

MAINE BUREAU OF FINANCIAL INSTITUTIONS
STATE OF MAINE DEPARTMENT OF PROFESSIONAL AND FINANCIAL
REGULATION
ORDER APPROVING APPLICATION OF FIRST NATIONAL LINCOLN
CORPORATION, DAMARISCOTTA, MAINE TO ACQUIRE FNB BANKSHARES,
BAR HARBOR, MAINE

First National Lincoln Corporation, Damariscotta, Maine ("FNLC") applied to the Superintendent of the Maine Bureau of Financial Institutions ("the Superintendent"), pursuant to 9-B M.R.S.A. Chapter 101, to acquire by merger 100% of the stock of FNB Bankshares, Bar Harbor, Maine ("Bankshares") and thereby acquire 100% of The First National Bank of Bar Harbor, Bar Harbor, Maine ("FNBBH"), a wholly-owned subsidiary of Bankshares. Immediately after consummation of the holding company merger, FNBBH will be merged with and into The First National Bank of Damariscotta, Damariscotta, Maine ("FNBD"), a wholly-owned subsidiary of FNLC.

The application was accepted for processing on October 1, 2004. Public notice, as required by Title 9-B M.R.S.A. 252.2(B), was provided by publication, posting on the Bureau's website and e-mail to interested parties affording them an opportunity to submit written comments or request a hearing. No comments were received by the Bureau during the public comment period ending November 5, 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 her decision.

FNLC is a registered holding company whose sole subsidiary is FNBD. FNBD offers traditional banking services and investment management and private banking services, primarily to small businesses and individuals. FNBD operates seven offices in Mid-Coast Maine. Bankshares is a holding company whose sole subsidiary is FNBBH, which operates seven offices in Down East Maine. FNBBH offers traditional banking services and trust and investment management services, primarily to small businesses and individuals.

As of June 30, 2004, FNBD had total deposits of \$387 million and FNBBH had total deposits of \$175 million. FNBD operates in four banking markets as defined by the Federal Reserve Bank of Boston and FNBBH operates in three banking markets. The two banks do not directly compete in any banking market. Accordingly, the Bureau concludes that consummation of this transaction would not have a significantly adverse effect on competition.

The financial and managerial resources of FNBD and FNBBH are satisfactory and the future prospects of both institutions, individually and combined, are considered satisfactory. However, both institutions are also sensitive to the trends of increasing competition and consolidation in the financial services industry. A combined FNBD/FNBBH is expected to be a stronger competitor, benefiting from an increased capital and asset base, expanded service market, and increased efficiencies produced by consolidation of operations and economies of scale.

The terms and conditions of the transaction appear equitable to all parties. The proposed merger should contribute to the strength of FNBD and to the banking needs of Down East and Mid-Coast Maine. Therefore, the application of First National Lincoln Corporation to acquire FNB Bankshares and its subsidiary, The First National Bank of Bar Harbor, 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 close of business December 10, 2004.

/s/ Colette L. Mooney
Acting Superintendent
Gardiner, Maine
November 9, 2004