

UNION BANKSHARES CO/ME  
Form 425  
October 31, 2007

**Filed by Camden National Corporation Pursuant**

**to Rule 425 under the Securities Act of 1933**

**Subject Company: Union Bankshares Company**

This filing relates to the quarterly shareholder letter and related financial information issued by Camden National Corporation on October 31, 2007. The following is a copy of the information.

Dear Shareholders:

I am pleased to report to you that in the face of continued economic uncertainty and in the midst of financial markets that seemingly bring us more bad news than good news these days, your Company is performing at a highly satisfactory level and actively pursuing its strategic growth agenda.

Through the first nine months of 2007, earnings per diluted share of \$2.24 represented an increase of 2.8%, compared to \$2.18 for the same three quarters in 2006, reflecting the Company's common stock repurchase activity. Net income of \$14.7 million for the nine-month period ended September 30, 2007 was down 4.0% from the \$15.3 million reported for the nine-month period ended September 30, 2006. These results translated into a return on average equity of 18.08% and a return on average assets of 1.13% for the nine-month period ended September 30, 2007, which compared to 18.23% and 1.19%, respectively, for the same period a year ago.

For the quarter ended September 30, 2007, earnings per diluted share of \$0.77 was equal to the \$0.77 per diluted share earned during the third quarter of 2006. Net income for the recently completed quarter was \$5.0 million, which was \$138,000, or 2.7%, lower than that earned in the same quarter a year ago.

At September 30, 2007, total assets of \$1.7 billion were flat compared to where the Company ended the third quarter of 2006. Total loans of \$1.2 billion at September 30, 2007 declined \$69.8 million, or 5.61%, year-on-year. This decline is almost exclusively centered in our commercial real estate portfolio and reflects a continued conservative posture in the Company's loan underwriting practices given the earlier-mentioned uncertainty surrounding the economy.

Year-to-date, the quality of the Company's loan portfolio continues to demonstrate soundness and improvement, as evidenced by the level of non-performing loans to total loans, which at 0.50% at September 30, 2007 was down from 0.68% and 1.12% at September 30, 2006 and December 31, 2006, respectively. In addition, net charge-offs to total loans for the nine-month period ended September 30, 2007 was 0.09%. The allowance for loan and lease losses, at \$13.9 million, was more than double the outstanding balances of our non-performing loans at September 30, 2007, and as a percentage of total loans stands at 1.19%. Once again, by any of the aforementioned measures of performance, your Company is considered better than average among its peers.

At September 30, 2007, total core deposits (total deposits excluding brokered certificates of deposit), at \$1.1 billion, were up 3.2% over balances reported at September 30, 2006. The most significant deposit category for growth was money market accounts, up \$30.9 million, or 11.8%, year-on-year. These results reflect the emphasis on the business development efforts of the Company's commercial banking and cash management teams, who are laser-focused on deposit growth in the current environment. This effort is featured in the side panels of this report.

Positive momentum continued in the area of non-interest income, which at \$9.4 million for the nine months ended September 30, 2007, was up \$706,000, or 8.1%, versus the same period a year ago. Primary contributors to this success continue to be fiduciary services, brokerage and insurance commissions, and debit card activities with year-on-year revenue increases of 11.5%, 59.7% and 18.2%, respectively. At the same time, the Company maintained its commitment to controlling overhead as total non-interest expenses for the first nine months of 2007 were \$25.5 million, which was \$190,000, or 0.7%, lower than year-to-date at September 30, 2006. This resulted in an efficiency ratio of 54.92%, up from 51.73% reported at the same time last year, yet worthy of our recognition in the industry as a low-cost producer.

Undoubtedly the most significant event of the third quarter was our announced intention to acquire Union Bankshares Company, parent company of Union Trust Company, a \$565.1 million community bank headquartered in Ellsworth, Maine. Our high regard for this 120-year old company dates back many years, which ostensibly kept them on our list of desirable acquisition targets. Prominent among their appealing characteristics is the coastal nature of the branch franchise, which makes for a natural geographic extension to our existing footprint. In addition, their well-developed wealth management and financial advisory business models will provide added scale to Camden National Corporation's existing capabilities resident within Acadia Trust, N.A. and Acadia Financial Consultants. We anticipate closing on the transaction in early 2008 at which time the combined enterprises will result in the creation of the largest community banking organization headquartered in Maine.

On the governance front, Theodore C. Johanson, a Director of the Company and its affiliate, Camden National Bank, attained the mandatory age of retirement following 11 years of loyal service. Ted was an enlightened presence in our midst, always mindful of his fiduciary duty to you, the shareholders. We shall miss his valuable insight and good humor, and we will always be grateful for his many contributions to each of the Company's constituencies.

Finally, the Board of Directors approved a dividend of \$0.24 per share, payable on October 31, 2007, to shareholders of record on October 15, 2007. This represents a \$0.02, or 9.1%, increase over the dividend paid for the same period a year ago.

