

First Bancorp, Inc /ME/
Form 10-Q
May 07, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2010

Commission File Number 0-26589

THE FIRST BANCORP, INC.
(Exact name of Registrant as specified in its charter)

MAINE
(State or other jurisdiction of incorporation or organization)

01-0404322
(I.R.S. Employer Identification No.)

MAIN STREET, DAMARISCOTTA, MAINE
(Address of principal executive offices)

04543
(Zip code)

(207) 563-3195
Registrant's telephone number, including area code

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 period 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

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Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of May 5, 2010

Common Stock: 9,752,231 shares

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Part I. Financial Information

Selected Financial Data (Unaudited)
The First Bancorp, Inc. and Subsidiary

Dollars in thousands, except for per share amounts	For the three months ended			
	March 31,			
	2010	2009		
Summary of Operations				
Interest Income	\$ 14,133	\$ 16,618		
Interest Expense	4,112	5,545		
Net Interest Income	10,021	11,073		
Provision for Loan Losses	2,400	1,650		
Non-Interest Income	2,175	2,586		
Non-Interest Expense	6,282	6,787		
Net Income	2,684	3,728		
Per Common Share Data				
Basic Earnings per Share	\$0.24	\$0.37		
Diluted Earnings per Share	0.24	0.37		
Cash Dividends Declared	0.195	0.195		
Book Value	12.71	12.36		
Tangible Book Value ²	9.87	9.51		
Market Value	15.94	15.86		
Financial Ratios				
Return on Average Equity ¹	8.69	%	12.63	%
Return on Average Tangible Equity ^{1,2}	11.15	%	16.43	%
Return on Average Assets ¹	0.82	%	1.11	%
Average Equity to Average Assets	11.30	%	8.79	%
Average Tangible Equity to Average Assets ²	9.22	%	6.76	%
Net Interest Margin Tax-Equivalent ^{1,2}	3.51	%	3.68	%
Dividend Payout Ratio	81.25	%	52.70	%
Allowance for Loan Losses/Total Loans	1.53	%	0.99	%
Non-Performing Loans to Total Loans	2.46	%	1.32	%
Non-Performing Assets to Total Assets	2.20	%	1.23	%
Efficiency Ratio ²	49.06	%	40.12	%
At Period End				
Total Assets	\$ 1,336,544	\$ 1,398,500		
Total Loans	935,008	990,014		
Total Investment Securities	296,465	309,106		
Total Deposits	939,180	987,440		
Total Shareholders' Equity	148,542	144,600		

¹Annualized using a 365-day basis

²These ratios use non-GAAP financial measures. See Management's Discussion and Analysis of Financial Condition and Results of Operations for additional disclosures and information.

Item 1 – Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
The First Bancorp, Inc.

We have reviewed the accompanying interim consolidated financial information of The First Bancorp, Inc. and Subsidiary as of March 31, 2010 and 2009 and for the three-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is to express an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ Berry, Dunn, McNeil & Parker

Portland, Maine
May 7, 2010

Consolidated Balance Sheets (Unaudited)

The First Bancorp, Inc. and Subsidiary

In thousands of dollars	March 31, 2010	December 31, 2009	March 31, 2009
Assets			
Cash and due from banks	\$11,731	\$15,332	\$15,815
Overnight funds sold	-	-	-
Securities available for sale	131,441	81,838	11,891
Securities to be held to maturity (fair value \$166,964 at March 31, 2010, \$192,838 at December 31, 2009 and \$291,271 at March 31, 2009)	165,024	190,537	297,215
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	15,443	15,443	14,693
Loans held for sale (fair value approximates cost)	4,152	2,876	1,949
Loans	935,008	952,492	990,014
Less: allowance for loan losses	14,283	13,637	9,805
Net loans	920,725	938,855	980,209
Accrued interest receivable	6,110	4,889	7,077
Premises and equipment	18,069	18,331	18,860
Other real estate owned	6,351	5,345	2,652
Goodwill	27,684	27,684	27,684
Other assets	29,814	30,264	20,455
Total Assets	\$1,336,544	\$1,331,394	\$1,398,500
Liabilities			
Demand deposits	\$61,371	\$66,317	\$56,162
NOW deposits	111,965	114,955	103,711
Money market deposits	84,694	94,425	111,904
Savings deposits	94,833	90,873	86,130
Certificates of deposit under \$100,000	228,670	212,893	246,464
Certificates \$100,000 to \$250,000	314,010	287,051	307,999
Certificates \$250,000 and over	43,637	56,153	75,070
Total deposits	939,180	922,667	987,440
Borrowed funds	236,913	249,778	254,124
Other liabilities	11,909	11,011	12,336
Total Liabilities	1,188,002	1,183,456	1,253,900
Shareholders' Equity			
Preferred stock	24,631	24,606	24,532
Common stock	98	97	97
Additional paid-in capital	45,209	45,121	44,799
Retained earnings	78,919	78,450	75,766
Accumulated other comprehensive loss			
Net unrealized loss on securities available for sale	(108)	(125)	(328)
Net unrealized loss on postretirement benefit costs	(207)	(211)	(266)
Total Shareholders' Equity	148,542	147,938	144,600
Total Liabilities & Shareholders' Equity	\$1,336,544	\$1,331,394	\$1,398,500
Common Stock			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	9,751,474	9,744,170	9,711,805
Book value per share	\$12.71	\$12.66	\$12.36

