Section 1: 10-Q (10-Q)

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, 2020

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 (State or other jurisdiction of incorporation or organization)	01-0413282 (I.R.S. Employer Identification No.)
2 ELM STREET, CAMDEN, ME (Address of principal executive offices)	04843 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	CAC	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 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 ☐
	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. ☐

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 30, 2020: Common stock (no par value) 14,954,765 shares.

CAMDEN NATIONAL CORPORATION

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020
TABLE OF CONTENTS OF INFORMATION REQUIRED IN REPORT

		PAGE
	PART I. FINANCIAL INFORMATION	
ITEM 1.	FINANCIAL STATEMENTS	
	Consolidated Statements of Condition (unaudited) - March 31, 2020 and December 31, 2019	3
	Consolidated Statements of Income (unaudited) - Three Months Ended March 31, 2020 and 2019	4
	Consolidated Statements of Comprehensive Income (unaudited) - Three Months Ended March 31, 2020 and 2019	5
	Consolidated Statements of Changes in Shareholders' Equity (unaudited) - Three Months Ended March 31, 2020 and 2019	6
	Consolidated Statements of Cash Flows (unaudited) - Three Months Ended March 31, 2020 and 2019	7
	Notes to the Unaudited Consolidated Financial Statements	8
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	41
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK	67
ITEM 4.	CONTROLS AND PROCEDURES	68
	PART II. OTHER INFORMATION	
ITEM 1.	LEGAL PROCEEDINGS	69
ITEM 1A.	RISK FACTORS	69
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	70
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	70
ITEM 4.	MINE SAFETY DISCLOSURES	70
ITEM 5.	OTHER INFORMATION	70
ITEM 6.	EXHIBITS	70
SIGNATURES		71

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CONDITION
(unaudited)

(In thousands, except number of shares)	March 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 32,477	$ 39,586
Interest-bearing deposits in other banks (including restricted cash)	21,732	36,050
Total cash, cash equivalents and restricted cash	54,209	75,636
Investments:		
Available-for-sale securities, at fair value (book value of $931,876 and $913,978, respectively)	960,131	918,118
Held-to-maturity securities, at amortized cost (fair value of $1,358 and $1,359, respectively)	1,300	1,302
Other investments	15,056	13,649
Total investments	976,487	933,069
Loans held for sale, at fair value (book value of $28,356 and $11,915, respectively)	27,730	11,854
Loans	3,157,762	3,095,023
Less: allowance for loan losses	(26,521)	(25,171)
Net loans	3,131,241	3,069,852
Goodwill	94,697	94,697
Core deposit intangible assets	3,355	3,525
Bank-owned life insurance	93,033	92,344
Premises and equipment, net	41,131	41,836
Deferred tax assets	10,708	16,823
Other assets	161,948	89,885
Total assets	$ 4,594,539	$ 4,429,521
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest checking	$ 536,243	$ 552,590
Interest checking	1,147,653	1,153,203
Savings and money market	1,146,038	1,119,193
Certificates of deposit	545,013	521,752
Brokered deposits	188,758	191,005
Total deposits	3,563,705	3,537,743
Short-term borrowings	326,722	268,809
Long-term borrowings	35,000	10,000
Subordinated debentures	59,155	59,080
Accrued interest and other liabilities	117,277	80,474
Total liabilities	4,101,859	3,956,106
Commitments and Contingencies		
Shareholders' Equity		
Common stock, no par value: authorized 40,000,000 shares, issued and outstanding 14,951,597 and 15,144,719 on March 31, 2020 and December 31, 2019, respectively	131,498	139,103
Retained earnings	349,141	340,580
Accumulated other comprehensive income (loss):		
Net unrealized gain on available-for-sale debt securities, net of tax	22,180	3,250
Net unrealized loss on cash flow hedging derivative instruments, net of tax	(6,802)	(6,048)
Net unrecognized loss on postretirement plans, net of tax	(3,337)	(3,470)
Total accumulated other comprehensive income (loss)	12,041	(6,268)
Total shareholders' equity	492,680	473,415
Total liabilities and shareholders' equity	$ 4,594,539	$ 4,429,521

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

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(In thousands, except number of shares and per share data)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest Income		
Interest and fees on loans	$ 34,045	$ 35,721
Taxable interest on investments	4,878	4,994
Nontaxable interest on investments	787	644
Dividend income	168	230
Other interest income	335	420
Total interest income	40,213	42,009
Interest Expense		
Interest on deposits	6,662	8,423
Interest on borrowings	838	974
Interest on subordinated debentures	887	717
Total interest expense	8,387	10,114
Net interest income	31,826	31,895
Provision for credit losses	1,775	744
Net interest income after provision for credit losses	30,051	31,151
Non-Interest Income		
Mortgage banking income, net	3,534	1,252
Debit card income	2,141	2,010
Service charges on deposit accounts	2,012	2,023
Income from fiduciary services	1,502	1,392
Bank-owned life insurance	689	594
Brokerage and insurance commissions	657	585
Customer loan swap fees	114	525
Other income	754	1,008
Total non-interest income	11,403	9,389
Non-Interest Expense		
Salaries and employee benefits	14,327	12,978
Furniture, equipment and data processing	2,790	2,680
Net occupancy costs	2,003	1,914
Debit card expense	934	823
Consulting and professional fees	783	813
Amortization of core deposit intangible assets	170	176
Regulatory assessments	162	472
Other real estate owned and collection costs (recoveries), net	101	(307)
Other expenses	3,291	3,234
Total non-interest expense	24,561	22,783
Income before income tax expense	16,893	17,757
Income Tax Expense	3,400	3,484
Net Income	$ 13,493	$ 14,273
Per Share Data		
Basic earnings per share	$ 0.89	$ 0.91
Diluted earnings per share	$ 0.89	$ 0.91
Weighted average number of common shares outstanding	15,103,176	15,592,141
Diluted weighted average number of common shares outstanding	15,147,218	15,634,126
Cash dividends declared per share	$ 0.33	$ 0.30

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)	**2020**	**2019**
Net Income	$ 13,493	$ 14,273
Other comprehensive income:		
Net change in unrealized gain on available-for-sale securities, net of tax	18,930	10,899
Net change in unrealized loss on cash flow hedging derivatives, net of tax	(754)	(831)
Net gain on postretirement plans, net of tax	133	48
Other comprehensive income	18,309	10,116
Comprehensive Income	$ 31,802	$ 24,389

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)	Three Months Ended				
	Common Stock				
	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2018	15,591,914	$ 158,215	$ 302,030	$ (24,420)	$ 435,825
Cumulative-effect adjustment upon adoption of ASU 2016-02[1]	—	—	254	—	254
Net income	—	—	14,273	—	14,273
Other comprehensive income, net of tax	—	—	—	10,116	10,116
Stock-based compensation expense	—	458	—	—	458
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings	24,208	(215)	—	—	(215)
Common stock repurchased	(55,557)	(2,306)	—	—	(2,306)
Cash dividends declared ($0.30 per share)	—	—	(4,687)	—	(4,687)
Balance at March 31, 2019	15,560,565	$ 156,152	$ 311,870	$ (14,304)	$ 453,718
Balance at December 31, 2019	15,144,719	$ 139,103	$ 340,580	$ (6,268)	$ 473,415
Net income	—	—	13,493	—	13,493
Other comprehensive income, net of tax	—	—	—	18,309	18,309
Stock-based compensation expense	—	421	—	—	421
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings	23,909	(53)	—	—	(53)
Common stock repurchased	(217,031)	(7,973)	—	—	(7,973)
Cash dividends declared ($0.33 per share)	—	—	(4,932)	—	(4,932)
Balance at March 31, 2020	14,951,597	$ 131,498	$ 349,141	$ 12,041	$ 492,680

(1) Effective January 1, 2019, the Company adopted ASU 2016-02, *Leases*, on a modified-retrospective basis.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(In thousands)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Activities		
Net Income	$ 13,493	$ 14,273
Adjustments to reconcile net income to net cash used in operating activities:		
Originations of mortgage loans held for sale	(85,676)	(32,405)
Proceeds from the sale of mortgage loans	70,711	28,834
Gain on sale of mortgage loans, net of origination costs	(1,476)	(826)
Provision for credit losses	1,775	744
Depreciation and amortization expense	969	922
Investment securities amortization and accretion, net	742	660
Stock-based compensation expense	421	458
Amortization of intangible assets	170	176
Purchase accounting accretion, net	(244)	(477)
Increase in other assets	(34,101)	(10,710)
Increase (decrease) in other liabilities	221	(6,291)
Net cash used in operating activities	(32,995)	(4,642)
Investing Activities		
Proceeds from sales and maturities of available-for-sale securities	40,188	26,355
Purchase of available-for-sale securities	(58,826)	(26,749)
Net increase in loans	(62,982)	(16,734)
Purchase of Federal Home Loan Bank stock	(9,161)	(2,012)
Proceeds from sale of Federal Home Loan Bank stock	7,754	5,691
Purchase of premises and equipment	(1,284)	(1,583)
Recoveries of previously charged-off loans	68	75
Net cash used in investing activities	(84,243)	(14,957)
Financing Activities		
Net increase in deposits	25,966	113,740
Net proceeds from (repayments of) borrowings less than 90 days	57,913	(14,687)
Proceeds from Federal Home Loan Bank long-term advances	25,000	—
Common stock repurchases	(7,973)	(1,957)
Exercise of stock options and issuance of restricted stock, net of repurchase for tax withholdings	(53)	(215)
Cash dividends paid on common stock	(5,009)	(4,687)
Finance lease payments	(33)	(26)
Net cash provided by financing activities	95,811	92,168
Net (decrease) increase in cash, cash equivalents and restricted cash	(21,427)	72,569
Cash, cash equivalents, and restricted cash at beginning of period	75,636	66,999
Cash, cash equivalents and restricted cash at end of period	$ 54,209	$ 139,568
Supplemental information		
Interest paid	$ 8,555	$ 9,738
Income taxes paid	126	91
Unsettled common stock repurchase	—	349
Transfer from loans to other real estate owned	—	543

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 (the "Company") as of March 31, 2020 and December 31, 2019, the consolidated statements of income for the three months ended March 31, 2020 and 2019, the consolidated statements of comprehensive income for the three months ended March 31, 2020 and 2019, the consolidated statements of changes in shareholders' equity for the three months ended March 31, 2020 and 2019, and the consolidated statements of cash flows for the three months ended March 31, 2020 and 2019. The consolidated financial statements include the accounts of the Company and Camden National Bank (the "Bank"), a wholly-owned subsidiary of the Company (which includes the consolidated accounts of Healthcare Professional Funding Corporation ("HPFC"), Property A, Inc. and Property P, Inc.). All intercompany accounts and transactions have been eliminated in consolidation. Assets held by the Bank in a fiduciary capacity, through Camden National Wealth Management, a division of the Bank, are not assets of the Company and, therefore, are not included in the consolidated statements of condition. The Company also owns 100% of the common stock of Camden Capital Trust A and Union Bankshares Capital Trust I. These entities are unconsolidated subsidiaries of the Company. Certain reclassifications have been made to prior period amounts to conform to the current period presentation. Such reclassifications did not impact net income or shareholders' equity as previously reported. Net income reported for the three months ended March 31, 2020, 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 Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The acronyms, abbreviations and definitions identified below are used throughout this Form 10-Q, including Part I. "Financial Information" and Part II. "Management's Discussion and Analysis of Financial Condition and Results of Operations." The following is provided to aid the reader and provide a reference page when reviewing these sections 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/A:	Not applicable
CCTA:	Camden Capital Trust A, an unconsolidated entity formed by Camden National Corporation	N.M.:	Not meaningful
CDs:	Certificate of deposits	OCC:	Office of the Comptroller of the Currency
Company:	Camden National Corporation	OCI:	Other comprehensive income (loss)
CMO:	Collateralized mortgage obligation	OREO:	Other real estate owned
DCRP:	Defined Contribution Retirement Plan	OTTI:	Other-than-temporary impairment
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 in 2020

The Company adopted and updated its accounting policy for the following accounting standard(s) that became effective January 1, 2020 and were applied to the Company's three months ended March 31, 2020 interim consolidated financial statements:

Goodwill. The Company adopted ASU No. 2017-04*, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), effective January 1, 2020. In accordance with ASU 2017-04, the Company will recognize an impairment of goodwill to the extent the carrying value of a reporting unit exceeds its fair value ("Step 1"). ASU 2017-04 eliminated the need to calculate the implied fair value of goodwill for a reporting unit and recognize an impairment to the extent the carrying value exceeded its implied fair value ("Step 2"). The Company adopted ASU 2017-04 prospectively. Upon adoption, ASU 2017-04 did not have a material impact on the Company's consolidated financial statements. Under the new accounting guidance the Company is more likely to record an impairment of goodwill, as there are now less requirements.

As described within the Company's Annual Report on Form 10-K for the year ended December 31, 2019, the Company last evaluated goodwill for impairment as of November 30, 2019 and determined goodwill was not impaired. In light of the COVID-19 pandemic and its impact on global, national and local markets and economy, the Company assessed if a triggering event that would require an interim goodwill impairment assessment occurred as of March 31, 2020. Through its assessment, the Company determined that a triggering event had not occurred as of March 31, 2020. The Company will continue to monitor the impact and effects of the pandemic on its business and assess goodwill for impairment should a triggering event occur.

Accounting Standards Issued

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

ASU No. 2016-13*, Financial Instruments - Credit Losses (Topic 326):* M*easurement of Credit Losses on Financial Instruments* ("ASU 2016-13")*,* updated by ASU No. 2018-19 - *Financial Instruments - Credit Losses (Topic 326): Codification improvements to Topic 326* ("ASU 2018-19"), and ASU No. 2019-05, *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief* ("ASU 2019-05"). The FASB issued ASU 2016-13, commonly referred to as "CECL," to require more timely recording of credit losses on loans and other financial instruments held by financial institutions and other organizations.

On March 27, 2020, the Coronavirus, Relief, and Economic Security Act ("CARES Act") was signed into law in response to the COVID-19 pandemic. Under Section 4014 of the CARES Act, the Company is permitted to delay its compliance with CECL until the earlier of (1) the date on which the national emergency concerning the COVID-19 pandemic that the President of the United States declared on March 15, 2020 terminates, or (2) December 31, 2020. The Company intends to delay the implementation of CECL until December 31, 2020, unless earlier implementation is required. The Company opted to delay its compliance with CECL so it could devote its resources to serve its customers impacted by the pandemic and support the roll-out of the various federal relief programs introduced by the CARES Act, such as the Paycheck Protection Program. When adopted, the Company will adopt CECL using a modified-retrospective approach as of January 1, 2020, which is the original effective date of the standard for the Company, and will record a cumulative-effect adjustment to retained earnings.

The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and HTM debt securities. CECL also applies to certain off-balance sheet credit exposures, such as loan commitments, standby letters of credit, financial guarantees and other similar investments. In addition, ASU 2016-13 made changes to the accounting for AFS debt securities, and a company will no longer immediately write-down a security for any impairment deemed to be a credit loss. Instead, a company will be required to present credit losses on AFS debt securities as an allowance on investments if it does not intend to sell the impaired security or it is not more-likely-than-not required to sell the impaired security before recovery of its amortized cost basis.

The Company assembled a cross-functional project team that met regularly to address the additional data requirements, to determine the approach for implementation, and to identify new internal controls over enhanced accounting processes for estimating the allowance for credit losses ("ACL"). This included assessing the adequacy of existing loan and loss data, as well as assessing models for default and loss estimates. The Company is currently working to finalize its third party independent review of the Company's model, mechanics and certain key assumptions, internal CECL policy, and internal control framework.

The Company has completed the development of its process for estimation of the allowance for loan losses and off-balance sheet exposures. To estimate the allowance for loan losses, the Company will primarily utilize a discounted cash flow model that contains additional assumptions to calculate credit losses over the estimated life of financial assets and will include the impact of forecasted economic conditions. To estimate the off-balance sheet credit exposures, which are primarily unfunded loan commitments, the Company will apply certain assumptions, including, but not limited to, a funding assumption and expected loss rate.

The Company has performed parallel calculations as of December 31, 2019 and March 31, 2020 comparing the ALL calculated under current accounting guidance, commonly referred to as the "incurred model," to the ACL calculated under CECL. Had CECL been adopted as of January 1, 2020, the Company estimates that its ACL would have increased $2.0 to $4.0 million over the ALL reported as of December 31, 2019, and increased $2.5 to $8.7 million over the ALL reported as of March 31, 2020.

In March 2020, the regulatory banking agencies issued an interim final rule that allows banking institutions that implement CECL during 2020 to delay for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period. As an alternative, banking institutions may elect to forego the provided relief under the interim final rule, and may use the regulatory capital transition rule issued by the regulatory banking agencies in February 2019 that provided a three-year phase in option, effective upon adoption of CECL. The Company is currently assessing its options at this time, and will make its election during the 2020 calendar quarter in which it adopts CECL.

NOTE 3 – INVESTMENTS

AFS and HTM Investments

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

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2020				
AFS Investments (carried at fair value):				
Obligations of states and political subdivisions	$ 123,893	$ 3,324	$ (337)	$ 126,880
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	472,508	15,618	(77)	488,049
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	324,929	9,698	(12)	334,615
Subordinated corporate bonds	10,546	116	(75)	10,587
Total AFS investments	$ 931,876	$ 28,756	$ (501)	$ 960,131
HTM Investments (carried at amortized cost):				
Obligations of states and political subdivisions	$ 1,300	$ 58	$ —	$ 1,358
Total HTM investments	$ 1,300	$ 58	$ —	$ 1,358
December 31, 2019				
AFS Investments (carried at fair value):				
Obligations of states and political subdivisions	$ 115,632	$ 2,779	$ (328)	$ 118,083
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	462,593	3,398	(2,605)	463,386
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	325,200	3,183	(2,478)	325,905
Subordinated corporate bonds	10,553	191	—	10,744
Total AFS investments	$ 913,978	$ 9,551	$ (5,411)	$ 918,118
HTM Investments (carried at amortized cost):				
Obligations of states and political subdivisions	$ 1,302	$ 57	$ —	$ 1,359
Total HTM investments	$ 1,302	$ 57	$ —	$ 1,359

The net unrealized gain on AFS investments reported within AOCI at March 31, 2020, was $22.2 million, net of a deferred tax liability of $6.1 million. The net unrealized gain on AFS investments reported within AOCI at December 31, 2019, was $3.3 million, net of a deferred tax liability of $890,000.

