

First Bancorp, Inc /ME/  
Form 10-Q  
August 09, 2011

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 June 30, 2011

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 August 9, 2011

Common Stock: 9,797,850 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 six months ended June 30,		For the quarters ended June 30,	
	2011	2010	2011	2010
<b>Summary of Operations</b>				
Interest Income	\$28,251	\$28,348	\$13,997	\$14,215
Interest Expense	7,523	8,370	3,774	4,258
Net Interest Income	20,728	19,978	10,223	9,957
Provision for Loan Losses	4,100	4,500	2,000	2,100
Non-Interest Income	4,511	4,457	2,234	2,282
Non-Interest Expense	12,738	12,177	6,250	5,895
Net Income	6,336	5,844	3,193	3,160
<b>Per Common Share Data</b>				
Basic Earnings per Share	\$0.58	\$0.53	\$0.29	\$0.29
Diluted Earnings per Share	0.58	0.53	0.29	0.29
Cash Dividends Declared	0.390	0.390	0.195	0.195
Book Value per Common Share	13.42	12.89	13.42	12.89
Tangible Book Value per Common Share	10.60	10.05	10.60	10.05
Market Value	14.86	13.13	14.86	13.13
<b>Financial Ratios</b>				
Return on Average Equity <sup>1</sup>	9.90	% 9.38	% 9.78	% 10.05
Return on Average Tangible Equity <sup>1,2</sup>	11.26	% 10.64	% 11.09	% 11.50
Return on Average Assets <sup>1</sup>	0.90	% 0.88	% 0.89	% 0.94
Average Equity to Average Assets	10.78	% 11.25	% 10.80	% 11.21
Average Tangible Equity to Average Assets <sup>2</sup>	8.84	% 9.18	% 8.88	% 9.15
Net Interest Margin Tax-Equivalent <sup>1,2</sup>	3.31	% 3.41	% 3.22	% 3.35
Dividend Payout Ratio	67.24	% 73.58	% 67.24	% 67.24
Allowance for Loan Losses/Total Loans	1.70	% 1.52	% 1.70	% 1.52
Non-Performing Loans to Total Loans	2.49	% 2.53	% 2.49	% 2.53
Non-Performing Assets to Total Assets	2.10	% 2.14	% 2.10	% 2.14
Efficiency Ratio <sup>2</sup>	47.47	% 47.46	% 46.66	% 45.86
<b>At Period End</b>				
Total Assets	\$1,417,690	\$1,326,275	\$1,417,690	\$1,326,275
Total Loans	886,929	932,010	886,929	932,010
Total Investment Securities	442,691	294,584	442,691	294,584
Total Deposits	998,838	949,501	998,838	949,501
Total Shareholders' Equity	156,210	150,445	156,210	150,445

<sup>1</sup>Annualized using a 365-day basis

<sup>2</sup>These 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 June 30, 2011 and 2010 and for the three-month and six-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, LLC

Portland, Maine  
August 9, 2011

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Consolidated Balance Sheets (Unaudited)