It goes without saying that these are fairly challenging times for our industry. The investment community appears unimpressed, even with those who, like us, continue to produce results worthy of notice. Rest assured, however, that your Company and its workforce are undaunted by the effects of that which we cannot control. Rather, we remain collectively focused on doing what comes naturally—delivering remarkable experiences, each day, every day—confident that when economic conditions improve, we will be among those ready to seize the opportunities before us.

Sincerely,

Robert W. Daigle

President & CEO

**Consolidated Statements of Condition (unaudited)**

<i>(In thousands, except number of shares &amp; per share data)</i>	September 30,		December 31,
	2007	2006	2006
<b>Assets</b>			
Cash and due from banks	\$ 35,833	\$ 34,069	\$ 33,358
Federal funds sold	30,965	2,125	
Securities available for sale, at market value	393,193	361,257	409,926
Securities held to maturity	34,277	34,169	34,167
Loans, less allowance for loan losses of \$13,925 \$14,472 and \$14,933 at September 30, 2007 and 2006 and December 31, 2006, respectively	1,160,386	1,229,670	1,203,196
Premises and equipment, net	19,728	16,758	17,595
Other real estate owned	110		125
Goodwill	3,991	3,991	3,991
Other assets	69,343	67,149	67,528
<b>Total assets</b>	<b>\$ 1,747,826</b>	<b>\$ 1,749,188</b>	<b>\$ 1,769,886</b>
<b>Liabilities</b>			
Deposits:			
Demand	\$ 160,516	\$ 157,816	\$ 146,458
NOW	131,254	126,429	125,809
Money market	293,700	262,817	261,585
Savings	89,512	95,060	96,661
Certificates of deposit	502,434	577,999	555,288
<b>Total deposits</b>	<b>1,177,416</b>	<b>1,220,121</b>	<b>1,185,801</b>
Borrowings from Federal Home Loan Bank	263,084	307,227	340,499
Other borrowed funds	140,278	67,723	60,782
Junior subordinated debentures	36,083	36,083	36,083
Due to broker	556		24,354
Accrued interest and other liabilities	16,300	15,308	15,315
<b>Total liabilities</b>	<b>1,633,717</b>	<b>1,646,462</b>	<b>1,662,834</b>
<b>Shareholders Equity</b>			
Common stock, no par value; authorized 20,000,000 shares, issued and outstanding 6,513,000, 6,615,480 and 6,616,780 shares on September 30, 2007 and 2006 and December 31, 2006, respectively	2,531	2,450	2,450
Surplus	2,538	2,278	2,584
Retained earnings	111,861	102,434	105,959
Accumulated other comprehensive loss			
Net unrealized losses on securities available for sale, net of tax	(2,056)	(4,266)	(2,985)
Net unrealized losses on derivative instruments marked to market, net of tax		(170)	(198)
Adjustment for unfunded post-retirement plans, net of tax	(765)		(758)
Total accumulated other comprehensive loss	(2,821)	(4,436)	(3,941)
<b>Total shareholders equity</b>	<b>114,109</b>	<b>102,726</b>	<b>107,052</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 1,747,826</b>	<b>\$ 1,749,188</b>	<b>\$ 1,769,886</b>

*Camden National Corporation stock is listed on the American Stock Exchange under the ticker symbol CAC. Stock prices shown in chart are as of close of trading on the last business day of the month.*

**Consolidated Statements of Income** (unaudited)

<i>(In thousands, except number of shares &amp; per share data)</i>	Nine Months Ended September 30,		Three Months Ended September 30,	
	2007	2006	2007	2006
<b>Interest Income</b>				
Interest and fees on loans	\$ 64,162	\$ 64,795	\$ 21,105	\$ 22,441
Interest on securities	15,380	13,815	5,085	4,639
Other interest income	1,455	906	637	341
<b>Total interest income</b>	<b>80,997</b>	<b>79,516</b>	<b>26,827</b>	<b>27,421</b>
<b>Interest Expense</b>				
Interest on deposits	27,849	25,708	9,197	9,405
Interest on other borrowings	14,417	11,889	4,854	4,253
Interest on junior subordinated debentures	1,781	1,037	600	600
<b>Total interest expense</b>	<b>44,047</b>	<b>38,634</b>	<b>14,651</b>	<b>14,258</b>
<b>Net interest income</b>	<b>36,950</b>	<b>40,882</b>	<b>12,176</b>	<b>13,163</b>
<b>Provision for Loan and Lease Losses</b>	<b>100</b>	<b>1,656</b>		<b>552</b>
<b>Net interest income after provision for loan and lease losses</b>	<b>36,850</b>	<b>39,226</b>	<b>12,176</b>	<b>12,611</b>
<b>Non-interest Income</b>				
Service charges on deposit accounts	2,582	2,570	838	892
Other service charges and fees	1,380	1,271	502	416
Income from fiduciary services	3,668	3,290	1,240	1,139
Life insurance earnings	603	600	218	200
Other income	1,183	979	367	356
<b>Total non-interest income</b>	<b>9,416</b>	<b>8,710</b>	<b>3,165</b>	<b>3,003</b>
<b>Non-interest Expenses</b>				
Salaries and employee benefits	13,894	13,663	4,609	4,455
Premises and fixed assets	3,730	3,466	1,235	1,120
Amortization of core deposit intangible	642	650	214	213
Other expenses	7,200	7,877	2,344	2,392
<b>Total non-interest expenses</b>	<b>25,466</b>	<b>25,656</b>	<b>8,402</b>	<b>8,180</b>
<b>Income before income taxes</b>	<b>20,800</b>	<b>22,280</b>	<b>6,939</b>	<b>7,434</b>
<b>Income Taxes</b>	<b>6,077</b>	<b>6,948</b>	<b>1,941</b>	<b>2,298</b>
<b>Net Income</b>	<b>\$ 14,723</b>	<b>\$ 15,332</b>	<b>\$ 4,998</b>	<b>\$ 5,136</b>
<b>Per Share Data</b>				
Basic earnings per share	\$ 2.24	\$ 2.18	\$ 0.77	\$ 0.77
Diluted earnings per share	2.24	2.18	0.77	0.77
Cash dividends per share	\$ 0.72	\$ 0.66	\$ 0.24	\$ 0.22
Weighted average number of shares outstanding	6,571,836	7,021,808	6,513,000	6,613,379
Tangible book value per share	\$ 16.83	\$ 14.71		