Impaired AFS and HTM Investments:

Quarterly, management 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 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 that was considered temporary, by length of time that an individual security in each category has been in a continuous loss position as of the dates indicated:

(In thousands, except number of holdings)	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
March 31, 2020							
AFS Investments:							
Obligations of states and political subdivisions	168	$ 20,029	$ (337)	$ —	$ —	$ 20,029	$ (337)
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	144	7,626	(34)	1,638	(43)	9,264	(77)
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	86	5,180	(12)	—	—	5,180	(12)
Subordinated corporate bonds	8	4,925	(75)	—	—	4,925	(75)
Total AFS investments	406	$ 37,760	$ (458)	$ 1,638	$ (43)	$ 39,398	$ (501)
December 31, 2019							
AFS Investments:							
Obligations of states and political subdivisions	11	$ 30,459	$ (328)	$ —	$ —	$ 30,459	$ (328)
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	59	162,964	(1,850)	63,633	(755)	226,597	(2,605)
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	35	66,549	(733)	68,614	(1,745)	135,163	(2,478)
Total AFS investments	105	$ 259,972	$ (2,911)	$ 132,247	$ (2,500)	$ 392,219	$ (5,411)

At March 31, 2020 and December 31, 2019, unrealized losses within the AFS and HTM investment portfolios were reflective of current interest rates in excess of the yield received on debt investments, and were not indicative of an overall change in credit quality or other factors. At March 31, 2020 and December 31, 2019, gross unrealized losses on the Company's AFS and HTM investments were 1% of their respective fair values.

At March 31, 2020, the Company had the intent and ability to retain its debt investments in an unrealized loss position until the decline in value has recovered.

Sale of AFS Investments:

For the three months ended March 31, 2020 and 2019, the Company did not sell any AFS investments.

AFS and HTM Investments Pledged:

At March 31, 2020 and December 31, 2019, AFS and HTM investments with an amortized cost of $712.4 million and $709.0 million and estimated fair values of $735.3 million and $712.4 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, 2020, 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.

(In thousands)	Amortized Cost	Fair Value
AFS Investments		
Due in one year or less	$ —	$ —
Due after one year through five years	76,517	78,367
Due after five years through ten years	215,515	223,272
Due after ten years	639,844	658,492
Total	$ 931,876	$ 960,131
HTM Investments		
Due in one year or less	$ —	$ —
Due after one year through five years	511	532
Due after five years through ten years	789	826
Due after ten years	—	—
Total	$ 1,300	$ 1,358

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:

(In thousands)	Cost	Unrealized Gains	Unrealized Losses	Fair Value / Carrying Value
March 31, 2020				
Equity securities - bank stock (carried at fair value)	$ 544	$ 1,130	$ —	$ 1,674
FHLBB (carried at cost)	8,008	—	—	8,008
FRB (carried at cost)	5,374	—	—	5,374
Total other investments	$ 13,926	$ 1,130	$ —	$ 15,056
December 31, 2019				
Equity securities - bank stock (carried at fair value)	$ 544	$ 1,130	$ —	$ 1,674
FHLBB (carried at cost)	6,601	—	—	6,601
FRB (carried at cost)	5,374	—	—	5,374
Total other investments	$ 12,519	$ 1,130	$ —	$ 13,649

For the three months ended March 31, 2020 and 2019, the Company recognized an unrealized gain of $0 and $243,000, respectively, due to the change in fair value of its bank stock equity securities, which was presented within other income on the consolidated statements of income.

The Company did not record any OTTI on its FHLBB and FRB stock for the three months ended March 31, 2020 and 2019.

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Company’s loan portfolio, excluding residential loans held for sale, was as follows for the dates indicated:

(In thousands)	March 31, 2020	December 31, 2019
Residential real estate	$ 1,064,212	$ 1,070,374
Commercial real estate	1,299,860	1,243,397
Commercial	444,830	421,108
Home equity	306,226	312,779
Consumer	24,377	25,772
HPFC	18,257	21,593
Total loans	$ 3,157,762	$ 3,095,023

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 for the dates indicated:

(In thousands)	March 31, 2020	December 31, 2019
Net unamortized fair value mark discount on acquired loans	$ (2,346)	$ (2,593)
Net unamortized loan origination costs	3,115	3,111
Total	$ 769	$ 518

The Company's lending activities are primarily conducted in Maine, but also include loan production offices in Massachusetts and New Hampshire. The Company originates single- 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 is an acquired loan portfolio. It 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 HPFC loans.

In the normal course of business, the Bank makes loans to certain officers, directors and their associated companies, under terms that are consistent with the Company's lending policies and regulatory requirements and that do not involve more than the normal risk of collectability or present other unfavorable features. At March 31, 2020 and December 31, 2019, outstanding loans to certain officers, directors and their associated companies was less than 5% of the Company's shareholders' equity.

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, including consideration of the effect and impact of the COVID-19 pandemic; and (iv) a requirement by federal and state regulators to increase the provision for loan losses or recognize additional charge-offs.

As discussed in Note 2, the Company did not adopt ASU 2016-04, commonly referred to as "CECL", in the first quarter of 2020. The Company's ALL, as presented, has been determined in accordance with its policies and procedures described within its Annual Report on Form 10-K for the year ended December 31, 2019. In light of the COVID-19 pandemic, the Company adjusted its economic qualitative factor ("Q-factor") to estimate the impact of the health crisis on its loan portfolio, based on information available as of March 31, 2020. The Q-factor adjustment resulted in an $800,000 increase in the ALL as of March 31, 2020. The Company will continue to adjust its economic Q-factor in coming quarters, as appropriate, as additional economic data becomes available and/or should the Company experience credit deterioration within its loan portfolio. There were no other significant changes to the Company's ALL methodology during the three months ended March 31, 2020.

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 manage the portfolio proactively 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 the following:

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, including for investment purposes.

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 and equipment, and/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 include 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.

The following presents the activity in the ALL and select loan information by portfolio segment for the periods indicated:

(In thousands)	Residential Real Estate	Commercial Real Estate	Commercial	Home Equity	Consumer	HPFC	Total
At or For The Three Months Ended March 31, 2020							
ALL for the three months ended:							
Beginning balance	$ 5,842	$ 12,414	$ 3,769	$ 2,423	$ 507	$ 216	$ 25,171
Loans charged off	(96)	(50)	(253)	(34)	(57)	—	(490)
Recoveries	2	4	53	4	5	—	68
Provision (credit)[1]	149	1,006	545	87	18	(33)	1,772
Ending balance	$ 5,897	$ 13,374	$ 4,114	$ 2,480	$ 473	$ 183	$ 26,521
ALL balance attributable to loans:							
Individually evaluated for impairment	$ 324	$ 34	$ —	$ 89	$ —	$ —	$ 447
Collectively evaluated for impairment	5,573	13,340	4,114	2,391	473	183	26,074
Total ending ALL	$ 5,897	$ 13,374	$ 4,114	$ 2,480	$ 473	$ 183	$ 26,521
Loans:							
Individually evaluated for impairment	$ 3,286	$ 400	$ 299	$ 370	$ —	$ —	$ 4,355
Collectively evaluated for impairment	1,060,926	1,299,460	444,531	305,856	24,377	18,257	3,153,407
Total ending loans balance	$ 1,064,212	$ 1,299,860	$ 444,830	$ 306,226	$ 24,377	$ 18,257	$ 3,157,762
At or For The Three Months Ended March 31, 2019							
ALL for the three months ended:							
Beginning balance	$ 6,071	$ 11,654	$ 3,620	$ 2,796	$ 234	$ 337	$ 24,712
Loans charged off	(11)	(65)	(236)	(10)	(14)	—	(336)
Recoveries	2	4	62	—	7	—	75
Provision (credit)[1]	91	245	170	241	32	(29)	750
Ending balance	$ 6,153	$ 11,838	$ 3,616	$ 3,027	$ 259	$ 308	$ 25,201
ALL balance attributable to loans:							
Individually evaluated for impairment	$ 553	$ 27	$ —	$ 347	$ —	$ —	$ 927
Collectively evaluated for impairment	5,600	11,811	3,616	2,680	259	308	24,274
Total ending ALL	$ 6,153	$ 11,838	$ 3,616	$ 3,027	$ 259	$ 308	$ 25,201
Loans:							
Individually evaluated for impairment	$ 4,736	$ 410	$ 223	$ 895	$ —	$ —	$ 6,264
Collectively evaluated for impairment	1,012,706	1,258,064	390,759	323,074	20,733	30,842	3,036,178
Total ending loans balance	$ 1,017,442	$ 1,258,474	$ 390,982	$ 323,969	$ 20,733	$ 30,842	$ 3,042,442

(In thousands)	Residential Real Estate		Commercial Real Estate		Commercial		Home Equity		Consumer		HPFC		Total	
At or For The Year Ended December 31, 2019														
ALL:														
Beginning balance	$	6,071	$	11,654	$	3,620	$	2,796	$	234	$	337	$	24,712
Loans charged off		(462)		(300)		(1,167)		(412)		(301)		(71)		(2,713)
Recoveries		16		49		225		1		19		—		310
Provision (credit)[1]		217		1,011		1,091		38		555		(50)		2,862
Ending balance	$	5,842	$	12,414	$	3,769	$	2,423	$	507	$	216	$	25,171
ALL balance attributable to loans:														
Individually evaluated for impairment	$	364	$	30	$	—	$	69	$	—	$	—	$	463
Collectively evaluated for impairment		5,478		12,384		3,769		2,354		507		216		24,708
Total ending ALL	$	5,842	$	12,414	$	3,769	$	2,423	$	507	$	216	$	25,171
Loans:														
Individually evaluated for impairment	$	3,384	$	402	$	319	$	373	$	—	$	—	$	4,478
Collectively evaluated for impairment		1,066,990		1,242,995		420,789		312,406		25,772		21,593		3,090,545
Total ending loans balance	$	1,070,374	$	1,243,397	$	421,108	$	312,779	$	25,772	$	21,593	$	3,095,023

(1) 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 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, 2020 and 2019, and December 31, 2019, the reserve for unfunded commitments was $24,000, $16,000 and $21,000, respectively.

The following reconciles the provision for loan losses to the provision for credit losses as presented on the consolidated statements of income for the periods indicated:

	Three Months Ended March 31,				Year Ended December 31,	
(In thousands)	2020		2019		2019	
Provision for loan losses	$	1,772	$	750	$	2,862
Change in reserve for unfunded commitments		3		(6)		(1)
Provision for credit losses	$	1,775	$	744	$	2,861

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 identify credit concentrations effectively, 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. As of March 31, 2020, the Company's total exposure to the lessors of nonresidential buildings' industry was 13% of total loans and 32% of total commercial real estate loans. There were no other industry exposures exceeding 10% of the Company's total loan portfolio as of March 31, 2020.

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:

(In thousands)	Residential Real Estate	Commercial Real Estate	Commercial	Home Equity	Consumer	HPFC	Total
March 31, 2020							
Pass (Grades 1-6)	$ 1,057,552	$ 1,254,201	$ 439,638	$ —	$ —	$ 17,410	$ 2,768,801
Performing	—	—	—	304,131	24,372	—	328,503
Special Mention (Grade 7)	469	31,028	1,424	—	—	77	32,998
Substandard (Grade 8)	6,191	14,631	3,768	—	—	770	25,360
Non-performing	—	—	—	2,095	5	—	2,100
Total	$ 1,064,212	$ 1,299,860	$ 444,830	$ 306,226	$ 24,377	$ 18,257	$ 3,157,762
December 31, 2019							
Pass (Grades 1-6)	$ 1,062,825	$ 1,196,683	$ 415,870	$ —	$ —	$ 20,667	$ 2,696,045
Performing	—	—	—	310,653	25,748	—	336,401
Special Mention (Grade 7)	473	31,753	2,544	—	—	89	34,859
Substandard (Grade 8)	7,076	14,961	2,694	—	—	837	25,568
Non-performing	—	—	—	2,126	24	—	2,150
Total	$ 1,070,374	$ 1,243,397	$ 421,108	$ 312,779	$ 25,772	$ 21,593	$ 3,095,023

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 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, generally at least six months. 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:

(In thousands)	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, 2020								
Residential real estate	$ 1,778	$ 320	$ 2,445	$ 4,543	$ 1,059,669	$ 1,064,212	$ —	$ 3,499
Commercial real estate	1,207	1,460	478	3,145	1,296,715	1,299,860	—	646
Commercial	1,315	388	602	2,305	442,525	444,830	—	748
Home equity	1,140	430	1,743	3,313	302,913	306,226	—	2,098
Consumer	58	31	5	94	24,283	24,377	—	4
HPFC	21	144	252	417	17,840	18,257	—	322
Total	$ 5,519	$ 2,773	$ 5,525	$ 13,817	$ 3,143,945	$ 3,157,762	$ —	$ 7,317
December 31, 2019								
Residential real estate	$ 2,297	$ 627	$ 2,598	$ 5,522	$ 1,064,852	$ 1,070,374	$ —	$ 4,096
Commercial real estate	267	1,720	544	2,531	1,240,866	1,243,397	—	1,122
Commercial	548	—	417	965	420,143	421,108	—	420
Home equity	681	238	1,459	2,378	310,401	312,779	—	2,130
Consumer	108	31	23	162	25,610	25,772	—	24
HPFC	—	243	288	531	21,062	21,593	—	364
Total	$ 3,901	$ 2,859	$ 5,329	$ 12,089	$ 3,082,934	$ 3,095,023	$ —	$ 8,156

Interest income that would have been recognized if loans on non-accrual status had been current in accordance with their original terms is estimated to have been $79,000 and $109,000 for the three months ended March 31, 2020 and 2019, 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 for the dates indicated:

	Number of Contracts		Recorded Investment		Specific Reserve	
(In thousands, except number of contracts)	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Residential real estate	21	22	$ 2,692	$ 2,869	$ 324	$ 364
Commercial real estate	2	2	338	338	34	30
Commercial	2	2	118	123	—	—
Consumer and home equity	1	1	299	299	89	69
Total	26	27	$ 3,447	$ 3,629	$ 447	$ 463

At March 31, 2020, the Company had performing and non-performing TDRs with a recorded investment balance of $3.0 million and $438,000, respectively. At December 31, 2019, the Company had performing and non-performing TDRs with a recorded investment balance of $3.0 million and $636,000, respectively.

In response to the COVID-19 pandemic, the Company worked with businesses and consumers to provide temporary debt payment relief. The Company's payment relief program provided principal and/or interest payment deferrals of 30 to 180 days for businesses and 90 to 180 days for consumers. For loans modified due to the COVID-19 pandemic, the Company may apply the following accounting treatment in this order:

1. Should a loan modification (i) meet the criteria set forth in Section 4013 of the CARES Act and (ii) the Company elects to apply, then the Company may account for the loan modification in accordance with Section 4013 of the CARES Act. Section 4013 of the CARES Act suspended TDR designation for loan modifications related to the COVID-19 pandemic. In order for the loan modification to qualify under Section 4013 of the CARES Act, the loan must not have been more than 30 days past due as of December 31, 2019. This guidance is applicable for loan modifications beginning on March 1, 2020 and ending on the earlier of (1) December 31, 2020, or (2) the date that is 60 days after the date the national emergency concerning the COVID-19 pandemic declared by the President on March 13, 2020 under the National Emergencies Act terminates.
2. Should a loan modification (i) not meet the criteria set forth in Section 4013 of the CARES Act or (ii) the Company elects to not apply, but the loan modification (a) meets the criteria provided in the "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)," issued by the banking agencies on April 7, 2020, and (b) the Company elects to apply this guidance, then the Company may account for the loan modification in accordance with the interagency guidance. Under this guidance, if the loan was no more than 30 days past due at the time the loan modification program was implemented, the modification was short-term in duration (generally, less than six months), and the modification was related to the COVID-19 pandemic, then it may be presumed that the borrower is not experiencing financial difficulty, and, therefore, that the modification does not qualify as a TDR.
3. Should a loan modification (i) not meet the criteria set forth in Section 4013 of the CARES Act or the interagency guidance described above, or (ii) the Company elects not to apply the guidance, then the Company would assess the loan modification under its existing accounting policies (GAAP).

There were no loan modifications that qualify as TDRs that occurred for the three months ended March 31, 2020 and 2019.

For the three months ended March 31, 2020 and 2019, 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 periods indicated:

				For the Three Months Ended	
(In thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
March 31, 2020:					
With an allowance recorded:					
Residential real estate	$ 2,220	$ 2,220	$ 324	$ 2,307	$ 24
Commercial real estate	128	128	34	128	1
Commercial	—	—	—	—	—
Home equity	318	318	89	318	—
Consumer	—	—	—	—	—
HPFC	—	—	—	—	—
Ending balance	2,666	2,666	447	2,753	25
Without an allowance recorded:					
Residential real estate	1,066	1,247	—	1,028	3
Commercial real estate	272	431	—	273	3
Commercial	299	665	—	309	2
Home equity	52	190	—	54	—
Consumer	—	—	—	—	—
HPFC	—	—	—	—	—
Ending balance	1,689	2,533	—	1,664	8
Total impaired loans	$ 4,355	$ 5,199	$ 447	$ 4,417	$ 33
March 31, 2019:					
With an allowance recorded:					
Residential real estate	$ 3,454	$ 3,454	$ 553	$ 3,462	$ 30
Commercial real estate	131	131	27	131	1
Commercial	—	—	—	278	—
Home equity	828	828	347	573	—
Consumer	—	—	—	—	—
HPFC	—	—	—	—	—
Ending Balance	4,413	4,413	927	4,444	31
Without an allowance recorded:					
Residential real estate	1,282	1,406	—	1,286	10
Commercial real estate	279	455	—	539	3
Commercial	223	286	—	226	2
Home equity	67	265	—	96	—
Consumer	—	—	—	—	—
HPFC	—	—	—	—	—
Ending Balance	1,851	2,412	—	2,147	15
Total impaired loans	$ 6,264	$ 6,825	$ 927	$ 6,591	$ 46

(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Year Ended: Average Recorded Investment	For the Year Ended: Interest Income Recognized
December 31, 2019:					
With an allowance recorded:					
Residential real estate	$ 2,395	$ 2,395	$ 364	$ 2,989	$ 110
Commercial real estate	128	128	30	130	11
Commercial	—	—	—	292	—
Home equity	318	318	69	522	—
Consumer	—	—	—	—	—
HPFC	—	—	—	—	—
Ending Balance	2,841	2,841	463	3,933	121
Without an allowance recorded:					
Residential real estate	989	1,116	—	1,258	21
Commercial real estate	274	433	—	381	13
Commercial	319	685	—	238	7
Home equity	55	192	—	115	—
Consumer	—	—	—	1	—
HPFC	—	—	—	—	—
Ending Balance	1,637	2,426	—	1,993	41
Total impaired loans	$ 4,478	$ 5,267	$ 463	$ 5,926	$ 162

Loan Sales:

For the three months ended March 31, 2020 and 2019, the Company sold $69.2 million and $28.0 million, respectively, of fixed rate residential mortgage loans on the secondary market, which resulted in gains on the sale of loans (net of costs) of $1.5 million and $826,000, respectively.

At March 31, 2020 and December 31, 2019, the Company had certain residential mortgage loans with a principal balance of $28.4 million and $11.9 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, 2020 and December 31, 2019, recorded an unrealized loss of $626,000 and $61,000, respectively. For the three months ended March 31, 2020 and 2019, the net change in unrealized losses (gains) on loans held for sale recorded within mortgage banking income, net, on the Company's consolidated statements of income was $565,000 and ($4,000), respectively.

