Maine Today Media CEO Rich Connor, and a number of other Maine and regional leaders.

STANDING COMMITTEES

Audit Committee

PETER L. JUDKINS, CHAIRMAN
Franklin Savings Bank

Nominating Committee

CHAIRMAN: JAMES J. CONLON
Bangor Savings Bank

VICE CHAIRMAN: PETER L. JUDKINS
Franklin Savings Bank

EDWARD L. HENNESSEY, JR.
Machias Savings Bank

RICHARD J. VAIL
Mechanics Savings Bank

SAMUEL A. LADD III
People's United Bank

APPOINTED COMMITTEES

Bank Security

CHAIR: DAWN LIBBY-LYNCH
Rockland Savings Bank, FSB

Commercial Lending

CHAIR: ANDREW H. STURTEVANT
Franklin Savings Bank

Compliance

CO-CHAIRS: ANDREA SHAW
Gorham Savings Bank
AARON KOUHOUP
Katahdin Trust Company

Financial Management

CHAIR: STEPHEN SOUBBLE
Kennebunk Savings Bank

Human Resources

CHAIR: MARSHA C. SAWYER
Bar Harbor Bank & Trust

Legislative

CHAIR: ROBERT A. HARMON
Norway Savings Bank

Marketing and Communications

CHAIR: VICKI SMITH
Katahdin Trust Company

Operations and Technology

CHAIR: AMANDA BATSON
Kennebunk Savings Bank

Retail Lending Committee

CHAIR: SHERRY TREMBLAY
Bath Savings Institution

Trust and Wealth Management

CHAIR: STUART C. WILLIAMS
People's United Bank

**Committee members are listed on the MBA website*

125th MAINE LEGISLATURE—FIRST REGULAR SESSION

Kathy Keneborus, Director of Compliance and Government Relations

In 1962, Maine Republicans took control of the Governor's Office, the Maine House and the Maine Senate. It would be another 48 years (November 2010) before the Republicans would match the result of 1962. Several legislators elected this year were not even born in 1962. The election was not only historic but also surprising for political insiders and pollsters, especially in regard to the flip in control of the Maine House. With changes often comes a little anxiety and hope, and MBA's GR staff was feeling both of these emotions when the legislative session started. The anxiety lasted throughout the session as many very serious banking-related bills were debated.

During the session, MBA was successful in defeating a Durbin-style interchange bill, an attempt to establish a state-owned bank and a testy debate over allowing a condo association to take a priority lien over the first mortgage. In addition, we succeeded in getting a Maine Revenue Service (MRS) Rule repealed that allowed MRS to use the geographic location of banking accounts as a factor in determining residency status. A three-year battle to have Truth-in-Lending (TIL) parity between federal and state-chartered banks was finally won as

the legislature recognized that state-chartered banks should be treated differently than mortgage bankers and brokers due to a bank's safety and soundness requirement.

The final outcome of LD 145 (presentment of the original note bill) reaffirmed that legislators respond when their local bankers contact them. A grassroots effort by bankers resulted in the Legislature returning a unanimous ought-to-pass bill back to the Committee for further review. LD 145 was a contentious bill even before it was printed. MBA, bankers, credit union representatives and other legislators were unsuccessful in trying to persuade Representative Beavers (D-South Berwick), the primary bill sponsor, from submitting the bill. LD 145 is back in committee, but it will be debated again next session. MBA and other interested parties will be working together over the summer and fall to prepare for the debate that will take place.

MBA legislative outreach programs including coffees and Meet Your Local Banker events continue to grow. In the coming year, we hope to establish a sub-committee within the MBA Legislative Committee to help us expand our grassroots efforts.