The First Bancorp, Inc. and Subsidiary

	June 30, 2011	December 31, 2010	June 30, 2010
<b>Assets</b>			
Cash and cash equivalents	\$ 14,322,000	\$ 13,838,000	\$ 22,219,000
Time deposits in other banks	100,000	100,000	-
Securities available for sale	304,278,000	293,229,000	149,249,000
Securities to be held to maturity (fair value of \$128,426,000 at June 30, 2011, \$110,366,000 at December 31, 2010 and \$134,249,000 at June 30, 2010)	122,970,000	107,380,000	129,892,000
Federal Reserve Bank stock, at cost	1,412,000	1,412,000	1,412,000
Federal Home Loan Bank stock, at cost	14,031,000	14,031,000	14,031,000
Loans held for sale	419,000	2,806,000	3,426,000
Loans	886,929,000	887,596,000	932,010,000
Less allowance for loan losses	15,034,000	13,316,000	14,165,000
Net loans	871,895,000	874,280,000	917,845,000
Accrued interest receivable	6,511,000	5,263,000	6,536,000
Premises and equipment	18,351,000	18,980,000	18,739,000
Other real estate owned	7,723,000	4,929,000	4,794,000
Goodwill	27,684,000	27,684,000	27,684,000
Other assets	27,994,000	29,870,000	30,448,000
<b>Total assets</b>	<b>\$ 1,417,690,000</b>	<b>\$ 1,393,802,000</b>	<b>\$ 1,326,275,000</b>
<b>Liabilities</b>			
Demand deposits	\$ 71,517,000	\$ 74,032,000	\$ 62,821,000
NOW deposits	117,064,000	119,823,000	112,256,000
Money market deposits	69,681,000	71,604,000	77,231,000
Savings deposits	107,278,000	100,870,000	95,686,000
Certificates of deposit	633,298,000	608,189,000	601,507,000
<b>Total deposits</b>	<b>998,838,000</b>	<b>974,518,000</b>	<b>949,501,000</b>
Borrowed funds – short term	119,170,000	127,160,000	103,771,000
Borrowed funds – long term	130,166,000	130,170,000	110,173,000
Other liabilities	13,306,000	12,106,000	12,385,000
<b>Total Liabilities</b>	<b>1,261,480,000</b>	<b>1,243,954,000</b>	<b>1,175,830,000</b>
<b>Shareholders' equity</b>			
Preferred stock, \$1,000 preference value per share	24,754,000	24,705,000	24,655,000
Common stock, one cent par value per share	98,000	98,000	98,000
Additional paid-in capital	45,629,000	45,474,000	45,298,000
Retained earnings	83,594,000	81,701,000	79,864,000
<b>Accumulated other comprehensive income (loss)</b>			
Net unrealized gain (loss) on securities available-for-sale	2,198,000	(2,057,000 )	732,000
Net unrealized loss on postretirement benefit costs	(63,000 )	(73,000 )	(202,000 )
<b>Total shareholders' equity</b>	<b>156,210,000</b>	<b>149,848,000</b>	<b>150,445,000</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 1,417,690,000</b>	<b>\$ 1,393,802,000</b>	<b>\$ 1,326,275,000</b>
<b>Common Stock</b>			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	9,793,706	9,773,025	9,758,218
Book value per common share	\$ 13.42	\$ 12.80	\$ 12.89
Tangible book value per common share	\$ 10.60	\$ 9.97	\$ 10.05

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

	For the six months ended June 30,		For the quarters ended June 30,	
	2011	2010	2011	2010
Interest income				
Interest and fees on loans	\$20,128,000	\$22,206,000	\$9,955,000	\$11,056,000
Interest on deposits with other banks	3,000	2,000	1,000	-
Interest and dividends on investments	8,120,000	6,140,000	4,041,000	3,159,000
Total interest income	28,251,000	28,348,000	13,997,000	14,215,000
Interest expense				
Interest on deposits	5,081,000	5,051,000	2,518,000	2,571,000
Interest on borrowed funds	2,442,000	3,319,000	1,256,000	1,687,000
Total interest expense	7,523,000	8,370,000	3,774,000	4,258,000
Net interest income	20,728,000	19,978,000	10,223,000	9,957,000
Provision for loan losses	4,100,000	4,500,000	2,000,000	2,100,000
Net interest income after provision for loan losses	16,628,000	15,478,000	8,223,000	7,857,000
Non-interest income				
Investment management and fiduciary income	782,000	787,000	358,000	376,000
Service charges on deposit accounts	1,351,000	1,505,000	711,000	796,000
Net securities gains	229,000	2,000	229,000	-
Mortgage origination and servicing income	652,000	613,000	193,000	335,000
Other operating income	1,497,000	1,550,000	743,000	775,000
Total non-interest income	4,511,000	4,457,000	2,234,000	2,282,000
Non-interest expense				
Salaries and employee benefits	6,005,000	5,553,000	2,928,000	2,808,000
Occupancy expense	827,000	776,000	378,000	382,000
Furniture and equipment expense	1,111,000	1,121,000	561,000	540,000
FDIC insurance premiums	806,000	952,000	405,000	477,000
Amortization of identified intangibles	141,000	142,000	70,000	71,000
Other operating expense	3,848,000	3,633,000	1,908,000	1,617,000
Total non-interest expense	12,738,000	12,177,000	6,250,000	5,895,000
Income before income taxes	8,401,000	7,758,000	4,207,000	4,244,000
Applicable income taxes	2,065,000	1,914,000	1,014,000	1,084,000
NET INCOME	\$6,336,000	\$5,844,000	\$3,193,000	\$3,160,000
Less dividends & premium amortization on preferred stock	674,000	674,000	337,000	337,000
Net income available to common shareholders	\$5,662,000	\$5,170,000	\$2,856,000	\$2,823,000
Basic earnings per common share	\$0.58	\$0.53	\$0.29	\$0.29
Diluted earnings per common share	\$0.58	\$0.53	\$0.29	\$0.29
Weighted average number of common shares outstanding	9,781,766	9,753,500	9,784,743	9,756,907
Incremental shares	10,399	5,009	12,238	5,128
Cash dividends declared per common share	\$0.390	\$0.390	\$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