(1) Computed by dividing total shareholders' equity less goodwill and core deposit intangible by the number of common shares outstanding.

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*A complete set of financial statements for Camden National Corporation may be obtained upon written request to Suzanne Brightbill, Public Relations Officer, Camden National Corporation, P.O. Box 310, Camden, Maine 04843.*

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## Forward-Looking Statements

This report contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by the use of the words believe, expect, anticipate, intend, estimate, assume, will, should, and other expressions which predict or indicate future events or trends and do not relate to historical matters. Forward-looking statements should not be relied on, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of Camden National Corporation ( Camden ). These risks, uncertainties and other factors may cause the actual results, performance or achievements of Camden to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Some of the factors that might cause these differences include the following: (i) failure of the parties to satisfy the closing conditions in the Merger Agreement in a timely manner or at all; (ii) failure of the shareholders of Union Bankshares Company ( Union Bankshares ) to approve the Merger Agreement; (iii) failure to obtain governmental approvals of the Merger, or imposition of adverse regulatory conditions in connection with such approvals; (iv) disruptions in the businesses of the parties as a result of the pendency of the Merger; (v) integration costs following the merger; (vi) changes in general, national or regional economic conditions; (vii) changes in loan default and charge-off rates; (viii) reductions in deposit levels necessitating increased borrowing to fund loans and investments; (ix) changes in interest rates; (x) changes in laws and regulations; (xi) changes in the size and nature of the Camden s competition; and (xii) changes in the assumptions used in making such forward-looking statements. Other factors could also cause these differences. For more information about these factors please see Camden s and Union Bankshares s filings with the SEC, including their Annual Report on Form 10-K on file with the Securities and Exchange Commission ( SEC ). All of these factors should be carefully reviewed, and readers should not place undue reliance on these forward-looking statements. These forward-looking statements were based on information, plans and estimates at the date of this report, and the Company does not promise to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

## Additional Information and Where to Find It

In connection with the proposed merger of Union Bankshares with and into Camden, Camden and Union Bankshares have filed relevant materials with the SEC, including the registration statement on Form S-4 containing a proxy statement/prospectus dated October 23, 2007. INVESTORS ARE URGED TO READ THESE MATERIALS BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT CAMDEN, UNION BANKSHARES AND THE MERGER. The proxy statement/prospectus and other relevant materials, and any other documents filed by Camden or Union Bankshares with the SEC, may be obtained free of charge at the SEC s website at [www.sec.gov](http://www.sec.gov). In addition, investors may obtain free copies of the documents filed with the SEC by Camden by directing a written request to Camden National Corporation, Two Elm Street, Camden, Maine 04843, Attention: Suzanne Brightbill, and free copies of the documents filed with the SEC by Union Bankshares by directing a written request to Union Bankshares Company, 66 Main Street, Ellsworth, Maine 04605, Attention: Clerk.

Information about the directors and executive officers of Camden and Union Bankshares and information about any other persons who may be deemed participants in this transaction is included in the proxy statement/prospectus dated October 23, 2007. You can find information about Camden s directors and executive officers in the proxy statement for Camden s annual meeting of stockholders filed with the SEC on March 21, 2007. You can find information about Union Bankshares s directors and executive officers in the proxy statement/prospectus dated October 23, 2007. You can obtain free copies of these documents from the SEC, Camden or Union Bankshares using the contact information above.

### Contacts:

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## Participants in Solicitation

Camden, Union Bankshares and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the shareholders of Union Bankshares in connection with the merger.