

CAMDEN NATIONAL CORP

Form 10-Q

May 04, 2018

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 March 31, 2018

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
incorporation or organization)

(I.R.S. Employer
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) Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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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 April 27, 2018: Common stock (no par value) 15,566,603 shares.

CAMDEN NATIONAL CORPORATION

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2018
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PART I. FINANCIAL INFORMATION

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

(In thousands, except number of shares)	March 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$48,159	\$44,057
Interest-bearing deposits in other banks	76,950	58,914
Total cash, cash equivalents and restricted cash	125,109	102,971
Investments:		
Available-for-sale securities, at fair value	796,687	789,899
Held-to-maturity securities, at amortized cost (fair value of \$91.9 million and \$94.9 million, respectively)	93,192	94,073
Other investments	23,774	23,670
Total investments	913,653	907,642
Loans held for sale, at fair value	9,548	8,103
Loans	2,789,148	2,782,439
Less: allowance for loan losses	(22,990)	(24,171)
Net loans	2,766,158	2,758,268
Goodwill	94,697	94,697
Other intangible assets	4,774	4,955
Bank-owned life insurance	88,097	87,489
Premises and equipment, net	41,545	41,891
Deferred tax assets	23,181	22,776
Other assets	46,423	36,606
Total assets	\$4,113,185	\$4,065,398
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand	\$463,496	\$478,643
Interest checking	840,054	855,570
Savings and money market	1,005,329	985,508
Certificates of deposit	471,155	475,010
Brokered deposits	245,546	205,760
Total deposits	3,025,580	3,000,491
Short-term borrowings	552,624	541,796
Long-term borrowings	10,773	10,791
Subordinated debentures	58,950	58,911
Accrued interest and other liabilities	61,203	49,996
Total liabilities	3,709,130	3,661,985
Commitments and Contingencies		
Shareholders' Equity		
Common stock, no par value: authorized 40,000,000 shares, issued and outstanding 15,565,868 and 15,524,704 on March 31, 2018 and December 31, 2017, respectively	156,860	156,904
Retained earnings	275,841	266,723
Accumulated other comprehensive loss:		

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Net unrealized losses on available-for-sale debt securities, net of tax	(20,227) (10,300)
Net unrealized losses on cash flow hedging derivative instruments, net of tax	(4,547	) (5,926)
Net unrecognized losses on postretirement plans, net of tax	(3,872	) (3,988)
Total accumulated other comprehensive loss	(28,646	) (20,214)
Total shareholders' equity	404,055	403,413	
Total liabilities and shareholders' equity	\$4,113,185	\$4,065,398	

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

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended March 31,	
(In thousands, except number of shares and per share data)	2018	2017
Interest Income		
Interest and fees on loans	\$29,834	\$ 27,062
Interest on U.S. government and sponsored enterprise obligations (taxable)	4,225	4,256
Interest on state and political subdivision obligations (nontaxable)	672	702
Interest on deposits in other banks and other investments	547	394
Total interest income	35,278	32,414
Interest Expense		
Interest on deposits	3,749	2,554
Interest on borrowings	1,780	1,161
Interest on subordinated debentures	847	844
Total interest expense	6,376	4,559
Net interest income	28,902	27,855
(Credit) provision for credit losses	(497)	) 579
Net interest income after (credit) provision for credit losses	29,399	27,276
Non-Interest Income		
Debit card income	1,929	1,834
Service charges on deposit accounts	1,836	1,823
Mortgage banking income, net	1,391	1,553
Income from fiduciary services	1,283	1,247
Brokerage and insurance commissions	650	453
Bank-owned life insurance	608	577
Other service charges and fees	462	468
Other income	645	617
Total non-interest income	8,804	8,572
Non-Interest Expense		
Salaries and employee benefits	12,562	11,933
Furniture, equipment and data processing	2,586	2,325
Net occupancy costs	1,873	1,946
Consulting and professional fees	804	845
Debit card expense	730	660
Regulatory assessments	499	545
Amortization of intangible assets	181	472
Other real estate owned and collection costs (recoveries), net	75	(44)
Other expenses	2,994	2,746
Total non-interest expense	22,304	21,428
Income before income tax expense	15,899	14,420
Income tax expense	3,079	4,344
Net Income	\$12,820	\$ 10,076
Per Share Data		
Basic earnings per share	\$0.82	\$ 0.65
Diluted earnings per share	\$0.82	\$ 0.64
Weighted average number of common shares outstanding	15,541,975	15,488,848
Diluted weighted average number of common shares outstanding	15,603,380	15,568,639
Cash dividends declared per share	\$0.25	\$ 0.23

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended March 31,	
(In thousands)	2018	2017
Net Income	\$12,820	\$10,076
Other comprehensive loss:		
Net change in unrealized losses on available-for-sale securities, net of tax of \$2,666 and \$247, respectively	(9,729)	(458)
Net change in unrealized losses on cash flow hedging derivatives:		
Net change in unrealized losses on cash flow hedging derivatives, net of tax of (\$355) and (\$48) respectively	1,328	90
Net reclassification adjustment for effective portion of cash flow hedges, net of tax of (\$13) and (\$159), respectively ⁽¹⁾	51	296
Net change in unrealized losses on cash flow hedging derivatives, net of tax	1,379	386
Reclassification of amortization of net unrecognized actuarial loss and prior service cost, net of tax of (\$31) and (\$23), respectively ⁽²⁾	116	43
Other comprehensive loss	(8,234)	(29)
Comprehensive Income	\$4,586	\$10,047

(1) Reclassified into the consolidated statements of income within interest on borrowings and subordinated debentures.

(2) Reclassified into the consolidated statements of income within salaries and employee benefits and other expenses.

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	Amount			
Balance at December 31, 2016	15,476,379	\$ 156,041	\$ 249,415	\$ (13,909)	\$ 391,547
Net income	—	—	10,076	—	10,076
Other comprehensive income, net of tax	—	—	—	(29)	(29)
Stock-based compensation expense	—	366	—	—	366
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings	31,646	(552)	—	—	(552)
Cash dividends declared (\$0.23 per share)	—	—	(3,581)	—	(3,581)
Balance at March 31, 2017	15,508,025	\$ 155,855	\$ 255,910	\$ (13,938)	\$ 397,827
Balance at December 31, 2017	15,524,704	\$ 156,904	\$ 266,723	\$ (20,214)	\$ 403,413
Cumulative-effect adjustment (Note 2)	—	—	198	(198)	—
Net income	—	—	12,820	—	12,820
Other comprehensive income, net of tax	—	—	—	(8,234)	(8,234)
Stock-based compensation expense	—	431	—	—	431
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings	41,164	(475)	—	—	(475)
Cash dividends declared (\$0.25 per share)	—	—	(3,900)	—	(3,900)
Balance at March 31, 2018	15,565,868	\$ 156,860	\$ 275,841	\$ (28,646)	\$ 404,055

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended March 31,	
(In thousands)	2018	2017
Operating Activities		
Net Income	\$ 12,820	\$ 10,076
Adjustments to reconcile net income to net cash provided by operating activities:		
(Credit) provision for credit losses	(497)	) 579
Depreciation and amortization expense	940	916
Purchase accounting accretion, net	(514)	) (748)
Investment securities amortization and accretion, net	763	786
Stock-based compensation expense	431	366
Amortization of intangible assets	181	472
Net increase in other real estate owned valuation allowance and gain on disposition	—	(27)
Originations of mortgage loans held for sale	(46,641)	) (33,629)
Proceeds from the sale of mortgage loans	46,426	44,320
Gain on sale of mortgage loans, net of origination costs	(1,220)	) (1,280)
(Increase) decrease in other assets	(2,850)	) 3,283
Increase (decrease) in other liabilities	7,218	(20)
Net cash provided by operating activities	17,057	25,094
Investing Activities		
Proceeds from maturities of held-to-maturity securities	750	—
Proceeds from the sale and maturity of available-for-sale securities	29,531	32,557
Purchase of available-for-sale securities	(50,152)	) (77,286)
Net increase in loans	(7,008)	) (50,049)
Purchase of Federal Home Loan Bank stock	(2,815)	) (2,143)
Proceeds from sale of Federal Home Loan Bank stock	3,472	—
Proceeds from the sale of other real estate owned	—	329
Recoveries of previously charged-off loans	122	183
Proceeds from the liquidation of equity investment	205	—
Purchase of premises and equipment	(595)	) (264)
Proceeds from the sale of premises and equipment	—	137
Net cash used by investing activities	(26,490)	) (96,536)
Financing Activities		
Net increase in deposits	25,126	108,736
Net proceeds from (repayments of) borrowings less than 90 days	10,816	(37,779)
Repayments of wholesale repurchase agreements	—	(5,000)
Exercise of stock options and issuance of restricted stock, net of repurchase for tax withholdings	(475)	) (552)
Cash dividends paid on common stock	(3,896)	) (3,575)
Net cash provided by financing activities	31,571	61,830
Net increase (decrease) in cash, cash equivalents and restricted cash	22,138	(9,612)
Cash, cash equivalents, and restricted cash at beginning of period	102,971	87,707
Cash, cash equivalents and restricted cash at end of period	\$ 125,109	\$ 78,095
Supplemental information		
Interest paid	\$ 6,384	\$ 4,549
Income taxes paid	69	57