	Preferred stock	Common stock and additional paid-in Shares	capital Amount	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2009	\$24,606,000	9,744,170	\$45,218,000	\$78,450,000	\$ (336,000 )	\$147,938,000
Net income	-	-	-	5,844,000	-	5,844,000
Net unrealized gain on securities available for sale, net of taxes of \$461,000	-	-	-	-	857,000	857,000
Unrecognized transition obligation for postretirement benefits, net of taxes of \$6,000	-	-	-	-	9,000	9,000
Comprehensive income	-	-	-	5,844,000	866,000	6,710,000
Cash dividends declared	-	-	-	(4,430,000 )	-	(4,430,000 )
Equity compensation expense	-	-	19,000	-	-	19,000
Amortization of premium for preferred stock issuance	49,000	-	(49,000 )	-	-	-
Proceeds from sale of common stock	-	14,048	208,000	-	-	208,000
Balance at June 30, 2010	\$24,655,000	9,758,218	\$45,396,000	\$79,864,000	\$ 530,000	\$150,445,000
Balance at December 31, 2010	\$24,705,000	9,773,025	\$45,572,000	\$81,701,000	\$ (2,130,000 )	\$149,848,000
Net income	-	-	-	6,336,000	-	6,336,000
Net unrealized gain on securities available for sale, net of taxes of \$2,291,000	-	-	-	-	4,255,000	4,255,000
Unrecognized transition obligation for postretirement benefits, net of taxes of \$5,000	-	-	-	-	10,000	10,000
Comprehensive income	-	-	-	6,336,000	4,265,000	10,601,000
Cash dividends declared	-	-	-	(4,443,000 )	-	(4,443,000 )
Equity compensation expense	-	-	11,000	-	-	11,000
Amortization of premium for preferred stock issuance	49,000	-	(49,000 )	-	-	-
Proceeds from sale of common stock	-	20,681	193,000	-	-	193,000

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Balance at June 30, 2011    \$24,754,000    9,793,706    \$45,727,000    \$83,594,000    \$ 2,135,000    \$156,210,000

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

	For the six months ended	
	June 30, 2011	June 30, 2010
Cash flows from operating activities		
Net income	\$6,336,000	\$5,844,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	681,000	726,000
Change in deferred taxes	(374,000 )	192,000
Provision for loan losses	4,100,000	4,500,000
Loans originated for resale	(20,502,000 )	(21,553,000 )
Proceeds from sales and transfers of loans	22,889,000	21,003,000
Net gain on sale or call of securities available for sale	(229,000 )	(2,000 )
Net loss (gain) on sale of other real estate owned	47,000	(19,000 )
Provision for losses on other real estate owned	145,000	164,000
Equity compensation expense	11,000	19,000
Net increase in other assets and accrued interest	(482,000 )	(2,429,000 )
Net increase in other liabilities	66,000	895,000
Net loss on disposal of premises and equipment	5,000	-
Net amortization (accretion) of premiums on investments	2,048,000	(203,000 )
Amortization of investment in limited partnership	195,000	150,000
Net acquisition amortization	103,000	244,000
Net cash provided by operating activities	15,039,000	9,531,000
Cash flows from investing activities		
Proceeds from sales of securities available for sale	75,176,000	202,000
Proceeds from maturities, payments and calls of securities available for sale	26,723,000	35,132,000
Proceeds from maturities, payments and calls of securities to be held to maturity	10,441,000	60,755,000
Proceeds from sales of other real estate owned	992,000	1,963,000
Purchases of securities available for sale	(107,910,000)	(101,332,000)