The Company has forward delivery commitments with a secondary market investor on each of its loans held for sale at March 31, 2020 and December 31, 2019. Refer to Note 8 for further discussion of the Company's forward delivery commitments.

In-Process Foreclosure Proceedings:

At March 31, 2020 and December 31, 2019, the Company had $1.4 million and $1.3 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, 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 $1.4 billion at March 31, 2020 and December 31, 2019.

Refer to Notes 3 and 6 of the consolidated financial statements for discussion of securities pledged as collateral.

NOTE 5 – BORROWINGS

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

(In thousands)	March 31, 2020	December 31, 2019
Short-Term Borrowings:		
Customer repurchase agreements	$ 265,997	$ 237,984
FHLBB borrowings	50,000	25,000
Overnight borrowings	10,725	5,825
Total short-term borrowings	$ 326,722	$ 268,809
Long-Term Borrowings:		
FHLBB borrowings	$ 35,000	$ 10,000
Total long-term borrowings	$ 35,000	$ 10,000

NOTE 6 – 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 a 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 within interest on borrowings on the consolidated statements of income. The securities underlying the agreements are delivered to counterparties as collateral 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 for the dates indicated:

(In thousands)		March 31, 2020		December 31, 2019
Customer Repurchase Agreements[1][2]:				
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	$	147,529	$	118,969
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises		116,852		117,654
Obligations of states and political subdivisions		1,616		1,361
Total	$	265,997	$	237,984

(1) Presented within short-term borrowings on the consolidated statements of condition.

(2) All customer repurchase agreements mature continuously or overnight for the dates indicated.

At March 31, 2020 and December 31, 2019, certain customers held CDs totaling $1.0 million, that were collateralized by CMO and MBS securities that were overnight repurchase agreements.

Certain counterparties monitor collateral, and may request additional collateral to be posted from time to time.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Commitments

In the normal course of business, the Company is a party to both on- and off-balance sheet financial instruments involving, to varying degrees, elements of credit risk and interest rate risk in addition to the amounts recognized in the consolidated statements of condition.

The following is a summary of the Company's contractual off-balance sheet commitments for the dates indicated:

(In thousands)		March 31, 2020		December 31, 2019
Commitments to extend credit	$	764,368	$	734,649
Standby letters of credit		5,002		5,211
Total	$	769,370	$	739,860

The Company's commitments to extend credit from its lending activities do not necessarily represent future cash requirements since certain of these instruments may expire without being funded and others may not be fully drawn upon. These commitments are subject to the Company's credit approval process, including an evaluation of the customer's creditworthiness and related collateral requirements. Commitments generally have fixed expiration dates or other termination clauses. Of the total commitments to extend credit, $272.5 million and $274.6 million were unconditionally cancellable by the Company at March 31, 2020 and December 31, 2019, respectively.

Standby letters of credit are conditional commitments issued to guarantee the performance of a borrower to a third party. In the event of nonperformance by the borrower, the Company would be required to fund the commitment and would be entitled to the underlying collateral, if applicable, which generally consists of pledges of business assets including, but not limited to, accounts receivable, inventory, plant and equipment, and/or real estate. The maximum potential future payments are limited to the contractual amount of the commitment.

Legal Contingencies

In the normal course of business, the Company and its subsidiaries are subject to pending and threatened litigation, claims investigations and legal and administrative cases and proceedings. Although the Company is not able to predict the outcome of such actions, after reviewing pending and threatened actions with counsel, management believes that, based on the information currently available, the outcome of such actions, individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial statements.

Reserves are established for legal claims only when losses associated with the claims are judged to be probable, and the loss can be reasonably estimated. Assessments of litigation exposure are difficult because they involve inherently unpredictable factors including, but not limited to: whether the proceeding is in the early stages; whether damages are unspecified, unsupported, or uncertain; whether there is a potential for punitive or other pecuniary damages; whether the matter involves legal uncertainties, including novel issues of law; whether the matter involves multiple parties and/or jurisdictions; whether discovery has begun or is not complete; whether meaningful settlement discussions have commenced; and whether the lawsuit involves class allegations. In many lawsuits and arbitrations, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case a reserve will not be recognized until that time. Assessments of class action litigation, which is generally more complex than other types of litigation, are particularly difficult, especially in the early stages of the proceeding when it is not known whether a class will be certified or how a potential class, if certified, will be defined. As a result, the Company may be unable to estimate reasonably possible losses with respect to every litigation matter it faces.

As of March 31, 2020 and December 31, 2019, the Company did not have any material loss contingencies that were provided for and/or that are required to be disclosed.

NOTE 8 – DERIVATIVES AND HEDGING

The Company uses derivative financial instruments for risk management purposes (primarily interest rate risk) and not for trading or speculative purposes. The Company controls the credit risk associated with these derivative financial instruments through collateral, credit approvals and monitoring procedures.

Derivative financial instruments are carried at fair value on the consolidated statements of condition. The accounting for changes in the fair value of a derivative instrument is dependent upon whether or not it has been designated as a hedge for accounting purposes, and, if so, the type of hedge it has been designated as. The changes in fair value of the Company's derivative instruments not designated as hedges are accounted for within the consolidated statements of income.

Quarterly, in conjunction with financial reporting, each cash flow hedge is assessed for ineffectiveness. To the extent ineffectiveness is identified, this amount is recorded within the consolidated statements of income. The gain or loss on the effective portion of the cash flow hedge is reclassified from AOCI into interest within the consolidated statements of income in the period the hedged transaction affects earnings.

Derivatives Not Designated as Hedges

Customer Loan Swaps

The Company will enter into interest rate swaps with its commercial customers to provide them with a means to lock into a long-term fixed rate, while simultaneously entering into an arrangement with a counterparty to swap the fixed rate to a variable rate to manage its interest rate exposure effectively. As the interest rate swap agreements have substantially equivalent and offsetting terms, they do not materially change the Company's interest rate risk or present any material exposure to its consolidated statements of income. Customer loan swaps are presented on a gross basis within other assets and accrued interest and other liabilities on the consolidated statements of condition.

The following table presents the total positions, notional and fair value of the Company's customer loans swaps with each party for the dates indicated:

		March 31, 2020			December 31, 2019		
(In thousands, except number of positions)	**Presentation on Consolidated Statements of Condition**	**Number of Positions**	**Notional Amount**	**Fair Value**	**Number of Positions**	**Notional Amount**	**Fair Value**
Receive fixed, pay variable	Accrued interest and other liabilities	—	$ —	$ —	10	$ 45,243	$ (514)
Receive fixed, pay variable	Other assets	85	408,545	45,220	75	366,351	17,756
Pay fixed, receive variable	(Accrued interest and other liabilities) / other assets	85	408,545	(45,220)	85	411,594	(17,242)
Total		170	$ 817,090	$ —	170	$ 823,188	$ —

The Company seeks to mitigate its customer counterparty credit risk exposure through its loan policy and underwriting process, which includes credit approval limits, monitoring procedures, and obtaining collateral, where appropriate. The

Company mitigates its institutional counterparty credit risk exposure by limiting the institutions for which it will enter into interest swap arrangements through an approved listing by its Board of Directors.

The Company has entered into a master netting arrangement with its counterparty and settles payments with the counterparty as necessary. The Company's arrangement with its institutional counterparty requires it to post cash or other assets as collateral for its customer loan swap contracts in a net liability position based on their aggregate fair value and the Company's credit rating. The Company may also receive cash collateral for contracts in a net asset position as requested. At March 31, 2020 and December 31, 2019 the Company posted $46.2 million and $18.4 million, respectively, of cash to the counterparty as collateral on its customer loan swap contracts which was presented within other assets on the consolidated statements of condition. Refer to Note 9 for further discussion of master netting arrangements and presentation within the Company's consolidated financial statements.

Fixed-Rate Mortgage Interest Rate Lock Commitments

As part of the origination process of a residential loan, the Company may enter into rate lock agreements with its borrower, which is considered an interest rate lock commitment. If the Company intends to sell the loan upon origination, it will account for the interest rate lock commitment as a derivative. The Company's pipeline of mortgage loans with fixed-rate interest rate lock commitments for which it intends to sell the loan upon origination was as follows for the dates indicated:

		March 31, 2020		December 31, 2019	
(In thousands)	**Presentation on Consolidated Statements of Condition**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Fixed-rate mortgage interest rate locks	Other assets	$ 91,943	$ 2,241	$ 27,087	$ 480
Fixed-rate mortgage interest rate locks	Accrued interest and other liabilities	36,538	(264)	2,519	(18)
Total		$ 128,481	$ 1,977	$ 29,606	$ 462

For the three months ended March 31, 2020 and 2019, the net unrealized gain from the change in fair value on the Company's fixed-rate mortgage rate locks reported within mortgage banking income, net, on the consolidated statements of income was $1.5 million and $181,000, respectively.

Forward Delivery Commitments

The Company typically enters into a forward delivery commitment with a secondary market investor, which has been approved by the Company within its normal governance process, at the onset of the loan origination process. The Company may enter into these arrangements with the secondary market investors on a "best effort" or "mandatory delivery" basis. The Company's normal practice is typically to enter into these arrangements on a "best effort" basis. The Company enters into these arrangements with the secondary market investors to manage its interest rate exposure. The Company accounts for the forward delivery commitment as a derivative upon origination of a loan identified as held for sale.

The Company's forward delivery commitments on loans held for sale for the dates indicated were as follows:

		March 31, 2020		December 31, 2019	
(In thousands)	**Presentation on Consolidated Statements of Condition**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Forward delivery commitments ("best effort")	Other Assets	$ 26,786	$ 1,185	$ 10,846	$ 312
Forward delivery commitments ("best effort")	Accrued interest and other liabilities	1,570	(30)	1,069	(15)
Total		$ 28,356	$ 1,155	$ 11,915	$ 297

For the three months ended March 31, 2020 and 2019, the net unrealized gain 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 was $858,000 and $83,000, respectively.

Derivatives Designated as Hedges

Interest Rate Swap on Loans

In 2019, the Company entered into a $100.0 million interest rate swap contract with a counterparty to manage interest rate risk associated with its variable-rate loans. The Company has entered into a master netting arrangement with its institutional counterparty and settles payments monthly on a net basis.

The arrangement with the institutional counterparty requires it to post collateral for its interest rate swaps on loans and borrowings when they are in a net liability position based on their fair values. If the interest rate swaps are in a net asset position based on their fair values, the counterparty will post collateral to the Company as requested. At March 31, 2020, the institutional counterparty posted $3.8 million of cash as collateral on its interest rate swaps on loans and borrowings, which was presented within interest-bearing deposits in other banks as restricted cash with a matching liability within accrued interest and other liabilities on the consolidated statements of condition. At December 31, 2019, the counterparty posted $560,000 as collateral on its interest rate swap on loans. Refer to Note 9 for further discussion of master netting arrangements and presentation within the Company's consolidated financial statements.

The details of the interest rate swap for the dates indicated were as follows:

(Dollars in thousands)					**March 31, 2020**		**December 31, 2019**	
Trade Date	**Maturity Date**	**Variable Index Paid**	**Fixed Rate Received**	**Presentation on Consolidated Statements of Condition**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
6/12/2019	6/10/2024	1-Month USD LIBOR	1.693%	Other assets	$ 100,000	$ 5,591	$ 100,000	$ 483

For the three months ended March 31, 2020, the Company did not record any ineffectiveness within the consolidated statements of income.

Net payments received from the institutional counterparty for the three months ended March 31, 2020 were $52,000, and were classified as cash flows from operating activities within the consolidated statements of cash flows.

Interest Rate Swaps on Borrowings

In March 2020, the Company entered into two $50.0 million interest rate swap arrangements with an institutional counterparty to mitigate interest rate risk. The Company has entered into a master netting arrangement with the institutional counterparty and settles payments on a net basis, monthly for the Federal Funds Effective Rate swap and quarterly for the 3-Month USD LIBOR swap.

The arrangement with the institutional counterparty requires it to post collateral for its interest rate swaps on loans and borrowings when they are in a net liability position based on their fair values. If the interest rate swaps are in a net asset position based on their fair values, the counterparty will post collateral to the Company as requested. Collateral posted to the institutional counterparty or received is settled net with the interest rate swap on loans discussed above.

The details of the Company's interest rate swaps on borrowings for the dates indicated were as follows:

(Dollars in thousands)					**March 31, 2020**	
Trade Date	**Maturity Date**	**Variable Index Received**	**Fixed Rate Paid**	**Presentation on Consolidated Statements of Condition**	**Notional Amount**	**Fair Value**
3/2/2020	3/1/2023	Fed Funds Effective Rate	0.705%	Accrued interest and other liabilities	$ 50,000	$ (853)
3/26/2020	3/26/2030	3-Month USD LIBOR	0.857%	Accrued interest and other liabilities	50,000	(762)
					$ 100,000	$ (1,615)

For the three months ended March 31, 2020, the Company did not record any ineffectiveness within the consolidated statements of income.

Junior Subordinated Debt Interest Rate Swaps

The Company entered into five interest rate swap agreements with an institutional counterparty to manage interest rate risk associated with the Company's variable rate borrowings. The Company entered into a master netting arrangement with its institutional counterparty and settles payments quarterly on a net basis. The interest rate swap arrangements contain provisions that require the Company to post cash or other assets as collateral with the counterparty for contracts that are in a net liability position based on their aggregate fair value and the Company’s credit rating. If the interest rate swaps are in a net asset position based on their aggregate fair value, the institutional counterparty will post collateral to the Company as requested. At March 31, 2020 and December 31, 2019, the Company posted $13.3 million and $8.8 million, respectively, of cash as collateral to the institutional counterparty, which was presented within other assets on the consolidated statements of financial condition. Refer

to Note 9 for further discussion of master netting arrangements and presentation within the Company's consolidated financial statements.

The details of the junior subordinated debt interest rate swaps for the dates indicated were as follows:

(Dollars in thousands)					March 31, 2020		December 31, 2019	
Trade Date	**Maturity Date**	**Variable Index Received**	**Fixed Rate Paid**	**Presentation on Consolidated Statements of Condition**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
3/18/2009	6/30/2021	3-Month USD LIBOR	5.09%	Accrued interest and other liabilities	$ 10,000	$ (396)	$ 10,000	$ (299)
7/8/2009	6/30/2029	3-Month USD LIBOR	5.84%	Accrued interest and other liabilities	10,000	(3,494)	10,000	(2,318)
5/6/2010	6/30/2030	3-Month USD LIBOR	5.71%	Accrued interest and other liabilities	10,000	(3,686)	10,000	(2,384)
3/14/2011	3/30/2031	3-Month USD LIBOR	4.35%	Accrued interest and other liabilities	5,000	(1,993)	5,000	(1,279)
5/4/2011	7/7/2031	3-Month USD LIBOR	4.14%	Accrued interest and other liabilities	8,000	(3,073)	8,000	(1,907)
					$ 43,000	$ (12,642)	$ 43,000	$ (8,187)

For the three months ended March 31, 2020 and 2019, the Company did not record any ineffectiveness on these cash flow hedges within the consolidated statements of income.

Net payments to the counterparty for the three months ended March 31, 2020 and 2019 were $240,000 and $152,000, respectively, and were classified as cash flows from operating activities in the Company's consolidated statements of cash flows.

The table below presents the effect of the Company’s derivative financial instruments included in OCI and current earnings for the periods indicated:

	For The Three Months Ended March 31,	
(In thousands)	**2020**	**2019**
Derivatives designated as cash flow hedges:		
Effective portion of unrealized losses recognized within OCI during the period, net of tax	$ (902)	$ (925)
Net reclassification adjustment for effective portion of cash flow hedges included in interest expense, gross	$ 240	$ 119
Net reclassification adjustment for effective portion of cash flow hedges included in interest income, gross	$ (52)	$ —

The Company expects approximately $577,000 to be reclassified from AOCI, related to the Company’s cash flow hedges, in the next 12 months, decreasing net interest income on the consolidated statements of income. This reclassification is due to anticipated payments that will be made on the swaps based upon the forward curve as of March 31, 2020.

NOTE 9 – BALANCE SHEET OFFSETTING

The Company does not offset the carrying value for derivative instruments or repurchase agreements on the consolidated statements of condition. The Company does net the amount recognized for the right to reclaim cash collateral against the obligation to return cash collateral arising from instruments executed with the same counterparty under a master netting arrangement. Collateral legally required to be pledged or received is monitored and adjusted as necessary. Refer to Note 6 for further discussion of repurchase agreements and Note 8 for further discussion of derivative instruments.

The following table presents the Company's derivative positions and repurchase agreements, and the potential effect of netting arrangements on its financial position, as of the dates indicated:

(In thousands)	Gross Amount Recognized in the Consolidated Statements of Condition	Gross Amount Offset in the Consolidated Statements of Condition	Net Amount Presented in the Consolidated Statements of Condition	Gross Amount Not Offset in the Consolidated Statements of Condition: Financial Instruments Pledged (Received)[1]	Gross Amount Not Offset in the Consolidated Statements of Condition: Cash Collateral Pledged (Received)[1]	Net Amount
March 31, 2020						
Derivative assets:						
Customer loan swaps - commercial customer[2]	$ 45,220	$ —	$ 45,220	$ —	$ —	$ 45,220
Interest rate swap on loans[3]	5,591	—	5,591	—	(5,435)	156
Total	$ 50,811	$ —	$ 50,811	$ —	$ (5,435)	$ 45,376
Derivative liabilities:						
Customer loan swaps - dealer bank	$ 45,220	$ —	$ 45,220	$ —	$ 45,220	—
Junior subordinated debt interest rate swaps	12,642	—	12,642	—	12,642	—
Interest rate swaps on borrowings[3]	1,615	—	1,615	—	1,615	—
Total	$ 59,477	$ —	$ 59,477	$ —	$ 59,477	$ —
Customer repurchase agreements	$ 265,997	$ —	$ 265,997	$ 265,997	$ —	$ —
December 31, 2019						
Derivative assets:						
Customer loan swaps - commercial customer[2]	17,756	—	17,756	—	—	17,756
Interest rate swap on loans	483	—	483	—	(483)	—
Total	$ 18,239	$ —	$ 18,239	$ —	$ (483)	$ 17,756
Derivative liabilities:						
Customer loan swaps - dealer bank	$ 17,242	$ —	$ 17,242	$ —	$ 17,242	$ —
Junior subordinated debt interest rate swaps	$ 8,187	$ —	$ 8,187	$ —	$ 8,187	$ —
Customer loan swaps - commercial customer[2]	514	—	514	—	—	514
Total	$ 25,943	$ —	$ 25,943	$ —	$ 25,429	$ 514
Customer repurchase agreements	$ 237,984	$ —	$ 237,984	$ 237,984	$ —	$ —

(1) The amount presented was the lesser of the amount pledged (received) or the net amount presented in the consolidated statements of condition.

(2) The Company manages its net exposure on its commercial customer loan swaps by obtaining collateral as part of the normal loan policy and underwriting practices.