2010 COMMUNITY INVOLVEMENT BY MAINE BANKS

\$10,318,825	165,043	\$6,323,629
Charitable donations by banks	Hours volunteered by bank employees to their communities	Taxes paid by banks to the State of Maine and municipalities
\$418,069	55%	\$2,692,347,637
Dollars raised for community causes by bank employees	Percent of bank employees who volunteered in their communities	Residential real estate loans
6,437		\$3,335,865,921
Organizations receiving donations		Commercial loans to businesses

HEAF SCHOLARSHIP RECIPIENTS

The Maine Higher Education Loan Foundation (MeHEAF), administered by the MBA, awards \$1,000 scholarships annually to graduates of Maine high schools who attend Maine colleges and achieve academic success in a business-related course of study. All are chosen by the faculty at their respective colleges:

Husson University—**Jeremy McDevitt**
 Southern Maine Community College—**Lacy McMoarn**
 St. Joseph's College—**Madylan Kluna**
 Thomas College—**Joshua Rogers**
 University of Maine at Augusta—**Justin Belka**
 University of Maine at Farmington—**William Glidden**
 University of Maine at Fort Kent—**Joshua Desjardin**
 University of Maine at Machias—**Kelsey Kurz**
 University of Maine at Presque Isle—**Laura Schools**
 University of New England—**Jordan Stinglen**
 University of Southern Maine—**Ryan Bosse**



MBA CALENDAR OF MAJOR MEETINGS

<p>September 15-18, 2011 Annual Convention Hyatt Regency, Montreal</p> <p>April 11, 2012 Bank Expo 2012 Holiday Inn by the Bay</p> <p>June 21-22, 2012 CEO Overnight Spruce Point Inn, Boothbay</p>	<p>October 21, 2011 Directors College Augusta Civic Center</p> <p>May 2, 2012 Trust & Wealth Management Conference Harraseeket Inn</p>	<p>November 15-16, 2011 Emerging Leaders Conf. Harraseeket Inn</p> <p>May 9, 2012 Directors Forum Augusta Civic Center</p> <p>September 13-16, 2012 Annual Convention Newport, RI</p>
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EVENTS AND EDUCATION

MBA sponsored over 120 webinars this past year, and our member participation demonstrates the value of this ongoing program. Training topics include a Mandatory Compliance Training Series, Consumer Lending Series, Director Series, Audit, Bank Management and Operations, BSA, Deposit Operations & Compliance, HR, Technology, Loans Compliance, and many more. Additionally, MBA continues to sponsor Regulatory Workshops and Seminars throughout the year to include: Bank Security Training, Training on Federal and State TILA changes, Bank Security Seminar, Flood Insurance Seminar, Appraisal Training, Bank Secrecy Act and Legislative Recap Seminar.

MBA AFFILIATE MEMBERS

ABA Insurance Services, Inc.	MacDonald Page & Company
Acadia Auto Group, Inc.	Maine Education Services (MES)
Accume Partners	Maine Merchant Bank
Actuarial Designs & Solutions	MPX
Ainsworth, Thelin & Raftice	Maine State Housing Authority
Angell Pension Group	MetLife Reverse Mortgages
Atlantic Benefit Group	Meyer-Chatfield Corp.
Baker Newman Noyes	MGIC
Bank and Insurance Service Co.	New England Business Advisors
Bankers' Bank Northeast	New England Receivables
Berry, Dunn, McNeil & Parker	NMI InfoSecurity Solutions
BFS New England	Northeast Capital & Advisory
BSG Financial	Nutter McClennen & Fish LLP
CBCInnovis	NYCE Corporation
COCC	Office Max
Deighan Associates	Open Solutions
Deluxe Corporation	OTT Communications
EPG, Inc	Pentegra Retirement Services
FHLB of Boston	Perkins, Thompson, Hinckley & Keddy
Finance Authority of Maine	Pierce Atwood
FinSecure, LLC—a Berkley Company	REMM Financial Services
FISC Solutions	Sage Data Security
Fiserv	Sandler O'Neill & Partners LP
Frye Investment Associates	SBERA
Goodwin Procter LLP	Skelton Taintor & Abbot
Gravoc Associates	Stifel, Nicolaus & Co., Inc.
Haenn, Michael S. (Law Offices)	Systems Engineering
Insurance Consultants of Maine	TLA
Jack Henry Banking	Transfirst
John M. Floyd & Associates	Verrill & Dana, LLP
Keefe, Bruyette & Woods, Inc.	WB Mason
Keenan Auction Company	Winbrook
Luse Gorman Pomerenk & Schick	Wolf & Company P.C.
M & M Consulting LLC	Zurich No. American Financial
M Benefit Solutions	