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in tables expressed in thousands, except per share data)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated interim financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include all disclosures required by accounting principles generally accepted in the United States of America for complete presentation of financial statements. In the opinion of management, the consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated statements of condition of Camden National Corporation as of March 31, 2018 and December 31, 2017, the consolidated statements of income for the three months ended March 31, 2018 and 2017, the consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017, the consolidated statements of changes in shareholders' equity for the three months ended March 31, 2018 and 2017, and the consolidated statements of cash flows for the three months ended March 31, 2018 and 2017. All significant intercompany transactions and balances are eliminated in consolidation. Certain items from the prior period were reclassified to conform to the current period presentation. The income reported for the three months ended March 31, 2018 is not necessarily indicative of the results that may be expected for the full year. The information in this report should be read in conjunction with the consolidated financial statements and accompanying notes included in the year ended December 31, 2017 Annual Report on Form 10-K.

The acronyms and abbreviations identified below are used throughout this Form 10-Q, including Part I. "Financial Information." The following was provided to aid the reader and provide a reference page when reviewing this section of the Form 10-Q.

AFS:	Available-for-sale	HPFC:	Healthcare Professional Funding Corporation, a wholly-owned subsidiary of Camden National Bank
ALCO:	Asset/Liability Committee	HTM:	Held-to-maturity
ALL:	Allowance for loan losses	IRS:	Internal Revenue Service
AOCI:	Accumulated other comprehensive income (loss)	LIBOR:	London Interbank Offered Rate
ASC:	Accounting Standards Codification	LTIP:	Long-Term Performance Share Plan
ASU:	Accounting Standards Update	Management ALCO:	Management Asset/Liability Committee
Bank:	Camden National Bank, a wholly-owned subsidiary of Camden National Corporation	MBS:	Mortgage-backed security
BOLI:	Bank-owned life insurance	MSPP:	Management Stock Purchase Plan
Board ALCO:	Board of Directors' Asset/Liability Committee	N.M.:	Not meaningful
CCTA:	Camden Capital Trust A, an unconsolidated entity formed by Camden National Corporation	OCC:	Office of the Comptroller of the Currency
CDs:	Certificate of deposits	OCI:	Other comprehensive income (loss)
Company:	Camden National Corporation	OREO:	Other real estate owned
CMO:	Collateralized mortgage obligation	OTTI:	Other-than-temporary impairment
DCRP:	Defined Contribution Retirement Plan	SBM:	SBM Financial, Inc., the parent company of The Bank of Maine
EPS:	Earnings per share	SERP:	Supplemental executive retirement plans
FASB:	Financial Accounting Standards Board	Tax Act:	Tax Cuts and Jobs Act of 2017, enacted on December 22, 2017
FDIC:	Federal Deposit Insurance Corporation	TDR:	Troubled-debt restructured loan
FHLB:	Federal Home Loan Bank	UBCT:	Union Bankshares Capital Trust I, an unconsolidated entity formed by Union Bankshares Company that was subsequently acquired by Camden National Corporation
FHLBB:	Federal Home Loan Bank of Boston	U.S.:	United States of America
FRB:	Federal Reserve System Board of Governors	2003 Plan:	2003 Stock Option and Incentive Plan
FRBB:	Federal Reserve Bank of Boston	2012 Plan:	2012 Equity and Incentive Plan
GAAP:	Generally accepted accounting principles in the United States		

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted

The Company adopted the following new accounting standards in the first quarter of 2018 and such standards have been accounted for and presented within the accompanying consolidated financial statements for the three months ended March 31, 2018 as follows:

ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") and ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"): In May 2014, the FASB issued ASU 2014-09 followed by the issuance of ASU 2015-14 in August 2015, to defer the effective date of ASU 2014-09 by one year. ASU 2014-09 was issued to clarify the principles for recognizing revenue and to develop a common revenue standard. Effective January 1, 2018, the Company adopted ASU 2014-09 using the modified-retrospective transition method. As part of its assessment, the Company concluded that the following material revenue streams were within the scope of ASU 2014-09: (i) service charges on deposit accounts; (ii) debit card interchange income; (iii) income from fiduciary services and (iv) investment program income. Through the Company's assessment, it was determined that there will be no cumulative-effect adjustment to beginning shareholders' equity under the modified-retrospective transition method within the consolidated financial statements as there was no change in revenue recognition upon adoption of ASU 2014-09.

The details of the revenue streams within the scope of ASU 2014-09 are as follows:

Service charges on deposit accounts: Deposit-related fees, include, but are not limited to, overdraft income, service charge income, and other fees generated by the depositor relationship with the Bank. For each depositor relationship, an agreement and related disclosures outline the terms of the contract between the depositor and the Bank, including the assessment of fees and fee structure for its various products. The contract is day-to-day and can be closed by the customer or the Bank at any time. As such, the Company recognizes revenue at the time of the transaction as the performance obligation has been met.

The Company presents its revenues earned on service charges on deposit accounts within (i) service charges on deposit accounts and (ii) other service charges and fees on the consolidated statements of income.

Debit card interchange income: The Bank has separate contracts with intermediaries and earns interchange revenue and incurs related expenses on debit card transactions of its deposit customers. Income earned and expenses incurred by the Bank are dependent on its depositors' debit card usage, including depositor spend, transaction type and merchant. The rates earned are determined by the intermediaries. The Company determined that while the contract for which revenues are directly earned is with the intermediary rather than the depositor, that the underlying contract with each depositor is required for the generation of debit card interchange income and it is the depositors' debit card usage that drives the revenues earned and related expenses incurred. The contract with the depositor is day-to-day and can be closed by the customer or the Bank at any time. As such, the Company recognized revenue at the time of the transaction as the performance obligation has been met.

The Company's debit card interchange revenue and related expenses are presented on a gross basis in accordance with ASU 2014-09 as clarified by ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations ("ASU 2016-08"), as it has control of the specified service prior to transfer to the depositor through the extension of credit.

The Bank pays to certain depositors cash rewards for debit card usage to promote usage and increase interchange revenue. As the consideration paid to its depositors is not for any separate or distinct service these costs are accounted for and presented as a reduction of debit card income upon adoption for periods beginning on January 1, 2018. The Company did not revise prior period presentation on its consolidated statements of income as the modified-retrospective transition method was used.

The Company presents its revenues earned on debit card income within debit card income and related expenses on debit card transactions within debit card expense on the consolidated statements of income.

Fiduciary services income: The Company, through the Bank's wealth management and trust services department, doing business as Camden National Wealth Management, earns fees for its investment management and related services for its clients. Fees earned for its services are largely dependent on assets under management as of the last day of the month and do not contain performance clauses. Should the contract be terminated by either party, fees for services are earned up to the effective date of contract termination. As such, fiduciary services income is earned and recognized daily.

The Company presents its revenues earned on fiduciary services within income from fiduciary services on the consolidated statements of income.

Investment program income: Under an investment program offered by the Bank, doing business as Camden Financial Consultant ("Program"), its clients are provided access to brokerage, advisory and insurance products offered through an unaffiliated third party, LPL Financial LLC¹ ("LPL Financial"). Certain Bank employees are registered securities representatives and/or registered investment advisor representatives of LPL Financial who operate in such capacity under Camden Financial Consultants to provide clients with brokerage, investment advisory and insurance related services. The Bank receives a portion of the commissions and fees received by LPL Financial from the sale of investment products and investment advisory services in accordance with the terms of the contract between the two parties.

The revenues earned by the Bank are net of administrative expenses and the portion retained by LPL Financial. The Bank does not have control of the specified services provided to its clients under the Program by LPL Financial. Revenues earned from Program-related services are presented on the consolidated statements of income on a net basis in accordance with ASU 2014-09 as clarified by ASU 2016-08.