(3) Interest rate swap contracts were completed with same dealer bank. The Company maintains a master netting arrangement and settles collateral requested or pledged on a net basis for all contracts.

NOTE 10 – 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 capital, Tier 1 capital, and common

equity Tier 1 capital to risk-weighted assets, and of Tier 1 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 1 risk-based capital ratio of 6.0%, a minimum common equity Tier 1 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 capital conservation buffer consisting of common Tier 1 equity in an amount above the minimum risk-based capital requirements for "adequately capitalized" institutions equal to 2.5% of total risk-weighted assets, resulting in a requirement for the Company and the Bank effectively to maintain common equity Tier 1, Tier 1 and total capital ratios of 7.0%, 8.5% and 10.5%, respectively. The Company and the Bank must maintain the capital conservation buffer to avoid restrictions on the ability to pay dividends, pay discretionary bonuses and to engage in share repurchases based on the amount of the shortfall and the institution's "eligible retained income" (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income).

The Company and Bank's risk-based capital ratios exceeded regulatory guidelines, including the capital conservation buffer, at March 31, 2020 and December 31, 2019, and the Bank's capital ratios met the requirements for it to be considered "well capitalized" under prompt correct action provisions for each period. There were no changes to the Company or Bank's capital ratios that occurred subsequent to March 31, 2020, 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:

(Dollars in thousands)	March 31, 2020		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, 2019		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	$ 458,376	13.81%	10.50%	N/A	$ 455,702	14.44%	10.50%	N/A
Tier 1 risk-based capital ratio	416,831	12.56%	8.50%	N/A	415,511	13.16%	8.50%	N/A
Common equity Tier 1 risk-based capital ratio	373,831	11.27%	7.00%	N/A	372,511	11.80%	7.00%	N/A
Tier 1 leverage capital ratio	416,831	9.53%	4.00%	N/A	415,511	9.55%	4.00%	N/A
Camden National Bank:								
Total risk-based capital ratio	$ 432,673	13.08%	10.50%	10.00%	$ 423,540	13.45%	10.50%	10.00%
Tier 1 risk-based capital ratio	406,129	12.28%	8.50%	8.00%	398,349	12.65%	8.50%	8.00%
Common equity Tier 1 risk-based capital ratio	406,129	12.28%	7.00%	6.50%	398,349	12.65%	7.00%	6.50%
Tier 1 leverage capital ratio	406,129	9.33%	4.00%	5.00%	398,349	9.19%	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 applicable regulation, to include, subject to certain limits, each within its calculation of risk-based capital. At March 31, 2020 and December 31, 2019, $15.0 million of subordinated debentures were included as Tier 2 capital and were included in the calculation of the Company's total risk-based capital, and, at March 31, 2020 and December 31, 2019, $43.0 million of the junior subordinated debentures were included in Tier 1 and total risk-based capital for the Company. The Company's $15.0 million of subordinated debentures are subject to phase-out of 20% annually beginning on its six year anniversary, and 20% a year thereafter until it is fully phases out.

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 differences in regulatory risk-weighting 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 11 – OTHER COMPREHENSIVE INCOME (LOSS)

The following tables present a reconciliation of the changes in the components of other comprehensive income and loss for the periods indicated, including the amount of tax (expense) benefit allocated to each component:

	For The Three Months Ended March 31, 2020		
(In thousands)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
AFS Securities:			
Unrealized holdings gains	$ 24,115	$ (5,185)	$ 18,930
Net unrealized gains	24,115	(5,185)	18,930
Cash Flow Hedges:			
Net decrease in fair value	(1,149)	247	(902)
Less: effective portion reclassified into interest expense[1]	(240)	52	(188)
Less: effective portion reclassified into interest income[2]	52	(12)	40
Net decrease in fair value	(961)	207	(754)
Postretirement Plans:			
Net actuarial gain	175	(37)	138
Less: Amortization of net prior service credits[3]	6	(1)	5
Net gain on postretirement plans	169	(36)	133
Other comprehensive income	$ 23,323	$ (5,014)	$ 18,309

	For The Three Months Ended March 31, 2019		
(In thousands)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
AFS Securities:			
Unrealized holdings gains	$ 13,884	$ (2,985)	$ 10,899
Net unrealized gains	13,884	(2,985)	10,899
Cash Flow Hedges:			
Net decrease in fair value	(1,178)	253	(925)
Less: effective portion reclassified into interest expense[1]	(119)	25	(94)
Net decrease in fair value	(1,059)	228	(831)
Postretirement Plans:			
Net actuarial gain	67	(14)	53
Less: Amortization of net prior service credits[3]	6	(1)	5
Net gain on postretirement plans	61	(13)	48
Other comprehensive income	$ 12,886	$ (2,770)	$ 10,116

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

(2) Reclassified into interest and fees on loans on the consolidated statements of income.

(3) Reclassified into compensation and related benefits and other expense on the consolidated statements of income.

The following table presents the changes in each component of AOCI for the periods indicated:

(In thousands)	Net Unrealized Gains (Losses) on AFS Securities[1]	Net Unrealized Losses on Cash Flow Hedges[1]	Defined Benefit Postretirement Plans [1]	AOCI[1]
Balance at December 31, 2018	$ (17,826)	$ (4,437)	$ (2,157)	$ (24,420)
Other comprehensive income (loss) before reclassifications	10,899	(925)	53	10,027
Less: Amounts reclassified from AOCI	—	(94)	5	(89)
Other comprehensive income (loss)	10,899	(831)	48	10,116
Balance at March 31, 2019	$ (6,927)	$ (5,268)	$ (2,109)	$ (14,304)
Balance at December 31, 2019	$ 3,250	$ (6,048)	$ (3,470)	$ (6,268)
Other comprehensive income (loss) before reclassifications	18,930	(902)	138	18,166
Less: Amounts reclassified from AOCI	—	(148)	5	(143)
Other comprehensive income (loss)	18,930	(754)	133	18,309
Balance at March 31, 2020	$ 22,180	$ (6,802)	$ (3,337)	$ 12,041

(1) All amounts are net of tax.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

A portion of the Company's non-interest income is derived from contracts with customers, and as such, the revenue recognized depicts the transfer of promised goods or services to its customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company considers the terms of the contract and all relevant facts and circumstances when applying this guidance.

The Company has disaggregated its revenue from contracts with customers into categories based on the nature of the revenue. The categorization of revenues from contracts with customer within the scope of ASC 606 closely aligns with the presentation revenue categories presented within non-interest income on the consolidated statements of income. The following table presents the revenue streams with the scope of ASC 606 for the periods indicated:

		Three Months Ended March 31,	
(In thousands)	**Income Statement Line Item**	**2020**	**2019**
Debit card interchange income	Debit card income	$ 2,141	$ 2,010
Services charges on deposit accounts	Service charges on deposit accounts	2,012	2,023
Fiduciary services income	Income from fiduciary services	1,502	1,392
Investment program income	Brokerage and insurance commissions	657	585
Other non-interest income	Other income	383	383
Total non-interest income within the scope of ASC 606		6,695	6,393
Total non-interest income not in scope of ASC 606		4,708	2,996
Total non-interest income		$ 11,403	$ 9,389

In each of the revenue streams identified above, there were no significant judgments made in determining or allocating the transaction price, as the consideration and services are generally explicitly identified in the associated contracts.

NOTE 13 – 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, 2020 and 2019, were as follows:

Supplemental Executive Retirement Plan:

(In thousands)		Three Months Ended March 31,	
Net periodic pension cost	**Income Statement Presentation**	**2020**	**2019**
Service cost	Salaries and employee benefits	$ 116	$ 99
Interest cost	Other expenses	115	131
Recognized net actuarial loss	Other expenses	156	61
Total		$ 387	$ 291

Other Postretirement Benefit Plan:

(In thousands)		Three Months Ended March 31,	
Net periodic postretirement benefit cost	**Income Statement Presentation**	**2020**	**2019**
Service cost	Salaries and employee benefits	$ 7	$ 12
Interest cost	Other expenses	31	37
Recognized net actuarial loss	Other expenses	19	6
Amortization of prior service credit	Other expenses	(6)	(6)
Total		$ 51	$ 49

NOTE 14 – 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,	
(In thousands, except number of shares and per share data)	**2020**	**2019**
Net income	$ 13,493	$ 14,273
Dividends and undistributed earnings allocated to participating securities[1]	(28)	(28)
Net income available to common shareholders	$ 13,465	$ 14,245
Weighted-average common shares outstanding for basic EPS	15,103,176	15,592,141
Dilutive effect of stock-based awards[2]	44,042	41,985
Weighted-average common and potential common shares for diluted EPS	15,147,218	15,634,126
Earnings per common share:		
Basic EPS	$ 0.89	$ 0.91
Diluted EPS	$ 0.89	$ 0.91
Awards excluded from the calculation of diluted EPS[3]:		
Stock options	1,000	1,000

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

(2) Represents the assumed dilutive effect of unexercised and/or unvested stock options, restricted shares, restricted share units and contingently issuable performance-based awards utilizing the treasury stock method.

(3) Represents stock-based awards not included in the computation of potential common shares for purposes of calculating diluted EPS as the exercise prices were greater than the average market price of the Company's common stock, and, therefore, are considered anti-dilutive.

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 15 – FAIR VALUE MEASUREMENT AND DISCLOSURE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined using quoted market prices. However, in many instances, quoted market prices are not available. In such instances, fair values are determined using various valuation techniques. Various assumptions and observable inputs must be relied upon in applying these techniques. GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

GAAP permits an entity to choose to measure eligible financial instruments and other items at fair value. The Company has elected the fair value option for its loans held for sale. Electing the fair value option for loans held for sale enables the Company’s financial position to more clearly align with the economic value of the actively traded asset.

The fair value hierarchy for valuation of an asset or liability is as follows:

Level 1: Valuation is based upon unadjusted quoted prices in active markets for identical assets and liabilities that the entity has the ability to access as of the measurement date.

Level 2: Valuation is determined from quoted prices for similar assets or liabilities in active markets, from quoted prices for identical or similar instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market.

Level 3: Valuation is derived from model-based and other techniques in which at least one significant input is unobservable and which may be based on the Company’s own estimates about the assumptions that market participants would use to value the asset or liability.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon model-based techniques incorporating various assumptions including interest rates, prepayment speeds and credit losses. Assets and liabilities valued using model-based techniques are classified as either Level 2 or Level 3, depending on the lowest level classification of an input that is considered significant to the overall valuation. A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Financial Instruments Recorded at Fair Value on a Recurring Basis

Loans Held For Sale: The fair value of loans held for sale is determined on an individual loan basis using quoted secondary market prices and is classified as Level 2.

Debt Securities: The fair value of investments in debt securities is reported utilizing prices provided by an independent pricing service based on recent trading activity and other observable information including, but not limited to, dealer quotes,

market spreads, cash flows, market interest rate curves, market consensus prepayment speeds, credit information, and the bond's terms and conditions. The fair value of debt securities is classified as Level 2.

Equity Securities: The fair value of equity securities in bank stock is reported utilizing market prices based on recent trading activity and dealer quotes. These equity securities are traded on inactive markets and are classified as Level 2.

Derivatives: The fair value of interest rate swaps is determined using inputs that are observable in the market place obtained from third parties including yield curves, publicly available volatilities, and floating indexes and, accordingly, are classified as Level 2 inputs. The credit value adjustments associated with derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. As of March 31, 2020 and December 31, 2019, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives due to collateral postings.

The fair value of the Company's fixed-rate interest rate lock commitments were determined using secondary market pricing for loans with similar structures, including term, rate and borrower credit quality, adjusted for the Company's pull-through rate estimate (i.e. estimate of loans within its loan pipeline that will ultimately complete the origination process and be funded). The Company has classified its fixed-rate interest rate lock commitments as Level 2, as the quoted secondary market prices are the more significant input, and, although the Company's internal pull-through rate estimate is a Level 3 estimate, it is less significant to the ultimate valuation.

The fair value of the Company's forward delivery commitments is determined using secondary market pricing for loans with similar structures, including term, rate and borrower credit quality, and the locked and agreed to price with the secondary market investor. The Company has classified its fixed-rate interest rate lock commitments as Level 2.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value, for the dates indicated:

(In thousands)	Fair Value	Readily Available Market Prices (Level 1)	Observable Market Data (Level 2)	Company Determined Fair Value (Level 3)
March 31, 2020				
Financial assets:				
Loans held for sale	$ 27,730	$ —	$ 27,730	$ —
AFS investments:				
Obligations of states and political subdivisions	126,880	—	126,880	—
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	488,049	—	488,049	—
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	334,615	—	334,615	—
Subordinated corporate bonds	10,587	—	10,587	—
Equity securities - bank stock	1,674	—	1,674	—
Customer loan swaps	45,220	—	45,220	—
Interest rate swap on loans	5,591	—	5,591	—
Fixed-rate mortgage interest rate lock commitments	2,241	—	2,241	—
Forward delivery commitments	1,185	—	1,185	—
Financial liabilities:				
Junior subordinated debt interest rate swaps	12,642	—	12,642	—
Customer loan swaps	45,220	—	45,220	—
Interest rate swap on borrowings	1,615	—	1,615	—
Fixed-rate mortgage interest rate lock commitments	264	—	264	—
Forward delivery commitments	30	—	30	—
December 31, 2019				
Financial assets:				
Loans held for sale	$ 11,854	$ —	$ 11,854	$ —
AFS investments:				
Obligations of states and political subdivisions	118,083	—	118,083	—
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	463,386	—	463,386	—
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	325,905	—	325,905	—
Subordinated corporate bonds	10,744	—	10,744	—
Equity securities - bank stock	1,674	—	1,674	—
Customer loan swaps	17,756	—	17,756	—
Interest rate swap on loans	483	—	483	—
Fixed-rate mortgage interest rate lock commitments	480	—	480	—
Forward delivery commitments	312	—	312	—
Financial liabilities:				
Junior subordinated debt interest rate swaps	8,187	—	8,187	—
Customer loan swaps	17,756	—	17,756	—
Fixed-rate mortgage interest rate lock commitments	18	—	18	—
Forward delivery commitments	15	—	15	—

The Company did not have any transfers between Level 1 and Level 2 of the fair value hierarchy during the three months ended March 31, 2020. The Company's policy for determining transfers between levels occurs at the end of the reporting period when circumstances in the underlying valuation criteria change and result in transfer between levels.

Financial Instruments Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain financial assets and financial liabilities at fair value on a nonrecurring basis in accordance with GAAP. These include assets that are measured at the lower of cost or market value that were recognized at fair value below cost at the end of the period.

Collateral-Dependent Impaired Loans: Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. The Company's policy is to evaluate individually for impairment loans with a principal balance of $500,000 or more, that are classified as substandard or doubtful and are on non-accrual status. Once the population of loans is identified for individual impairment assessment, the Company measures these loans for impairment by comparing net realizable value, which is the fair value of the collateral, less estimated costs to sell, to the carrying value of the loan. If the net realizable value of the loan is less than the carrying value of the loan, then a loss is recognized as part of the ALL to adjust the loan's carrying value to net realizable value. Accordingly, certain collateral-dependent impaired loans are subject to measurement at fair value on a non-recurring basis. Management has estimated the fair values of these assets using Level 2 inputs, such as the fair value of collateral based on independent third-party market approach appraisals for collateral-dependent loans, and Level 3 inputs where circumstances warrant an adjustment to the appraised value based on the age of the appraisal and/or comparable sales, condition of the collateral, and market conditions.

Servicing Assets: The Company accounts for mortgage servicing assets at cost, subject to impairment testing. When the carrying value of a tranche exceeds fair value, a valuation allowance is established to reduce the carrying cost to fair value. Fair value is based on a valuation model that calculates the present value of estimated net servicing income. The Company obtains a third-party valuation based upon loan level data including note rate, type and term of the underlying loans. The model utilizes two significant unobservable inputs, namely loan prepayment assumptions and the discount rate used, to calculate the fair value of each tranche, and, as such, the Company has classified the model within Level 3 of the fair value hierarchy. At March 31, 2020 and December 31, 2019, the mortgage servicing assets were not carried at fair value.

Non-Financial Instruments Recorded at Fair Value on a Non-Recurring Basis

The Company has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Non-financial assets measured at fair value on a non-recurring basis consist of OREO, goodwill and core deposit intangible assets.

OREO: OREO properties acquired through foreclosure or deed in lieu of foreclosure are recorded at net realizable value, which is the fair value of the real estate, less estimated costs to sell. Any write-down of the recorded investment in the related loan is charged to the ALL upon transfer to OREO. Upon acquisition of a property, a current appraisal is used or an internal valuation is prepared to substantiate fair value of the property. After foreclosure, management periodically, but at least annually, obtains updated valuations of the OREO properties and, if additional impairments are deemed necessary, the subsequent write-downs for declines in value are recorded through a valuation allowance and a provision for losses charged to other non-interest expense within the consolidated statements of income. As management considers appropriate, adjustments are made to the appraisal obtained for the OREO property to account for recent sales activity of comparable properties, changes in the condition of the property, and changes in market conditions. These adjustments are not observable in an active market and are classified as Level 3.

Goodwill and Core Deposit Intangible Assets: Goodwill represents the excess cost of an acquisition over the fair value of the net assets acquired. The fair value of goodwill is estimated by utilizing several standard valuation techniques, including discounted cash flow analyses, bank merger multiples, and/or an estimation of the impact of business conditions and investor activities on the long-term value of the goodwill. Should an impairment occur, the associated goodwill is written-down to fair value and the impairment charge is recorded within non-interest expense in the consolidated statements of income. The Company conducts an annual impairment test of goodwill in the fourth quarter each year, or more frequently as necessary. There have been no indications or triggering events during the three months ended March 31, 2020, for which management believes that it is more likely than not that goodwill is impaired. Refer to Note 2 for further discussion.

The Company's core deposit intangible assets represent the estimated value of acquired customer relationships and are amortized over the estimated life of those relationships. Core deposit intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no events or changes in circumstances for the three months ended March 31, 2020, that indicated the carrying amount may not be recoverable.