ASSOCIATION SERVICES

MBA has a limited number of partnerships with vendors that offer attractive pricing and an excellent track record on unique products and services. Our Bank Partners are: Deluxe Corp., OfficeMax, ReSubmitt, Senior Housing Crime Prevention, SoyPrint™, Stevens Wellspring, Ascensus, Thumbprint, TransFirst, UVeritch and W. B. Mason. Our Corporation for American Bankers (CAB) partners are: ABA Insurance Services, Intuit, Travelex Gift Card and UPS. Publications include: The annual Maine Bank Directory, Maine Banker Magazine, Maine Financial Institutions Law—Title 9-B MRS and Maine Consumer Credit Laws—Title 9-A & Selected Consumer Credit Laws.

2010-2011 TRUST TRUSTEES

ROBERT S. MONTGOMERY-RICE, Chairman
Bangor Savings Bank

JOSEPH M. MURPHY
Bar Harbor Bank & Trust

GLENN L. HUTCHINSON
Bath Savings Institution

ANDREW C. PERRY
First Federal Savings & Loan of Bath

CHRISTOPHER W. EMMONS
Gorham Savings Bank

JON J. PRESCOTT
Katahdin Trust Company

RICHARD J. VAIL
Mechanics Savings Bank

HARRY C. MANK
Rockland Savings Bank, FSB

KEVIN P. SAVAGE
Saco & Biddeford Savings Institution

MEMBERSHIP

Actuarial Designs & Solutions
Androscoggin Bank
Aroostook County Federal S&L Assoc.
Auburn Savings Bank, FSB
Bangor Savings Bank
Bar Harbor Bankshares
Bar Harbor Savings & Loan
Bath Savings Institution
Biddeford Savings Bank
Border Trust Company
Damariscotta Bank & Trust Company
Deighan Associates
Finance Authority of Maine
F.L. Putnam Investment Mgmt Co. First
Federal S&L Association of Bath
Franklin Savings Bank
Gorham Savings Bank
Katahdin Trust Company
Kennebec Federal Savings
Kennebec Savings Bank
Kennebunk Savings Bank
Machias Savings Bank
Maine Bankers Association
Maine Merchant Bank
Mechanics Savings Bank
Norway Savings Bank
Rockland Savings Bank, FSB
Saco & Biddeford Savings Institution
Sanford Institution For Savings
Skowhegan Savings Bank
Spinnaker Trust
The Bank of Maine

DIRIGO BOARD OF DIRECTORS

GLENN L. HUTCHINSON, Chairman
Bath Savings Institution

BRUCE G. NICKERSON
Bangor Savings Bank

CHARLES M. PETERSEN
Biddeford Savings Bank

BRADFORD C. PAIGE
Kennebunk Savings Bank

KEVIN P. SAVAGE
Saco & Biddeford Savings Institution

JOHN WITHERSPOON
Skowhegan Savings Bank

INSURANCE PROGRAMS

Kathleen Meehan, Senior Vice President & Marcia Ferguson, Director of Insurance Programs

The Association has provided management and administrative services for employee benefit and insurance programs for many years; clients include the Maine Financial Institutions Employee Benefits Trust, the Maine Financial Institutions Creditor Trust, and Dirigo Reinsurance Company Ltd. The Association's subsidiary, CBIA, is a licensed insurance agency offering group employee benefits, voluntary benefits, long term care insurance and bank specialty products. CBIA is also a licensed Third Party Administrator, providing enrollment and billing services. Here are some program highlights:

To facilitate a transition to a calendar year plan in 2012, the **Benefits Trust** negotiated 18-month rate guarantees with Anthem and Northeast Delta Dental. As of July 2011, we will complete the final phases of integrating the former IBT and BHT plans into Benefits Trust programs.