See Report of Independent Registered Public Accounting Firm.

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

Consolidated Statements of Income (Unaudited)
The First Bancorp, Inc. and Subsidiary

In thousands of dollars	For the three months ended	
	2010	2009
Interest income		
Interest and fees on loans	\$11,150	\$12,927
Interest on deposits with other banks	2	-
Interest and dividends on investments	2,981	3,691
Total interest income	14,133	16,618
Interest expense		
Interest on deposits	2,480	3,645
Interest on borrowed funds	1,632	1,900
Total interest expense	4,112	5,545
Net interest income	10,021	11,073
Provision for loan losses	2,400	1,650
Net interest income after provision for loan losses	7,621	9,423
Non-interest income		
Investment management and fiduciary income	411	325
Service charges on deposit accounts	709	558
Net securities gains	2	-
Mortgage origination and servicing income	278	681
Other operating income	775	1,022
Total non-interest income	2,175	2,586
Non-interest expense		
Salaries and employee benefits	2,745	2,589
Occupancy expense	394	441
Furniture and equipment expense	581	569
FDIC insurance premiums	475	362
Net securities losses	-	142
Other than temporary impairment charge	-	916
Amortization of identified intangibles	71	71
Other operating expense	2,016	1,697
Total non-interest expense	6,282	6,787
Income before income taxes	3,514	5,222
Applicable income taxes	830	1,494
NET INCOME	\$2,684	\$3,728
Less preferred stock dividends and premium amortization	337	150
Net income available to common shareholders	\$2,347	\$3,578
Earnings per common share		
Basic earnings per share	\$0.24	\$0.37
Diluted earnings per share	\$0.24	\$0.37
Weighted average number of common shares outstanding	9,750,056	9,705,783
Incremental shares	4,888	16,536
Cash dividends declared per common share	\$0.195	\$0.195

See Report of Independent Registered Public Accounting Firm.

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

The First Bancorp, Inc. and Subsidiary

In thousands of dollars, except number of shares	Preferred stock	Common stock and additional paid-in capital		Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amount				
Balance at December 31, 2008	\$-	9,696,397	\$44,214	\$74,057	\$ (1,090)	\$ 117,181
Net income	-	-	-	3,728	-	3,728
Net unrealized gain on securities available for sale, net of taxes of \$265	-	-	-	-	491	491
Unrecognized transition obligation for postretirement benefits, net of taxes of \$3	-	-	-	-	5	5
Comprehensive income	-	-	-	3,728	496	4,224
Cash dividends declared	-	-	-	(2,019)	-	(2,019)
Equity compensation expense	-	-	9	-	-	9
Proceeds from sale of preferred stock	25,000	-	-	-	-	25,000
Premium on issuance of preferred stock	(493)	-	493	-	-	-
Amortization of premium for preferred stock issuance	25	-	(25)	-	-	-
Payment to repurchase common stock	-	(2,564)	(39)	-	-	(39)
Proceeds from sale of common stock	-	17,972	244	-	-	244
Balance at March 31, 2009	\$24,532	9,711,805	\$44,896	\$75,766	\$ (594)	\$ 144,600
Balance at December 31, 2009	\$24,606	9,744,170	\$45,218	\$78,450	\$ (336)	\$ 147,938
Net income	-	-	-	2,684	-	2,684
Net unrealized gain on securities available for sale, net of taxes of \$8	-	-	-	-	17	17
Unrecognized transition obligation for postretirement benefits, net of taxes of \$2	-	-	-	-	4	4
Comprehensive income	-	-	-	2,684	21	2,705
Cash dividends declared	-	-	-	(2,215)	-	(2,215)
Equity compensation expense	-	-	9	-	-	9
Amortization of premium for preferred stock issuance	25	-	(25)	-	-	-
Payment to repurchase common stock	-	-	-	-	-	-
Proceeds from sale of common stock	-	7,304	105	-	-	105
Balance at March 31, 2010	\$24,631	9,751,474	\$45,307	\$78,919	\$ (315)	\$ 148,542

See Report of Independent Registered Public Accounting Firm.