The table below highlights financial and non-financial assets measured and recorded at fair value on a non-recurring basis for the dates indicated:

(In thousands)	Fair Value	Readily Available Market Prices (Level 1)	Observable Market Data (Level 2)	Company Determined Fair Value (Level 3)
March 31, 2020				
Financial assets:				
Collateral-dependent impaired loans	$ 110	$ —	$ —	$ 110
Non-financial assets:				
OREO	94	—	—	94
December 31, 2019				
Non-financial assets:				
OREO	$ 94	$ —	$ —	$ 94

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis for the dates indicated:

(Dollars in thousands)	Fair Value	Valuation Methodology	Unobservable Input	Discount	
March 31, 2020					
Collateral-dependent impaired loans:					
Partially charged-off	$ 110	Market approach appraisal of collateral	Management adjustment of appraisal	0%	(0%)
			Estimated selling costs	10%	(10%)
OREO	$ 94	Market approach appraisal of collateral	Management adjustment of appraisal	18%	(18%)
			Estimated selling cost	13%	(13%)
December 31, 2019					
OREO	$ 94	Market approach appraisal of collateral	Management adjustment of appraisal	18%	(18%)
			Estimated selling cost	13%	(13%)

The estimated fair values and related carrying amounts for assets and liabilities for which fair value is only disclosed are shown below as of the dates indicated:

(In thousands)	Carrying Amount	Fair Value	Readily Available Market Prices (Level 1)	Observable Market Prices (Level 2)	Company Determined Market Prices (Level 3)
March 31, 2020					
Financial assets:					
HTM securities	$ 1,300	$ 1,358	$ —	$ 1,358	$ —
Residential real estate loans[1]	1,058,315	1,070,839	—	—	1,070,839
Commercial real estate loans[1]	1,286,486	1,246,184	—	—	1,246,184
Commercial loans[1][2]	458,790	455,364	—	—	455,364
Home equity loans[1]	303,746	292,371	—	—	292,371
Consumer loans[1]	23,904	22,034	—	—	22,034
Servicing assets	903	1,418	—	—	1,418
Financial liabilities:					
Time deposits	$ 595,061	$ 598,911	$ —	$ 598,911	$ —
Short-term borrowings	326,722	326,678	—	326,678	—
Long-term borrowings	35,000	34,923	—	34,923	—
Subordinated debentures	59,155	44,327	—	44,327	—
December 31, 2019					
Financial assets:					
HTM securities	$ 1,302	$ 1,359	$ —	$ 1,359	$ —
Residential real estate loans[1]	1,064,532	1,066,544	—	—	1,066,544
Commercial real estate loans[1]	1,230,983	1,196,297	—	—	1,196,297
Commercial loans[1][2]	438,716	431,892	—	—	431,892
Home equity loans[1]	310,356	293,565	—	—	293,565
Consumer loans[1]	25,265	23,355	—	—	23,355
Servicing assets	877	1,496	—	—	1,496
Financial liabilities:					
Time deposits	$ 595,549	$ 594,881	$ —	$ 594,881	$ —
Short-term borrowings	268,809	268,631	—	268,631	—
Long-term borrowings	10,000	10,002	—	10,002	—
Subordinated debentures	59,080	50,171	—	50,171	—

(1) The presented carrying amount is net of the allocated ALL.

(2) Includes the HPFC loan portfolio.

Excluded from the summary were financial instruments measured at fair value on a recurring and nonrecurring basis, as previously described.

The Company considers its financial instruments' current use to be the highest and best use of the instruments.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent to March 31, 2020, global, national and local economies and financial markets have continued to be negatively impacted by the effects of the worldwide COVID-19 pandemic. The Company is actively working through this unprecedented situation. The impact the pandemic may have on the Company’s consolidated financial statements is unknown at this time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The discussions set forth below and in the documents we incorporate by reference herein contain certain statements that may be considered forward-looking statements under the Private Securities Litigation Reform Act of 1995, as amended, including certain plans, exceptions, goals, projections, and statements, which are subject to numerous risks, assumptions, and uncertainties. Forward-looking statements can be identified by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "plan," "target," or "goal" or future or conditional verbs such as "will," "may," "might," "should," "could" and other expressions which predict or indicate future events or trends and which do not relate to historical matters. Forward-looking statements should not be relied on, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the Company. These risks, uncertainties and other factors may cause the actual results, performance or achievements of the Company to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

The following factors, among others, could cause the Company's financial performance to differ materially from the Company's goals, plans, objectives, intentions, expectations and other forward-looking statements:

- weakness in the United States economy in general and the regional and local economies within the New England region and Maine, which could result in a deterioration of credit quality, an increase in the allowance for loan losses or a reduced demand for the Company's credit or fee-based products and services;
- changes in trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System;
- inflation, interest rate, market, and monetary fluctuations;
- competitive pressures, including continued industry consolidation and the increased financial services provided by non-banks;
- volatility in the securities markets that could adversely affect the value or credit quality of the Company's assets, impairment of goodwill, the availability and terms of funding necessary to meet the Company's liquidity needs, and which could lead to impairment in the value of securities in the Company's investment portfolio;
- changes in information technology and other operational risks, including cybersecurity, that require increased capital spending;
- changes in consumer spending and savings habits;
- changes in tax, banking, securities and insurance laws and regulations; and
- changes in accounting policies, practices and standards, as may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board ("FASB"), and other accounting standard setters.

In addition, statements about the potential effects of the COVID-19 pandemic on the Company's businesses and results of operations and financial conditions may constitute forward-looking statements. Such statements may include, but are not limited to, statements concerning:

- the continued effectiveness of our Pandemic Work Group;
- the continuing ability of our employees to work remotely;
- our continuing ability to staff our branches and keep our branches open;
- the continuing strength of our capital and liquidity positions;
- our continued ability to access sources of contingent liquidity;
- the continuing strength of the asset quality in our lending portfolios; and
- the potential effectiveness of relief measures and programs for customers affected by COVID-19.

These statements are subject to the risk that the actual effects may differ, possibly materially, from what is reflected in those forward-looking statements due to factors and future developments that are uncertain, unpredictable and in many cases beyond our control, including the scope and duration of the pandemic, actions taken by governmental authorities in response to the pandemic, and the direct and indirect impact of the pandemic on our customers, third parties and the Company.

You should carefully review all of these factors, and be aware that there may be other factors that could cause differences, including the risk factors listed in our Annual Report on Form 10-K for the year ended December 31, 2019, as updated by the Company's quarterly reports on Form 10-Q, including this report, and other filings with the Securities and Exchange Commission. Readers should carefully review the risk factors described therein and should not place undue reliance on our forward-looking statements.

These forward-looking statements were based on information, plans and estimates at the date of this report, and we undertake no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes, except to the extent required by applicable law or regulation.

NON-GAAP FINANCIAL MEASURES AND RECONCILIATION TO GAAP

In addition to evaluating the Company's results of operations in accordance with GAAP, management supplements this evaluation with an analysis of certain non-GAAP financial measures, such as the return on average tangible equity, efficiency ratio; tax equivalent net interest income; tangible book value per share; tangible common equity ratio; and core deposits and average core deposits. These non-GAAP financial measures are utilized for purposes of measuring performance against the Company's peer group and other financial institutions, as well as for analyzing its internal performance. The Company also believes these non-GAAP financial measures help investors better understand the Company's operating performance and trends and allows for better performance comparisons to other banks. In addition, these non-GAAP financial measures remove the impact of unusual items that may obscure trends in the Company's underlying performance. These disclosures should not be viewed as a substitute for GAAP operating results, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other financial institutions.

Return on Average Tangible Equity: Return on average tangible equity is the ratio of (i) net income, adjusted for tax effected amortization of intangible assets and goodwill impairment, as necessary, to (ii) average shareholders' equity, adjusted for average goodwill and other intangible assets. This adjusted financial ratio reflects a shareholders' return on tangible capital deployed in our business and is a common measure within the financial services industry.

	Three Months Ended March 31,	
(Dollars in thousands)	**2020**	**2019**
Net income, as presented	$ 13,493	$ 14,273
Add: amortization of intangible assets, net of tax[1]	134	139
Net income, adjusted for amortization of intangible assets	$ 13,627	$ 14,412
Average equity, as presented	$ 480,174	$ 441,027
Less: average goodwill and other intangible assets	(98,143)	(98,838)
Average tangible equity	$ 382,031	$ 342,189
Return on average equity	11.30%	13.13%
Return on average tangible equity	14.35%	17.08%

(1) Assumed a 21% tax rate.

Efficiency Ratio. The efficiency ratio represents an approximate measure of the cost required for the Company to generate a dollar of revenue. This is a common measure within the financial services industry and is a key ratio for evaluating Company performance. The efficiency ratio is calculated as the ratio of (i) total non-interest expense, adjusted for certain operating expenses, as necessary, to (ii) net interest income on a tax equivalent basis plus total non-interest income, adjusted for certain other income items, as necessary.

	Three Months Ended March 31,	
(Dollars in thousands)	**2020**	**2019**
Non-interest expense, as presented	$ 24,561	$ 22,783
Net interest income, as presented	$ 31,826	$ 31,895
Add: effect of tax-exempt income[1]	280	244
Non-interest income, as presented	11,403	9,389
Adjusted net interest income plus non-interest income	$ 43,509	$ 41,528
Ratio of non-interest expense to total revenues[2]	56.82%	55.19%
Efficiency ratio	56.45%	54.86%

(1) Assumed a 21% tax rate.

(2) Revenue is the sum of net interest income and non-interest income.

Tax Equivalent Net Interest Income. Tax equivalent net interest income is net interest income plus the taxes that would have been paid had tax-exempt securities been taxable. This number attempts to enhance the comparability of the performance of assets that have different tax liabilities. This is a common measure within the financial services industry and is used within the calculation of net interest margin on a fully-taxable equivalent basis.

	Three Months Ended March 31,	
(In thousands)	**2020**	**2019**
Net interest income, as presented	$ 31,826	$ 31,895
Add: effect of tax-exempt income[1]	280	244
Net interest income, tax equivalent	$ 32,106	$ 32,139

(1) Assumed a 21% tax rate.

Tangible Book Value per Share. Tangible book value per share is the ratio of (i) shareholders' equity less goodwill and other intangibles to (ii) total common shares outstanding at period end. Tangible book value per share is a common measure within the financial services industry to assess the value of a company, as it removes goodwill and other intangible assets generated within purchase accounting upon a business combination.

Tangible Common Equity Ratio. Tangible common equity is the ratio of (i) shareholders' equity less goodwill and other intangible assets to (ii) total assets less goodwill and other intangible assets. This ratio is a measure used within the financial services industry to assess whether or not a company is highly leveraged.

(In thousands, except number of shares, per share data and ratios)	**March 31, 2020**	**December 31, 2019**
Tangible Book Value Per Share:		
Shareholders' equity, as presented	$ 492,680	$ 473,415
Less: goodwill and other intangible assets	(98,052)	(98,222)
Tangible shareholders' equity	$ 394,628	$ 375,193
Shares outstanding at period end	14,951,597	15,144,719
Book value per share	$ 32.95	$ 31.26
Tangible book value per share	$ 26.39	$ 24.77
Tangible Common Equity Ratio:		
Total assets	$ 4,594,539	$ 4,429,521
Less: goodwill and other intangible assets	(98,052)	(98,222)
Tangible assets	$ 4,496,487	$ 4,331,299
Common equity ratio	10.72%	10.69%
Tangible common equity ratio	8.78%	8.66%

Core Deposits. Core deposits are used by management to measure the portion of the Company's total deposits that management believes to be more stable and lower cost. The Company calculates core deposits as total deposits (as reported on the consolidated statements of condition) less certificates of deposit and brokered deposits. Management believes core deposits is a useful measure to assess the Company's deposit base, including its potential volatility.

(In thousands)	**March 31, 2020**	**December 31, 2019**
Total deposits	$ 3,563,705	$ 3,537,743
Less: certificates of deposit	(545,013)	(521,752)
Less: brokered deposits	(188,758)	(191,005)
Core deposits	$ 2,829,934	$ 2,824,986

Average Core Deposits. Average core deposits are used by management to measure the portion of the Company's total deposits that management believes to be more stable and at a lower interest rate cost. The Company calculates average core deposits as total deposits (as disclosed on the Average Balance, Interest and Yield/Rate Analysis tables) less certificates of deposit. Management believes core deposits is a useful measure to assess the Company's deposit base, including its potential volatility.

	Three Months Ended March 31,	
(In thousands)	**2020**	**2019**
Total average deposits	$ 3,355,595	$ 3,087,121
Less: average certificates of deposit	(552,079)	(443,107)
Average core deposits	$ 2,803,516	$ 2,644,014

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. In preparing the Company’s consolidated financial statements, management is required to make significant estimates and assumptions that affect assets, liabilities, revenues and expenses reported. Actual results could materially differ from the Company's current estimates, as a result of changing conditions and future events. Several estimates are particularly critical and are susceptible to significant near-term change, including (i) the ALL; (ii) accounting for acquisitions and the subsequent review of goodwill and core deposit intangible assets generated in an acquisition for impairment; (iii) OTTI of investments; (iv) income taxes; and (v) accounting for defined benefit and postretirement plans.

There have been no material changes to the Company's critical accounting policies as disclosed within its Annual Report on Form 10-K for the year ended December 31, 2019, with the exception of updates noted below. Refer to the Annual Report on Form 10-K for the year ended December 31, 2019, for discussion of the Company's critical accounting policies.

ALL. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law in response to the COVID-19 pandemic. Under Section 4014 of the CARES Act, we were permitted to delay our compliance with ASU No. 2016-13*, Financial Instruments - Credit Losses (Topic 326):* M*easurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), commonly referred to as "CECL," until the earlier of (1) the date on which the national emergency concerning the COVID-19 pandemic that the President of the United States declared on March 15, 2020 terminates, or (2) December 31, 2020. We opted to delay our compliance with CECL to devote our attention and resources to supporting our customers and communities during these unprecedented times. Upon the earlier of the termination of the national emergency or December 31, 2020, the Company will adopt CECL as of January 1, 2020, using a modified-retrospective method, and will record a one-time adjustment to shareholders' equity through retained earnings. Refer to Note 2 of the consolidated financial statements for discussion of our current status for CECL readiness and estimated one-time charge to shareholders' equity upon adoption.

Furthermore, because we opted to delay adoption of CECL as outlined above, we will be required to reassess our ALL and reserve for unfunded commitments recorded during interim periods in 2020 (including these interim consolidated financial statements for the three months ended March 31, 2020) and restate interim period financial statements to present such interim period financial statements in accordance with ASU 2016-13 upon adoption of CECL. This will require a restatement of interim period 2020 consolidated financial statements, including net income, EPS, and diluted EPS, upon adoption of CECL. Refer to Note 2 of the consolidated financial statements for discussion of our estimated impact to the allowance for credit losses in accordance with ASU 2016-13 as of March 31, 2020.

Goodwill Impairment. Effective January 1, 2020, the Company adopted ASU No. 2017-04*, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 eliminated "Step 2" of the goodwill impairment test. As such, upon completion of our annual (or more frequent should a trigger event be identified) assessment of goodwill for impairment, if the book value of a reporting unit exceeds its fair value, an impairment charge will be recorded, which will reduce goodwill. The carrying value of goodwill may not be less than zero. Although ASU 2017-04 simplifies the goodwill impairment test, it increases the likelihood of impairment because it no longer requires a two-step analysis. Refer to Note 2 of the consolidated financial statements for further discussion.

Refer to Note 2 of the consolidated financial statements for discussion of accounting pronouncements issued but yet to be adopted and implemented.

GENERAL OVERVIEW

Camden National Corporation (hereafter referred to as “we,” “our,” “us,” or the “Company”) is a publicly-held bank holding company, with $4.6 billion in assets at March 31, 2020, incorporated under the laws of the State of Maine and headquartered in Camden, Maine. Camden National Bank (the "Bank"), a wholly-owned subsidiary of the Company, was founded in 1875. The Company was founded in 1984, went public in 1997 and is now registered with NASDAQ Global Market (“NASDAQ”) under the ticker symbol "CAC."

The primary business of the Company and the Bank is to attract deposits from, and to extend loans to, consumer, institutional, municipal, non-profit and commercial customers. The Company, through the Bank, provides a broad array of banking and other financial services, including wealth management and trust services, brokerage, investment advisory and insurance services, to consumer, business, non-profit and municipal customers.

The Company competes throughout Maine, and select areas of New Hampshire and Massachusetts. We operate in 13 of Maine's 16 counties, with our primary markets and presence being throughout coastal and central Maine. The Company and the Bank generally have effectively competed with other financial institutions by emphasizing customer service, highlighted by local decision-making, establishing long-term customer relationships, building customer loyalty and providing products and services designed to meet the needs of customers.

EXECUTIVE OVERVIEW

First Quarter 2020 Review. Global, national and local markets and economies are facing unprecedented challenges from the COVID-19 pandemic. The Company, with the full support of its Board of Directors, has taken certain actions (i) to provide for the safety and health of its employees, customers, and communities; (ii) to help ease the far-reaching financial hardships the pandemic presents to our employees and customers; and (iii) fortify the financial strength of the Company.

As the pandemic unfolded in March 2020, we initiated a Pandemic Work Group that was led by the Company's executive team and certain senior managers across various business lines. The Pandemic Work Group took immediate action, including, but not limited to:

- Devised and executed a plan that shifted over half of our employees to work remotely;
- Developed procedures and policies to provide for the safety of our employees and customers, which included transitioning our branch network to serve customers through our drive-up windows by eliminating lobby visits other than by appointment, and temporarily closing certain branches to maximize staffing resources and ensure contingency plans are in place;
- Began providing premium pay to front-line employees that continue to provide essential banking services to our customers and communities, as well as announced that we would not have any layoffs as a result of the pandemic for a period of 90 days, and that we would reassess our position thereafter;
- Developed temporary loan payment deferral programs to assist customers impacted by the pandemic; and
- Oversaw the roll-out of the Small Business Administration ("SBA") Paycheck Protection Program issued by the federal government as part of its stimulus plan to respond to the pandemic.

Over the course of a few weeks, our strategic focus shifted from executing on long-terms plans and initiatives to drive earnings growth to capital preservation to further solidify our balance sheet as we enter uncertain times. Fortunately, we enter these challenging economic times after having record net income for 2019, solid operating results for the first quarter of 2020, and solid asset quality.

Operating Results. Net income for the three months ended March 31, 2020, was $13.5 million, a decrease of $780,000, or 5%, compared to the same period last year. Diluted EPS for the three months ended March 31, 2020, was $0.89, a decrease of $0.02, or 2%, compared to the same period last year.

Other key financial metrics over these periods include:

- A return on average assets for the three months ended March 31, 2020, of 1.21%, compared to 1.33% for the same period last year;
- A return on average equity for the three months ended March 31, 2020, of 11.30%, compared to 13.13% for the same period last year; and
- A return on average tangible equity (non-GAAP) for the three months ended March 31, 2020, of 14.35%, compared to 17.08% for the same period last year.

Asset Quality. As of March 31, 2020, non-performing assets were 0.23% of total assets and past due loans were 0.24% of total loans. In comparison, at December 31, 2019, non-performing assets were 0.25% of total assets and past due loans were 0.17% of total loans. At March 31, 2020, the ALL was 0.84% of total loans and 257% of non-performing loans.

In March 2020, we offered temporary debt relief to customers affected by the COVID-19 pandemic. Generally, the terms of the internal temporary debt relief program provided customers with up to 180 days of payment deferral. As of April 22, 2020, we had approved for deferral 1,732 loans totaling $547.7 million of loans, or 17% of the Company's loan portfolio at March 31, 2020.

In response to the COVID-19 pandemic, the CARES Act was signed into law in March 2020. The CARES Act provided certain companies with optional temporary relief from applying the current expected credit losses model, commonly referred to as "CECL." We chose to delay the implementation of CECL under the terms of the CARES Act. As such, the reported allowance for credit losses and related provision expense for the first quarter of 2020 was accounted for under the incurred loss model. Refer to "– Critical Accounting Policies" and Note 2 of the consolidated financial statements for further discussion of CECL.

