

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MARYLAND

UNITED STATES OF AMERICA, )  
 )  
 Plaintiff, )  
 )  
 v. ) CIVIL ACTION NO. W 76-963  
 )  
 FIRST MARYLAND BANCORP, ) FILED: June 25, 1976  
 THE FIRST NATIONAL BANK )  
 OF MARYLAND, and CITIZENS )  
 NATIONAL BANK OF HAVRE DE )  
 GRACE, )  
 )  
 Defendants. )

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants, and complains and alleges as follows:

I.

JURISDICTION AND VENUE

1. This Complaint is filed and this action is instituted under Section 15 of the Act of Congress of October 15, 1914, as amended (15 U.S.C. §25), commonly known as the Clayton Act, in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act (15 U.S.C. §18), as amended.
2. Each of the defendants has its principal place of business, transacts business, and is found within the District of Maryland.

II.

THE DEFENDANTS

3. First Maryland Bancorp, herein referred to as "Bancorp," is made a defendant herein. Bancorp is a single-

bank holding company. It is organized and existing under the laws of the State of Maryland, with its principal place of business in the City of Baltimore, Maryland.

4. The First National Bank of Maryland, herein referred to as "First of Maryland," is made a defendant herein. First of Maryland is a wholly-owned banking subsidiary of Bancorp. It is organized and existing under the laws of the United States of America, with its principal place of business in the City of Baltimore, Maryland.

5. The Citizens National Bank of Havre de Grace, herein referred to as "Citizens," is made a defendant herein. Citizens is an independent national banking association, organized and existing under the laws of the United States of America, with its principal place of business in Havre de Grace, Harford County, Maryland.

### III.

#### TRADE AND COMMERCE

6. Commercial banks fill an essential and distinctive role in the Nation's economy. Their principal functions are the acceptance of deposits for safekeeping and convenience in making payments by check, the granting of loans or advances of funds to individuals and business firms, and the creation through demand deposits of net additions to the supply of money. Most money payments in the United States are made through checks drawn against demand deposits and the creation and holding of such deposits is a function peculiar to commercial banks and one which makes them to a great extent the administrators of the Nation's check payment system. Through the making of loans to individuals and businesses, commercial banks supply a significant part of the credit requirements of the Nation's economy. Commercial banks also accept time deposits from various types of depositors and provide a wide variety

of other financial services, including personal and corporate trust accounts, the collection of drafts, bills, and other commercial instruments, the acceptance of bills of exchange, the issuance of letters of credit, the sale of cashier's checks, and drafts on correspondent banks, the purchase or sale of securities for customers, the sale of foreign exchange, and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

7. Commercial banks, because of the importance of bank credit to business and other borrowers and the close relationship of banks with many such borrowers, and because of their holdings of stock in trust accounts, have an important influence on competition in all branches of industry and commerce served by the banking system.

8. Customers of First of Maryland and Citizens have regularly utilized interstate communications, including the mails, telephone and telegraph to carry on their business with, apply for, and obtain the services provided by these banks. First of Maryland and Citizens have regularly utilized interstate communications, including the mails, telephone and telegraph, to conduct business with customers and with other banks located in states other than Maryland. First of Maryland and Citizens have received substantial amounts of funds from customers and correspondents located in states other than Maryland, and First of Maryland has made loans of substantial amounts to customers located in states other than Maryland. First of Maryland and Citizens are engaged in interstate commerce.

9. First of Maryland is the third largest bank in the state with 11% of the total commercial bank deposits in Maryland. As of September 30, 1975, First of Maryland had total assets of \$1.2 billion, total deposits of \$923 million, IPC demand deposits of \$359 million, and net loans and discounts of \$548 million. Its net operating income for 1974 was \$4.1 million, and its 1970-74 average net operating income was \$7.8 million. First of Maryland operates a total of seventy-one branch offices, eighteen in Baltimore and fifty-three throughout the state. In addition, it has approval to establish eight additional offices, and it has applications pending to open two branches.

10. Citizens is an independent bank doing business in Havre de Grace, Harford County, Maryland. As of September 30, 1975 Citizens had total assets of \$9.8 million, total deposits of \$8.5 million, IPC demand deposits of \$2.6 million, and net loans and discounts of \$5 million. Its net operating income for 1974 was \$85,000, and its 1971-74 average net operating income was \$74,750. Citizens' main office and branch office are both located in the town of Havre de Grace.

11. The effect on competition of a merger between First of Maryland and Citizens would be direct and immediate in Harford County and the neighboring towns of Perryville and Port Deposit, located in southwestern Cecil County, Maryland, herein referred to as the "Harford County area." Ten commercial banks, including First of Maryland and Citizens, operate a total of thirty-nine offices within this area. First of Maryland operates eight offices within this area, and both of Citizens' offices are located there.

12. Commercial banking is a highly concentrated industry within the Harford County area. The ten banks in competition in this market had, as of June 1975, a total of \$232,783,000 in total deposits. Of the ten banks, the top four had \$188,198,000 in deposits, or 80.8% of the market.

13. First of Maryland is the largest single bank serving the Harford County area: in June 1975, it had \$70,618,000 in deposits, thus controlling a 30.3% share. Citizens ranks sixth with deposits totaling \$8,553,000 or 3.7%. A merger of First of Maryland and Citizens would result in a bank that controlled 34.0% of the total deposits in the area, and the top four banks would have a 84.5% share of all commercial bank deposits in the area.

