

## MAINE BUREAU OF FINANCIAL INSTITUTIONS ORDER APPROVING APPLICATION OF BORDER TRUST COMPANY TO PURCHASE CERTAIN OF THE ASSETS AND ASSUME CERTAIN OF THE DEPOSIT LIABILITIES OF THE JACKMAN BRANCH OF UNITEDKINGFIELD BANK

Border Trust Company, South China, Maine ("BTC") applied to the Superintendent of the Maine Bureau of Financial Institutions ("the Superintendent"), pursuant to Title 9-B M.R.S.A. 355, to purchase certain of the assets and assume certain of the deposit liabilities of the Jackman branch office of UnitedKingfield Bank, Bangor, Maine ("UKB"). BTC intends to close the acquired branch and consolidate those operations with its existing branch office located in Jackman.

The application was accepted for processing on December 23, 2003. Public notice, as required by Title 9-B M.R.S.A. 252.2(B), was provided by publication and mail to interested parties affording them an opportunity to either submit written comments or request a hearing. No comments were received by the Bureau during the public comment period ending January 28, 2004.

A Principal Bank Examiner of the Maine Bureau of Financial Institutions conducted an investigation of this transaction. All evidence and pertinent material that were considered by the Examiner were also considered by the Superintendent in reaching his decision.

BTC is a \$75 million commercial bank that operates three offices in central Maine and two branches in western Maine. UKB, a wholly-owned subsidiary of Camden National Corporation, is a \$390 million savings bank operating 15 branch offices, primarily in central and western Maine.

The Jackman banking market, as defined by the Federal Reserve Bank of Boston, is a sparsely populated, remote area of Maine whose residents are accustomed to traveling long distances for a variety of services.<sup>[1]</sup> There are only two banking offices located in the Jackman banking market: the one operated by BTC and the one operated by UKB. UKB's Jackman branch has approximately \$4 million in deposits and BTC's Jackman branch, approximately \$21 million. Deposits at both branches have been declining or flat in recent years, and total market deposits have increased only \$1 million during the past five years. UKB has indicated that it will consider closing the Jackman branch, which it has unsuccessfully attempted to sell to another financial institution, if this transaction is not consummated.

While the Bureau is concerned when any institution has a dominant share of a market's deposits, the Bureau has to balance that concern with the recognition

that Maine is comprised of many relatively sparsely populated markets that do not have substantial deposits and have limited near-term potential for meaningful growth, all of which serve to limit the number of competitors in these markets. As such, highly concentrated markets are a natural outcome. In fact, using the United States Department of Justice ("DOJ") guidelines, 25 of the State's 28 banking markets are "highly concentrated;" the average Herfindahl-Hirschman Index ("HHI") for Maine's 28 banking markets is 3004 and the average three-bank concentration ratio per market is 80%.<sup>[2]</sup> Due to branch operating costs, the need to generate adequate return on capital, the advantages of alternative delivery systems, and the number of non-bank competitors (e.g., mortgage companies, captive automobile and equipment finance companies, credit card companies, mutual funds, etc.), banks are closely scrutinizing the productivity and efficiency of their branch networks. Banks, in order to justify rural, low volume branches, seek a significant market share. The alternative is a reduction in the scope of operations (limited days or hours, limited staff and limited services) or branch closures. The Bureau recognizes that consummation of this transaction will result in some decrease in competition and some decrease in convenience to some customers in the Jackman market, but the Bureau also finds that these negative factors are clearly outweighed by the probable long-term benefits to the market.<sup>[3]</sup> The larger deposit base increases the prospects of BTC's Jackman branch remaining viable and thereby the continued existence of a banking office in Jackman. Therefore, the Bureau concludes that this transaction will not have a significantly adverse effect on competition in the Jackman market.

The consolidation of UKB's Jackman branch with BTC's Jackman branch will have no effect on the managerial resources of BTC and should have a positive effect on the financial condition of both BTC and UKB by increasing operating efficiencies, thereby enhancing their earnings. Generally, there are not significant differences in the traditional banking products and services offered, except that BTC does not offer computer banking or trust services. BTC does offer substantially greater banking hours, including Saturday hours.

The Bureau's analysis concludes that the proposed branch acquisition will not have a significantly adverse competitive effect in the Jackman market and that the other statutory factors are satisfactory. Therefore, the application of Border Trust Company to acquire the Jackman branch of UnitedKingfield Bank is approved. The transaction shall be completed within one year of the effective date of this Order, unless a written extension is granted by the Superintendent.

Any person aggrieved by this Order shall be entitled to a judicial review of the Order in accordance with the Maine Administrative Procedure Act, Title 5, Chapter 375, subchapter VII.

By order of the Superintendent, effective March 21, 2004.

/s/ Howard R. Gray, Jr.  
Superintendent  
Gardiner, Maine  
February 23, 2004

[1] Total population of the three minor civil divisions that comprise the Jackman banking market is less than 1,000, and has been declining for at least twenty years. The nearest dentist and hospital emergency room are 47 miles distant and the nearest optician and new car dealer are 73 miles distant.

[2] The DOJ uses the HHI, a statistical measure of concentration based on market deposits, to analyze the competitive effects of bank mergers. A market in which the post-merger HHI is above 1800 is considered to be "highly concentrated." Generally, the DOJ does not challenge a bank merger in a highly concentrated market unless the acquisition increases the HHI by more than 200 points.

[3] The DOJ has also reviewed the competitive effects of this proposal and concluded that consummation would not have a significantly adverse effect on competition.