The provision for credit losses for the three months ended March 31 2020, was $1.8 million, an increase of $1.0 million over the same period last year. The increase reflects our initial estimate of the impact of the pandemic as of March 31, 2020, based on known information at that time.

Capital Position. Our capital strategy shifted during the first quarter of 2020 as the COVID-19 pandemic spread and growing uncertainty as to its impact on the global, national and local economies mounted. Through early-March 2020, we repurchased 217,031 shares of the Company's common stock at a cost of $8.0 million. In mid-March 2020, we suspended repurchasing shares of our common stock.

The Company enters this period of economic uncertainty well-positioned from a capital perspective. At March 31, 2020, the Company's capital position was well in excess of regulatory requirements, including a total risk-based capital ratio of 13.81%, a tier 1 risk-based capital ratio of 12.56%, common equity tier 1 risk-based capital ratio of 11.27%, and a tier 1 leverage ratio of 9.53%. Additionally, at March 31, 2020, the Company's common equity ratio was 10.72% and tangible common equity ratio (non-GAAP) was 8.78%.

In March 2020, the Company announced a cash dividend to shareholders of $0.33 per share, an increase of 10% compared to a year ago. The cash dividend is payable to shareholders of record as of April 15, 2020, and shareholders will begin receiving payments on April 30, 2020. As of March 31, 2020, the Company's annualized dividend yield was 4.20%, based on Camden National's closing share price of $31.45 on March 31, 2020, as reported by NASDAQ.

RESULTS OF OPERATIONS

Net Interest Income and Net Interest Margin

Net interest income is the interest earned on loans, securities, and other interest-earning assets, plus net loan fees, origination costs, and accretion or amortization of fair value marks on loans and/or CDs created in purchase accounting, less the interest paid on interest-bearing deposits and borrowings. Net interest income is our largest source of revenue. For the three months ended March 31, 2020 and 2019, net interest income accounted for 74% and 77%, respectively, of total revenues. Net interest income is affected by several factors including, but not limited to, changes in interest rates, loan and deposit pricing strategies and competitive conditions, the volume and mix of interest-earning assets and liabilities, and the level of non-performing assets.

Net interest income on a fully-taxable equivalent basis for the three months ended March 31, 2020, was $32.1 million, a decrease of $33,000 over the same period last year. The decrease was due to net interest margin[1] compression of ten basis points between periods to 3.08% for the first quarter of 2020, but was partially offset by average interest-earning asset growth between periods of $103.4 million, or 3%, to $4.1 billion for the first quarter of 2020.

- *Interest income on a fully-taxable equivalent basis.* Interest income on a fully-taxable equivalent basis for the three months ended March 31, 2020, decreased $1.8 million, or 4%, to $40.5 million, compared to the same period last year. The decrease was driven by a decrease in interest-earning asset yield of 30 basis points between periods to 3.90% for the first quarter of 2020, as loan yields decreased 38 basis points between periods, which was reflective of the change in interest rate environment. The average 10-year U.S. Treasury interest rate for the first quarter of 2020 was 1.37%, compared to 2.65% for the first quarter of 2019.
- *Interest expense.* Interest expense for the three months ended March 31, 2020, decreased $1.7 million, or 17%, to $8.4 million, compared to the same period last year. The decrease was due to a decrease in cost of funds of 21 basis points between periods to 0.86% for the first quarter of 2020. Cost of funds decreased between periods primarily due to: (i) strong average deposit growth of $268.5 million, or 9%, between periods, which drove a decrease in borrowings of $185.2 million, or 25%, and enabled the Company to fund asset growth with lower cost funding; and (ii) the Federal Funds rate was cut twice in the first quarter of 2020 dropping the rate to 0.25% at March 31, 2020, compared to 2.50% at March 31, 2019.

The following table presents average balances, interest income, interest expense, and the corresponding average yields earned and cost of funds, as well as net interest income, net interest rate spread and net interest margin on a fully-taxable basis for the followings periods:

---

1 Net interest margin on a fully-taxable equivalent basis is calculated as net interest income on a full-taxable equivalent basis as a percentage of average interest-earning assets.

Quarterly Average Balance, Interest and Yield/Rate Analysis

	For The Three Months Ended					
	March 31, 2020			March 31, 2019		
(Dollars in thousands)	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets						
Interest-earning assets:						
Interest-bearing deposits in other banks and other interest-earning assets	$ 66,180	$ 207	1.24%	$ 29,985	$ 197	2.63%
Investments - taxable	809,041	5,174	2.56%	851,516	5,447	2.56%
Investments - nontaxable(1)	117,537	996	3.39%	94,710	815	3.44%
Loans(2):						
Residential real estate	1,078,836	11,292	4.19%	1,008,285	10,838	4.30%
Commercial real estate	1,273,538	13,646	4.24%	1,281,501	15,169	4.73%
Commercial(1)	416,527	4,435	4.21%	369,832	4,344	4.70%
Municipal(1)	16,990	155	3.67%	15,333	136	3.60%
Consumer and home equity	334,771	4,186	5.03%	347,052	4,671	5.46%
HPFC	20,336	402	7.83%	32,171	636	7.91%
Total loans	3,140,998	34,116	4.32%	3,054,174	35,794	4.70%
Total interest-earning assets	**4,133,756**	**40,493**	**3.90%**	**4,030,385**	**42,253**	**4.20%**
Cash and due from banks	42,869			40,362		
Other assets	336,819			292,482		
Less: ALL	(25,252)			(24,780)		
Total assets	**$ 4,488,192**			**$ 4,338,449**		
Liabilities & Shareholders' Equity						
Deposits:						
Non-interest checking	$ 529,501	$ —	—%	$ 490,382	$ —	—%
Interest checking	1,146,783	1,987	0.70%	1,085,301	2,622	0.98%
Savings	476,849	86	0.07%	485,646	95	0.08%
Money market	650,383	1,586	0.98%	582,685	1,740	1.21%
Certificates of deposit	552,079	2,209	1.61%	443,107	1,465	1.34%
Total deposits	**3,355,595**	**5,868**	**0.70%**	**3,087,121**	**5,922**	**0.78%**
Borrowings:						
Brokered deposits	208,084	794	1.54%	405,837	2,501	2.50%
Customer repurchase agreements	236,351	633	1.08%	238,499	729	1.24%
Subordinated debentures	59,119	887	6.04%	59,007	717	4.93%
Other borrowings	59,257	205	1.39%	44,711	245	2.22%
Total borrowings	562,811	2,519	1.80%	748,054	4,192	2.27%
Total funding liabilities	**3,918,406**	**8,387**	**0.86%**	**3,835,175**	**10,114**	**1.07%**
Other liabilities	89,612			62,247		
Shareholders' equity	480,174			441,027		
Total liabilities & shareholders' equity	**$ 4,488,192**			**$ 4,338,449**		
Net interest income (fully-taxable equivalent)		32,106			32,139	
Less: fully-taxable equivalent adjustment		(280)			(244)	
Net interest income		$ 31,826			$ 31,895	
Net interest rate spread (fully-taxable equivalent)			**3.04%**			**3.13%**
Net interest margin (fully-taxable equivalent)			**3.08%**			**3.18%**
Net interest margin (fully-taxable equivalent), excluding fair value mark accretion and collection of previously charged-off acquired loans(3)			**3.06%**			**3.14%**

(1) Reported on tax-equivalent basis calculated using a 21% tax rate, including certain commercial loans.

(2) Non-accrual loans and loans held for sale are included in total average loans.

(3) Excludes the impact of the fair value mark accretion on loans and CDs generated in purchase accounting and collection of previously charged-off acquired loans for the three months ended March 31, 2020 and 2019, totaling $283,000 and $390,000, respectively.

The following table presents certain information on a fully-taxable equivalent basis regarding changes in interest income and interest expense for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes attributable to rate and volume. The (a) changes in volume (change in volume multiplied by prior period's rate), (b) changes in rates (change in rate multiplied prior period's volume), and (c) changes in rate/volume (change in rate multiplied by the change in volume), which is allocated to the change due to rate column.

	For The Three Months Ended March 31, 2020 vs. March 31, 2019		
	Increase (Decrease) Due to:		Net Increase (Decrease)
(In thousands)	Volume	Rate[1]	
Interest-earning assets:			
Interest-bearing deposits in other banks and other interest-earning assets	$ 238	$ (228)	$ 10
Investments – taxable	(272)	(1)	(273)
Investments – nontaxable	196	(15)	181
Residential real estate	758	(304)	454
Commercial real estate	(94)	(1,429)	(1,523)
Commercial	549	(458)	91
Municipal	15	4	19
Consumer and home equity	(165)	(320)	(485)
HPFC	(234)	—	(234)
Total interest income	991	(2,751)	(1,760)
Interest-bearing liabilities:			
Interest checking	149	(784)	(635)
Savings	(2)	(7)	(9)
Money market	202	(356)	(154)
Certificates of deposit	360	384	744
Brokered deposits	(1,219)	(488)	(1,707)
Customer repurchase agreements	(7)	(89)	(96)
Subordinated debentures	1	169	170
Other borrowings	80	(120)	(40)
Total interest expense	(436)	(1,291)	(1,727)
Net interest income (fully-taxable equivalent)	$ 1,427	$ (1,460)	$ (33)

(1) Presented within increase (decrease) due to rate for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was a decrease in net interest income on a fully-taxable equivalent basis of $107,000 due to a decrease in fair value mark accretion on loans and CDs generated in purchase accounting and collection of previously charged-off acquired loans.

Provision for Credit Losses

As further described in "– Critical Accounting Policies" and Note 2 of the consolidated financial statements, the Company opted to delay implementation of ASU 2016-13, commonly referred to as "CECL," under the terms provided for within the CARES Act, signed into law in March 2020. The Company will be required to adopt CECL upon the earlier of (1) the date on which the national emergency concerning the COVID-19 pandemic that the President of the United States declared on March 15, 2020 terminates, or (2) December 31, 2020. As such, the Company determined its first quarter 2020 provision for credit losses using the policies and procedures described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The provision for credit losses consists of the provision for loan losses and the provision for unfunded commitments.

The provision for loan losses is a recorded expense determined by management that adjusts the ALL to a level that, in management's best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses reflects loan quality, including, among other factors, the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans, net charge-offs or recoveries and growth in the loan portfolio. Accordingly, the amount of the provision for loan losses reflects the necessary increases in the ALL related to newly identified criticized loans,

as well as the actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools.

For the three months ended March 31, 2020, the provision for loan losses was $1.8 million, an increase of $1.0 million, or 136%, over the same period last year. The increase in the provision for loan losses was primarily due to an increase of $800,000 for a qualitative factor adjustment under the incurred model for consideration of the COVID-19 pandemic, based on information known and available as of March 31, 2020. As of March 31, 2020, the Company had not experienced any deteriorating asset quality trends. We, however, expect that credit strain within our loan portfolio is probable given the impact the COVID-19 pandemic has had, and is anticipated to continue to have, on the economy. Refer to "*—Financial Condition—Asset Quality*" for further discussion and details of temporary debt relief program provided to loan customers.

The provision for unfunded commitments represents management's estimate of the amount required to reflect the probable inherent losses on outstanding letters and unused lines of credit. The reserve for unfunded commitments is presented within accrued interest and other liabilities on the consolidated statements of condition. Refer to Note 4 of the consolidated financial statements for further discussion.

Please refer to "*—Financial Condition—Asset Quality*" below for additional discussion regarding the ALL and overall asset quality.

Non-Interest Income

The following table presents the components of non-interest income for the periods indicated:

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2020**	**2019**	**$**	**%**
Mortgage banking income, net[1]	$ 3,534	$ 1,252	$ 2,282	182 %
Debit card income	2,141	2,010	131	7 %
Service charges on deposit accounts	2,012	2,023	(11)	(1)%
Income from fiduciary services	1,502	1,392	110	8 %
Bank-owned life insurance	689	594	95	16 %
Brokerage and insurance commissions	657	585	72	12 %
Customer loan swap fees[2]	114	525	(411)	(78)%
Other income[3]	754	1,008	(254)	(25)%
Total non-interest income	$ 11,403	$ 9,389	$ 2,014	21 %
Non-interest income as a percentage of total revenues	26%	23%		

(1) **Mortgage banking income, net:** The increase for the three months ended March 31, 2020, compared to the same period last year, was driven by higher residential mortgage sales and pipeline activity in the first quarter of 2020 due to a sharp decrease in interest rates. In the first quarter of 2020, the Company sold $69.2 million of residential mortgage loans, compared to $28.0 million in the first quarter of 2019, and the unrealized gain on mortgage banking activity was $1.5 million higher in the first quarter of 2020, compared to the same period last year.

(2) **Customer loan swap fees:** The decrease for the three months ended March 31, 2020, compared to the same period last year, due to a decrease in volume.

(3) **Other income:** The decrease for the three months ended March 31, 2020, compared to the same period last year, was due to the recognition of an unrealized gain of $242,000 in the first quarter of 2019 on its bank equity securities.

Non-Interest Expense

The following table presents the components of non-interest expense for the periods indicated:

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2020**	**2019**	**$**	**%**
Salaries and employee benefits[1]	$ 14,327	$ 12,978	$ 1,349	10 %
Furniture, equipment and data processing	2,790	2,680	110	4 %
Net occupancy costs	2,003	1,914	89	5 %
Debit card expense	934	823	111	13 %
Consulting and professional fees	783	813	(30)	(4)%
Amortization of intangible assets	170	176	(6)	(3)%
Regulatory assessments[2]	162	472	(310)	(66)%
Other real estate owned and collection costs (recoveries), net[3]	101	(307)	408	(133)%
Other expenses	3,291	3,234	57	2 %
Total non-interest expense	$ 24,561	$ 22,783	$ 1,778	8 %
GAAP efficiency ratio	56.82%	55.19%		
Non-GAAP efficiency ratio	56.45%	54.86%		

(1) **Salaries and employee benefits:** The increase for the three months ended March 31, 2020, compared to the same period last year, was primarily driven by normal merit increases, an increase in the number of employees, and higher incentive accruals.

(2) **Regulatory assessments:** The decrease for the three months ended March 31, 2020 compared to the same period last year, was driven by the receipt during the first quarter of 2020 of a *Small Bank Assessment Credit* from the FDIC for the Company's fourth quarter assessment period, as the FDIC Deposit Insurance Fund ("DIF") reserve ratio exceeded its regulatory limit. It is anticipated that the Company will receive its final credit in the second quarter of 2020, should the FDIC continue to meet and exceed its required DIF reserve ratio.

(3) **Other real estate owned and collection costs (recoveries), net:** The increase for the three months ended March 31, 2020, compared to the same period last year, was driven by reimbursement of $378,000 in the first quarter of 2019 for related legal costs.

FINANCIAL CONDITION

Investments

The Company utilizes the investment portfolio to manage liquidity, interest rate risk, and regulatory capital, as well as to take advantage of market conditions to generate a favorable return on investments without undue risk. The Company’s investment portfolio consists of debt securities we have designated as AFS, debt securities we have designated as HTM, and common stock of the FHLBB, FRB and certain banks. Investments increased $43.4 million, or 5%, at March 31, 2020 as compared to December 31, 2019. The following is the activity in our investment portfolio:

- The purchase of $58.8 million of investments in the first three months of 2020 with a weighted-average life of 6.1 years;
- A net increase in the fair value of the AFS debt securities portfolio of $24.1 million driven by the change in general market conditions, specifically a decrease in long-term interest rates at March 31, 2020, compared to December 31, 2019;
- Partially offset by paydowns and calls of $40.2 million.

Our investments in FHLBB and FRB common stock are carried at cost. These investments are presented within other investments on the consolidated statements of condition. We are required to maintain a level of investment in FHLBB stock based on our level of FHLBB advances, and maintain a level of investment in FRB common stock based on the Bank's capital levels. As of March 31, 2020 and December 31, 2019, our investment in FHLBB stock totaled $8.0 million and $6.6 million, respectively, and our investment in FRB stock was $5.4 million at each date.

As further described in "– Critical Accounting Policies" and Note 2 of the consolidated financial statements, the Company opted to delay implementation of ASU 2016-13, commonly referred to as "CECL," under the terms provided for within the CARES Act, signed into law in March 2020. The Company will be required to adopt CECL upon the earlier of (1) the date on which the national emergency concerning the COVID-19 pandemic that the President of the United States declared on March 15, 2020 terminates, or (2) December 31, 2020. As such, the Company assessed its investments for OTTI using the policies and procedures described in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The Company monitors its investments for the presence of OTTI. For debt securities, which made up 99% of our investment portfolio at March 31, 2020, the primary consideration in determining OTTI impairment is whether or not the Bank expects to collect all contractual cash flows. There was no OTTI recorded on investments as of March 31, 2020 or December 31, 2019.

We continuously monitor and evaluate our investment portfolio to identify and assess risks within our portfolio, including, but not limited to, the impact of the current interest rate environment and the related prepayment risk, and review credit ratings. The overall mix of debt securities at March 31, 2020, compared to December 31, 2019, remains relatively unchanged and well positioned to provide a stable source of cash flow. At March 31, 2020 and December 31, 2019, the duration of our debt investment securities portfolio, adjusting for calls when appropriate and consensus prepayment speeds, was 4.4 and 4.7 years, respectively. We are currently investing in longer duration debt securities, or those with call protection, to limit prepayment risk and to protect against a lower rate environment.

Loans

The Company provides loans primarily to customers located within our geographic market area. Our primary markets continues to be in Maine, making up 75% and 76% of the loan portfolio as of March 31, 2020 and December 31, 2019, respectively. Massachusetts and New Hampshire are our second and third largest markets that we serve, making up 13% and 6%, respectively, of our total loan portfolio as of March 31, 2020 and December 31, 2019. Our distribution channels include 57 branches within Maine, a residential mortgage lending office in Massachusetts, a branch and commercial loan production office in New Hampshire, and on-line residential mortgage and small commercial loan platforms.

The following table sets forth the composition of our loan portfolio as of the dates indicated:

(Dollars in thousands)	March 31, 2020	December 31, 2019	Change ($)	Change (%)
Residential real estate	$ 1,064,212	$ 1,070,374	$ (6,162)	(1)%
Commercial real estate	1,299,860	1,243,397	56,463	5 %
Commercial	444,830	421,108	23,722	6 %
Consumer and home equity	330,603	338,551	(7,948)	(2)%
HPFC	18,257	21,593	(3,336)	(15)%
Total loans	$ 3,157,762	$ 3,095,023	$ 62,739	2 %
Commercial Loan Portfolio	$ 1,762,947	$ 1,686,098	$ 76,849	5 %
Retail Loan Portfolio	$ 1,394,815	$ 1,408,925	$ (14,110)	(1)%
Commercial Portfolio Mix	56%	54%		
Retail Portfolio Mix	44%	46%		

Beginning in April 2020, the Company started funding SBA Paycheck Protection Program loans issued to qualifying small businesses as part of the federal stimulus package issued due to the COVID-19 pandemic. As of April 22, 2020, the Company had approved 1,649 loans with total balances of $197.4 million for funding. Loans made under the SBA Paycheck Protection Program are two-year loans, fully guaranteed by the SBA, and have a fixed rate of 1.0%. For originating the loans, the Company will receive a fee, to be paid by the SBA, based on a tiered structure that is dependent on each individual loan size. These fees are to be capitalized as origination fees and earned over the life of the loan in accordance with the Company's policy.