The Company presents its revenues earned from Program-related services within brokerage and insurance commissions on the consolidated statements of income.

ASU No. 2016-01, Income Statement - Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities ("ASU 2016-01"): In January 2016, the FASB issued ASU 2016-01 to enhance the reporting model for financial instruments to provide the users of financial statements with more useful information for decisions. Effective January 1, 2018, the Company adopted ASU 2016-01 and applied the provisions of the standard within its consolidated financial statements for the three months ended March 31, 2018, which included:

The Company's equity investments are no longer designated and accounted for as AFS securities, with the change in fair value recognized within AOCI, net of tax. Instead, the change in fair value of equity investments with a readily determinable fair value are to be recognized within net income. For the three months ended March 31, 2018, the Company recognized an unrealized loss of \$35,000 for the change in fair value of its equity investments within other income on the Company's consolidated statements of income. The recognition for the change in fair value within net income was applied prospectively, and the Company recorded a cumulative-effect adjustment as of January 1, 2018 for its equity investments to reclassify the unrealized gain, net of tax, of \$198,000 previously recognized within AOCI to retained earnings.

The Company used the "exit price" notion when measuring the fair value of financial instruments for disclosure purposes only. The Company previously used the "entry price" notion for purposes of measuring its loans held for investment for disclosure purposes only. The change in valuation methodology has been applied prospectively as it does not have a material effect on the comparability of the disclosure.

The Company no longer discloses the method or significant assumptions used to estimate the fair value for its financial instruments measured at amortized cost on its consolidated statements of condition for which fair value is provided for disclosure purposes only.

Securities are offered through LPL Financial, Member FINRA/SIPC. Camden Financial Consultants and the Bank are not registered broker/dealers and are not affiliated with LPL Financial. The investment products sold through LPL Financial are not insured by Bank deposits and are not insured by the Federal Deposit Insurance Corporation ("FDIC"). These products are not obligations of the Bank and are not endorsed, recommended or guaranteed by the Bank or any government agency. The value of the investment may fluctuate, the return on the investment is not guaranteed, and loss of principal is possible.

ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"): In March 2017, the FASB issued ASU 2017-07 to improve the presentation of net periodic pension cost and net periodic postretirement by companies to disaggregate the service cost component from the other components of net benefit cost, as well as provide other guidance to improve consistency, transparency and usefulness. Prior to adoption, the Company presented all components of net periodic benefit costs within the salaries and employee benefits on the Company's consolidated statements of income. Upon adoption, the Company now presents the service cost component of net periodic benefit cost in the salaries and employee benefits line and all other components of net periodic cost within other expenses on its consolidated statements of income. The change in presentation has been applied retrospectively to prior periods represented on the Company's consolidated statements of income using the amounts previously disclosed within its prior year financial statements as a practical expedient.

ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"): In August 2016, the FASB issued ASU 2016-15 to address eight specific cash flow presentation matters within the statement of cash flows and reduce diversity of presentation across companies. Of the eight specific cash flow presentation matters addressed by the standard, it is noted that one matter addressed is of relevance to the Company based on its current and past operations: proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies. The standard states that cash proceeds received from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, should be classified as cash inflows from investing activities within statement of cash flows.

The Company adopted the standard for financial reporting periods beginning after December 15, 2017 and it has been applied within the accompanying consolidated statement of cash flows using a retrospective transition method.

ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"): In November 2017, the FASB issued ASU 2016-18 to reduce the diversity in practice for the classification and presentation of changes in restricted cash on the statement of cash flows. The standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As such, the statement of cash flows should consider the changes in amounts generally described as restricted cash or restricted cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown in the statements of cash flows.

The Company adopted the standard for financial reporting periods beginning after December 15, 2017 and it has been applied within the accompanying consolidated statement of cash flows using a retrospective transition method.

Accounting Standards Issued

The following are recently issued accounting pronouncements that have yet to be adopted by the Company:

ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"): In February 2016, the FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and liabilities (including operating leases) on the balance sheet and disclosing key information about leasing arrangements. Current lease accounting does not require the inclusion of operating leases in the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, early application is permitted. The Company will adopt under a modified-retrospective approach.

Upon adoption, ASU 2016-02 will increase the Company's total assets and liabilities on its consolidated statements of condition as its operating leases will be accounted for as a right-of-use asset and a lease liability; however, the Company does not anticipate that upon adoption the ASU will have a material effect on its consolidated financial

statements. The Company continues to evaluate the impact of adoption of this standard.

ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"): In March 2017, the FASB issued ASU 2017-08 to shorten the amortization period for certain callable debt securities purchased and carried at a premium, by requiring the premium to be amortized to the earliest call date of the debt security. ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company will adopt on a modified retrospective basis with any necessary adjustments to retained earnings as a cumulative-effect adjustment. While the Company continues to assess the impact of ASU 2017-08, it does not expect the ASU will have a material impact to its financial statements upon adoption.

ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"): In August 2017, the FASB issued ASU 2017-12 to make certain specific improvements to hedge accounting to better align hedge accounting with risk management activities, eliminate the separate measurement and recording of hedge ineffectiveness, improve presentation and disclosure, and other simplifications. ASU 2017-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. All transition requirements and elections are to be applied to existing hedging relationships upon adoption. While the Company continues to assess the impact of ASU 2017-12, it does not believe it will have a material impact on the Company's consolidated financial statements upon adoption.

ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"): In June 2016, the FASB issued ASU 2016-13 to require timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, for public companies. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods within that fiscal year. The Company will adopt the guidance under a modified-retrospective approach, whereby a cumulative-effect adjustment will be made to retained earnings upon adoption. The Company will use a prospective transition approach for debt securities for which an OTTI had been recognized before the effective date, as applicable.

While the Company continues to prepare for the adoption of ASU 2016-13 on January 1, 2020, it recognizes the changes to its consolidated financial statements upon adoption are imminent as the ASU requires:

- A change in the Company's assessment of its ALL and allowance on unused commitments as it will transition from an incurred loss model to an expected loss model, which may result in an increase in the ALL upon adoption and may negatively impact the Company and Bank's regulatory capital ratios.

- May reduce the carrying value of the Company's HTM investment securities as it will require an allowance on the expected losses over the life of these securities to be recorded upon adoption.

- Changes to the considerations when assessing AFS debt securities for OTTI, including (i) no longer considering the amount of time a security has been in an unrealized loss position and (ii) no longer considering the historical and implied volatility of a security and recoveries or declines in the fair value after the balance sheet date, as well as the presentation of OTTI as an allowance rather than a permanent write-down of the debt security.

- Changes to the disclosure requirements to reflect the transition from an incurred loss methodology to an expected credit loss methodology, as well as certain disclosures of credit quality indicators in relation to the amortized cost of financing receivables disaggregated by year of origination (or vintage).

The Company continues to assess the overall impact to its financial statements, and, at this time, it does not have an estimated impact to its financial statements.

Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"): In January 2017, the FASB issued ASU 2017-04 to reduce the cost and complexity of the goodwill impairment test. To

simplify the subsequent measurement of goodwill, step two of the goodwill impairment test was eliminated. Instead, in accordance with ASU 2017-04, a Company will recognize an impairment of goodwill should the carrying value of a reporting unit exceed its fair value (i.e. step one). ASU 2017-04 will be effective for the Company on January 1, 2020 and will be applied prospectively.

NOTE 3 – EPS

The following is an analysis of basic and diluted EPS, reflecting the application of the two-class method, as described below:

	Three Months Ended March 31,	
	2018	2017
Net income	\$12,820	\$10,076
Dividends and undistributed earnings allocated to participating securities ⁽¹⁾	(40)	(45)
Net income available to common shareholders	\$12,780	\$10,031
Weighted-average common shares outstanding for basic EPS	15,541,973	15,488,848
Dilutive effect of stock-based awards ⁽²⁾	61,405	79,791
Weighted-average common and potential common shares for diluted EPS	15,603,380	15,568,639
Earnings per common share ⁽¹⁾ :		
Basic EPS	\$0.82	\$0.65
Diluted EPS	\$0.82	\$0.64

(1) Represents dividends paid and undistributed earnings allocated to nonvested stock-based awards that contain non-forfeitable rights to dividends.

(2) Represents the effect of the assumed exercise of stock options, vesting of restricted shares and vesting of restricted stock units utilizing the treasury stock method. Not included are the unvested LTIP awards as they have not met the performance criteria for the periods presented.

For the three months ended March 31, 2018 and 2017, there are no anti-dilutive stock based awards that have been excluded from the computation of potential common shares for purposes of calculating diluted EPS as the average market price of the Company's common stock is greater than the exercise prices.