A major initiative for this year was the rollout of a Benefits Trust-subsidized wellness program. The Benefits Trust provided funding for the cost of biometric screenings, health risk assessments, and access to online health tools, and employers had the option of upgrading their programs to include telephonic and/or face-to-face coaching with a health specialist. Fourteen groups signed up for the program and over 1000 employees were screened (60% participation rate) at more than 80 locations from November through February. Feedback from employers and employees has been very positive.

The Benefits Trust contracted for a special Administrative Audit with Macdonald Page and Company, LLC, in addition to our annual financial audit. The Board requests this administrative audit every three years; it addresses ERISA and other legal/regulatory issues. We received a favorable report and know that our membership values our commitment to compliance.

The **Creditor Trust** provides mortgage and consumer insurance for financial institution customers. Staff worked with Transamerica, our insurer, to enhance their secure "Admin eSuite" website by integrating a rate calculator, disclosure statements and applications. The website upgrades produced a highly efficient process for bank staff, meaning more opportunity to insure customers, a higher percentage of

loans protected and increased fee income for the bank. More than 200 bank employees attended training on the enhanced site.

The Creditor Trust's 'Forced Order Hazard' (FOH) insurance is written through Balboa Life and Casualty Insurance Company; it protects the bank's interest in a property when a customer allows his homeowner's insurance to lapse, as well as bank-owned real estate, residential and commercial.

The Creditor Trust's financial position remains strong. In 2011, we will receive a dividend on our stock in the Mortgage Reinsurance Program and Consumer Reinsurance Program. Reserves for both the mortgage and consumer plans remain healthy, and we continue to make distributions from reserves to participating financial institutions.

Community Banks' Insurance Agency (CBIA) is a licensed insurance agency and third-party administrator. CBIA offers a broad range of insurance programs for Maine employers, including core benefits and voluntary plans. CBIA has partnered with INVEST Financial Corporation to offer retail investment programs to financial institutions and also offers specialty bank insurance products like Lenders Single Interest, Guaranteed Auto Protection (GAP) programs, and debt cancellation programs.

Since 2006, MBA has worked with Stevens Well-spring Group on our Employee Assistance Program for member employees. The program has grown to include 15 financial institutions with almost 2000 employees covered. The program has recently been expanded to include an optional 'Work Life' program, which helps employees manage and balance their many responsibilities.

Dirigo Reinsurance Company, LTD. (Dirigo) was formed to reinsure private mortgage insurance on loans underwritten by participating financial institutions. Management services are provided by the MBA. DIRIGO has just completed its tenth full year of operations, and ten financial institutions are stockholders of the company. At year end 2010, Dirigo's book value was \$2.054 million. In July 2011, Dirigo will pay its fifth dividend.

MAINE BANKERS ASSOCIATION STAFF

CHRISTOPHER W. PINKHAM
President

KATHLEEN MEEHAN
Senior Vice President

MARC P. OWEN
Vice President & Treasurer

PAMELA M. GREEN
Director of Member Services

KATHLEEN M. KENEBORUS
Director of Government Relations & Compliance

MARCIA M. FERGUSON
Director of Insurance Programs

DEBORAH L. GERRY
Benefits Coordinator

NIKKI M. LAMORE
Insurance Programs Coordinator

LIZA WELLS
Accounting Specialist

DAPHNE BACKMAN
Insurance Programs Assistant

DRINDA GRAY
Association Assistant

LORRIE HIGGINS
Enrollment & Billing Specialist