Asset Quality

Non-Performing Assets. Non-performing assets include non-accrual loans, accruing loans 90 days or more past due, accruing TDRs, and property acquired through foreclosure or repossession. The following table sets forth the make-up and amount of our non-performing assets as of the dates indicated:

(Dollars in thousands)	March 31, 2020	December 31, 2019
Non-accrual loans:		
Residential real estate	$ 3,499	$ 4,096
Commercial real estate	646	1,122
Commercial	748	420
Consumer and home equity	2,102	2,154
HPFC	322	364
Total non-accrual loans	**7,317**	**8,156**
Accruing loans past due 90 days	—	—
Accruing TDRs not included above	3,008	2,993
Total non-performing loans	**10,325**	**11,149**
Other real estate owned	94	94
Total non-performing assets	**$ 10,419**	**$ 11,243**
Non-accrual loans to total loans	0.23%	0.26%
Non-performing loans to total loans	0.33%	0.36%
ALL to non-performing loans	256.86%	225.77%
Non-performing assets to total assets	0.23%	0.25%
ALL to non-performing assets	254.54%	223.88%

Potential Problem Loans. Potential problem loans consist of classified accruing commercial and commercial real estate loans that were between 30 and 89 days past due. Such loans are characterized by weaknesses in the financial condition of borrowers or collateral deficiencies. Based on historical experience, the credit quality of some of these loans may improve due to changes in collateral values or the financial condition of the borrowers, while the credit quality of other loans may deteriorate, resulting in a loss. These loans are not included in the above analysis of non-accrual loans. At March 31, 2020, potential problem loans amounted to $2.8 million, or 0.09% of total loans.

Past Due Loans. Past due loans consist of accruing loans that were between 30 and 89 days past due. The following table presents the recorded investment of past due loans at the date indicated:

(Dollars in thousands)	March 31, 2020	December 31, 2019
Accruing loans 30-89 days past due:		
Residential real estate	$ 1,781	$ 2,227
Commercial real estate	2,641	1,582
Commercial	1,560	548
Consumer and home equity	1,379	750
HPFC	165	243
Total	$ 7,526	$ 5,350
Accruing loans 30-89 days past due to total loans	0.24%	0.17%

COVID-19 Loan Modifications. In response to the COVID-19 pandemic, the Company worked with businesses and consumers to provide temporary debt payment relief. The Company's payment relief program provided principal and/or interest payment deferrals of 30 to 180 days for businesses and 90 to 180 days for consumers. Refer to Note 4 of the consolidated financial statements for the Company's accounting treatment for loans modified due to the COVID-19 pandemic.

As of April 22, 2020, the Company had modified the following loans, of which none were deemed to be a TDR:

(Dollars in thousands)	Units	Recorded Investment	Percent of Total Loans at March 31, 2020
Business	1,072	$ 435,615	14%
Consumer	660	112,040	3%
Total	1,732	$ 547,655	17%

As these loans are performing loans, the Company will continue to accrue interest and recognize interest income in accordance with the Company's policies.

Allowance for Loan Losses. We use a methodology to systematically measure the amount of estimated loan loss exposure inherent in the loan portfolio for purposes of establishing a sufficient ALL. The ALL is management's best estimate of the probable loan losses as of the balance sheet date. The ALL is increased by provisions charged to earnings and by recoveries of amounts previously charged-off, and is reduced by charge-offs on loans.

The following table sets forth information concerning the activity in the ALL for the periods indicated:

(Dollars in thousands)	At or For The Three Months Ended March 31, 2020	At or For The Three Months Ended March 31, 2019	At or For The Year Ended December 31, 2019
ALL at the beginning of the period	$ 25,171	$ 24,712	$ 24,712
Provision for loan losses	1,772	750	2,862
Charge-offs:			
Residential real estate	96	11	462
Commercial real estate	50	65	300
Commercial	253	236	1,167
Consumer and home equity	91	24	713
HPFC	—	—	71
Total charge-offs	**490**	**336**	**2,713**
Recoveries:			
Residential real estate	2	2	16
Commercial real estate	4	4	49
Commercial	53	62	225
Consumer and home equity	9	7	20
HPFC	—	—	—
Total recoveries	**68**	**75**	**310**
Net charge-offs	**422**	**261**	**2,403**
ALL at the end of the period	**$ 26,521**	**$ 25,201**	**$ 25,171**
Components of allowance for credit losses:			
Allowance for loan losses	$ 26,521	$ 25,201	$ 25,171
Liability for unfunded credit commitments	24	16	21
Balance of allowance for credit losses at end of the period	**$ 26,545**	**$ 25,217**	**$ 25,192**
Net charge-offs (annualized) to average loans	0.05%	0.03%	0.08%
Provision for loan losses (annualized) to average loans	0.23%	0.10%	0.09%
ALL to total loans	0.84%	0.83%	0.81%
ALL to net charge-offs (annualized)	1,571.15%	2,413.89%	1,047.48%

The determination of an appropriate level of ALL, and subsequent provision for loan losses which affects earnings, is based on our analysis of various economic factors, which included consideration of the COVID-19 pandemic, and review of the

loan portfolio. During our analysis and review, many factors are considered including, but not limited to, loan growth, payoffs of lower quality loans, recoveries on previously charged-off loans, known changes in the financial condition of the borrowers, risk rating downgrades/upgrades and charge-offs. We utilize a comprehensive approach toward determining the ALL, which includes an expanded risk rating system to assist us in identifying the risks being undertaken.

We believe the ALL of $26.5 million, or 0.84% of total loans and 256.86% of total non-performing loans, at March 31, 2020 was appropriate given the current economic conditions in our service area, which included consideration of the COVID-19 pandemic and its impact on our customers, local economies and markets, and the condition of the loan portfolio. Based on information available as of March 31, 2020, the ALL was increased by $800,000, with a corresponding charge to provision for loan losses, as we considered the impact of the COVID-19 pandemic within our qualitative factors. The impact of the COVID-19 pandemic on a global, national and/or local economy is uncertain at this time, though we expect it will likely result in overall credit quality deterioration, particularly within certain industries more susceptible to the impact of COVID-19, which we believe to include lodging, senior living and care facilities, restaurants, and travel and recreation, which made up 13% of total loans as of March 31, 2020. Should credit quality, or factors known to affect credit quality, deteriorate in future periods and/or the Company experience elevated net charge-offs, we would anticipate a corresponding increase in the ALL and provision for loan losses.

Goodwill

We evaluated the Company's goodwill for impairment as of November 30, 2019 and determined goodwill was not impaired. In light of the COVID-19 pandemic and its impact on global, national and local markets and economy, we assessed if a triggering event occurred as of March 31, 2020, that would require an interim goodwill impairment assessment. Through our assessment, we determined that a triggering event had not occurred. We will continue to monitor the impact and effects of the COVID-19 pandemic on the Company's business and operations, including its economies and markets. We will assess goodwill for impairment should a triggering event occur.

***Liabilities and Shareholders' Equity*.**

Deposits. Total deposits increased $26.0 million, or 1%, since December 31, 2019, to $3.6 billion at March 31, 2020. In the first quarter of 2020, savings and money market deposits grew 2% and certificates of deposit grew 4%, while checking account and brokered deposits each decreased 1%. The decrease in checking account balances was primarily driven by certain large depositors' balances reducing interest checking balances by $20.7 million. The Company did not see its normal core deposit outflows in the first quarter of 2020, likely due to changes in customer behavior due to the COVID-19 pandemic.

Borrowings. Total borrowings increased $83.0 million, or 25%, since December 31, 2019, to $420.9 million at March 31, 2020. In the first quarter of 2020, we entered into two FHLBB term borrowings: (i) $25.0 million at a fixed rate of 0.98% for five years; and (ii) $50.0 million at a fixed rate of 0.34% for 90 days. We took certain actions in the first quarter of 2020 to ladder in long-term funding at fixed rates below 1.00% for future ALM and interest rate risk planning.

Additionally, we entered into two interest rate swaps to lock in $50.0 million of three-year funding at 0.71% and $50.0 million of ten-year funding at 0.86%. Each interest rate swap was designated as a cash flow hedge for accounting purposes. Refer to "*—Contractual Obligations and Off-Balance Sheet Commitments*" and Note 8 of the consolidated financial statements for further discussion.

A $10.0 million FHLBB borrowing at a rate of 1.87% matured in April 2020.

Shareholders' Equity. In January 2020, the Company's Board of Directors authorized the purchase of up to 750,000 shares of our common stock, representing approximately 5.0% of our issued and outstanding shares as of December 31, 2019. In the first quarter of 2020, we repurchased 217,031 shares of the Company's common stock at a weighted average price of $36.74 per share, before suspending our repurchase program on March 20, 2020, as our strategy shifted from earnings generation to capital preservation during the COVID-19 pandemic.

The following table presents certain information regarding shareholders' equity as of or for the periods indicated:

	At or For The Three Months Ended March 31,		At or For The Year Ended December 31,
	2020	2019	2019
Financial Ratios			
Average equity to average assets	10.70%	10.17%	10.43%
Common equity ratio	10.72%	10.26%	10.69%
Tangible common equity ratio[1]	8.78%	8.21%	8.66%
Dividend payout ratio	37.08%	32.97%	33.24%
Per Share Data			
Book value per share	$ 32.95	$ 29.16	$ 31.26
Tangible book value per share[1]	26.39	22.81	24.77
Dividends declared per share	0.33	0.30	1.23

(1) Please refer to "Non-GAAP Financial Measures and Reconciliation to GAAP" for further details.

Refer to *"—Capital Resources"* and Note 10 of the consolidated financial statements for further discussion of the Company and Bank's capital resources and regulatory capital requirements.

LIQUIDITY

Our liquidity needs require the availability of cash to meet the withdrawal demands of depositors and credit commitments to borrowers. Liquidity is defined as our ability to maintain availability of funds to meet customer needs, as well as to support our asset base. The primary objective of liquidity management is to maintain a balance between sources and uses of funds to meet our cash flow needs in the most economical and expedient manner. Due to the potential for unexpected fluctuations in both deposits and loans, active management of liquidity is necessary. We maintain various sources of funding and levels of liquid assets in excess of regulatory guidelines in order to satisfy their varied liquidity demands. We monitor liquidity in accordance with internal guidelines and all applicable regulatory requirements. As of March 31, 2020 and December 31, 2019, our level of liquidity exceeded target levels. We believe that we currently have appropriate liquidity available to respond to liquidity demands. Sources of funds that we utilize consist of deposits, borrowings from the FHLBB and other sources, cash flows from operations, prepayments and maturities of outstanding loans, investments and mortgage-backed securities and the sale of mortgage loans.

Deposits continue to represent our primary source of funds. For the three months ended March 31, 2020, average deposits (excluding brokered deposits) of $3.4 billion increased $268.5 million, or 9%, compared to the same period last year. Average core deposits (non-GAAP) of $2.8 billion for the three months ended March 31, 2020, increased $159.5 million, or 6%, compared to the same period a year ago. Included within our average money market deposits for the three months ended March 31, 2020 and 2019, were $75.6 million and $69.2 million, respectively, of deposits from the Bank's wealth management department, Camden National Wealth Management, which represent client funds. These deposits fluctuate with changes in the portfolios of the clients of Camden National Wealth Management.

Borrowings are used to supplement deposits as a source of liquidity. In addition to borrowings and advances from the FHLBB, we utilize brokered deposits, purchase federal funds, and sell securities under agreements to repurchase. For the three months ended March 31, 2020, average total borrowings (including brokered deposits) decreased $185.2 million, or 25%, to $562.8 million compared to the same period last year. We secure borrowings from the FHLBB with qualified residential real estate loans, certain investment securities and certain other assets available to be pledged. Customer repurchase agreements are secured by mortgage-backed securities and government-sponsored enterprises. Through the Bank, we have available lines of credit with the FHLBB of $9.9 million, with a correspondent bank of $50.0 million, and with the FRB Discount Window of $64.5 million as of March 31, 2020. The Company also has a $10.0 million line of credit with a correspondent bank that matures on December 18, 2020.

We believe our investment portfolio and residential loan portfolio provide a significant amount of contingent liquidity that could be accessed in a reasonable time period through sales of those portfolios. We also believe that we have additional untapped access to the brokered deposit market, the wholesale reverse repurchase transaction market and the FRB discount window. These sources are considered as liquidity alternatives in our contingent liquidity plan. We believe that our current level of liquidity is sufficient to meet current and future funding requirements; however, changes in economic conditions, including consumer saving habits and the availability or access to the national brokered deposit and wholesale repurchase markets, whether as a result of the COVID-19 pandemic or otherwise, could significantly impact our liquidity position.

CAPITAL RESOURCES

As part of our goal to operate a safe, sound and profitable financial organization, we are committed to maintaining a strong capital base. Shareholders' equity totaled $492.7 million and $473.4 million at March 31, 2020 and December 31, 2019, respectively, which amounted to 11% of total assets as of the respective dates. Refer to "— *Financial Condition — Liabilities and Shareholders' Equity*" for discussion regarding changes in shareholders' equity for the three months ended March 31, 2020.

Our principal cash requirement is the payment of dividends on our common stock, as and when declared by the Company's Board of Directors. We declared dividends to shareholders in the aggregate amount of $4.9 million and $4.7 million for the three months ended March 31, 2020 and 2019, respectively. The Company's Board of Directors approves cash dividends on a quarterly basis after careful analysis and consideration of various factors, including the following: (i) capital position relative to total assets, (ii) risk-based assets, (iii) total classified assets, (iv) economic conditions, (v) growth rates for total assets and total liabilities, (vi) earnings performance and projections and (vii) strategic initiatives and related capital requirements. All dividends declared and distributed by the Company will be in compliance with applicable state corporate law and regulatory requirements.

We are primarily dependent upon the payment of cash dividends by the Bank, our wholly-owned subsidiary, to service our commitments. We, as the sole shareholder of the Bank, are entitled to dividends, when and as declared by the Bank's Board of Directors from legally available funds. For the three months ended March 31, 2020 and 2019, the Bank declared dividends payable to the Company in the amount of $6.9 million and $7.0 million, respectively. Under regulations prescribed by the OCC, the Bank may not declare dividends in excess of the Bank's net income for the current year plus its retained net income for the prior two years without prior approval from the OCC. If we are required to use dividends from the Bank to service unforeseen commitments in the future, we may be required to reduce the dividends paid to our shareholders going forward.

Please refer to Note 10 of the consolidated financial statements for discussion and details of the Company and Bank's regulatory capital requirements. At March 31, 2020 and December 31, 2019, the Company and Bank exceeded all regulatory capital requirements, and the Bank continues to meet the capital requirements to be classified as "well capitalized" under applicable prompt corrective action provisions.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS

Off-Balance Sheet Financial Instruments

Credit Commitments and Standby Letters of Credit. In the normal course of business, we are a party to credit related financial instruments with off-balance sheet risk, which are not reflected in the consolidated statements of condition. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve varying degrees of credit risk in excess of the amount recognized in the consolidated statements of condition. We follow the same credit policies in making commitments to extend credit and conditional obligations as we do for on-balance sheet instruments, including requiring similar collateral or other security to support financial instruments with credit risk. Our exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. In the event of nonperformance by the borrower, we are entitled to underlying collateral, as applicable, which generally consists of pledges of business assets including, but not limited to, accounts receivable, inventory, plant and equipment, and/or real estate.

Derivatives. We use derivative financial instruments for risk management purposes (primarily interest rate risk) and not for trading or speculative purposes. We control the credit risk of these instruments through collateral, credit approvals and monitoring procedures. Additionally, as part of our normal mortgage origination process, we provide the borrower with the option to lock their interest rate based on current market prices. During the period from commitment date to the loan closing date, we are subject to the risk of interest rate change. In an effort to mitigate such risk, we may enter into forward delivery sales commitments, typically on a best-efforts basis, with certain approved investors. We account for interest rate lock commitments on loans that will be held for sale as derivative instruments. Furthermore, we record a derivative for our best-effort forward delivery commitments upon origination of a loan identified as held for sale. Should we enter into a forward delivery commitment on a mandatory delivery arrangement with an investor, we account for the forward delivery commitment as a derivative upon execution of the mandatory delivery contract.

Hedge Instruments. From time to time, we may enter into derivative instruments as partial hedges against large fluctuations in interest rates. We may also enter into fixed-rate interest rate swaps and floor instruments to partially hedge against potentially lower yields on the variable prime rate loan category in a declining rate environment. If interest rates were to decline, resulting in reduced income on the adjustable rate loans, there would be an increased income flow from the interest rate swap and floor instrument. We may also enter into interest rate swaps and cap instruments to partially hedge against increases in short-term borrowing rates. If interest rates were to rise, resulting in an increased interest cost, there would be an increased income flow from the interest rate swaps and cap instruments. These financial instruments are factored into our overall interest rate risk position. We regularly review the credit quality of the counterparty from which the instruments have been purchased.

Refer to Notes 7 and 8 of the consolidated financial statements for additional details.

At March 31, 2020, we had the following levels of off-balance sheet financial instruments:

(In thousands)	Total Amount	Commitment Expires in:			
Off-Balance Sheet Financial Instruments	**Committed**	**<1 Year**	**1 – 3 Years**	**3 – 5 Years**	**>5 Years**
Commitments to extend credit	$ 764,368	$ 345,062	$ 70,854	$ 20,944	$ 327,508
Standby letters of credit	5,002	2,161	1,819	—	1,022
Customer loan swaps - notional value	817,090	—	76,901	75,578	664,611
Interest rate swap on loans - notional value	100,000	—	—	100,000	—
Interest rate swaps on borrowings - notional value	100,000	—	50,000	—	50,000
Fixed-rate mortgage interest rate lock commitments - notional value	128,481	128,481	—	—	—
Junior subordinated debt interest rate swaps - notional value	43,000	—	10,000	—	33,000
Forward delivery commitments - notional value	28,356	28,356	—	—	—
Total	$ 1,986,297	$ 504,060	$ 209,574	$ 196,522	$ 1,076,141

Contractual Obligations and Commitments

We are a party to several contractual obligations through lease agreements on a number of branches. Renewal options within our various lease contracts, as applicable, are considered to determine the lease term and estimate the contractual obligation and commitment for the Company's operating and finance leases. Furthermore, certain lease contracts of the Company contain language that subject its rent payment to variability, such as those tied to an index or change in an index. As a result, the future contractual obligation and commitment may materially differ from that estimated and disclosed within the table below.