Nonvested stock-based payment awards that contain non-forfeitable rights to dividends are participating securities and are included in the computation of EPS pursuant to the two-class method. The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Certain of the Company's nonvested stock-based awards qualify as participating securities.

Net income is allocated between the common stock and participating securities pursuant to the two-class method. Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period, excluding participating nonvested stock-based awards. Diluted EPS is computed in a similar manner, except that the denominator includes the number of additional common shares that would have been outstanding if potentially dilutive common shares were issued using the treasury stock method.

NOTE 4 – INVESTMENTS

AFS and HTM Investments

The following table summarizes the amortized cost and estimated fair values of AFS and HTM securities, as of the dates indicated:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
AFS Investments (carried at fair value):				
Obligations of states and political subdivisions	\$ 5,776	\$ 55	\$(4)	\$5,827
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	517,823	490	(15,317)	502,996
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	293,371	6	(11,098)	282,279
Subordinated corporate bonds	5,485	119	(19)	5,585
Total AFS investments	\$ 822,455	\$ 670	\$(26,438)	\$ 796,687
HTM Investments (carried at amortized cost):				
Obligations of states and political subdivisions	\$ 93,192	\$ 130	\$(1,448)	\$ 91,874
Total HTM investments	\$ 93,192	\$ 130	\$(1,448)	\$ 91,874
December 31, 2017				
AFS Investments (carried at fair value):				
Obligations of states and political subdivisions	\$ 7,232	\$ 103	\$—	\$ 7,335
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	510,176	597	(7,471)	503,302
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	279,575	14	(6,790)	272,799
Subordinated corporate bonds	5,484	173	—	5,657
Equity investments ⁽¹⁾	554	252	—	806
Total AFS investments	\$ 803,021	\$ 1,139	\$(14,261)	\$ 789,899
HTM Investments (carried at amortized cost):				
Obligations of states and political subdivisions	\$ 94,073	\$ 1,077	\$(237)	\$ 94,913
Total HTM investments	\$ 94,073	\$ 1,077	\$(237)	\$ 94,913

As of December 31, 2017, equity investments were classified as AFS investments. Effective January 1, 2018, these (1) investments were reclassified to other investments on the consolidated statements of condition as they are no longer eligible to be classified as AFS upon adoption of ASU 2016-01. Refer to Note 2 for further details.

Net unrealized losses on AFS investments at March 31, 2018 included in AOCI amounted to \$20.2 million, net of a deferred tax benefit of \$5.5 million. Net unrealized losses on AFS investments at December 31, 2017 included in AOCI amounted to \$10.3 million, net of a deferred tax benefit of \$2.8 million.

For the three months ended March 31, 2018 and 2017, the Company purchased debt investments of \$50.1 million and \$77.3 million, respectively, all of which were designated as AFS debt investments.

Impaired AFS and HTM Investments:

Management periodically reviews the Company's AFS and HTM investments to determine the cause, magnitude and duration of declines in the fair value of each security. Thorough evaluations of the causes of the unrealized losses are performed to determine whether the impairment is temporary or other-than-temporary in nature. Considerations such as the ability of the securities to meet cash flow requirements, levels of credit enhancements, risk of curtailment, and

recoverability of invested amount over a reasonable period of time, and the length of time the security is in a loss position, for example, are applied in

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determining OTTI. Once a decline in value is determined to be other-than-temporary, the cost basis of the security is permanently reduced and a corresponding charge to earnings is recognized.

The following table presents the estimated fair values and gross unrealized losses on AFS and HTM investments that were in a continuous loss position at March 31, 2018 and December 31, 2017, by length of time that an individual security in each category has been in a continuous loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2018						
AFS Investments:						
Obligations of states and political subdivisions	\$ 1,516	\$(4)	\$—	\$—	\$ 1,516	\$(4)
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	236,851	(5,661)	233,957	(9,656)	470,808	(15,317)
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	122,669	(2,308)	154,622	(8,790)	277,291	(11,098)
Subordinated corporate bonds	965	(19)	—	—	965	(19)
Total AFS investments	\$ 362,001	\$(7,992)	\$ 388,579	\$(18,446)	\$ 750,580	\$(26,438)
HTM Investments:						
Obligations of states and political subdivisions	\$ 62,815	\$(958)	\$ 10,225	\$(490)	\$ 73,040	\$(1,448)
Total HTM investments	\$ 62,815	\$(958)	\$ 10,225	\$(490)	\$ 73,040	\$(1,448)
December 31, 2017						
AFS Investments:						
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	\$ 221,466	\$(2,393)	\$ 233,971	\$(5,078)	\$ 455,437	\$(7,471)
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	102,612	(696)	164,389	(6,094)	267,001	(6,790)
Total AFS investments	\$ 324,078	\$(3,089)	\$ 398,360	\$(11,172)	\$ 722,438	\$(14,261)
HTM Investments:						
Obligations of states and political subdivisions	\$ 9,317	\$(57)	\$ 9,436	\$(180)	\$ 18,753	\$(237)
Total HTM investments	\$ 9,317	\$(57)	\$ 9,436	\$(180)	\$ 18,753	\$(237)

At March 31, 2018 and December 31, 2017, the Company held 328 and 209 debt investments classified as AFS and HTM with a fair value of \$823.6 million and \$741.2 million that were in an unrealized loss position totaling \$27.9 million and \$14.5 million, respectively, that were considered temporary. Of these, MBS and CMOs with a fair value of \$388.6 million and \$398.4 million were in an unrealized loss position, and have been in an unrealized loss position for 12 months or more, totaling \$18.4 million and \$11.2 million at March 31, 2018 and December 31, 2017, respectively. The unrealized loss was reflective of current interest rates in excess of the yield received on debt investments and is not indicative of an overall change in credit quality or other factors with the Company's AFS and HTM investment portfolio. At March 31, 2018 and December 31, 2017, gross unrealized losses on the Company's AFS and HTM investments were 3.0% and 2.0%, respectively, of its respective fair value.

The Company has the intent and ability to retain its debt investments in an unrealized loss position at March 31, 2018 until the decline in value has recovered.

Sale of AFS Investments:

For the three months ended March 31, 2018 and 2017, the Company did not sell any AFS investments.

AFS and HTM Investments Pledged:

At March 31, 2018 and December 31, 2017, AFS and HTM investments with an amortized cost of \$684.3 million and \$702.5 million and estimated fair values of \$661.9 million and \$691.2 million, respectively, were pledged to secure FHLBB advances, public deposits, and securities sold under agreements to repurchase and for other purposes required or permitted by law.

Contractual Maturities:

The amortized cost and estimated fair values of the Company's AFS and HTM investments by contractual maturity at March 31, 2018, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
AFS Investments		
Due in one year or less	\$ 5,307	\$5,302
Due after one year through five years	112,412	110,253
Due after five years through ten years	213,112	206,368
Due after ten years	491,624	474,764
	\$ 822,455	\$ 796,687
HTM Investments		
Due in one year or less	\$ 1,418	\$1,418
Due after one year through five years	3,783	3,796
Due after five years through ten years	13,035	12,954
Due after ten years	74,956	73,706
	\$ 93,192	\$ 91,874

Other Investments

The following table summarizes the cost and estimated fair values of the Company's investment in equity securities, FHLBB stock and FRBB stock as presented within other investments on the consolidated statements of condition, as of the dates indicated:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Equity securities - bank stock (carried at fair value) ⁽¹⁾	\$544	\$ 217	\$	—\$761
FHLBB (carried at cost)	17,639	—	—	17,639
FRB (carried at cost)	5,374	—	—	5,374
Total other investments	\$23,557	\$ 217	\$	—\$23,774
December 31, 2017				
FHLBB (carried at cost)	\$18,296	\$ —	\$	—\$18,296
FRB (carried at cost)	5,374	—	—	5,374
Total other investments	\$23,670	\$ —	\$	—\$23,670

Effective January 1, 2018, these investments were reclassified to other investments on the consolidated statements (1) of condition as they are no longer eligible for AFS classification upon adoption of ASU 2016-01. Refer to Note 2 for further details.

For the three months ended March 31, 2018, the Company recognized an unrealized loss of \$35,000 due to the change in fair value of its bank stock equity securities, and has been presented within other income on the consolidated statements of income. In addition, the Company's investment in a reinsurance program liquidated during the three months ended March 31, 2018, and a gain of \$195,000 was recognized within other income on the Company's consolidated statements of income.