14. First of Maryland and Citizens are present competitors in commercial banking in the Harford County area. First of Maryland entered Harford County in 1968, when it acquired the then largest commercial local bank, the First National Bank of Harford. It now maintains eight offices in the county: four in Bel Air, two in Edgewood, one in Aberdeen, and one in Emmorton. First of Maryland's office in Aberdeen is only 4.7 road miles south of Havre de Grace, where both offices (including the main office) of Citizens are located.

15. The City of Havre de Grace and its immediate environs, herein referred to as the "immediate Havre de Grace service area," forms a commercial banking sub-market within the Harford County area. Two banks, Citizens and Maryland National Bank, each operate two offices within the immediate

Havre de Grace service area. As of June 1975, the two banks in the immediate Havre de Grace service area had \$26,065,000 in total deposits. Citizens had \$8,553,000, or 32.8%, and Maryland National Bank had \$17,512,000, or 67.2%.

16. The immediate Havre de Grace service area has been experiencing economic growth in recent years. The population of Havre de Grace has grown from 8,510 in 1960, to 9,791 in 1970, to an estimated 10,115 in 1975. Commercial bank deposits in the immediate Havre de Grace service area have increased from \$18,011,000 in June 1970 to \$26,065,000 in June 1975, an increase of 44.7% in five years. The immediate Havre de Grace service area is one of the major employment centers within the Harford County area. Many industrial and light manufacturing firms are located in and around Havre de Grace, and the plans of other firms to locate there suggest that commercial development will continue in the future. Two major residential developments, which together call for the construction of approximately 2,400 new housing units, are also planned for the immediate Havre de Grace service area. Most of Harford County is currently under a sewer moratorium which effectively prevents substantial commercial and residential development in the county. Havre de Grace is served by its own sewage treatment plant, however, and is not similarly restricted. This fact makes the immediate Havre de Grace service area even more attractive to commercial firms and developers. The growing population and industrial commercial development of the immediate Havre de Grace service area is creating an expanding market for trust business, loans, and other commercial banking services.

17. Citizens has been a successful competitor to the Maryland National Bank in the immediate Havre de Grace service area. In the five years between June 1970 and June 1975, Citizens' IPC demand deposits have increased from \$1,440,000 to \$2,565,000, and its savings deposits have increased from \$2,880,000 to \$4,441,000. During this same period, its total deposits increased from \$5,257,000 to \$8,553,000, an increase of more than 62%.

18. Substantial direct competition between First of Maryland and Citizens in the immediate Havre de Grace service area is imminent. In March 1975, First of Maryland filed an application with the Comptroller of the Currency to open a de novo branch in Havre de Grace, less than one mile from the two offices of Citizens. The Comptroller of the Currency approved the application on December 29, 1975, and First of Maryland has stated that it expects the proposed branch to be in operation by September, 1976. Existing Maryland law does not prevent First of Maryland from proceeding with its stated intention to open the proposed branch in Havre de Grace. The opening of this branch would have the effect of increasing the existing competition between First of Maryland and Citizens in the Harford County area generally and of creating substantial direct competition between First of Maryland and Citizens in the immediate Havre de Grace service area specifically.

#### IV.

##### VIOLATION ALLEGED

19. Defendants First Maryland Bancorp, First of Maryland and Citizens have entered into an agreement which was approved by their respective Boards of Directors on or about November 13, 1975, and which, if carried out, will result in a merger of

Citizens with and into First of Maryland under the charter of First of Maryland and with the title of the First National Bank of Maryland. On May 28, 1976, the Comptroller of the Currency granted approval of the proposed merger of the defendant banks.

20. The effect of the merger of First of Maryland and Citizens, pursuant to the agreement described in paragraph 19 above, may be substantially to lessen competition in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Existing competition and the potential for increased competition between First of Maryland and Citizens in the Harford County area will be eliminated;

(b) Concentration in commercial banking in the Harford County area will be substantially increased;

(c) Potential competition between First of Maryland and Citizens in the immediate Havre de Grace service area will be eliminated;

(d) Citizens will be eliminated as a substantial, independent competitive factor in commercial banking in the Harford County area and in the immediate Havre de Grace service area;

(e) Competition generally in commercial banking in the Harford County area and in the immediate Havre de Grace service area will be substantially lessened.

PRAYER

WHEREFORE, plaintiff prays:

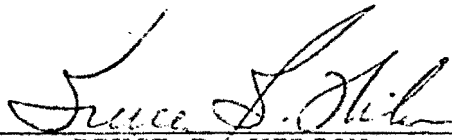
1. That the merger described in paragraph 19 of this Complaint be adjudged to be unlawful, in violation of Section 7 of the Clayton Act.
2. That defendants and all persons acting on their behalf be enjoined from carrying out the aforesaid agreement on



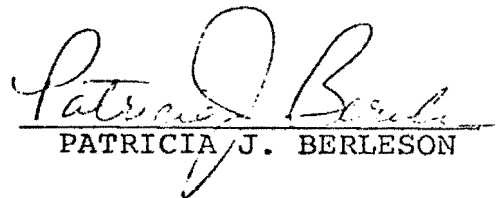
merger, or any similar plan or agreement, the effect of which would be to merge, consolidate, or in any other way combine the business of said defendants.

3. That the plaintiff have such other and further relief as the Court may deem just and proper.

4. That the plaintiff recover the costs of this action.



BRUCE B. WILSON  
Acting Assistant Attorney General



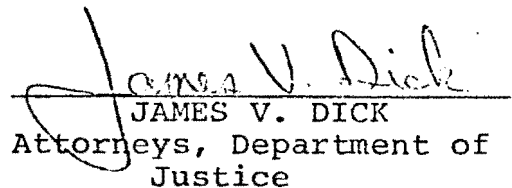
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