

CAMDEN NATIONAL CORP
Form 10-Q
November 04, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Commission File No. 0-28190
CAMDEN NATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

MAINE 01-0413282
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

2 ELM STREET, CAMDEN, ME 04843
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (207) 236-8821

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Outstanding at November 1, 2016: Common stock (no par value) 15,440,981 shares.

CAMDEN NATIONAL CORPORATION

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF CONDITION
(unaudited)

(In Thousands, Except Number of Shares)	September 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks	\$99,458	\$79,488
Securities:		
Available-for-sale securities, at fair value	788,880	750,338
Held-to-maturity securities, at amortized cost	94,205	84,144
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	23,201	21,513
Total securities	906,286	855,995
Loans held for sale	24,644	10,958
Loans	2,592,009	2,490,206
Less: allowance for loan losses	(23,290)	(21,166)
Net loans	2,568,719	2,469,040
Goodwill	94,697	95,657
Other intangible assets	7,240	8,667
Bank-owned life insurance	77,937	59,917
Premises and equipment, net	43,934	45,959
Deferred tax assets	34,632	39,716
Interest receivable	8,364	7,985
Other real estate owned	811	1,304
Other assets	37,244	34,658
Total assets	\$3,903,966	\$3,709,344
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand	\$427,349	\$357,673
Interest checking	763,710	740,084
Savings and money market	979,085	912,668
Certificates of deposit	489,856	516,867
Brokered deposits	229,225	199,087
Total deposits	2,889,225	2,726,379
Short-term borrowings	489,749	477,852
Long-term borrowings	10,808	35,911
Subordinated debentures	58,716	58,599
Accrued interest and other liabilities	62,287	47,413
Total liabilities	3,510,785	3,346,154
Commitments and Contingencies		
Shareholders' Equity		
Common stock, no par value; authorized 20,000,000 shares, issued and outstanding 15,434,856 and 15,330,717 shares as of September 30, 2016 and December 31, 2015, respectively	155,264	153,083
Retained earnings	242,092	222,329
Accumulated other comprehensive loss:		

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Net unrealized gains (losses) on available-for-sale securities, net of tax	6,595	(3,801)
Net unrealized losses on cash flow hedging derivative instruments, net of tax	(8,838) (6,374)
Net unrecognized losses on postretirement plans, net of tax	(1,932) (2,047)
Total accumulated other comprehensive loss	(4,175) (12,222)
Total shareholders' equity	393,181	363,190	
Total liabilities and shareholders' equity	\$3,903,966	\$3,709,344	

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(In Thousands, Except Number of Shares and Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Interest Income				
Interest and fees on loans	\$27,395	\$ 18,651	\$82,117	\$ 56,077
Interest on U.S. government and sponsored enterprise obligations	4,049	3,598	12,055	11,187
Interest on state and political subdivision obligations	702	624	2,127	1,504
Interest on federal funds sold and other investments	448	183	1,051	393
Total interest income	32,594	23,056	97,350	69,161
Interest Expense				
Interest on deposits	2,204	1,557	6,355	4,630
Interest on borrowings	1,161	849	3,610	2,556
Interest on subordinated debentures	857	638	2,557	1,894
Total interest expense	4,222	3,044	12,522	9,080
Net interest income	28,372	20,012	84,828	60,081
Provision for credit losses	1,279	279	5,003	979
Net interest income after provision for credit losses	27,093	19,733	79,825	59,102
Non-Interest Income				
Debit card income	1,894	1,266	5,650	3,652
Service charges on deposit accounts	1,799	1,554	5,356	4,634
Other service charges and fees	591	416	1,494	1,124
Mortgage banking income, net	2,407	390	4,921	975
Income from fiduciary services	1,225	1,177	3,736	3,725
Bank-owned life insurance	585	443	1,899	1,267
Brokerage and insurance commissions	594	411	1,569	1,362
Net gain on sale of securities	—	4	4	4
Other income	1,906	900	4,841	2,275
Total non-interest income	11,001	6,561	29,470	19,018
Non-Interest Expense				
Salaries and employee benefits	12,044	8,691	35,634	25,550
Furniture, equipment and data processing	2,349	1,705	7,157	5,530
Net occupancy costs	1,685	1,194	5,352	3,905
Consulting and professional fees	742	470	2,609	1,734
Regulatory assessments	667	513	2,162	1,534
Debit card expense	669	431	2,107	1,299
Other real estate owned and collection costs	877	543	2,029	1,554
Amortization of intangible assets	475	288	1,427	862
Merger and acquisition costs	45	766	866	1,629
Other expenses	2,596	2,110	8,045	6,072
Total non-interest expense	22,149	16,711	67,388	49,669
Income before income taxes	15,945	9,583	41,907	28,451
Income Taxes	5,042	3,127	12,742	9,191
Net Income	\$10,903	\$ 6,456	\$29,165	\$ 19,260
Per Share Data				
Basic earnings per share	\$0.70	\$ 0.58	\$1.88	\$ 1.72

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Diluted earnings per share	\$0.70	\$ 0.57	\$1.88	\$ 1.71
Weighted average number of common shares outstanding	15,425,452	11,179,821	15,410,310	10,165,297
Diluted weighted average number of common shares outstanding	15,507,561	11,215,844	15,483,320	10,196,749

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$10,903	\$6,456	\$29,165	\$19,260
Other comprehensive income:				
Net change in unrealized gains (losses) on available-for-sale securities:				
Net change in unrealized gains (losses) on available-for-sale securities, net of tax of \$405, (\$1,649), (\$5,599) and (\$1,723), respectively	(752)	3,064	10,399	3,202
Net reclassification adjustment for gains included in net income, net of tax of \$0, \$1, \$1 and \$1, respectively ⁽¹⁾	—	(3)	(3)	(3)
Net change in unrealized gains (losses) on available-for-sale securities, net of tax	(752)	3,061	10,396	3,199
Net change in unrealized gains (losses) on cash flow hedging derivatives:				
Net change in unrealized gains (losses) on cash flow hedging derivatives, net of tax of (\$107), \$1,221, \$1,859, and \$1,115, respectively	199	(2,267)	(3,453)	(2,070)
Net reclassification adjustment for effective portion of cash flow hedges included in interest expense, net of tax of (\$187), (\$271), (\$532) and (\$447), respectively ⁽²⁾	347	504	989	829
Net change in unrealized gains (losses) on cash flow hedging derivatives, net of tax	546	(1,763)	(2,464)	(1,241)
Reclassification of amortization of net unrecognized actuarial loss and prior service cost, net of tax of (\$20), (\$20), (\$62) and (\$61), respectively ⁽³⁾	39	39	115	116
Other comprehensive income (loss)	(167)	1,337	8,047	2,074
Comprehensive Income	\$10,736	\$7,793	\$37,212	\$21,334

(1) Reclassified into the consolidated statements of income in net gain on sale of securities.

(2) Reclassified into the consolidated statements of income in interest on subordinated debentures.

(3) Reclassified into the consolidated statements of income in salaries and employee benefits.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

(In Thousands, Except Number of Shares and Per Share Data)	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares Outstanding ¹	Amount			
Balance at December 31, 2014	11,139,333	\$41,555	\$211,979	\$(8,425)	\$245,109
Net income	—	—	19,260	—	19,260
Other comprehensive income, net of tax	—	—	—	2,074	2,074
Stock-based compensation expense	—	542	—	—	542
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings and tax benefit	41,734	512	—	—	512
Equity issuance costs	—	(537)	—	—	(537)
Cash dividends declared (\$0.60 per share) ⁽¹⁾	—	—	(7,557)	—	(7,557)
Balance at September 30, 2015	11,181,067	\$42,072	\$223,682	\$(6,351)	\$259,403
Balance at December 31, 2015	15,330,717	\$153,083	\$222,329	\$(12,222)	\$363,190
Cumulative effect adjustment (Note 16)	—	72	(72)	—	—
Cash in-lieu, stock split (Note 2)	(173)	(5)	—	—	(5)
Net income	—	—	29,165	—	29,165
Other comprehensive income, net of tax	—	—	—	8,047	8,047
Stock-based compensation expense	—	1,521	—	—	1,521
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings and tax benefit	104,312	593	—	—	593
Cash dividends declared (\$0.60 per share) ⁽¹⁾	—	—	(9,330)	—	(9,330)
Balance at September 30, 2016	15,434,856	\$155,264	\$242,092	\$(4,175)	\$393,181

(1) Share and per share amounts have been adjusted to reflect the three-for-two stock split effective September 30, 2016, for all periods presented. Refer to Note 2.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED
STATEMENTS OF CASH
FLOWS
(unaudited)

Nine
Months
Ended
September
30,

(In Thousands)