We enter into agreements routinely as part of our normal business to manage deposits and borrowings.

At March 31, 2020, we had an obligation and commitment to make future payments under each of these contracts as follows:

(In thousands)	**Total Amount**	**Payments Due per Period**			
Contractual obligations and commitments	**Committed**	**<1 Year**	**1 – 3 Years**	**3 – 5 Years**	**>5 Years**
Operating leases	$ 16,583	$ 1,415	$ 2,703	$ 2,386	$ 10,079
Finance leases	7,964	304	616	627	6,417
FHLBB advances less than 90 days	50,000	50,000	—	—	—
FHLBB advances - other	35,000	10,000	—	25,000	—
Retail repurchase agreements	265,997	265,997	—	—	—
Junior subordinated debentures	44,331	—	—	—	44,331
Subordinated debentures	14,824	—	—	—	14,824
Other contractual obligations	1,582	1,582	—	—	—
Total	$ 436,281	$ 329,298	$ 3,319	$ 28,013	$ 75,651

Borrowings from the FHLBB consist of short- and long-term fixed and variable rate borrowings that are collateralized by all stock in the FHLBB and a blanket lien on qualified collateral consisting primarily of loans with first mortgages secured by one-to four-family properties, certain pledged investment securities and other qualified assets.

We have an obligation and commitment to repay all short- and long-term borrowings. These commitments and borrowings and the related payments are made during the normal course of business.

RISK MANAGEMENT

The Company’s Board of Directors and management have identified significant risk categories which affect the Company. The risk categories include: credit; liquidity; market; interest rate; capital; operational and technology, including cybersecurity; vendor and third party; people and compensation; compliance and legal; and strategic alignment and reputation. The Board of Directors has approved an Enterprise Risk Management ("ERM") Policy that addresses each category of risk. The direct oversight and responsibility for the Company's risk management program has been delegated to the Company's Executive Vice President of Risk Management, who is a member of the Executive Committee and reports directly to the Chief Executive Officer.

The spread of the COVID-19 pandemic has increased many of the risks we face, including our credit, operational, vendor and third party, and technology risks. In response to the COVID-19 pandemic, the Company formed the Pandemic Work Group to develop and oversee the Company’s response. The Pandemic Work Group has: (i) developed employee practices, policies and playbooks to address pandemic related issues; (ii) implemented monitoring of all federal, state and local actions (e.g., stay-at-home orders) so that the Company can comply with all legal requirements; (iii) completed risk assessments and proactive monitoring over critical vendors, along with enhanced cybersecurity monitoring and reporting; (iv) created ongoing assessment and monitoring over employee availability, safety, workloads and access to tools (including technology needed to work from home effectively); (v) initiated temporary loan relief programs; (vi) rolled out the SBA Paycheck Protection Program; and (vii) developed our branch network plan, including determinations of which branches should be closed in order to best allocate resources. The Pandemic Work Group continues to oversee areas of the Company’s response such as employee practices and assessment of employee availability, safety and workload. Members of the Pandemic Work Group include the Company’s executive team and other members of senior management. The Pandemic Work Group, through the Company's executive team, regularly reports to the Board of Directors to assist the Board of Directors with both its ongoing oversight of the Company’s response to COVID-19 as well as its management of all areas of risks the Company faces, which have been affected by the COVID-19 pandemic.

Please refer to "– Executive Overview" and "– Financial Condition" above for additional discussion of specific actions the Company has taken in response to the COVID-19 pandemic. Please also refer to Item 1A, "Risk Factors" for additional information on the Company’s risks relating to the COVID-19 pandemic.

Other than as described above, for the three months ended March 31, 2020, there have been no material changes to the Company's risk categories and risk management policies as described in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Please refer to Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 for further details regarding the Company's risk management.

For the three months ended March 31, 2020, there have been no material changes to the Company's risk categories and risk management policies as described in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, with the exception of the addition of the Pandemic Work Group described above. Please refer to Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 for further details regarding the Company's risk management.

Interest rate risk

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change, the interest income and expense streams associated with our financial instruments also change, thereby impacting net interest income, the primary component of our earnings. Board ALCO and Management ALCO utilize the results of a detailed and dynamic simulation model to quantify the estimated exposure of net interest income to sustained interest rate changes. While Board ALCO and Management ALCO routinely monitor simulated net interest income sensitivity over a rolling two-year horizon, they also utilize additional tools to monitor potential longer-term interest rate risk.

The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all interest-earning assets and interest-bearing liabilities reflected on our consolidated statements of condition, as well as for derivative financial instruments. This sensitivity analysis is compared to ALCO policy limits, which specify a maximum tolerance level for net interest income exposure over a one- and two-year horizon, assuming no balance sheet growth, given a 200 basis point upward and downward shift in interest rates. Although our policy specifies a downward shift of 200 basis points, this would result in negative rates as many deposit and funding rates are below 2.00%. During the last few years, our downward shift has been 100 basis points. A parallel and pro rata shift in rates over a 12-month period is assumed. Using this approach, we are able to produce simulation results that illustrate the effect that both a gradual change of rates and a “rate

shock" have on earnings expectations. In the down 100 basis points scenario, Federal Funds and Treasury yields are floored at 0.01% while Prime is floored at 3.00%. All other market rates are floored at 0.25%.

As of March 31, 2020 and 2019, our net interest income sensitivity analysis reflected the following changes to net interest income assuming no balance sheet growth and a parallel shift in interest rates. All rate changes were "ramped" over the first 12-month period and then maintained at those levels over the remainder of the ALCO simulation horizon.

	Estimated Changes In Net Interest Income	
Rate Change from Year 1 — Base	**March 31, 2020**	**March 31, 2019**
Year 1		
+200 basis points	(0.97)%	0.47 %
-100 basis points	(0.18)%	(0.83)%
Year 2		
+200 basis points	4.51 %	6.87 %
-100 basis points	(3.79)%	(2.26)%

The preceding sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including, among others, the nature and timing of interest rate levels, yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits and reinvestment/replacement of asset and liability cash flows. While assumptions are developed based upon current economic and local market conditions, we cannot make any assurances as to the predictive nature of these assumptions, including how customer preferences or competitor influences might change.

If rates remain at or near current levels, net interest income is projected to decrease marginally as assets redeploy into reduced replacement yields and are nearly offset by reductions to funding costs. As assets continue to reset and reprice into rates below portfolio averages and funding costs reach their assumed floors, net interest income begins to trend downward. If rates decrease 100 basis points, net interest income is projected to trend slightly below current levels as funding cost reductions mitigate asset yield pressure. In the second year, net interest income is projected to continue to decrease as loans and investment cash flow reprice into lower yields as prepayments increase while reduction in the cost of funds is exhausted. If rates increase 200 basis points, net interest income is projected to decrease slightly in the first year due to pressure on funding costs outpacing asset yields. In the second year, net interest income is projected to continue to increase as loan and investment yields continue to reprice/reset into higher yields and funding cost increases subside.

Periodically, if deemed appropriate, we use back-to-back loan swaps, interest rate swaps, floors and caps, which are common derivative financial instruments, to hedge our interest rate risk position. The Board of Directors has approved hedging policy statements governing the use of these instruments. The Board and Management ALCO monitor derivative activities relative to their expectations and our hedging policies. Refer to "*—Contractual Obligations and Off-Balance Sheet Commitments*" and Note 8 of the consolidated financial statements for further discussion of these derivative instruments.

LIBOR is a benchmark interest rate for certain floating rate loans, deposits and borrowings, and off-balance sheet exposures of the Company. In 2017, the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it will not compel panel banks to contribute to LIBOR after 2021. As such, we have begun an internal project that is focused on an orderly transition from LIBOR to alternative reference rates. The markets for alternative rates are developing. We will continue to assess the use of alternative rates, and expect to transition to alternative rates as the markets and best practices develop.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Information required by this Item 3 is included in Item 2. *"Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Management."*

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's management conducted an evaluation with the participation of the Company's Chief Executive Officer and Chief Financial Officer (Principal Financial & Accounting Officer), regarding the effectiveness of the Company's disclosure controls and procedures, as of the end of the last fiscal quarter covered by this report. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer (Principal Financial & Accounting Officer) concluded that they believe the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There was no change in the internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries are subject to pending and threatened legal actions. Although the Company is not able to predict the outcome of such actions, after reviewing pending and threatened actions with counsel, management believes that based on the information currently available the outcome of such actions, individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial position as a whole.

ITEM 1A. RISK FACTORS

Our business, financial condition, liquidity, capital and results of operations have been, and will likely continue to be, adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has created economic and financial disruptions that have adversely affected, and are likely to continue to adversely affect, our business, financial condition, liquidity, capital and results of operations. We cannot predict at this time the extent to which the COVID-19 pandemic will continue to negatively affect our business, financial condition, liquidity and results of operations. The extent of any continued or future adverse effects of the COVID-19 pandemic will depend on future developments, which are highly uncertain and outside our control, including the scope and duration of the pandemic, the direct and indirect impact of the pandemic on our employees, customers, counterparties and service providers, as well as other market participants, and actions taken by governmental authorities and other third parties in response to the pandemic. Although our Pandemic Work Group continues to monitor the COVID-19 pandemic and to take action in response to ongoing developments, there can be no guarantee this or any other aspect of our business continuity planning will be effective in addressing some or all of the effects of the COVID-19 pandemic.

The COVID-19 pandemic has contributed, or will likely contribute, to (i) sudden and significant declines, and significant increases in volatility, in financial markets; (ii) ratings downgrades, credit deterioration and defaults in many industries, including hospitality, transportation and commercial real estate; (iii) significant draws on credit lines as customers seek to increase liquidity; (iv) significant reductions in the targeted federal funds rate (which was reduced to a target rate of between zero and 0.25% in the first quarter of 2020, and may be reduced to below zero if the Federal Reserve determines economic conditions warrant); and (v) heightened cybersecurity, information security and operational risks as a result of work-from-home arrangements. Many of our counterparties and third-party service providers have been, and may further be, affected by "stay-at-home" orders, market volatility and other factors that increase their risks of business disruption or that may otherwise affect their ability to perform under the terms of any agreements with us or provide essential services. As a result, our operational and other risks are generally expected to increase until the pandemic subsides. In addition, our business operations may be disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic, or if we are unable to keep our branches open because of, or risk of, infection. We have already temporarily closed certain branches and have taken action to reduce operating hours and eliminate lobby services (other than by appointment) at our remaining branches.

In response to the pandemic and to support our customers, we have provided temporary debt payment relief, in some cases of up to 180 days, to business and consumer borrowers. A significant number of our customers have sought to defer payments of interest and/or principal under these programs. Payment deferrals under these programs may adversely affect our revenue and results of operations. In addition, if such measures are not effective in mitigating the effects of COVID-19 on borrowers, we may experience higher rates of default and increased credit losses in future periods.

Certain industries to which the Company has credit exposure, including lodging, senior living and care facilities, restaurants, and travel and recreation, have experienced significant operational challenges as a result of COVID-19. These negative effects may result in a number of our customers making higher than usual draws on outstanding lines of credit, which may negatively affect our liquidity if current economic conditions persist. The effects of COVID-19 may also cause our business and consumer customers to be unable to pay their loans as they come due or may decrease the value of collateral, which we expect would cause significant increases in our credit losses.

Governmental authorities worldwide have taken unprecedented measures to stabilize the markets and support economic growth. The success of these measures is unknown and they may not be sufficient to address the negative effects of COVID-19 or avert severe and prolonged reductions in economic activity.

Other negative effects of COVID-19 that may impact our business, financial condition, liquidity, capital and results of operations cannot be predicted at this time, but it is likely that our business, financial condition, liquidity, capital and results of operations will continue to be adversely affected until the pandemic subsides and the U.S. economy begins to recover. Further,

the COVID-19 pandemic may also have the effect of heightening many of the other risks described in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K. Until the pandemic subsides, we expect reduced revenues from our lending businesses, and increased credit losses in our lending portfolios, as well as recognize the possibility for an increase in credit line utilization. Even after the pandemic subsides, it is possible that the U.S. and other major economies continue to experience a prolonged recession, which we expect would materially and adversely affect our business, financial condition, liquidity, capital and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Definition
3.1	Camden National Corporation Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed with the Commission on May 4, 2020).
10.1+	Camden National Corporation 2020-2022 Amended and Restated Long-Term Performance Share Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on May 4, 2020).
10.2+*	Form of Performance Share Unit Award Agreement for Company Employees under the Camden National Corporation Amended and Restated Long-Term Performance Share Unit Plan.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer, Principal Financial & Accounting Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer, Principal Financial & Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	XBRL (Extensible Business Reporting Language). The following materials from Camden National Corporation's Quarterly Report on Form 10-Q for the period ended March 31, 2020, formatted in XBRL: (i) Consolidated Statements of Condition - March31, 2020 and December 31, 2019; (ii) Consolidated Statements of Income - Three Months Ended March 31, 2020 and 2019; (iii) Consolidated Statements of Comprehensive Income - Three Months Ended March 31, 2020 and 2019; (iv) Consolidated Statements of Changes in Shareholders' Equity - Three Months Ended March 31, 2020 and 2019; (v) Consolidated Statements of Cash Flows - Three Months Ended March 31, 2020 and 2019; and (vi) Notes to the Unaudited Consolidated Financial Statements.
*	Filed herewith.
**	Furnished herewith.
+	Management contract or a compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAMDEN NATIONAL CORPORATION
(Registrant)

/s/ Gregory A. Dufour	May 7, 2020
Gregory A. Dufour	Date
President and Chief Executive Officer (Principal Executive Officer)	

/s/ Gregory A. White	May 7, 2020
Gregory A. White	Date
Chief Financial Officer and Principal Financial & Accounting Officer	

(Back To Top)

Section 2: EX-10.2 (EXHIBIT 10.2)

PERFORMANCE SHARE UNIT AWARD AGREEMENT FOR COMPANY EMPLOYEES UNDER THE CAMDEN NATIONAL CORPORATION AMENDED AND RESTATED LONG-TERM PERFORMANCE SHARE UNIT PLAN

Name of Grantee:	[GRANTEE NAME]
No. of Performance Share Units:	[# UNITS (# of Shares payable at Target)]
Grant Date:	[GRANT DATE]
Long-Term Performance Period:	[January 1, ____ - December 31, _____]

Pursuant to the Camden National Corporation Amended and Restated Long-Term Performance Share Unit Plan, filed with the Commission on May 4, 2020 (the "LTIP"), Camden National Corporation (the "Company") hereby grants, as of the Grant Date set forth above, an award of the target number of Performance Share Units listed above (an "Award") to the Grantee named above. Each Award (measured at target) shall relate to one share of Common Stock, no par value per share (the "Stock") of the Company and may pay out below, at or above target, depending on whether achievement of performance is determined to be at threshold, target or superior performance. Unless otherwise determined by the Compensation Committee (the "Committee"), no amounts will be payable under this Award if performance is determined by the Committee to be below threshold.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Award has vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the LTIP and this Agreement.

2. Vesting of Performance Share Units. The Award shall vest on the Vesting Date so long as the Grantee remains an employee of the Company or a Subsidiary on such Vesting Date; provided, however, that the Award vests only if and to the extent that the pre-established three-year performance targets are achieved as outlined in the LTIP. The Vesting Date for the Award is the third anniversary of the Grant Date.

3. Termination of Employment. If the Grantee's employment with the Company and its Subsidiaries terminates prior to the satisfaction of the vesting conditions as set forth in Paragraph 2 for any reason, with the exception of Retirement as defined in the LTIP, any Awards that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Awards.

4. Issuance of Shares of Stock. As soon as practicable following the Performance Period (but in no event later than two and one-half months after the Vesting Date), the Company shall issue to the Grantee the number of shares of Stock based on the level of achievement of the applicable performance measures as contemplated pursuant to Paragraph 2 of this Agreement. On such date and the Grantee shall thereafter have all the rights of a shareholder of the Company with respect to such shares.

5. Incorporation of the LTIP. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the LTIP, which is a component plan of the 2012 Incentive Plan. Capitalized terms in this Agreement shall have the meaning specified in the LTIP, unless a different meaning is specified herein.

6. Tax Withholding. The Grantee shall, no later than the date as of which the Award first becomes vested or includable in the gross income of the Grantee, as applicable, for Federal income and employment tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld by the Company with respect to such income. Unless otherwise elected by the Grantee and approved by the Committee, subject to the Company's insider trading policy, as in effect from time to time, the Company's minimum required tax withholding obligation shall be satisfied in full by the Company withholding from the vested Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

7. Section 409A of the Code. This Award is intended to be exempt from the requirements of Section 409A of the Code as a "short-term deferral" within the meaning of Section 409A of the Code and this Agreement shall be interpreted and construed consistent with that intent to the maximum extent permissible.

8. Data Privacy Consent. In order to administer the LTIP and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the LTIP and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

9. Miscellaneous.

(a) This Agreement and the LTIP (and the 2012 Incentive Plan of which the LTIP is a component plan) contain the entire agreement of the parties relating to the subject matter hereof and supersede any prior agreements or understandings with respect thereto.

(b) Notices hereunder shall be given to the Company at its principal place of business and shall be given to the Grantee at the address set forth below, or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

(c) This Agreement does not confer upon the Grantee any rights with respect to continuation of employment by the Company or any Subsidiary.

CAMDEN NATIONAL CORPORATION

By: ______________________________
[TITLE]

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: ______________________________

____
Grantee's Signature
[GRANTEE'S NAME]

(Back To Top)

Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit #31.1

CERTIFICATION

I, Gregory A. Dufour, certify that:

I have reviewed this quarterly report on Form 10-Q of Camden National Corporation;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects

the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Gregory A. Dufour

Gregory A. Dufour
President and Chief Executive Officer

(Back To Top)

Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit #31.2

CERTIFICATION

I, Gregory A. White, certify that:

I have reviewed this quarterly report on Form 10-Q of Camden National Corporation;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects

the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Gregory A. White

Gregory A. White
Chief Financial Officer and Principal Financial & Accounting Officer

(Back To Top)

Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit #32.1

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

The undersigned officer of Camden National Corporation (the “Company”) hereby certifies that the Company's quarterly report on Form 10-Q for the period ended March 31, 2020 to which this certification is being furnished as an exhibit (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K (“Item 601(b)(32)”) promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (a) shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to liability of this section, and (b) shall not be deemed to be incorporated by reference into any filing under the Securities Act of the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

/s/ Gregory A. Dufour	May 7, 2020
Gregory A. Dufour	Date
President and Chief Executive Officer	

(Back To Top)

Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit #32.2

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

The undersigned officer of Camden National Corporation (the "Company") hereby certifies that the Company's quarterly report on Form 10-Q for the period ended March 31, 2020 to which this certification is being furnished as an exhibit (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (a) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to liability of this section, and (b) shall not be deemed to be incorporated by reference into any filing under the Securities Act of the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

/s/ Gregory A. White	May 7, 2020
Gregory A. White	Date
Chief Financial Officer and Principal Financial & Accounting Officer	

(Back To Top)