The Bank is a member of the FHLBB and FRBB, and as a member, the Bank is required to hold a certain amount of FHLBB and FRB common stock. This stock is a non-marketable equity security and is reported at cost. The Company evaluates its FHLBB and FRB common stock for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value. For the three months ended March 31, 2018 and 2017, the Company did not record any other-than-temporary impairment on its FHLBB and FRB stock.

NOTE 5 – LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Company's loan portfolio, excluding residential loans held for sale, at March 31, 2018 and December 31, 2017 was as follows:

	March 31, 2018	December 31, 2017
Residential real estate	\$860,533	\$ 858,369
Commercial real estate	1,169,533	1,164,023
Commercial	378,015	373,400
Home equity	320,642	323,378
Consumer	18,011	18,149
HPFC	42,414	45,120
Total loans	\$2,789,148	\$ 2,782,439

The loan balances for each portfolio segment presented above are net of their respective unamortized fair value mark discount on acquired loans and net of unamortized loan origination costs totaling:

	March 31, 2018	December 31, 2017
Net unamortized fair value mark discount on acquired loans	\$ 5,703	\$ 6,207
Net unamortized loan origination costs	(958)	(963)
Total	\$ 4,745	\$ 5,244

The Bank's lending activities are primarily conducted in Maine, but also include a mortgage loan production office in Massachusetts and two commercial loan production offices in New Hampshire. The Company originates single family and multi-family residential loans, commercial real estate loans, business loans, municipal loans and a variety of consumer loans. In addition, the Company makes loans for the construction of residential homes, multi-family properties and commercial real estate properties. The ability and willingness of borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the geographic area and the general economy.

The HPFC loan portfolio consists of niche commercial lending to the small business medical field, including dentists, optometrists and veterinarians across the U.S. The ability and willingness of borrowers to honor their repayment commitments is generally dependent on the success of the borrower's business. In 2016, the Company closed HPFC's operations and is no longer originating loans.

The ALL is management's best estimate of the inherent risk of loss in the Company's loan portfolio as of the consolidated statement of condition date. Management makes various assumptions and judgments about the collectability of the loan portfolio and provides an allowance for potential losses based on a number of factors including historical losses. If those assumptions are incorrect, the ALL may not be sufficient to cover losses and may cause an increase in the allowance in the future. Among the factors that could affect the Company's ability to collect loans and require an increase to the allowance in the future are: (i) financial condition of borrowers; (ii) real estate market changes; (iii) state, regional, and national economic conditions; and (iv) a requirement by federal and state regulators to increase the provision for loan losses or recognize additional charge-offs.

There were no significant changes in the Company's ALL methodology during the three months ended March 31, 2018.

The Board of Directors monitors credit risk through the Directors' Loan Review Committee, which reviews large credit exposures, monitors the external loan review reports, reviews the lending authority for individual loan officers when required, and has approval authority and responsibility for all matters regarding the loan policy and other credit-related policies, including reviewing and monitoring asset quality trends, concentration levels, and the ALL methodology. Credit Risk Administration and the Credit Risk Policy Committee oversee the Company's systems and procedures to monitor the credit quality of its loan portfolio, conduct a loan review program, maintain the integrity of the loan rating system, determine the adequacy of the ALL and support the oversight efforts of the Directors' Loan Review Committee and the Board of Directors. The Company's practice is to proactively manage the portfolio such that management can identify problem credits early, assess and implement effective work-out strategies, and take charge-offs as promptly as practical. In addition, the Company continuously reassesses its underwriting standards in response to credit risk posed by changes in economic conditions.

For purposes of determining the ALL, the Company disaggregates its loans into portfolio segments, which include residential real estate, commercial real estate, commercial, home equity, consumer and HPFC. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. These risk characteristics unique to each portfolio segment include:

Residential Real Estate. Residential real estate loans held in the Company's loan portfolio are made to borrowers who demonstrate the ability to make scheduled payments with full consideration to underwriting factors. Borrower qualifications include favorable credit history combined with supportive income requirements and combined loan-to-value ratios within established policy guidelines. Collateral consists of mortgage liens on one- to four-family residential properties.

Commercial Real Estate. Commercial real estate loans consist of mortgage loans to finance investments in real property such as multi-family residential, commercial/retail, office, industrial, hotels, educational, health care facilities and other specific use properties. Commercial real estate loans are typically written with amortizing payment structures. Collateral values are determined based upon appraisals and evaluations in accordance with established policy guidelines. Loan-to-value ratios at origination are governed by established policy and regulatory guidelines. Commercial real estate loans are primarily paid by the cash flow generated from the real property, such as operating leases, rents, or other operating cash flows from the borrower.

Commercial. Commercial loans consist of revolving and term loan obligations extended to business and corporate enterprises for the purpose of financing working capital and/or capital investment. Collateral generally consists of pledges of business assets including, but not limited to, accounts receivable, inventory, plant & equipment, or real estate, if applicable. Commercial loans are primarily paid by the operating cash flow of the borrower. Commercial loans may be secured or unsecured.

Home Equity. Home equity loans and lines are made to qualified individuals for legitimate purposes secured by senior or junior mortgage liens on owner-occupied one- to four-family homes, condominiums, or vacation homes. The home equity loan has a fixed rate and is billed as equal payments comprised of principal and interest. The home equity line of credit has a variable rate and is billed as interest-only payments during the draw period. At the end of the draw period, the home equity line of credit is billed as a percentage of the principal balance plus all accrued interest. Borrower qualifications include favorable credit history combined with supportive income requirements and combined loan-to-value ratios within established policy guidelines.

Consumer. Consumer loan products including personal lines of credit and amortizing loans made to qualified individuals for various purposes such as education, auto loans, debt consolidation, personal expenses or overdraft protection. Borrower qualifications include favorable credit history combined with supportive income and collateral requirements within established policy guidelines. Consumer loans may be secured or unsecured.

HPFC. Prior to the Company's closing of HPFC's operations in 2016, it provided commercial lending to dentists, optometrists and veterinarians, many of which were start-up companies. HPFC's loan portfolio consists of term loan obligations extended for the purpose of financing working capital and/or purchase of equipment. Collateral consists of pledges of business assets including, but not limited to, accounts receivable, inventory, and/or equipment. These loans are primarily paid by the operating cash flow of the borrower and the terms range from seven to ten years.

The following presents the activity in the ALL and select loan information by portfolio segment for the three months ended March 31, 2018 and 2017, and for the year ended December 31, 2017:

	Residential Real Estate	Commercial Real Estate	Commercial	Home Equity	Consumer	HPFC	Total
For The Three Months Ended							
March 31, 2018							
ALL for the three months ended:							
Beginning balance	\$5,086	\$11,863	\$4,171	\$2,367	\$233	\$451	\$24,171
Loans charged off	(31	) (426	) (171	) (149	) (26	) —	(803
Recoveries	—	13	63	43	3	—	122
Provision (credit) ⁽¹⁾	442	(1,164	) 63	166	20	(27	) (500
Ending balance	\$5,497	\$10,286	\$4,126	\$2,427	\$230	\$424	\$22,990
ALL balance attributable to loans:							
Individually evaluated for impairment	\$553	\$368	\$—	\$112	\$—	\$—	\$1,033
Collectively evaluated for impairment	4,944	9,918	4,126	2,315	230	424	21,957
Total ending ALL	\$5,497	\$10,286	\$4,126	\$2,427	\$230	\$424	\$22,990
Loans:							
Individually evaluated for impairment	\$5,059	\$3,961	\$1,714	\$491	\$—	\$—	\$11,225
Collectively evaluated for impairment	855,474	1,165,572	376,301	320,151	18,011	42,414	2,777,923
Total ending loans balance	\$860,533	\$1,169,533	\$378,015	\$320,642	\$18,011	\$42,414	\$2,789,148
For The Three Months Ended							
March 31, 2017							
ALL for the three months ended:							
Beginning balance	\$4,160	\$12,154	\$3,755	\$2,194	\$181	\$672	\$23,116
Loans charged off	(5	) (3	) (136	) (1	) (14	) —	(159
Recoveries	—	103	77	1	2	—	183
Provision (credit) ⁽¹⁾	116	472	119	(87	) 6	(45	) 581
Ending balance	\$4,271	\$12,726	\$3,815	\$2,107	\$175	\$627	\$23,721
ALL balance attributable to loans:							
Individually evaluated for impairment	\$485	\$1,100	\$—	\$83	\$—	\$66	\$1,734
Collectively evaluated for impairment	3,786	11,626	3,815	2,024	175	561	21,987
Total ending ALL	\$4,271	\$12,726	\$3,815	\$2,107	\$175	\$627	\$23,721
Loans:							
Individually evaluated for impairment	\$4,408	\$13,191	\$1,994	\$430	\$7	\$98	\$20,128
Collectively evaluated for impairment	815,231	1,083,284	331,613	322,396	16,662	55,825	\$2,625,011
Total ending loans balance	\$819,639	\$1,096,475	\$333,607	\$322,826	\$16,669	\$55,923	\$2,645,139

