

Maine HQ'd Banks (25)

Data source: FDIC Call Reports – June 30, 2020

| | <u>6.30.20</u> (6 months) | <u>12.31.19</u> | <u>12.31.18</u> | <u>12.31.17</u> |
|---|------------------------------|-----------------|-----------------|-----------------|
| Residential Real Estate Loans (% annual growth) | 2.55 % | 6.01 % | 7.70 % | 5.58 % |
| Home Equity Loans (% annual growth) | (7.51%) | (4.67 %) | (5.89 %) | (0.25 %) |
| 90 Days Delinquent – All Loans | 0.61 % | 0.62 % | 0.69 % | 0.73 % |
| Commercial Real Estate (% annual growth) | 4.1 % | 5.27 % | 6.83 % | 9.50 % |
| C & I Loans (% annual growth) | 56.3 % | 5.36 % | 8.10 % | 8.16 % |
| Net Income before extraordinary items | 0.61 | 0.95 | 0.87 | 0.67 |

Maine banks are healthy, but the numbers include PPP loans of \$2B

(all numbers below are from the 25 Maine HQ'd banks)

- Total assets grew 10.06% in the first 6 months of 2020 to \$32.9 billion
- Total loans grew 9.28% in the first 6 months of 2020 to \$24.7 billion
- Loan growth by category remains steady during the past 6 months:
 - C&I loans grew 56.33% to \$4.6 billion
 - Commercial real estate grew 4.12% to \$8.25 billion
 - Residential 1-4 family grew 2.5% to \$10.18 billion
 - Home equity loans decreased (2.28%) to \$1.45 billion
 - Consumer loans decreased (7.51%) to \$308 million
 - Delinquencies continue to decline achieving a 13-year low of 0.61%

Maine banking facts – all 30 banks

- 30 retail banks – 25 in-state HQ'd and 5 out-of-state banks
- \$34 billion Maine deposits (all 30 banks)
- 454 banking offices statewide – down from 463 (FDIC 6/30/19)
- 7,493 retail office employees with \$667 million in annual compensation (ABA survey of estimated wages & benefits, year-end 2019)
- 3,000 bank operations center employees (ABA/MBA survey)

Consensus Economic Forecasting Commission
October 16, 2020

PPP Loans. Maine banks have encountered a most unusual six months, beginning with the crazy onboarding of 25,000 PPP loans during April and May. Also, at that time, those loans were generated by a remote work force, something no lender had ever experienced.

Residential Real Estate. Most regions have reported strong sales of 1-4 family housing, and while we have numerous transactions that are cash-only, many have been attracted to historically low interest rates. This data is supported by a shortage of inventory for sale as well as noticeable short periods of time for listings.

Commercial Real Estate & C & I Loans. The significant 56% increase in lending is driven by the PPP loans and not because of strong demand. Fear of the unknown and concerns for too much debt have many businesses placing a hold on expansion plans. On the CRE side, the future of commercial office space, the scale of the hospitality industry in the next few years, as well as concerns for the economy, have held back some business expansion/relocation plans.

Deferrals and Delinquencies. During the early stages of the pandemic, lenders were frequently offering deferred payments, restructuring and payment holidays for many loan customers. Routinely, 90-day and often 180-day grace periods were requested and utilized. As those extensions have expired, there have been a number requesting extensions, but, a bit surprisingly, many loans have returned to regular payment schedules. This is a very positive sign as we move away from the tourist season and into the cold weather. These two variables will directly impact borrowers.

Remote Work Force. While Maine banks have embraced technology for nearly all banking services, there remains a very human touch to transactions, especially with small business owners. Additionally, the industry places extraordinary emphasis on the security of customer information. These two issues should have made moving all business from the office to remote locations in residences very challenging.

Remarkably, the transition has been very smooth with inconveniences to customers at a minimum. Challenges such as women and men working long hours to process PPP applications and retail branches transitioning from drive-thru only to appointments (and now many offices back to regular operations) is a testament to the industry. Customers, while totally understanding, have been served well during this extraordinary time.

Employment. Maine banks have a large and very diverse workforce, with positions requiring expertise in accounting, finance, lending, cyber security, technology, sales, HR and executive management. Banking's workforce continues to grow and may now exceed 10,000 workers. Banks provide employees strong benefit programs, educational growth opportunities and career advancement. Talent acquisition continues to be a major issue for the industry moving forward as retiring boomers need to be replaced.