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

Consolidated Statements of Cash Flows (Unaudited)

The First Bancorp, Inc. and Subsidiary

In thousands of dollars	For the three months ended	
	March 31, 2010	March 31, 2009
Cash flows from operating activities		
Net income	\$2,684	\$3,728
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	369	374
Change in deferred income taxes	192	-
Provision for loan losses	2,400	1,650
Loans originated for resale	(10,122)	(34,991)
Proceeds from sales and transfers of loans	8,846	34,340
Net (gain) loss on sale or call of securities held-to-maturity	(2)	142
Write-down of securities available for sale	-	916
Provision for losses on other real estate owned	156	-
Equity compensation expense	9	9
Net (increase) decrease in other assets and accrued interest	(1,082)	580
Net increase in other liabilities	867	1,585
Net amortization of premiums on investments	(100)	(1,033)
Amortization of investment in limited partnership	75	-
Net acquisition amortization	70	27
Net cash provided by operating activities	4,362	7,327
Cash flows from investing activities		
Proceeds from maturities, payments and calls of securities available for sale	3,715	24
Proceeds from sales of securities available for sale	202	1,865
Proceeds from maturities, payments and calls of securities to be held to maturity	25,597	36,327
Proceeds from sales of other real estate owned	202	-
Purchases of securities available for sale	(53,477)	-
Purchases of securities to be held to maturity	-	(98,752)
Net (increase) decrease in loans	14,366	(11,610)
Capital expenditures	(107)	(3,209)
Net cash used in investing activities	(9,502)	(75,355)
Cash flows from financing activities		
Net decrease in demand, savings, and money market accounts	(13,707)	(30,880)
Net increase in certificates of deposit	30,221	92,605
Repayment on long-term borrowings	-	(12,000)
Net decrease in short-term borrowings	(12,865)	(5,927)
Proceeds from issuance of preferred stock	-	25,000
Payments to repurchase common stock	-	(39)
Proceeds from sale of common stock	105	244
Dividends paid	(2,215)	(2,016)
Net cash provided by financing activities	1,539	66,987
Net decrease in cash and cash equivalents	(3,601)	(1,041)
Cash and cash equivalents at beginning of year	15,332	16,856
Cash and cash equivalents at end of period	\$11,731	\$15,815
Interest paid	\$4,170	\$5,755
Income taxes paid	\$-	\$59

Non-cash transactions

Change in net unrealized gain on available for sale securities, net of tax	\$ (17)	\$ (491)
Net transfer from loans to other real estate owned	\$ 1,364	\$ 224

See Report of Independent Registered Public Accounting Firm.

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

Notes to Consolidated Financial Statements

The First Bancorp, Inc. and Subsidiary

Note 1 – Basis of Presentation

The First Bancorp, Inc. (the Company) is a financial holding company that owns all of the common stock of The First, N.A. (the Bank). The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany transactions and balances are eliminated in consolidation. The income reported for the 2010 period is not necessarily indicative of the results that may be expected for the year ending December 31, 2010. For further information, refer to the consolidated financial statements and notes included in the Company's annual report on Form 10-K for the year ended December 31, 2009.

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued an accounting standard which established Accounting Standards Codification (the "Codification" or "ASC") to become the single source of authoritative generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities, with the exception of guidance issued by the U.S. Securities and Exchange Commission (the "SEC") and its staff. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change GAAP, but rather is expected to simplify accounting research by reorganizing current GAAP into approximately 90 accounting topics. The adoption of this accounting standard, which was subsequently codified into ASC Topic 105, "Generally Accepted Accounting Principles," had no impact on the Company's consolidated financial statements.

Subsequent Events

Events occurring subsequent to March 31, 2010, have been evaluated as to their potential impact to the Financial Statements.

Note 2 – Investment Securities

The following table summarizes the amortized cost and estimated fair value of investment securities at March 31, 2010:

In thousands of dollars	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
U.S. Treasury and agency	\$58,251	\$260	\$(148)	\$58,363
Mortgage-backed securities	49,709	214	(344)	49,579
State and political subdivisions	22,115	338	(200)	22,253
Corporate securities	1,118	-	(289)	829
Other equity securities	415	15	(13)	417
	\$131,608	\$827	\$(994)	\$131,441
Securities to be held to maturity				
U.S. Treasury and agency	\$29,341	\$21	\$(1,227)	\$28,135
Mortgage-backed securities	79,470	2,172	(198)	81,444
State and political subdivisions	56,063	1,556	(384)	57,235
Corporate securities				