	Residential Real Estate	Commercial Real Estate	Commercial	Home Equity	Consumer	HPFC	Total
For The Year Ended December 31, 2017							
ALL:							
Beginning balance	\$4,160	\$12,154	\$3,755	\$2,194	\$181	\$672	\$23,116
Loans charged off	(482)	(124)	(1,014)	(434)	(124)	(290)	(2,468)
Recoveries	30	141	301	2	17	6	497
Provision (credit) ⁽¹⁾	1,378	(308)	1,129	605	159	63	3,026
Ending balance	\$5,086	\$11,863	\$4,171	\$2,367	\$233	\$451	\$24,171
ALL balance attributable to loans:							
Individually evaluated for impairment	\$568	\$1,441	\$—	\$—	\$—	\$—	\$2,009
Collectively evaluated for impairment	4,518	10,422	4,171	2,367	233	451	22,162
Total ending ALL	\$5,086	\$11,863	\$4,171	\$2,367	\$233	\$451	\$24,171
Loans:							
Individually evaluated for impairment	\$5,171	\$6,199	\$1,791	\$429	\$—	\$—	\$13,590
Collectively evaluated for impairment	853,198	1,157,824	371,609	322,949	18,149	45,120	2,768,849
Total ending loans balance	\$858,369	\$1,164,023	\$373,400	\$323,378	\$18,149	\$45,120	\$2,782,439

The provision (credit) for loan losses excludes any impact for the change in the reserve for unfunded commitments, which represents management's estimate of the amount required to reflect the probable inherent losses on (1) outstanding letters of credit and unused lines of credit. The reserve for unfunded commitments is presented within accrued interest and other liabilities on the consolidated statements of condition. At March 31, 2018 and 2017, and December 31, 2017, the reserve for unfunded commitments was \$23,000, \$9,000 and \$20,000, respectively.

The following reconciles the three months ended March 31, 2018 and 2017, and year ended December 31, 2017 (credit) provision for loan losses to the (credit) provision for credit losses as presented on the consolidated statement of income:

	Three Months Ended March 31, 2018	Year Ended December 31, 2017	
(Credit) provision for loan losses	\$(500)	\$581	\$3,026
Change in reserve for unfunded commitments	3	(2)	9
(Credit) provision for credit losses	\$(497)	\$579	\$3,035

The Company focuses on maintaining a well-balanced and diversified loan portfolio. Despite such efforts, it is recognized that credit concentrations may occasionally emerge as a result of economic conditions, changes in local demand, natural loan growth and runoff. To ensure that credit concentrations can be effectively identified, all commercial and commercial real estate loans are assigned Standard Industrial Classification codes, North American Industry Classification System codes, and state and county codes. Shifts in portfolio concentrations are monitored by the Company's Credit Risk Administration. As of March 31, 2018, the non-residential building operators' industry exposure was 11% of the Company's total loan portfolio and 26% of the total commercial real estate portfolio. There were no other industry exposures exceeding 10% of the Company's total loan portfolio as of March 31, 2018.

To further identify loans with similar risk profiles, the Company categorizes each portfolio segment into classes by credit risk characteristic and applies a credit quality indicator to each portfolio segment. The indicators for commercial, commercial real estate, residential real estate, and HPFC loans are represented by Grades 1 through 10 as outlined below. In general, risk ratings are adjusted periodically throughout the year as updated analysis and review warrants. This process may include, but is not limited to, annual credit and loan reviews, periodic reviews of loan performance metrics, such as delinquency rates, and quarterly reviews of adversely risk rated loans. The Company uses the following definitions when assessing grades for the purpose of evaluating the risk and adequacy of the ALL:

Grade 1 through 6 — Grades 1 through 6 represent groups of loans that are not subject to adverse criticism as defined in regulatory guidance. Loans in these groups exhibit characteristics that represent low to moderate risks, which is measured using a variety of credit risk criteria, such as cash flow coverage, debt service coverage, balance sheet leverage, liquidity, management experience, industry position, prevailing economic conditions, support from secondary sources of repayment and other credit factors that may be relevant to a specific loan. In general, these loans are supported by properly margined collateral and guarantees of principal parties.

Grade 7 — Loans with potential weakness (Special Mention). Loans in this category are currently protected based on collateral and repayment capacity and do not constitute undesirable credit risk, but have potential weakness that may result in deterioration of the repayment process at some future date. This classification is used if a negative trend is evident in the obligor's financial situation. Special mention loans do not sufficiently expose the Company to warrant adverse classification.

Grade 8 — Loans with definite weakness (Substandard). Loans classified as substandard are inadequately protected by the current sound worth and paying capacity of the obligor or by collateral pledged. Borrowers experience difficulty in meeting debt repayment requirements. Deterioration is sufficient to cause the Company to look to the sale of collateral.

Grade 9 — Loans with potential loss (Doubtful). Loans classified as doubtful have all the weaknesses inherent in the substandard grade with the added characteristic that the weaknesses make collection or liquidation of the loan in full highly questionable and improbable. The possibility of some loss is extremely high, but because of specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.

Grade 10 — Loans with definite loss (Loss). Loans classified as loss are considered uncollectible. The loss classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the asset because recovery and collection time may be protracted.

Asset quality indicators are periodically reassessed to appropriately reflect the risk composition of the Company's loan portfolio. Home equity and consumer loans are not individually risk rated, but rather analyzed as groups taking into account delinquency rates and other economic conditions which may affect the ability of borrowers to meet debt service requirements, including interest rates and energy costs. Performing loans include loans that are current and loans that are past due less than 90 days. Loans that are past due over 90 days and non-accrual loans, including TDRs, are considered non-performing.

The following summarizes credit risk exposure indicators by portfolio segment as of the following dates:

	Residential Real Estate	Commercial Real Estate	Commercial	Home Equity	Consumer	HPFC	Total
March 31, 2018							
Pass (Grades 1-6)	\$ 847,822	\$ 1,146,947	\$ 361,377	\$—	\$—	\$40,768	\$2,396,914
Performing	—	—	—	319,178	18,011	—	337,189
Special Mention (Grade 7)	662	8,510	12,437	—	—	174	21,783
Substandard (Grade 8)	12,049	14,076	4,201	—	—	1,472	31,798
Non-performing	—	—	—	1,464	—	—	1,464
Total	\$ 860,533	\$ 1,169,533	\$ 378,015	\$ 320,642	\$ 18,011	\$42,414	\$2,789,148
December 31, 2017							
Pass (Grades 1-6)	\$ 846,394	\$ 1,130,235	\$ 354,904	\$—	\$—	\$43,049	\$2,374,582
Performing	—	—	—	321,727	18,149	—	339,876
Special Mention (Grade 7)	922	9,154	12,517	—	—	191	22,784
Substandard (Grade 8)	11,053	24,634	5,979	—	—	1,880	43,546
Non-performing	—	—	—	1,651	—	—	1,651
Total	\$ 858,369	\$ 1,164,023	\$ 373,400	\$ 323,378	\$ 18,149	\$45,120	\$2,782,439

The Company closely monitors the performance of its loan portfolio. A loan is placed on non-accrual status when the financial condition of the borrower is deteriorating, payment in full of both principal and interest is not expected as scheduled or principal or interest has been in default for 90 days or more. Exceptions may be made if the asset is well-secured by collateral sufficient to satisfy both the principal and accrued interest in full and collection is reasonably assured. When one loan to a borrower is placed on non-accrual status, all other loans to the borrower are re-evaluated to determine if they should also be placed on non-accrual status. All previously accrued and unpaid interest is reversed at this time. A loan may return to accrual status when collection of principal and interest is assured and the borrower has demonstrated timely payments of principal and interest for a reasonable period. Unsecured loans, however, are not normally placed on non-accrual status because they are charged-off once their collectability is in doubt.

The following is a loan aging analysis by portfolio segment (including loans past due over 90 days and non-accrual loans) and a summary of non-accrual loans, which include TDRs, and loans past due over 90 days and accruing as of the following dates:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Outstanding	Loans > 90 Days Past Due and Accruing	Non-Accrual Loans
March 31, 2018								
Residential real estate	\$ 2,969	\$ 533	\$4,762	\$8,264	\$852,269	\$860,533	\$	—\$ 6,185
Commercial real estate	1,455	72	4,167	5,694	1,163,839	1,169,533	—	4,603
Commercial	144	103	1,532	1,779	376,236	378,015	—	1,991
Home equity	1,121	101	1,083	2,305	318,337	320,642	—	1,464
Consumer	14	9	—	23	17,988	18,011	—	—
HPFC	109	419	655	1,183	41,231	42,414	—	655
Total	\$ 5,812	\$ 1,237	\$12,199	\$19,248	\$2,769,900	\$2,789,148	\$	—\$ 14,898
December 31, 2017								
Residential real estate	\$ 3,871	\$ 1,585	\$4,021	\$9,477	\$848,892	\$858,369	\$	—\$ 4,979
Commercial real estate	849	323	5,528	6,700	1,157,323	1,164,023	—	5,642
Commercial	329	359	1,535	2,223	371,177	373,400	—	2,000
Home equity	1,046	173	1,329	2,548	320,830	323,378	—	1,650

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Consumer	57	10	—	67	18,082	18,149	—	—
HPFC	139	1,372	419	1,930	43,190	45,120	—	1,043
Total	\$ 6,291	\$ 3,822	\$12,832	\$ 22,945	\$2,759,494	\$2,782,439	\$	—\$ 15,314

Interest income that would have been recognized if loans on non-accrual status had been current in accordance with their original terms was \$162,000 and \$210,000 for the three months ended March 31, 2018 and 2017, respectively.

TDRs:

The Company takes a conservative approach with credit risk management and remains focused on community lending and reinvesting. The Company works closely with borrowers experiencing credit problems to assist in loan repayment or term modifications. TDRs consist of loans where the Company, for economic or legal reasons related to the borrower's financial difficulties, granted a concession to the borrower that it would not otherwise consider. TDRs, typically, involve term modifications or a reduction of either interest or principal. Once such an obligation has been restructured, it will remain a TDR until paid in full, or until the loan is again restructured at current market rates and no concessions are granted.

The specific reserve allowance was determined by discounting the total expected future cash flows from the borrower at the original loan interest rate, or if the loan is currently collateral-dependent, using the net realizable value, which was obtained through independent appraisals and internal evaluations. The following is a summary of TDRs, by portfolio segment, and the associated specific reserve included within the ALL as of the periods indicated:

	Number of Contracts		Recorded Investment		Specific Reserve	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Residential real estate	24	24	\$3,581	\$ 3,604	\$410	\$ 452
Commercial real estate	2	3	354	976	20	16
Commercial	7	7	1,339	1,345	—	—
Home equity	2	2	306	307	—	—
Total	35	36	\$5,580	\$ 6,232	\$430	\$ 468

At March 31, 2018, the Company had performing and non-performing TDRs with a recorded investment balance of \$4.4 million and \$1.2 million, respectively. At December 31, 2017, the Company had performing and non-performing TDRs with a recorded investment balance of \$5.0 million and \$1.2 million, respectively.

The following represents loan modifications that qualify as TDRs that occurred for the three months ended March 31, 2018 and 2017:

	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment		Specific Reserve
	2018	2017	2018	2017	2018	2017	2018
Residential real estate:							
Maturity concession	—	1	\$ —	\$ 151	\$ —	\$ 151	\$ —
Total	—	1	\$ —	\$ 151	\$ —	\$ 151	\$ —

For the three months ended March 31, 2018 and 2017, no loans were modified as TDRs within the previous 12 months for which the borrower subsequently defaulted.

Impaired Loans:

Impaired loans consist of non-accrual loans and TDRs that are individually evaluated for impairment in accordance with the Company's policy. The following is a summary of impaired loan balances and the associated allowance by portfolio segment as of and for the three months ended March 31, 2018 and 2017, and as of and for the year-ended December 31, 2017:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Three Months Ended Average Interest Recorded Income Investment Recognized	
March 31, 2018:					
With an allowance recorded:					
Residential real estate	\$ 3,544	\$ 3,544	\$ 553	\$3,745	\$ 30
Commercial real estate	3,591	3,591	368	4,275	1
Commercial	—	—	—	—	—
Home equity	147	147	112	49	—
Consumer	—	—	—	—	—
HPFC	—	—	—	—	—
Ending balance	7,282	7,282	1,033	8,069	31
Without an allowance recorded:					
Residential real estate	1,515	1,791	—	1,350	7
Commercial real estate	370	677	—	637	3
Commercial	1,714	2,923	—	1,740	2
Home equity	344	468	—	396	2
Consumer	—	—	—	—	—
HPFC	—	—	—	—	—
Ending balance	3,943	5,859	—	4,123	14
Total impaired loans	\$ 11,225	\$ 13,141	\$ 1,033	\$ 12,192	\$ 45
March 31, 2017:					
With an allowance recorded:					
Residential real estate	\$ 3,048	\$ 3,048	\$ 485	\$3,025	\$ 26
Commercial real estate	11,791	11,791	1,100	11,654	—
Commercial	1	1	—	—	—
Home equity	297	297	83	298	—
Consumer	—	—	—	—	—
HPFC	98	98	66	98	—
Ending Balance	15,235	15,235	1,734	15,075	26
Without an allowance recorded:					
Residential real estate	1,360	1,740	—	1,292	2
Commercial real estate	1,400	1,707	—	1,704	10
Commercial	1,993	3,167	—	2,024	3
Home equity	133	269	—	139	—
Consumer	7	10	—	7	—
HPFC	—	—	—	—	—
Ending Balance	4,893	6,893	—	5,166	15
Total impaired loans	\$ 20,128	\$ 22,128	\$ 1,734	\$ 20,241	\$ 41

	Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Year Ended Average Interest Recorded Income Investment Recognized	
December 31, 2017:					
With an allowance recorded:					
Residential real estate	\$ 3,858	\$ 3,858	\$ 568	\$3,177	\$ 131
Commercial real estate	5,422	5,422	1,441	8,900	22
Commercial	—	—	—	31	—
Home equity	—	—	—	125	—
Consumer	—	—	—	—	—
HPFC	—	—	—	24	—
Ending Balance	9,280	9,280	2,009	12,257	153
Without an allowance recorded:					
Residential real estate	1,313	1,673	—	1,345	15
Commercial real estate	777	1,084	—	1,132	29
Commercial	1,791	2,964	—	1,920	10
Home equity	429	495	—	310	8
Consumer	—	—	—	2	—
HPFC	—	—	—	—	—
Ending Balance	4,310	6,216	—	4,709	62
Total impaired loans	\$ 13,590	\$ 15,496	\$ 2,009	\$ 16,966	\$ 215

Loan Sales:

For the three months ended March 31, 2018 and 2017, the Company sold \$45.2 million and \$43.0 million, respectively, of fixed rate residential mortgage loans on the secondary market that resulted in gains on the sale of loans (net of costs) of \$1.2 million and \$1.3 million, respectively.

At March 31, 2018 and December 31, 2017, the Company had certain residential mortgage loans with a principal balance of \$9.5 million and \$8.1 million, respectively, designated as held for sale. The Company has elected the fair value option of accounting for its loans held for sale, and at March 31, 2018 and December 31, 2017, recorded an unrealized gain of \$47,000 and \$37,000, respectively. For the three months ended March 31, 2018 and 2017, the Company recorded within mortgage banking income, net on its consolidated statements of income the net change in unrealized gains of \$9,000 and \$254,000, respectively, on its loans held for sale.

The Company has forward delivery commitments with a secondary market investor on each of its loans held for sale at March 31, 2018 and December 31, 2017. The fair value of its forward delivery commitments at March 31, 2018 and December 31, 2017 was \$123,000 and \$142,000, respectively. For the three months ended March 31, 2018 and 2017, the net unrealized loss from the change in fair value on the Company's forward delivery commitments reported within mortgage banking income, net on the consolidated statements of income were \$19,000 and \$118,000, respectively. Refer to Note 12 for further discussion of the Company's forward delivery commitments.

In-Process Foreclosure Proceedings:

At March 31, 2018 and December 31, 2017, the Company had \$2.0 million and \$1.9 million, respectively, of consumer mortgage loans secured by residential real estate properties for which foreclosure proceedings were in process. The Company continues to be focused on working these consumer mortgage loans through the foreclosure process to resolution; however, the foreclosure process, typically, will take 18 to 24 months due to the State of Maine

foreclosure laws.

FHLB Advances:

FHLB advances are those borrowings from the FHLBB greater than 90 days. FHLB advances are collateralized by a blanket lien on qualified collateral consisting primarily of loans with first mortgages secured by one- to four-family properties,

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certain commercial real estate loans, certain pledged investment securities and other qualified assets. The carrying value of residential real estate and commercial loans pledged as collateral was \$1.1 billion at March 31, 2018 and December 31, 2017.

Refer to Notes 4 and 10 of the consolidated financial statements for discussion of securities pledged as collateral.

NOTE 6 – REGULATORY CAPITAL REQUIREMENTS

The Company and Bank are subject to various regulatory capital requirements administered by the FRB and the OCC. Failure to meet minimum capital requirements can result in mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

The Company and Bank are required to maintain certain levels of capital based on risk-adjusted assets. These capital requirements represent quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company and Bank's capital classification is also subject to qualitative judgments by our regulators about components, risk weightings and other factors. The quantitative measures established to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios of total, Tier I capital, and common equity Tier I to risk-weighted assets, and of Tier I capital to average assets, or the leverage ratio. These guidelines apply to the Company on a consolidated basis.

Under the current guidelines, banking organizations must have a minimum total risk-based capital ratio of 8.0%, a minimum Tier I risk-based capital ratio of 6.0%, a minimum common equity Tier I risk-based capital ratio of 4.5%, and a minimum leverage ratio of 4.0% in order to be "adequately capitalized." In addition to these requirements, banking organizations must maintain a 2.5% capital conservation buffer consisting of common Tier I equity, subject to a transition schedule with a full phase-in by 2019. Effective January 1, 2018, the Company and Bank were required to establish a capital conservation buffer of 1.875%, increasing the minimum required total risk-based capital, Tier I risk-based and common equity Tier I capital to risk-weighted assets they must maintain to avoid limits on capital distributions and certain bonus payments to executive officers and similar employees.

The Company and Bank's risk-based capital ratios exceeded regulatory guidelines at March 31, 2018 and December 31, 2017, and specifically the Bank was "well capitalized" under prompt corrective action provisions for each period. There were no new conditions or events that occurred subsequent to March 31, 2018 that would change the Company or Bank's regulatory capital categorization. The following table presents the Company and Bank's regulatory capital ratios at the periods indicated:

	March 31, 2018		Minimum Regulatory Capital Required for Capital Adequacy plus Capital Conservation Buffer			Minimum Regulatory Provision To Be "Well Capitalized" Under Prompt Corrective Action Provisions			December 31, 2017		Minimum Regulatory Capital Required for Capital Adequacy plus Capital Conservation Buffer			Minimum Regulatory Provision To Be "Well Capitalized" Under Prompt Corrective Action Provisions				
	Amount	Ratio							Amount	Ratio								
Camden National Corporation:																		
Total risk-based capital ratio	\$403,941	14.32 %	9.88	%	N/A				\$396,451	14.14 %	9.25	%	N/A					
Tier I risk-based capital ratio	365,930	12.98 %	7.88	%	N/A				357,261	12.74 %	7.25	%	N/A					
	322,930	11.45 %	6.38	%	N/A				316,677	11.30 %	5.75	%	N/A					

Common equity Tier I
risk-based capital ratio

Tier I leverage capital ratio	365,930	9.23	%	4.00	%	N/A	357,261	9.07	%	4.00	%	N/A		
Camden National Bank:														
Total risk-based capital ratio	\$375,434	13.31	%	9.88	%	10.00	%	\$369,540	13.18	%	9.25	%	10.00	%
Tier I risk-based capital ratio	352,422	12.49	%	7.88	%	8.00	%	345,350	12.32	%	7.25	%	8.00	%
Common equity Tier I risk-based capital ratio	352,422	12.49	%	6.38	%	6.50	%	345,350	12.32	%	5.75	%	6.50	%
Tier I leverage capital ratio	352,422	8.92	%	4.00	%	5.00	%	345,350	8.80	%	4.00	%	5.00	%

In 2015, the Company issued \$15.0 million of subordinated debentures, and in 2006 and 2008, it issued \$43.0 million of junior subordinated debentures in connection with the issuance of trust preferred securities. Although the subordinated debentures and the junior subordinated debentures are recorded as liabilities on the Company's consolidated statements of condition, the Company is permitted, in accordance with regulatory guidelines, to include, subject to certain limits, each within its calculation of risk-based capital. At March 31, 2018 and December 31, 2017, \$15.0 million of subordinated debentures were included as Tier II capital and were included in the calculation of the Company's total risk-based capital, and, at March 31,

2018 and December 31, 2017, \$43.0 million of the junior subordinated debentures were included in Tier I and total risk-based capital for the Company.

The Company and Bank's regulatory capital and risk-weighted assets fluctuate due to normal business, including profits and losses generated by the Company and Bank as well as changes to their asset mix. Of particular significance are changes within the Company and Bank's loan portfolio mix due to the difference in regulatory risk-weighting differences between retail and commercial loans. Furthermore, the Company and Bank's regulatory capital and risk-weighted assets are subject to change due to changes in GAAP and regulatory capital standards. The Company and Bank proactively monitor their regulatory capital and risk-weighted assets, and the impact of changes to their asset mix, and impact of proposed and pending changes as a result of new and/or amended GAAP standards and regulatory changes.

NOTE 7 – INCOME TAXES

The Company's effective income tax rate for the three months ended March 31, 2018 and 2017 was as follows:

	Three Months Ended	
	March 31,	
	2018	2017
Income tax expense	\$3,079	\$4,344
Income before income tax expense	\$15,899	\$14,420
Effective tax rate ⁽¹⁾	19.4 %	30.1 %

(1) On December 22, 2017, the Tax Act was enacted, reducing the U.S. federal corporate income tax rate from 35.0% to 21.0%, effective January 1, 2018.

NOTE 8 – EMPLOYEE BENEFIT PLANS

The Company sponsors unfunded, non-qualified SERPs for certain officers and provides medical and life insurance to certain eligible retired employees.

The components of net periodic benefit cost for the periods ended March 31, 2018 and 2017 were as follows:

Supplemental Executive Retirement Plan:

		Three Months Ended March 31,	
		2018	2017
Net periodic pension cost	Income Statement Presentation		
Service cost	Salaries and employee benefits	\$112	\$84
Interest cost	Other expenses	122	112
Recognized net actuarial loss	Other expenses	140	62
Total		\$374	\$258

Other Postretirement Benefit Plan:

		Three Months Ended March 31,	
		2018	2017
Net periodic postretirement benefit cost	Income Statement Presentation		
Service cost	Salaries and employee benefits	\$12	\$13
Interest cost	Other expenses	33	36

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Recognized net actuarial loss	Other expenses	13	10
Amortization of prior service credit	Other expenses	(6)	(6)
Total		\$52	\$53

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NOTE 9 – BORROWINGS

The following summarizes the Company's short-term and long-term borrowed funds as presented on the consolidated statements of condition at:

	March 31, 2018	December 31, 2017
Short-Term Borrowings (mature within one year):		
Customer repurchase agreements	\$256,274	\$244,646
FHLBB borrowings	135,000	250,000
Overnight borrowings	161,350	47,150
Total short-term borrowings	\$552,624	\$541,796
Long-Term Borrowings (maturity greater than one year):		
FHLBB borrowings	\$10,000	\$10,000
Capital lease obligation	773	791
Total long-term borrowings	\$10,773	\$10,791

NOTE 10 – REPURCHASE AGREEMENTS

The Company can raise additional liquidity by entering into repurchase agreements at its discretion. In a security repurchase agreement transaction, the Company will generally sell a security, agreeing to repurchase either the same or substantially identical security on a specified later date, at a greater price than the original sales price. The difference between the sale price and purchase price is the cost of the proceeds, which is recorded as interest expense on the consolidated statement of income. The securities underlying the agreements are delivered to counterparties as security for the repurchase obligations. Because the securities are treated as collateral and the agreement does not qualify for a full transfer of effective control, the transaction does not meet the criteria to be classified as a sale, and is therefore considered a secured borrowing transaction for accounting purposes. Payments on such borrowings are interest only until the scheduled repurchase date. In a repurchase agreement, the Company is subject to the risk that the purchaser may default at maturity and not return the securities underlying the agreements. In order to minimize this potential risk, the Company either deals with established firms when entering into these transactions or with customers whose agreements stipulate that the securities underlying the agreement are not delivered to the customer and instead are held in segregated safekeeping accounts by the Company's safekeeping agents.

The table below sets forth information regarding the Company's repurchase agreements accounted for as secured borrowings and types of collateral as of March 31, 2018 and December 31, 2017: