UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 0-28190

CAMDEN NATIONAL CORPORATION

(Exact Name of Registrant As Specified in Its Charter)

Maine	**01-0413282**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2 Elm Street Camden ME	**04843**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(207) 236-8821**

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, without par value	CAC	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 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 definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth 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 financial account standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter: $697,598,619. Shares of the Registrant's common stock held by each executive officer, director and person who beneficially own 5% or more of the Registrant's outstanding common stock have been excluded, in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of each of the registrant's classes of common stock as of February 22, 2022 was 14,740,895.

Certain information required in response to Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K is incorporated by reference from Camden National Corporation's Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders pursuant to Regulation 14A of the General Rules and Regulations of the Commission.

CAMDEN NATIONAL CORPORATION
2021 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

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, 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 Camden National Corporation (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 credit 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;
- ongoing competition in the labor markets and increased employee turnover;
- competitive pressures, including continued industry consolidation and the increased financial services provided by non-banks;
- deterioration in the value of the Company's investment securities;
- volatility in the securities markets that could adversely affect the value or credit quality of the Company’s assets, impairment of goodwill, or the availability and terms of funding necessary to meet the Company’s liquidity needs;
- 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;
- 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; and
- the continuing strength of our asset quality within our loan portfolio.

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 the Company's actual results to differ materially from those anticipated, including the risk factors listed in Part I, Item 1A, “Risk

Factors," beginning on page 15. 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 for any reason, including 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.

PART I

Item 1. Business

Overview. Camden National Corporation (hereafter referred to as "we," "our," "us," or the "Company") is a publicly-held bank holding company, with $5.5 billion in assets at December 31, 2021, 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."

Our consolidated financial statements accompanying this Form 10-K include the accounts of the Company, the Bank and its subsidiaries and divisions. All inter-company accounts and transactions have been eliminated in consolidation.

Who We Are. Since our founding, we have been a values-guided, community-oriented bank that is dedicated to our customers, employees, communities and shareholders.

We are a trusted corporate partner who cares for our neighbors and employees, and we strive to follow responsible business practices under transparent, ethical governance. Our commitment to enhancing environmental, social and governance ("ESG") practices reinforces our focus on building a strong corporate culture across our company. Several characteristics define our culture and approach:

- We are a values-based, socially-responsible organization
- We are committed to our Vision: "Deliver your best banking experience"
- We demonstrate dedication to our four core constituents: customers, employees, communities, and shareholders

Everything we do, both in the office and in the community, is guided and inspired by our **Core Values**:

- **Honesty and integrity** – above all else
- **Trust** – built on fairness
- **Service** – second to none
- **Responsibility** – to use our resources for the greater good
- **Excellence** – through hard work and lifelong learning

Our culture and values are strengths that support our strategic goal to generate consistent, sustainable long-term value for all our constituents.

What We Do. The Company, as a diversified financial services provider, pursues the objective of achieving long-term sustainable growth by balancing growth opportunities against profit, while mitigating risks inherent in the financial services industry. 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. For the year ended December 31, 2021, 2020 and 2019, net interest income was our primary revenue source, representing 73%, 73%, and 75%, of our total revenues[1], respectively. Net interest income is the interest earned on our lending activities, investment securities and other interest-earning assets, less the interest paid on interest-bearing deposits and borrowings (*i.e.* our primary business activities).

We have achieved a five-year compounded annual asset growth rate of 7%, resulting in $5.5 billion in total assets at December 31, 2021. Asset growth over the past five years of $1.6 billion has been all organic, including further growth and expansion into Southern Maine, and pockets of New Hampshire and Massachusetts. Our primary focus continues to be on profitable organic growth and we will pursue acquisitions that support our long-term strategy and fit our culture and core values.

The financial services industry continues to experience consolidations through mergers that could create opportunities for us to promote our value proposition to other financial institutions and financial service companies. We continue to evaluate the possibility of expansion into new markets through both de novo expansion and acquisitions. In addition, we are focused on

[1] Revenue is the sum of net interest income and non-interest income.

maximizing growth across our current markets, and particularly those markets seen as growth markets where we currently have less of a presence and market share. Further details of our financial information can be found within the consolidated financial statements within *Item 8. Financial Statements and Supplementary Data* of this report.

Camden National Bank. The Bank is a national banking association chartered under the laws of the United States and headquartered in Camden, Maine. Originally founded in 1875, the Bank became a direct, wholly-owned subsidiary of the Company as a result of a corporate reorganization in 1984. The Bank provides a broad array of banking and other financial services to consumer, institutional, municipal, non-profit and commercial customers. As of December 31, 2021, the Bank had 57 branches in 13 of Maine's 16 counties, two locations in New Hampshire, including a branch in Portsmouth and, a commercial loan production office in Manchester, a mortgage loan production office in Braintree, Massachusetts, and 66 ATMs. The Bank optimizes its in-person professional financial guidance with state-of-the-art technology, delivered through sophisticated digital channels. These digital products empower customers to bank anywhere at any time, including, but not limited to, online and mobile banking; MortgageTouch™, our easy-to-use online platform for consumer borrowers; BusinessTouch™, our online loan application system with instant approval, making borrowing faster and easier for small businesses; and TreasuryLink™, our secure online platform designed to offer advanced cash management, monitoring capabilities and controls for commercial customers.

The Bank offers comprehensive wealth management and trust services, including investment advisory services, through our wealth management team, doing business as Camden National Wealth Management, and brokerage, investment advisory, insurance and financial planning services through our financial consulting team, doing business as Camden Financial Consultants.

- ***Camden National Wealth Management*** provides a broad range of fiduciary and asset management services to both individual and institutional clients. The wealth management services provided by Camden National Wealth Management complement the services provided by the Bank, offering high net worth individuals and families, businesses and not-for profit customers investment management, financial planning and trustee services.
- ***Camden Financial Consultants*** is in the business of helping clients meet all of their financial needs. Camden Financial Consultants provides full-service brokerage and insurance and its financial offerings include college, retirement, and estate planning, mutual funds, strategic asset management accounts, and variable and fixed annuities.

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

Customers may also access the Bank's products and services using other channels, including on-line at www.*CamdenNational.com*.

Healthcare Professional Funding Corporation. Healthcare Professional Funding Corporation ("HPFC") is a wholly-owned subsidiary of the Bank that was acquired in connection with the acquisition of SBM Financial, Inc., the parent company of The Bank of Maine, on October 16, 2015. HPFC provided specialized lending across the U.S. to dentists, optometrists and veterinarians. Effective February 19, 2016, HPFC's continued lending operations ceased and no further loans have been originated since that date. HPFC's website address is *www.CamdenNational.com/healthprofunding*.

Competition. We compete throughout Maine, and select areas of New Hampshire and Massachusetts. Our primary markets have historically been and continue to be within Maine. Within Maine, we operate in 13 of the state's 16 counties, with our primary markets and presence being throughout coastal and central Maine. Many of these markets are characterized as rural areas. Major competitors in our primary market area include local independent banks, as well as local branches of large regional and national banking organizations and brokerage houses, marketplace lenders and other financial technology companies ("fintechs"), financial advisors, thrift institutions and credit unions. Other competitors for deposits and loans within our primary market area include insurance companies, money market funds, consumer finance companies and financing affiliates of consumer durable goods manufacturers.

We 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. Through Camden National Wealth Management and Camden Financial Consultants, we compete for trust, trust-related, investment management, individual retirement, foundation and endowment management

services and brokerage services with local banks and non-banks, as well as with a number of brokerage firms and investment advisors with offices in our market area. In addition, most of these services are widely available to our customers by telephone, online and mobile channels through firms located outside our market area.

Investor Relations. The Company's Investor Relations information can be obtained through our internet address, w*ww.CamdenNational.com*. The Company makes available on or through its Investor Relations page, without charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. The Company's reports filed with, or furnished to, the SEC are also available at the SEC's website at *www.sec.gov*. In addition, the Company makes available, free of charge, its press releases and Code of Ethics through the Company's Investor Relations page. Information on our website is not incorporated by reference into this document and should not be considered part of this report.

Information Security. Information security, including cybersecurity, is a high priority for the Company. Recently, highly publicized events have highlighted the importance of cybersecurity, including cyberattacks against financial institutions, government agencies and other organizations that resulted in the compromise of personal and/or confidential information, the theft or destruction of corporate information, and demands for ransom payments to release corporate information encrypted by so-called "ransomware." A successful cyberattack could harm the Company's reputation and/or impair its ability to provide services to its customers. The Company has developed policies and continues to invest in technology designed to protect our own and our customers' information from cyberattacks or loss, allow for the continuity of our business in the event of disruptions to the Company's or its vendors' critical systems and comply with regulatory requirements related to the protection of customer data, but cannot assure that it will be able to anticipate, detect, or implement effective preventative measures against all potential threats. Refer to related risk factors in Item 1A. *Risk Factors* below for additional information.

Human Capital

Our employees play a vital role in the delivery of our vision across all of our constituents – our customers, employees, communities and shareholders. As of December 31, 2021, we employed 623 full-time employees. Guided by our core values, we are committed to creating and promoting a company culture where everyone is included and respected, and where we support each other in reaching our full potential.

Employee Development and Retention. To attract, engage, and retain top talent, we strive to create a supportive workplace, with opportunities for our employees to grow and develop in their careers. We provide numerous training and development opportunities, a robust tuition reimbursement program, and competitive compensation, including the recent increase in our starting wage, effective October 2021, for all employees to $17 per hour and provided a 3% or more wage increase to all of our current non-executive employees at that time.

Diversity and Inclusion. Through our commitment to fostering a fair, safe, and welcoming workplace environment for all, we aim to maintain a culture that enables our employees to be their best in serving our customers and communities, while achieving business success. We maintain a number of human resources and other policies, including a harassment and retaliation policy, to promote a workplace that is safe for all and supports a culture where people feel they can report incidents that threaten that safety. In addition, we have a confidential whistleblower program that forwards complaints to the audit committee and the Board of Directors, and we work to take necessary action as quickly as possible after a complaint is received.

We also prohibit discrimination on the grounds of race, color, religion, sex, sexual orientation (including gender identity and gender expression), national origin, citizenship status, age, disability, genetic information, or veteran status. We employ based on talent and potential for growth, and we value a diversity of backgrounds and ideas. As of December 31, 2021, approximately 66% of our employees self-identified as women, and approximately 46% of our vice presidents, 43% of our senior vice presidents and 50% of our executive vice presidents self-identified as women.

To reflect our commitment to diversity, in 2021 we formed a Diversity, Equity and Inclusion Council (the "Council") that includes employees at all levels of the Company including our Chief Executive Officer who serves as the executive sponsor of the Council. The Council's purpose is to provide a channel for open communication and feedback, and provide valued advice on all matters pertaining to diversity, equity and inclusion across our organization. As of December 31, 2021, the Council was made up of 13 non-executive officer representatives and the Company's Chief Executive Officer.

Health and Wellness. We are also deeply committed to the health and well-being of our employees. This commitment is reflected in the benefits we offer our employees, including: market-competitive compensation; healthcare; paid time off, including parental/family leave; retirement benefits; short term and long term disability; an employee hardship fund, which

provides employees dealing with a financial hardship access to funds that the employee is not required to repay; and a fitness reimbursement program.

The COVID-19 pandemic continues to impact lives and businesses in the communities we serve. During 2021, we continued to support our employees through work-from-home arrangements and appropriate safety measures. As of December 31, 2021, approximately 55% of our non-branch employees worked remotely or in a hybrid arrangement (*i.e*. part-time work from the office and part time work from home). At our branches and office areas, we continued to follow safety protocols, including the use of hand sanitizer, face coverings, and physical distancing requirements, along with enhanced cleaning and daily health checks. We have and continue to encourage employees to receive COVID-19 vaccinations and provide employees with paid time off to get vaccinated. In 2021, the Company began collecting vaccination status records of our employees for management and planning purposes.

Information about our Executive Officers

The following table sets forth certain information regarding the executive officers of the Company, as defined by Rule 3b-7 of the Securities and Exchange Act of 1934, as amended.

Executive Officer	Position	Age
Gregory A. Dufour	President and Chief Executive Officer	61
Michael R. Archer, CPA	Executive Vice President, Chief Financial Officer	38
Joanne T. Campbell	Executive Vice President, Enterprise Risk Management	59
William H. Martel	Executive Vice President, Technology and Support Services	52
Jennifer L. Mirabile	Executive Vice President, Managing Director, Camden National Wealth Management	62
Timothy P. Nightingale	Executive Vice President, Chief Credit Officer	64
Heather D. Robinson, CPA	Executive Vice President, Chief Human Resources Officer	47
Patricia A. Rose	Executive Vice President, Retail and Mortgage Banking Officer	58
Ryan A. Smith	Executive Vice President, Commercial Banking	49
Renée D. Smyth	Executive Vice President, Chief Experience and Marketing Officer	51

Gregory A. Dufour has served as President and CEO of the Company since January 2009. Mr. Dufour joined the Company in April 2001 as Senior Vice President of Finance. In August of 2002, he assumed additional responsibility for Operations and Technology until December 2003. In January 2004, Mr. Dufour was named Chief Banking Officer for the Company and President and Chief Operating Officer for Camden National Bank, and in January 2006, he became President and CEO for Camden National Bank. He also serves on the board of directors of Camden National Bank. Prior to joining the Company, Mr. Dufour was Managing Director of Finance and a member of the Executive Operating Group for IBEX Capital Markets in Boston, Massachusetts. In addition to his experience at IBEX, Mr. Dufour held various financial management positions with FleetBoston Corporation and its affiliates, including Vice President and Controller of Debt Capital Markets, Controller of Investment Banking and Banking Group Controller. Mr. Dufour's extensive business and finance background, demonstrated ability to effectively manage growth, strong regulatory expertise and leadership capability contributes to his active support of the Board in his director capacity. Mr. Dufour has served in various volunteer capacities on numerous community-related organizations and currently serves as Chair of the board of trustees of MaineHealth, Maine's largest healthcare system, and board member of its affiliate, Coastal Healthcare Alliance system in Rockport, Maine.

Michael R. Archer joined the company in October 2013 and became Executive Vice President ("EVP"), Chief Financial Officer ("CFO") of the Company on January 3, 2022. Prior to becoming EVP, CFO, Mr. Archer served as the Company's Senior Vice President and Corporate Controller from June 2016 until January 2022. Prior to joining the Company, Mr. Archer spent seven years at PricewaterhouseCoopers, LLP ("PwC"). Mr. Archer is a licensed Certified Public Accountant ("CPA"), and a recent graduate of the American Bankers Association Stonier Graduate School of Banking where he also completed the Wharton Leadership Program. Mr. Archer currently serves as a member of the board of directors of various local non-profit organizations, including Jobs for Maine's Graduates, Inc. ("JMG") and the local little league.

Joanne T. Campbell joined the Company in 1996 as Vice President, Manager of Residential Real Estate. She was promoted to Senior Vice President, Compliance, Audit and Community Reinvestment Act ("CRA") in 2002, and then to Senior Vice President, Risk Management in 2005 and to EVP in January 2011. In December 2021, Ms. Campbell was named EVP, Enterprise Risk Management and Chief Risk Officer. Campbell currently serves as a member and Chair of the ABA Risk Management Conference Advisory Board.

William H. Martel joined the Company in March 2020 as EVP, Technology and Support Services. Prior to joining the Company Mr. Martel served as Head of U.S. Operations Technology for Santander U.S. in Boston, leading the Operations and Information Technology Service Management transformations for the US. Previously, Mr. Martel was a Senior Vice President at TD Bank serving in several senior management positions in the US and Canada. Mr. Martel began his banking career as a senior branch manager for People's Heritage Bank, a predecessor to BankNorth Group.

Jennifer L. Mirabile joined the Company in 2017 as the Managing Director of Camden National Wealth Management. A licensed CFP since 1998, Ms. Mirabile brings more than 27 years of experience in senior wealth management, private banking and relationship management from her previous roles at People's United Bank Wealth Management and Key Private Bank. Ms. Mirabile currently serves as a member of several nonprofit committees and serves on the board of directors for the Penobscot Bay YMCA.

Timothy P. Nightingale joined the Company in March 2000 as Regional Vice President of UnitedKingfield Bank. In 2001, Mr. Nightingale was named Senior Lending Officer at UnitedKingfield Bank and was promoted to Senior Vice President in 2003. In September 2006, the Company merged UnitedKingfield Bank into Camden National Bank, at which time Mr. Nightingale was named Senior Vice President, Senior Lending Officer for Camden National Bank. In January 2011, he was promoted to EVP. In September 2020, Mr. Nightingale was named EVP, Chief Credit Officer for Camden National Bank. Mr. Nightingale is a member of the board of directors for the Finance Authority of Maine.

Heather D. Robinson joined the Company in October 2018 as Senior Vice President and became EVP, Chief Human Resources Officer in February 2022. Prior to joining the Company, Ms. Robinson served as Senior Vice President of Human Resources, US and Canada for EVO Payments, International and also held several leadership positions in finance and human resources at Fairchild Semiconductor and its successor, ON Semiconductor, where she worked for 16 years. Ms. Robinson is a CPA and certified member of the Society of Human Resources Professionals (SHRM-SCP). She currently serves as a board member of the Children's Museum & Theatre of Maine.

Patricia A. Rose joined the Company in September 2017 as EVP of Retail & Mortgage Banking. Ms. Rose came to the Company from Citizens Bank where she served for two years as Head of Strategic Onboarding & Orientation, and, prior to that, Director level roles in Retail Network Sales & Strategy at Santander Bank for six years. Ms. Rose began her career in banking at Fleet Bank and Sovereign Bank where she held a variety of leadership roles and served as Market President of Retail Banking in Eastern Massachusetts and New Hampshire.

Ryan A. Smith joined the Company in 2012 and became EVP, Commercial Banking in 2020. Prior to becoming EVP, Mr. Smith led the southern Maine commercial banking line of business and the treasury management line of business through 2015, when he became Director of Commercial Banking for central and midcoast Maine. In 2019, he was promoted to Senior Vice President, Director of Credit Administration. In September 2020, he became EVP of Commercial Banking. Originally from Maine, Mr. Smith is actively involved in the local community as a volunteer coach for youth baseball. He also serves as a Board Director and Past President of the Maine Building Materials Exchange. He is a member of the Commercial Lending Committee for the Maine Bankers Association.

Renée D. Smyth joined the Company as Chief Marketing Officer upon completion of the merger of Camden National Corporation and SBM Financial, the parent company of The Bank of Maine, on October 16, 2015. She was promoted to EVP, Chief Experience and Marketing Officer in May 2017. Previously, Ms. Smyth served as Senior Vice President, Head of Marketing for The Bank of Maine, since 2010. Ms. Smyth is a current member of the board of directors for the Maine Women's Fund, where she serves on the Executive Committee, leading communications efforts.

All of the executive officers hold office at the discretion of the Company's Board of Directors. There are no arrangements or understandings between any of the directors, officers or any other persons pursuant to which any of the officers have been selected as officers. There are no "family relationships" among the directors and executive officers, as the Securities and Exchange Commission defines that term.

Supervision and Regulation

The following discussion addresses elements of the regulatory framework applicable to bank holding companies and their subsidiaries. This regulatory framework is intended primarily for the protection of depositors, the Federal Deposit Insurance Fund ("DIF"), and the banking system as a whole, rather than the protection of shareholders or non-depository creditors of a bank holding company such as the Company.

As a bank holding company, the Company is subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve System ("FRB") under the Bank Holding Company Act of 1956, as amended ("BHCA"). As a national bank, the Bank is subject to primary regulation, supervision and examination by the Office of the Comptroller of the Currency ("OCC").

The following is a summary of certain aspects of various statutes and regulations applicable to the Company and its direct and indirect subsidiaries. This summary is not a comprehensive analysis of all applicable laws, and you should refer to the applicable statutes and regulations for more information. Changes in applicable laws or regulations, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but may have a material effect on our business, financial condition or results of operations.

Regulation of the Company

As a bank holding company, the Company is subject to regulation, supervision and examination by the FRB, which has the authority, among other things, to order bank holding companies to cease and desist from unsafe or unsound banking practices; to assess civil money penalties; and to order termination of non-banking activities or termination of ownership and control of a non-banking subsidiary by a bank holding company.

Source of Strength. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the Company is required to serve as a source of financial strength for the Bank. This support may be required at times when the Company may not have the resources to provide it. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a bank subsidiary will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Acquisitions and Activities. The BHCA prohibits a bank holding company, without prior approval of the FRB, from acquiring all or substantially all the assets of a bank, acquiring control of a bank, merging or consolidating with another bank holding company, or acquiring direct or indirect ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, the acquiring bank holding company would control more than 5% of any class of the voting shares of such other bank or bank holding company. The BHCA also prohibits a bank holding company from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to its subsidiary banks. However, a bank holding company may engage in and may own shares of companies engaged in activities that the FRB has determined, by order or regulation, to be so closely related to banking as to be a proper incident thereto.

Limitations on Acquisitions of Company Common Stock. The Change in Bank Control Act prohibits a person or group of persons acting in concert from acquiring "control" of a bank holding company unless the FRB has been notified and has not objected to the transaction. Under a rebuttable presumption established by the FRB, the acquisition of 10% or more of a class of voting securities of a bank holding company with a class of securities registered under Section 12 of the Exchange Act would generally constitute the acquisition of control of a bank holding company. In addition, the BHCA prohibits any company from acquiring control of a bank or bank holding company without first having obtained the approval of the FRB. Under the BHCA, a company is deemed to control a bank or bank holding company if the company owns, controls or holds with power to vote 25% or more of a class of voting securities of the bank or bank holding company, controls in any manner the election of a majority of directors or trustees of the bank or bank holding company, or the FRB determines that the company has the power to exercise a controlling influence over the management or policies of the bank or bank holding company.

Regulation of the Bank

The Bank is subject to regulation, supervision, and examination by the OCC. Additionally, the Federal Deposit Insurance Corporation ("FDIC") has secondary supervisory authority as the insurer of the Bank's deposits. The Bank is also subject to regulations issued by the Consumer Financial Protection Bureau ("CFPB"), as enforced by the OCC. The FRB may directly examine the subsidiaries of the Company, including the Bank. The enforcement powers available to the federal banking regulators include, among other things, the ability to issue cease and desist or removal orders; to terminate insurance of deposits; to assess civil money penalties; to issue directives to increase capital; to place the Bank into receivership; and to initiate injunctive actions against banking organizations and institution-affiliated parties.

Deposit Insurance. The deposit obligations of the Bank are insured by the FDIC's DIF up to the applicable limits. Under the Federal Deposit Insurance Act ("FDIA"), insurance of deposits may be terminated by the FDIC if the FDIC finds that the insured depository institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

The Bank's deposits are subject to deposit insurance assessments to maintain the DIF. The Bank's deposit insurance assessments are based on its assets. To determine its deposit insurance assessment, the Bank computes the base amount of its average consolidated assets less its average tangible equity (defined as the amount of Tier I capital) and the applicable assessment rate. The rule for calculating assessment rates for established small banks, including the Bank, utilizes the CAMELS rating system, which is a supervisory rating system designed to take into account and reflect all financial and operational risks that a bank may face, including capital adequacy, asset quality, management capability, earnings, liquidity and sensitivity to market risk. Each of the seven financial ratios and a weighted average of CAMELS component ratings is multiplied by a corresponding pricing multiplier. The sum of these products is added to a uniform amount, with the resulting sum being an institution's initial base assessment rate (subject to minimum or maximum assessment rates based on a bank's CAMELS composite rating). This method takes into account various measures, including an institution's leverage ratio, brokered deposit ratio, one year asset growth, the ratio of net income before taxes to total assets and considerations related to asset quality. Assessments for established small banks range from 1.5 to 30 basis points, after adjustments. The FDIC has the power to adjust deposit insurance assessment rates at any time, and the Company is not able to predict the amount or timing of any adjustment.

Activities and Investments of National Banking Associations. National banking associations must comply with the National Bank Act and the regulations promulgated thereunder by the OCC, which limit the activities of national banking associations to those that are deemed to be part of, or incidental to, the "business of banking." Activities that are part of, or incidental to, the business of banking include taking deposits, borrowing and lending money and discounting or negotiating promissory notes, drafts, bills of exchange, and other evidences of debt. Subsidiaries of national banking associations generally may only engage in activities permissible for the parent national bank.

Lending Restrictions. Federal law limits a bank's authority to extend credit to its insiders, including its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. Also, the terms of such extensions of credit may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital. An extension of credit to an insider includes credit exposure arising from a derivatives transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction or securities borrowing transaction. Additionally, asset sale transactions with insiders must be on market terms, and if the transaction represents more than 10% of the capital and surplus of the Bank, the transactions must be approved by a majority of the disinterested directors of the Bank.

Brokered Deposits. Section 29 of the FDIA and FDIC regulations generally limit the ability of an insured depository institution to accept, renew or roll over any brokered deposit unless the institution's capital category is "well capitalized" under the prompt corrective action framework described below or, with a waiver from the FDIC, "adequately capitalized." A bank that is "adequately capitalized" and that accepts or renews brokered deposits subject to a waiver from the FDIC is subject to additional restrictions on the interest rates it may offer. Depository institutions that have brokered deposits in excess of 10% of total assets will be subject to increased FDIC deposit insurance premium assessments. Under FDIC regulations, an institution that is "well capitalized" and has a CAMELS composite rating of 1 or 2 is permitted to exempt reciprocal deposits from treatment as brokered deposits up to the lesser of $5 billion or 20% of the institution's total liabilities. Institutions that are not well rated or "well capitalized" may treat reciprocal deposits as non-brokered up to an amount equal to a "special cap" set forth in the regulations.

Community Reinvestment Act ("CRA"). The CRA requires the OCC to evaluate the Bank's performance in helping to meet the credit needs of the entire communities it serves, including low and moderate-income neighborhoods, consistent with its safe and sound banking operations, and to take this record into consideration when evaluating certain applications. The OCC rates a national bank's compliance with the CRA as "Outstanding," "Satisfactory," "Needs to Improve" or "Substantial Noncompliance." Failure of the Bank to receive at least a "Satisfactory" rating could inhibit the Bank or the Company from undertaking certain activities, including acquisitions of other financial institutions. The Bank currently has an "Outstanding" CRA rating resulting from its 2021 CRA performance evaluation.

In December 2021, the OCC issued a final rule (the "2021 CRA Rule") to rescind the OCC's May 2020 CRA rule (the "2020 CRA Rule"), which created a new CRA framework, and replace it with rules based on the 1995 CRA rules, as revised, that were issued jointly by the OCC, Federal Reserve and FDIC. Because many aspects of the 2020 CRA Rule had not yet been implemented and because of certain transition provisions in the 2021 CRA Rule, the Company does not expect the 2021 CRA Rule to have a significant effect on the Bank.

Capital Adequacy and Safety and Soundness

Regulatory Capital Requirements. The Company and the Bank are subject to risk-based capital requirements and rules issued by the FRB, the OCC and the FDIC (the "Capital Rules") that are based on the Basel Committee on Banking Supervision's ("Basel Committee") framework for strengthening capital and liquidity regulation (referred to as Basel III). The Capital Rules are intended to reflect the relationship between the banking organization's capital and the degree of risk associated with its operations based on transactions recorded on-balance sheet as well as off-balance sheet items. The FRB and the OCC may from time to time require that a banking organization maintain capital above the minimum levels discussed below, due to the banking organization's financial condition or actual or anticipated growth. Under the Capital Rules, the Company and the Bank apply the Standardized Approach in measuring their risk-weighted assets ("RWA") and regulatory capital.

The Capital Rules define qualifying capital instruments and specify minimum amounts of capital as a percentage of assets that banking organizations are required to maintain.

Under the Capital Rules, risk-based capital ratios are calculated by dividing Common Equity Tier 1 ("CET1") capital, Tier 1 capital and total risk-based capital, respectively, by RWA. Assets and off-balance sheet credit equivalents are assigned a risk weight based primarily on supervisory assessments of relative credit risk.

Under the Capital Rules, the Company and the Bank are each required to maintain a minimum CET1 capital to RWA ratio of 4.5%, a minimum Tier 1 capital to RWA ratio of 6%, a minimum total capital to RWA ratio of 8% and a minimum leverage ratio of 4%. Additionally, the Capital Rules require an institution to establish a capital conservation buffer of CET1 capital in an amount above the minimum risk-based capital requirements for "adequately capitalized" institutions equal to 2.5% of total RWA, resulting in a requirement for the Company and the Bank effectively to maintain CET1, Tier 1 and total capital ratios of 7%, 8.5% and 10.5%, respectively. Banking institutions with a ratio of CET1 capital to RWA above the minimum requirement but below the capital conservation buffer face 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" (the greater of (i) net income for the preceding four quarters, net of distributions and associated tax effects not reflected in net income and (ii) average net income over the preceding four quarters).

The Capital Rules provide for a number of deductions from and adjustments to CET1 capital, As a "non-advanced approaches" firm under the Capital Rules, the Company is subject to rules that provide for simplified capital requirements relating to the threshold deductions for mortgage servicing assets, deferred tax assets arising from temporary differences that a banking organization could not realize through net operating loss carry backs, and investments in the capital of unconsolidated financial institutions, as well as the inclusion of minority interests in regulatory capital.

The Company and the Bank, as non-advanced approaches banking organizations, made a one-time, permanent election under the Capital Rules to exclude the effects of certain components of accumulated other comprehensive income ("AOCI") included in shareholders' equity under U.S. GAAP in determining regulatory capital ratios.

The federal bank regulators have adopted regulations as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA") to implement an exemption from the Capital Rules for smaller banking organizations, including the Company and the Bank, that maintain a "Community Bank Leverage Ratio" of at least 8% to 10%. Under these regulations, a "qualifying small banking organization" can choose to apply the Community Bank Leverage Ratio framework if its Community Bank Leverage Ratio (*i.e.*, the ratio of its Tier 1 capital to average total consolidated assets minus certain deductions from total assets), is greater than the required threshold, which is currently 8.5% and will increase to 9% beginning in 2022. A "qualifying small banking organization" that maintains tangible equity in excess of the applicable Community Bank Leverage Ratio would be deemed to be in compliance with (i) the leverage and risk-based capital requirements promulgated by the federal banking agencies; (ii) in the case of a depository institution, the capital ratio requirements to be considered "well-capitalized" under the federal banking agencies' "prompt corrective action" regime (see "*—Prompt Corrective Action*" below); and (iii) "any other capital or leverage requirements" to which the organization is subject, unless the appropriate federal banking agency determines otherwise based on the particular organization's risk profile. The Company has evaluated the potential impact of this rule and has elected not to apply the Community Bank Leverage Ratio framework to its operations, and instead measures its capital adequacy under the Capital Rules as described above. Under these regulations, as long as the Company and the Bank continue to meet the requirements to be qualifying small banking organizations (*i.e.*, they have less than $10 billion in total consolidated assets and meet certain risk-based criteria), they are permitted to opt into (or out of) the Community Bank Leverage Ratio framework at any time and for any reason. The Company will continue to evaluate the impact of the Community Bank Leverage Ratio and may opt into that framework in the future. The Company cannot guarantee, however, that it or the Bank will continue to meet the conditions to be eligible to apply the Community Bank Leverage Ratio,

nor can the Company predict at this time whether it or the Bank will choose to apply the Community Bank Leverage Ratio in the future.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms. Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as home equity lines of credit) and provides a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2023, with an aggregate output floor phasing in through January 1, 2028. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Company or Bank. The impact of these standards on the Company and the Bank will depend on the manner in which they are implemented by the federal bank regulators.

Prompt Corrective Action. The FDIA requires the federal banking agencies to take prompt corrective action with respect to depository institutions that do not meet the minimum capital requirements described above. The FDIA establishes five capital categories ("well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized"). The federal banking regulators must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions that are less than adequately capitalized, with supervisory actions progressively becoming more punitive as the institution's capital category declines. Supervisory actions include: (i) restrictions on payment of capital distributions and management fees, (ii) requirements that a federal bank regulator monitor the condition of the institution and its efforts to restore its capital, (iii) submission of a capital restoration plan, (iv) restrictions on the growth of the institution's assets and (v) requirements for prior regulatory approval of certain expansion proposals. A bank that is "critically undercapitalized" (*i.e.*, has a ratio of tangible equity to total assets that is equal to or less than 2.0%) will be subject to further restrictions and generally will be placed in conservatorship or receivership within 90 days. An insured depository institution is considered "well capitalized" if it (i) has a total risk-based capital ratio of 10.0% or greater; (ii) has a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) has a CET1 ratio of at least 6.5% or greater; (iv) has a leverage capital ratio of 5.0% or greater; and (v) is not subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure.

The FDIA's prompt corrective action provisions apply only to depository institutions such as the Bank, and not to bank holding companies. Under the FRB's regulations, a bank holding company, such as the Company, is considered "well capitalized" if the bank holding company (i) has a total risk based capital ratio of at least 10%, (ii) has a Tier 1 risk-based capital ratio of at least 6%, and (iii) is not subject to any written agreement order, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. Although prompt corrective action regulations apply only to depository institutions and not to bank holding companies, a bank that is required to submit a capital restoration plan generally must concurrently submit a performance guarantee by its parent holding company. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank's assets at the time it became "undercapitalized" or the amount needed to comply.

Information concerning the Company and the Bank with respect to capital requirements is incorporated by reference from Item 7. *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources"* and Note 14 of the consolidated financial statements included within this report.

The Bank and the Company meet all capital requirements under the Capital Rules, including the capital conservation buffer, and each meet the capital ratio requirements to be "well capitalized" for purposes of the prompt corrective action provisions of the FDIA and applicable FRB regulations, respectively.

Safety and Soundness Standards. The FDIA requires the federal bank regulatory agencies to prescribe safety and soundness standards, by regulations or guidelines, as the agencies deem appropriate. Guidelines adopted by the federal bank regulatory agencies establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the federal banking agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order restricting asset growth, requiring an institution to increase its ratio of tangible equity to assets or directing other actions of the types to which an

undercapitalized institution is subject under the "prompt corrective action" provisions of the FDIA. See "*—Prompt Corrective Action*" above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Dividend and Share Repurchase Restrictions

The Company is a legal entity separate and distinct from its subsidiaries. The revenue of the Company (on a parent-only basis) is derived primarily from interest and dividends paid to it by the Bank. The right of the Company, and consequently the right of shareholders of the Company, to participate in any distribution of the assets or earnings of the Bank through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors of the Bank (including depositors), except to the extent that certain claims of the Company in a creditor capacity may be recognized. The Company and the Bank are subject to various federal and state restrictions on their ability to pay dividends as described below.

Restrictions on Bank Holding Company Dividends. The FRB has the authority to prohibit bank holding companies from paying dividends if such payment is deemed to be an unsafe or unsound practice. The FRB has indicated generally that it may be an unsafe or unsound practice for bank holding companies to pay dividends unless the bank holding company's net income over the preceding year is sufficient to fund the dividends and the expected rate of earnings retention is consistent with the organization's capital needs, asset quality and overall financial condition. FRB guidance also directs bank holding companies to inform the FRB reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid. Further, the Company's ability to pay dividends is restricted if it does not maintain the capital conservation buffer. See "*—Capital Adequacy and Safety and Soundness—Regulatory Capital Requirements*" above.

Under Maine law, a corporation's Board of Directors may declare, and the corporation may pay, dividends on its outstanding shares, in cash or other property, generally only out of the corporation's unreserved and unrestricted earned surplus, or out of the unreserved and unrestricted net earnings of the current fiscal year and the next preceding fiscal year taken as a single period, except under certain circumstances, including when the corporation is insolvent, or when the payment of the dividend would render the corporation insolvent or when the declaration would be contrary to the corporation's charter.

Restrictions on Bank Dividends. Under OCC regulations, national banks generally may not declare a dividend in excess of the bank's undivided profits or, absent OCC approval, if the total amount of dividends declared by the national bank in any calendar year exceeds the total of the national bank's retained net income year-to-date combined with its retained net income for the preceding two years. National banks also are prohibited from declaring or paying any dividend if, after making the dividend, the national bank would be considered "undercapitalized" (as defined by reference to other OCC regulations). The OCC has the authority to use its enforcement powers to prohibit a national bank, such as the Bank, from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Further, the Bank's ability to pay dividends is restricted if it does not maintain the capital conservation buffer. See "*—Capital Adequacy and Safety and Soundness—Regulatory Capital Requirements*" above.

Certain Transactions by Banks with their Affiliates

Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W restrict transactions between a bank and its affiliates, including its parent bank holding company. The Bank is subject to these restrictions, which include quantitative and qualitative limits on the amounts and types of transactions that may occur, including extensions of credit (which include credit exposure arising from repurchase and reverse repurchase agreements, securities borrowing and derivative transactions) to affiliates, investments in the stock or securities of affiliates, purchases of assets from affiliates and other "covered transactions." Generally, a bank's (including its subsidiaries) covered transactions with any affiliate are subject to the following limits: (i) the aggregate amount of covered transactions with any one affiliate cannot exceed 10% of the bank's capital stock and surplus; and (ii) the aggregate amount of covered transactions with all affiliates cannot exceed 20% of the bank's capital stock and surplus. Transactions between a bank and its affiliates, including a parent holding company, must be on market terms and not otherwise unduly favorable to an affiliate, and, in the case of extensions of credit, be secured by specified amounts and types of collateral.

Anti-Tying Restrictions

Generally, a bank is prohibited from extending credit, leasing or selling property, furnishing any service or fixing or varying the consideration for any of the foregoing on the condition that (i) the customer obtains additional credit, property or services from the bank's parent holding company or any subsidiary of the holding company, or (ii) the customer will not obtain credit, property or services from a competitor of the bank or its affiliates (except to the extent the restriction is a reasonable condition imposed to assure the soundness of the credit extended).

Consumer Protection Regulation

The Company and the Bank are subject to federal and state laws designed to protect consumers and prohibit unfair or deceptive business practices, including the Equal Credit Opportunity Act, the Fair Housing Act, the Home Ownership Protection Act, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003 ("FACT Act"), the Gramm-Leach-Bliley Act of 1999 ("GLBA"), the Truth in Lending Act, the CRA, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act and various state law counterparts. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with customers when taking deposits, making loans, collecting loans and providing other services. In addition, the CFPB has a broad mandate to prohibit unfair, deceptive or abusive acts and practices, is specifically empowered to require certain disclosures to consumers and draft model disclosure forms, and is responsible for making rules and regulations under the federal consumer protection laws relating to financial products and services. Failure to comply with consumer protection laws and regulations can subject financial institutions to enforcement actions, fines and other penalties. The OCC examines the Bank for compliance with CFPB rules and enforces CFPB rules with respect to the Bank.

Mortgage Reform. The Dodd-Frank Act prescribes certain standards that mortgage lenders must consider before making a residential mortgage loan, including verifying a borrower's ability to repay such mortgage loan, and allows borrowers to assert violations of certain provisions of the Truth in Lending Act as a defense to foreclosure proceedings. Under the Dodd-Frank Act, prepayment penalties are prohibited for certain mortgage transactions and creditors are prohibited from financing insurance policies in connection with a residential mortgage loan or home equity line of credit. In addition, the Dodd-Frank Act prohibits mortgage originators from receiving compensation based on the terms of residential mortgage loans and generally limits the ability of a mortgage originator to be compensated by others if compensation is received from a consumer. The Dodd-Frank Act requires mortgage lenders to make additional disclosures prior to the extension of credit, in each billing statement and for negative amortization loans and hybrid adjustable rate mortgages.

Data Privacy and Cyber Security. The GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to nonaffiliated third parties. In general, the Bank must provide its customers with an initial and annual disclosure that explains its policies and procedures regarding the disclosure of such nonpublic personal information, and, except as otherwise required or permitted by law, the Bank is prohibited from disclosing such information except as provided in such policies and procedures. However, an annual disclosure is not required to be provided by a financial institution if the financial institution only discloses information under exceptions from GLBA that do not require an opt out to be provided and if there has been no change in its privacy policies and practices since its most recent disclosure provided to consumers. The GLBA also requires that the Bank develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information (as defined under GLBA), to protect against anticipated threats or hazards to the security or integrity of such information; and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. The Bank is also required to send a notice to customers whose sensitive information has been compromised if unauthorized use of this information is reasonably possible.

Most states, including the states where the Bank operates, have enacted legislation concerning breaches of data security and Congress is considering federal legislation that would require consumer notice of data security breaches. Pursuant to the FACT Act, the Bank must develop and implement a written identity theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts. Additionally, the FACT Act amends the Fair Credit Reporting Act to generally prohibit a person from using information received from an affiliate to make a solicitation for marketing purposes to a consumer, unless the consumer is given notice and a reasonable opportunity and a reasonable and simple method to opt out of the making of such solicitations.

In November 2021, the U.S. federal bank regulatory agencies adopted a final rule regarding notification requirements for banking organizations related to significant computer security incidents. Under the final rule, a bank holding company, such as the Company, and a national bank, such as the Bank, are required to notify the FRB or OCC, respectively, within 36 hours of incidents that have materially disrupted or degraded, or are reasonably likely to materially disrupt or degrade the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the banking organization, or pose a threat to the financial stability of the United States.

Anti-Money Laundering

The Bank Secrecy Act. Under the Bank Secrecy Act ("BSA"), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction, and to monitor and report suspicious activity to appropriate law enforcement or regulatory authorities. Financial institutions, such as the Bank, are also required to adopt and implement policies and procedures with respect to, among other things, anti-money laundering ("AML") compliance, suspicious activity, currency transaction reporting, customer identity verification and customer risk analysis, enhanced due diligence based upon risk and identification and monitoring of beneficial ownership. In addition, financial institutions are required to take steps to monitor their correspondent banking and private banking relationships as well as, if applicable, their relationships with "shell banks." In evaluating an application under Section 3 of the BHCA to acquire a bank or an application under the Bank Merger Act to merge banks or affect a purchase of assets and assumption of deposits and other liabilities, the applicable federal banking regulator must consider the AML compliance record of both the applicant and the target.

In January 2021, the Anti-Money Laundering Act of 2020 ("AMLA"), which amends the BSA, was enacted. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards by the U.S. Department of the Treasury for evaluating technology and internal processes for BSA compliance; and expands enforcement- and investigation-related authority, including a significant expansion in the available sanctions for certain BSA violations. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the impact of the AMLA will depend on, among other things, rulemaking and implementation guidance.

OFAC. The U.S. has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These sanctions, which are administered by the U.S. Treasury's Office of Foreign Assets Control ("OFAC"), take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial or other transactions relating to a sanctioned country or with certain designated persons and entities; (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons); and (iii) restrictions on transactions with or involving certain persons or entities. Blocked assets (for example, property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences for the Company.

Item 1A. Risk Factors

An investment in the Company involves risk, which could be substantial. Market, liquidity, credit, operational, legal, compliance, reputational and strategic risks are inherent in our business. The material risks and uncertainties that management believes affect the Company are described below. Any of the following risks could affect the Company's financial condition and results of operations and could be material and/or adverse in nature. You should consider all of the following risks together with all of the other information in this Annual Report on Form 10-K.

Economic and Market Conditions Risk

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 emergence of new COVID variants and the continued effectiveness of vaccines against such variants, the continued effectiveness of the Company's business continuity plans, direct and indirect impact of the pandemic on our employees, customers, counterparties and service providers, as well as other market participants, 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.

Many of the circumstances that arose or became more pronounced after the onset of the COVID-19 pandemic persisted at the end of 2021, including:

- higher inflation and supply chain disruptions;
- significant volatility in financial markets;
- heightened credit risks and increased instances of defaults in many industries, including hospitality, transportation and commercial real estate;
- decreased rates and yields on U.S. Treasury securities, which may lead to further decreased net interest income;
- heightened cybersecurity, information security and operational risks as cybercriminals attempt to profit from the disruption resulting from the pandemic given increased online and remote activity, including as a result of work-from-home arrangements;
- increased risk of counterparty and service provider business disruption that could affect the ability of such counterparties and service providers to perform under the terms of any agreements with us or to provide us with essential services; and
- increased risk of business disruption if our employees are unable to work effectively because of illness, quarantines, government actions, failures in systems or technology that disrupt work-from-home arrangements or other effects of the pandemic.

As a result, our credit, operational and other risks are generally expected to remain elevated until the pandemic subsides. Depending on the duration and severity of the pandemic going forward, the conditions noted above could continue for an extended period and these or other adverse developments may occur or reoccur.

Certain industries to which the Company has credit exposure, including lodging, senior living and care facilities, restaurants, and travel and recreation, have experienced, and may continue to experience, significant operational challenges as a result of COVID-19. Although we have not experienced elevated levels of non-performing assets, the negative effects of COVID-19 may 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.

Until the pandemic subsides, we may experience reduced revenues from our lending businesses, and increased credit losses in our loan 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. We also face an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of the pandemic and actions governmental authorities take in response to the pandemic. In particular, various government programs such as the Paycheck Protection Program are complex and our participation may lead to litigation and governmental, regulatory and third party scrutiny, negative publicity and damage to our reputation.

Governmental authorities worldwide have taken unprecedented measures to stabilize the markets and support economic growth. The continued 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 affect 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. Further, the COVID-19 pandemic has also had the effect of heightening, and may have the effect of heightening further, many of the other risks described in this section.

A downgrade or potential downgrade of the U.S. Government's sovereign credit rating by one or more credit ratings agencies could adversely affect our business.

Future uncertainty over U.S. fiscal policy could result in a downgrade or a reduction in the outlook of the U.S. long-term sovereign credit rating by one or more credit ratings agencies. Any downgrade, or perceived future downgrade, in the U.S. sovereign credit rating or outlook could adversely affect global financial markets and economic conditions and may result in, among other things, increased volatility and illiquidity in the capital markets, declines in consumer confidence, increased unemployment levels and declines in the value of U.S. Treasury securities and securities guaranteed by the U.S. government. As a result, our business, liquidity, results of operations and financial conditions may be adversely affected. Additionally, the economic conditions resulting from any such downgrade or perceived future downgrade may significantly exacerbate the other risks we face.

Fluctuations in market interest rates may adversely affect our performance.

Our profitability depends to a large extent upon our net interest income, which is the difference between interest income earned from loans and investments and the interest expense paid on deposits and borrowings. Net interest income is our largest source of revenue and can be affected significantly by changes in market interest rates, including in the shape of the yield curve or in spreads between different market interest rates, as well as by changes related to inflation. In particular, changes in relative interest rates may reduce our net interest income as the difference between interest income and interest expense decreases. As a result, we have adopted asset and liability management policies to minimize the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments and funding sources.

As of December 31, 2021, our balance sheet composition supported an asset sensitive interest rate risk position over a one- and two-year period. This would suggest that if interest rates were to decrease, then net interest income would decrease, reducing revenue and net income, while an increase in interest rates would increase net interest income, increasing revenue and net income. However, there is risk that any change in interest rates could negatively impact our results of operations or financial condition. Because market interest rates may change by differing magnitudes and at different times, significant changes in interest rates over an extended period of time could reduce overall net interest income. During the first quarter of 2020, the Federal Reserve reduced the targeted Federal Funds rate to between zero and 0.25% in response to COVID-19 and lower benchmark interest rates, which continued to compress our net interest margin and pressure net interest income through 2021. An increase in interest rates could also have a negative impact on our results of operations by slowing loan production, and specifically, loan refinance activity, and/or reducing the ability of borrowers to repay their current loan obligations, which could not only result in increased loan defaults, foreclosures and write-offs, but also necessitate further increases to our allowance for credit losses.

We could be adversely affected by the actions and commercial soundness of other financial institutions.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We maintain a diversified securities portfolio and have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, mutual and hedge funds, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. Furthermore, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. Any such losses could materially and adversely affect our results of operations.

In addition, although we believe that we have adequately reviewed our investment securities for the need for an allowance for credit losses or impairment, over time, the economic and market environment may provide additional insight regarding the fair value of certain securities, which could change our judgment regarding the need for an allowance for credit losses or impairment. If a counterparty should default, become insolvent, declare bankruptcy, or otherwise cease to exist, the value of our investment may be impaired. This could result in provision for credit losses or realized losses being charged against future income. Given the significant judgments involved, there is risk that material provisions may be recorded to establish an allowance for credit losses resulting in realized losses. We did not recognize any provisions for credit losses on our investment securities portfolio in 2021.

Our financial condition and results of operations have been adversely affected, and in the future may be adversely affected, by the U.S. and international financial market and economic conditions.

We have been, and in the future may be, affected by general business and economic conditions in the United States and, to a lesser extent, abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, unemployment and investor confidence, all of which are beyond our control. Although the U.S. economy had recovered over the past decade prior to the COVID-19 pandemic, economic concerns have been heightened as a result of the pandemic, and deterioration in any of these conditions, including as a result of the COVID-19 pandemic or other future events that we are unable to predict, could result in increases in loan delinquencies and non-performing assets, decreases in loan collateral values, the value of our investment portfolio and demand for our products and services. Higher credit or collateral related losses, or decreases in the value of our investment portfolio or demand for our products and services, could negatively impact our financial condition or results of operations.

In addition, volatility and uncertainty related to inflation and its effects, which could potentially contribute to poor economic conditions, may contribute to or enhance some of the risks described in this section. For example, higher inflation could reduce demand for our products, adversely affect the creditworthiness of our borrowers or result in lower values for our interest-earning assets and investment securities. Any of these effects, or others that we are not able to predict, could adversely affect our financial condition or results of operations.

Camden National Wealth Management may be negatively affected by changes in economic and market conditions.

A substantial portion of income from fiduciary services is dependent on the market value of wealth management assets under management, which are primarily marketable securities. Changes in domestic and foreign economic conditions, volatility in financial markets, and general trends in business and finance, all of which are beyond our control, could adversely impact the market value of these assets and the fee revenues derived from the management of these assets.

If we do not maintain net income growth, the market price of our common stock could be adversely affected.

Return on shareholders' equity and other measures of profitability, which affect the market price of our common stock, depend in part on continued growth and expansion. Our growth strategy has two principal components: internal growth and external growth. The ability to generate internal growth is affected by the competitive factors described herein as well as by the primarily rural characteristics and related demographic features of the markets we serve. The ability to continue to identify and invest in suitable acquisition candidates on acceptable terms is an important component of our external growth strategy.

Continued market volatility may impact our business and the value of our common stock.

Our business performance and the trading price of shares of our common stock may be affected by many factors affecting financial institutions, including volatility in the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and the value of debt and mortgage-backed and other securities that we hold in our investment portfolio. Government action and legislation may also impact us and the value of our common stock. We cannot predict what impact, if any, volatility will have on our business or share price and for these and other reasons our shares of common stock may trade at a price lower than that at which they were purchased.

Reforms to London Interbank Offered Rate ("LIBOR") and other indices, and related uncertainty, may adversely affect our business, financial condition or results of operations.

The administrator of LIBOR has announced that the publication of the most commonly used U.S. Dollar LIBOR settings will cease to be provided or will cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. The U.S. federal banking agencies had also issued guidance strongly encouraging banking organizations to cease using the U.S. Dollar LIBOR as a reference rate in "new" contracts by December 31, 2021 at the latest. Because the transition from LIBOR is ongoing, there continues to be significant uncertainty with respect to the effect of the transition on the financial markets for LIBOR-linked financial instruments.

In April 2018, the Federal Reserve Bank of New York commenced publication of the Secured Overnight Financing Rate ("SOFR"), which has been recommended as an alternative to United States dollar LIBOR by the Alternative Reference Rates Committee, a group of market and official sector participants. However, uncertainty remains as to the transition process and acceptance of SOFR as the primary alternative to LIBOR. The market transition from LIBOR to SOFR or a different alternative reference rate is complex and the transition may have a material, adverse effect on the value of, return on and trading market for our financial assets and liabilities that are based on or are linked to benchmarks, including our hedge contracts, or our financial condition or results of operations. In addition, we cannot assure that actions taken by us and third parties to address these risks and otherwise prepare for the transition from LIBOR to alternative interest rate benchmarks will be successful.

Credit Risk and Lending Business Risk

Our loans are concentrated in certain areas of Maine and adverse conditions in those markets could adversely affect our operations.

We primarily serve individuals and businesses located in the state of Maine, with 72% of our loan portfolio concentrated among borrowers in Maine as of December 31, 2021, with higher concentrations of exposure in Cumberland, Kennebec, Knox, and York counties. Further, because a substantial portion of the loan portfolio is secured by real estate in this area, the value of the associated collateral is also subject to regional real estate market conditions. Adverse economic, political or business developments or natural hazards, the severity and frequency of which are increasing as a result of climate change, may affect these areas and the ability of property owners in these areas to make payments of principal and interest on the underlying mortgages. If these regions experience adverse economic, political or business conditions, we would likely experience higher rates of loss and delinquency on these loans than if the loans were more geographically diverse. In addition, the COVID-19 pandemic and the resulting restrictions on individuals and economic activity adversely affected certain industries in Maine more than others, including hospitality, transportation and commercial real estate. Continued negative effects of COVID-19 on those industries could result in higher rates of loss and delinquency on these loans, which could have a material, adverse effect on our financial condition or results of operations.

Our loan portfolio includes commercial real estate and commercial loans, which are generally riskier than other types of loans.

At December 31, 2021, our commercial real estate and commercial loan portfolios comprised 54% of our total loan balances, Commercial loans generally carry larger loan balances and involve a higher risk of nonpayment or late payment than residential mortgage loans. Commercial loans may lack standardized terms and may include a balloon payment feature. The ability of a borrower to make or refinance a balloon payment may be affected by a number of factors, including the financial condition of the borrower, prevailing economic conditions and prevailing interest rates. Repayment of these loans is generally more dependent on the economy and the successful operation of a business. Because of the risks associated with commercial loans, we may experience higher rates of default than if the portfolio were more heavily weighted toward residential mortgage loans. Higher rates of default could have an adverse effect on our financial condition and results of operations.

As of December 31, 2021, the most significant industry concentration within our loan portfolio was nonresidential building operators (operators of commercial and industrial buildings, retail establishments, theaters, banks and insurance buildings), which was 14% of our total loans and 32% of our total commercial real estate portfolio. As of December 31, 2021, we had no other industry concentrations in excess of 10% of total loans.

If our allowance for credit losses for loans is not adequate to cover actual loan losses, our earnings could decrease.

We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for credit losses for these loans (herein referred to as the "allowance for loan losses") based on a number of factors. The level of the allowance for loan losses reflects management's continuing evaluation of industry concentrations, specific credit risks, credit loss experience, current loan portfolio quality, current economic trends and conditions, reasonable and supportable forecasts about the future, changes in competitive, legal, and regulatory conditions, and unidentified losses inherent in the current loan portfolio. On a monthly basis, management reviews the allowance for loan losses to assess recent asset quality trends and impact on the Company's financial condition. On a quarterly basis, the allowance for loan losses is reviewed and approved at the Company's Audit Committee, and later reviewed and ratified by the Bank's Board of Directors. Determination of the allowance for loan losses is inherently subjective because it requires significant estimates and management judgment of credit risks and future trends, which are subject to material changes. If our assumptions are incorrect, the allowance for loan losses may not be sufficient to cover the losses we could experience, which would have an adverse effect on operating results, and may also cause us to increase the allowance for loan losses in the future. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, changes in accounting principles, and other factors, both within and outside our control, may require an increase in the allowance for loan losses. In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our provisions for credit losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by regulatory authorities could have a material adverse effect on our consolidated results of operations and financial condition. If additional amounts are provided to the allowance for credit losses, our earnings could decrease.

Prepayments of loans may negatively impact our business.

Generally, our customers may prepay the principal amount of their outstanding loans at any time, frequently without financial penalty to the borrower. The speeds at which such prepayments occur, as well as the size of such prepayments, are within our customers' discretion. Fluctuations in interest rates, in certain circumstances, may also lead to high levels of loan prepayments. If customers prepay the principal amount of their loans, and we are unable to lend those funds to other borrowers or invest the funds at the same or higher interest rates, interest income will be reduced. A significant reduction in interest income could have a negative impact on our results of operations and financial condition.

Competitive and Strategic Risk

We experience strong competition within our industry and markets, which may impact our profitability.

Competition in the banking and financial services industry is strong. In our market areas, we compete for loans, deposits and other financial products and services with large financial companies, local independent banks, thrift institutions, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and other financial intermediaries that offer similar services. Some of these competitors have substantially greater resources and lending limits than those of the Bank and may offer services that the Bank does not or cannot provide. Some of our non-bank competitors are not subject to the same extensive regulations we are, and, as a result, may be able to compete more effectively for business. In particular, the activity of marketplace lenders and other financial technology companies ("fintechs") has grown significantly over recent years and is expected to continue to grow. Fintechs have and may continue to offer bank or bank-like products. For example, a number of fintechs have applied for, and in some cases received, bank or industrial loan charters. In addition, other fintechs have partnered with existing banks to allow them to offer deposit products to their customers. Regulatory changes, such as the recent revisions to the FDIC's rules on brokered deposits, may also make it easier for fintechs to partner with banks and offer deposit products. Other recent regulation has reduced the regulatory burden of large bank holding companies, and raised the asset thresholds at which more onerous requirements apply, which could cause certain large bank holding companies with less than $250 billion in total consolidated assets, which were previously subject to more stringent enhanced prudential standards, to become more competitive or to pursue expansion more aggressively. There is also increased competition by out-of-market competitors through online and mobile channels. Our long-term success depends on our ability to compete successfully with other financial institutions and fintechs. Because we maintain a smaller staff and have fewer financial and other resources than larger institutions with which we compete, we may be limited in our ability to attract customers. If we are unable to attract and retain customers, we may be unable to achieve growth in the loan and core deposit portfolios, and our results of operations and financial condition may be negatively affected.

Market changes may adversely affect demand for our services and impact results of operations.

Channels for servicing our customers are evolving rapidly, with less reliance on traditional branches, more use of online and mobile banking, and increased demand for universal bankers and other relationship managers who can service multiple product lines. We compete with larger providers that are rapidly evolving their service offerings, thereby escalating the costs of evolving the Bank's efforts to keep pace. We have a process for evaluating the profitability of our branches and other office and operational facilities. The identification of unprofitable operations and facilities can lead to restructuring charges and introduce the risk of disruptions to revenues and customer relationships.

Camden National Wealth Management faces intense competition in attracting and retaining clients.

Due to strong competition, Camden National Wealth Management may not be able to attract and retain clients at current levels. Competition is strong as there are numerous well-established and successful investment management and wealth advisory firms including commercial banks and trust companies, investment advisory firms, mutual fund companies, stock brokerage firms, and other financial companies. Our ability to attract and retain wealth management clients is dependent upon our ability to compete with competitors' investment products, level of investment performance, client services, and marketing and distribution capabilities. If we are not successful, our results of operations and financial condition may be negatively impacted.

The Company faces competition in pursuing acquisition opportunities.

In pursuing acquisition opportunities, we may be in competition with other companies having similar growth strategies. As a result, we may not be able to identify or acquire promising acquisition candidates on acceptable terms. Competition for these acquisitions could result in increased acquisition prices and a diminished pool of acquisition opportunities. An inability to find suitable acquisition candidates at reasonable prices could slow our growth rate and have a negative effect on the market price of our common stock.

Liquidity Risk

Our cost of funds may increase as a result of loss of deposits or a change in deposit mix.

Deposits are a low cost, stable source of funding. We compete with banks, other financial institutions and fintechs for deposits. Funding costs may increase if we lose deposits and are forced to replace them with more expensive sources of funding, if clients shift their deposits into higher cost products or if we need to raise interest rates to avoid losing deposits. Higher funding costs reduce our net interest margin, net interest income and net income.

As of December 31, 2021, brokered deposits made up 5% of our total deposits. We have and will continue to utilize brokered deposits when it is a more cost effective source of funding compared to alternative funding sources. Should we become less than well-capitalized under the prompt corrective action framework, our use of brokered deposits may be limited, which could result in the use of more costly funding sources that would reduce our net interest margin, net interest income and net income. See "*Supervision and Regulation—Capital Adequacy and Safety and Soundness—Prompt Corrective Action*" and "*Supervision and Regulations—Regulation of the Bank—Brokered Deposits*" for additional information on the prompt corrective action framework and the regulation of brokered deposits.

Wholesale funding sources may prove insufficient to replace deposits and support our operations and future growth.

The Company and the Bank must maintain sufficient funds to respond to the needs of depositors and borrowers. To manage liquidity, we draw upon a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These sources include brokered deposits, borrowings through the Federal Home Loan Bank and correspondent banks, proceeds from the sale of investments and loans, and liquidity resources at the holding company. Our ability to manage liquidity will be severely constrained if we are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable costs, or if there are unforeseen outflows of cash or collateral, such as that seen by certain financial institutions during 2020 when corporate customers drew on revolving credit facilities at a historic pace in response to COVID-19. In addition, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, operating margins and profitability would be adversely affected. Turbulence in the capital and credit markets may adversely affect our liquidity and financial condition and the willingness of certain counterparties and customers to do business with us.

We are a holding company and dependent upon our subsidiary for dividends, distributions and other payments to meet our liquidity needs.

We are a legal entity separate and distinct from our direct and indirect subsidiaries. Our revenue (on a parent-only basis) is derived primarily from interest and dividends paid to us by the Bank. Our right, and consequently the right of our shareholders, to participate in any distribution of the assets or earnings of the Bank through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors of the Bank (including depositors), except to the extent that certain claims of us in a creditor capacity may be recognized.

Holders of our common stock are entitled to receive dividends only when, and if declared by our Board of Directors. Although we have historically declared cash dividends on our common stock, we are not required to do so and our Board of Directors may reduce or eliminate our common stock dividend in the future. The FRB has authority to prohibit bank holding companies from paying dividends if such payment is deemed to be an unsafe or unsound practice. Additionally, the OCC has the authority to use its enforcement powers to prohibit a bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Further, as a bank holding company, we are required inform and consult with FRB supervisory staff prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid. If we experience losses in a series of consecutive quarters, we may be required to inform and consult with the FRB supervisory staff prior to declaring or paying any dividends. In this event, there can be no assurance that the FRB will approve the payment of such dividends. Our ability to pay dividends would also be restricted under current regulatory capital rules if we do not maintain a capital conservation buffer. A reduction or elimination of dividends could adversely affect the market price of our common stock. See Item 1. "*Business—Supervision and Regulation—Dividend Restrictions*" and "*Business—Supervision and Regulation—Regulatory Capital Requirements*."

Regulatory and Legal Risk

Our banking business is highly regulated, and we may be adversely affected by changes in law and regulation.

We are subject to regulation and supervision by the FRB, and the Bank is subject to regulation and supervision by the OCC and the FDIC, as well as regulations issued by the CFPB. Federal laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and the financial condition of a financial institution, permissible types, amounts and terms of extensions of credit and investments, permissible non-banking activities, the level of reserves against deposits and restrictions on dividend payments. The OCC possesses the power to issue cease and desist orders to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulation, and the FRB possesses similar powers with respect to bank holding companies. These and other restrictions limit the manner in which we may conduct business and obtain financing.

Our business is highly regulated and the laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change, and there have been significant revisions to the laws and regulations applicable to banks and bank holding companies that have been enacted or proposed in recent years. In addition, we expect that we will remain subject to extensive regulation and supervision, and that the level of regulatory scrutiny may fluctuate over time, based on numerous factors, including changes in the U.S. presidential administration or one or both houses of Congress and public sentiment regarding financial institutions (which can be influenced by scandals and other incidents that involve participants in the industry). In particular, fee revenues from overdraft protection programs have been, and may continue to be, subject to increased scrutiny. For example, in December 2021, the OCC's Acting Comptroller identified a range of options to reform national bank overdraft practices that, if implemented, could impose significant restrictions on a national bank's ability to charge overdraft protection fees. Any such restrictions could adversely affect our noninterest income and results of operations.

We are unable to predict the form or nature of any future changes to statutes or regulation, including the interpretation or implementation thereof. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, have and could in the future subject us to additional costs, limit the types of financial services and products we may offer, and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties, and/or reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations. See Item 1., "Business—Supervision and Regulation."

We may become involved in lawsuits and legal proceedings that may lead to adverse consequences.

As a participant in the financial services industry, many aspects of the Company's business involve substantial risk of legal liability. From time to time, we are named or threatened to be named as defendants in various lawsuits, including class actions, arising from our business activities. In addition, when other financial institutions receive adverse judgments in litigation or agree to settlements, that may encourage plaintiffs and their attorneys to bring and maintain claims, including class actions, against other financial institutions, including the Company. There is no assurance that litigation with private parties will not increase in the future. Future actions against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us. Although we maintain insurance, the scope of this coverage may not provide us with full, or even partial, coverage in any particular case. As a result, a judgment against us in any such litigation and/or legal costs incurred in defending us against such litigation could have a material adverse effect on our financial condition and results of operation.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations.

The financial services industry is subject to intense scrutiny from bank supervisors in the examination process and aggressive enforcement of federal and state regulations, particularly with respect to mortgage-related practices and other consumer compliance matters, and compliance with AML, BSA and OFAC regulations, and economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. In addition, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were systems and procedures designed to ensure compliance in place at the time. There have been a number of significant enforcement actions in recent years by regulators, state attorneys general and the Department of Justice against banks and other non-bank financial institutions with respect to AML and sanctions laws, and some have resulted in substantial penalties including criminal pleas. Although the Company and the Bank have adopted policies and procedures designed to comply with these laws, any failure to comply with these laws and other regulations, or to maintain an adequate compliance program, could result in significant fines, penalties, lawsuits, regulatory sanctions, reputational damage, or restrictions on our business.

We are subject to numerous laws designed to meet the credit needs of low- and moderate-income communities and to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The FRB, OCC, CFPB, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act or other fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

We are required to maintain sufficient capital and adequate liquidity.

As a banking organization, our capital and liquidity are subject to regulation and supervision by banking regulators. We are required to maintain minimum levels of capital. In addition, our banking regulators could require us to maintain more and higher quality capital than previously expected. Our banking regulators could also require us to hold higher levels of short-term investments, thereby limiting our ability to invest in longer-term or less liquid assets at higher yields. The need to maintain capital and liquidity could result in our being required to take steps to increase our regulatory capital and may dilute shareholder value or limit our ability to pay dividends or otherwise return capital to our investors through stock repurchases. In addition, if we fail to maintain appropriate levels of capital or liquidity, we could become subject to formal or informal enforcement actions that may impose restrictions on our business, including limiting our lending activities or our ability to expand, requiring us to raise additional capital (which may be dilutive to shareholders) or requiring regulatory approval to pay dividends or otherwise return capital to shareholders. See Item 1. "*Business-Supervision and Regulation-Regulatory Capital Requirements*" for additional information on capital requirements applicable to us and the Bank.

Operational and Business Risk

Damage to our reputation could significantly harm our business.

We are dependent on our reputation within our market area, as a trusted and responsible financial company, for all aspects of our relationships with customers, employees, vendors, third-party service providers and others with whom we conduct business or potential future business, particularly because our business is primarily concentrated in certain areas of Maine. Our actual or perceived failure to (i) identify and address potential conflicts of interest, ethical issues, money-laundering, or privacy issues; (ii) meet legal and regulatory requirements applicable to the Bank and to the Company; (iii) maintain the privacy of customer and accompanying personal information; (iv) maintain adequate record keeping; (v) engage in proper sales and trading practices; and (vi) identify the legal, reputational, credit, liquidity and market risks inherent in our products; or any action of one of our employees that results in actual or perceived misconduct or error, among other things, could give rise to reputational risk that could cause harm to the Bank and our business prospects. If we fail to address any of these issues in an appropriate manner, we could be subject to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses. Because we primarily serve individuals and businesses located in Maine, any negative impact resulting from reputational harm, including any impact on our ability to attract and retain customers and employees, likely would be greater than if our business were more geographically diverse. Moreover, the advent and expansion of social media creates the potential for rapid and widespread dissemination of information, including inaccurate, misleading, or false information, that could damage our reputation and affect our ability to attract and retain customers and employees.

We may incur significant losses as a result of ineffective risk management processes and strategies.

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application may not be effective and may not anticipate every economic and financial outcome in all market environments or the specifics and timing of such outcomes. Market conditions over the last several years, including those resulting from the COVID-19 pandemic, have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk. If our risk and control framework, or the assumptions underlying our framework, prove ineffective, we may not be able to mitigate our risk exposures effectively, and, as a result, we could incur litigation, negative regulatory consequences, reputational damage or other adverse consequences, and we could suffer unexpected losses that may affect our business, financial condition or results of operations.

Our business may be adversely affected if we are unable to attract and retain qualified employees.

The Company's employees are its most important resource, and in many areas of the financial services industry, competition for qualified personnel is intense. If the Company provides inadequate succession planning, or is unable to continue to retain and attract qualified employees, this could result in a material adverse effect on the Company's performance, including its competitive position.

COVID-19 has had significant effects on labor and employment, including heightened pressures on employers to increase compensation and provide work-from-home and other flexible working arrangements. During the COVID-19 pandemic, employees have shifted their focus to expectations that extend beyond compensation, including better work-life balance, improved advancement opportunities and improved training, and many businesses, including us, have experienced higher rates of turnover as a result of such changes. Our ability to compete successfully for talent has been and may continue to be affected by our ability to adapt quickly to such shifts in employee focus, and there is no assurance that these developments will not cause increased turnover or impede our ability to retain and attract qualified employees.

We could be held responsible for environmental liabilities of properties we acquired through foreclosure.

In the course of business, we may acquire, through foreclosure, properties securing loans originated or purchased that are in default. Particularly in commercial real estate lending, there is a risk that material environmental violations could be discovered on these properties. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our financial condition and results of operations.

Systems failures, interruptions or breaches of security concerning our information base, including the information we maintain relating to our customers, could have an adverse effect on our financial condition and results of operations.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our business and to store sensitive data, including financial information regarding customers. We are subject to certain operational risks, including, but not limited to, data processing system failures and errors, inadequate or failed internal processes, human error, customer or employee fraud, cyberattacks, hacking, identity theft and catastrophic failures resulting from terrorist acts or natural disasters. We depend upon data processing, software, communication, and information exchange on a variety of computing platforms and networks and over the internet, and we rely on the services of a variety of vendors to meet our data processing and communication needs. Despite instituted safeguards, we cannot be certain that all of our systems are entirely free from vulnerability to attack or other technological difficulties or failures. If information security is breached or other technology difficulties or failures occur, information may be lost or misappropriated, services and operations may be interrupted and we could be exposed to claims from customers. While we maintain a system of internal controls and procedures, any of these results could have a material adverse effect on our reputation, business, financial condition, results of operations or liquidity.

We regularly assess and test our security systems and disaster preparedness, including back-up systems, but the risks are substantially escalating. As a result, cybersecurity and the continued enhancement of our controls and processes to protect our systems, data and networks from attacks, unauthorized access or significant damage remain a priority. We have expended substantial resources to protect our systems, and may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures in our computer systems and networks, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through insurance maintained by us. Any such losses, which may be difficult to detect, could adversely affect our financial condition or results of operations. In addition, the occurrence of such a loss could expose the Company and the Bank to reputational risk, the loss of customers and additional regulatory scrutiny.

We are subject to a variety of cybersecurity risks that, if realized, could adversely affect our business, financial condition and results of operations.

Information security risks for financial institutions such as the Company and the Bank have increased significantly in recent years due to the use of online, telephone and mobile banking channels by customers and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. Third parties with whom we or our customers do business also present operational and information security risks to us. We see an increasing trend of cyberattacks targeting providers in the financial services industry, as well as, increased security breaches or failures of their own systems. Our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. As our reliance on technology systems increases, the potential risks of technology-related interruptions in our operations or the occurrence of cyber incidents also increases. Our technologies, systems, networks and our customers' devices are periodically the target of cyberattacks, and may be the target of future cyberattacks, including through the introduction of computer viruses, and/or malicious code, or by means of phishing attacks, social engineering or other information security breaches. Malicious actors may also attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information, including passwords and other identifying information, in order to gain access to data or our systems.

In recent years, there have been several well-publicized attacks on various companies, including in the financial services industry, and personal, proprietary, and public e-mail systems in which the perpetrators gained unauthorized access to confidential information and customer data, often through the introduction of computer viruses or malware, cyberattacks, phishing, or other means. Even if not directed at the Company or the Bank specifically, attacks on other entities with whom we do business or on whom we otherwise rely or attacks on financial or other institutions important to the overall functioning of the financial system could adversely affect, directly or indirectly, aspects of our business.

Information security risks have generally increased in recent years, and continue to increase, in part because of the proliferation of new technologies, the implementation of work-from-home arrangements, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, some of which may be linked to terrorist organizations or hostile foreign governments. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our systems or to investigate and remediate vulnerabilities. System enhancements and updates may also create risks associated with implementing and integrating new systems. Due to the complexity and interconnectedness

of information technology systems, the process of enhancing our systems can itself create a risk of systems disruptions and security issues.

Although we believe we have appropriate information security controls and procedures, we may not be able to anticipate, detect, or implement effective preventative measures against all potential threats, particularly because the techniques used by cyber criminals change frequently, often are not recognized until launched and can be initiated from a variety of sources. In the event one or more of the events described above occurs, this could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information, the theft of customer assets through fraudulent transactions or disruption of our or our customers' or other third parties' business operations, which could result in legal or regulatory action, significant losses, increased compliance costs or reputational damage, any of which could adversely affect our business, financial condition or results of operations.

We must adapt to information technology changes in the financial services industry, which could present operational issues, require significant capital spending, or impact our reputation.

The financial services industry is constantly undergoing technological changes, with frequent introductions of new technology-driven products and services. We invest significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully implement and integrate future system enhancements could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities. Such sanctions could include fines and suspension of trading in our stock, among others. In addition, future system enhancements could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations.

Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time.

We rely on other companies to provide key components of our business infrastructure.

Third party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third party vendors could also entail significant delay and expense.

Third parties with which we do business could also be sources of information security risk to us, including from breakdowns, systems failures or cyber threats through their systems to our systems. Any of these occurrences could impact our ability to operate our business, or cause financial loss, potential liability to clients, reputational damage or regulatory consequences, any of which could have a material adverse effect on our financial condition or results of operations.

Our operations and financial performance could be adversely affected by natural disasters, and climate change may exacerbate those risks and create compliance, strategic, reputational and other risks.

Our business, as well as the operations and activities of our customers, could be negatively affected by climate change. Climate change presents both immediate and long-term risks to us and our customers and these risks are expected to increase over time. Climate changes presents several risks, including (i) operational risk from the physical effects of climate events on our facilities and other assets as well as those of our customers; and (ii) transitional risks, including new or more stringent regulatory requirements and potential effects on our reputation and/or changes in our business as a result of our climate change practices, our carbon footprint and our business relationships with customers who operate in carbon-intensive industries.

Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a tornado, hurricane, earthquake, fire or flood, could have a material adverse impact on our ability to conduct business (including as a result of damage to our own facilities or systems or to the facilities or systems of third-party vendors on which we rely), and our insurance coverage may be insufficient to compensate for losses that may occur. Because we primarily serve individuals and businesses located in Maine, a natural disaster likely would have a greater impact on our business, operations and financial condition than if our business were more geographically diverse.

Both the frequency and severity of some kinds of natural disasters, including wildfires, flooding, tornadoes and hurricanes, have increased, and we expect will continue to increase, as a result of climate change. In addition, long-term shifts in the climate, including altered distribution and intensity of rainfall, rising sea levels and a rising heat index, negatively affect our ability to predict the effects of natural disasters accurately. Climate change may result in reduced availability of insurance for our borrowers, including insurance that protects property pledged as collateral, or disrupt their operations, which could increase our credit risk by diminishing borrowers' repayment capacity or collateral values.

Efforts to transition to a low-carbon economy could result in new and/or more stringent regulatory requirements. Federal and state banking regulators and supervisory authorities, investors and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their customers, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit and reputational risks and costs. In addition, changes to consumer and business preferences or in the attitudes of regulators, shareholders and employees regarding climate change, may affect the activities in which we engage and the products that we offer, and may require us to adjust our lending portfolios and business strategies. Risks associated with climate change are continuing to evolve rapidly, making it difficult to assess the effects of climate change on our business, and we expect that climate change-related risks will continue to evolve and increase over time.

Acts of terrorism, pandemics and other external events could harm our business.

Acts of terrorism, war or other international hostilities, civil unrest, violence or pandemics could cause disruptions to our business or the economy as a whole, such as the disruptions experienced during the COVID-19 pandemic. Any of these events could affect us directly (for example, by interrupting our systems, causing significant damage to our facilities or otherwise preventing us from conducting our ordinary business) or indirectly as a result of effects on our borrowers and other customers or third-party vendors (for example, by damaging property pledged as collateral for our loans). Although we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition, such as the negative effects that resulted from the COVID-19 pandemic and other effects that we may be unable to predict.

Accounting and Tax Risk

Our financial statements are based in part on assumptions and estimates, which, if wrong, could cause unexpected losses in the future.

Pursuant to U.S. generally accepted accounting principles, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses. For additional information, see Item 7. *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies*."

We may be required to write down goodwill and other identifiable intangible assets.

When we acquire a business, a portion of the purchase price of the acquisition may be allocated to goodwill and other identifiable intangible assets. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired determines the amount of the purchase price that is allocated to goodwill. At December 31, 2021, our goodwill and other identifiable intangible assets totaled $96.9 million. Under current accounting standards, if we determine goodwill or intangible assets are impaired, we would be required to write down the value of these assets to fair value. We conduct an annual review, or more frequently if events or circumstances warrant such additional review, to determine whether goodwill is impaired. We recently completed our goodwill impairment analysis as of November 30, 2021 and concluded goodwill was not impaired. We conduct a review of our other intangible assets for impairment should events or circumstances warrant such review. There were no triggers for such review for impairment for other intangible assets for the year ended December 31, 2021. We may be required to take an impairment charge in the future. Any impairment charge would have a negative effect on our shareholders' equity and financial results and may cause a decline in our stock price.

Changes in accounting standards can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to anticipate and implement and can materially impact how we record and report our financial condition and results of operations. For example, the introduction of Accounting Standard Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), as updated, commonly referred to as "CECL," substantially changed how we calculate our allowance for credit losses. Other future changes in accounting standards could materially impact how we report our financial condition, and we cannot predict whether such standards will be adopted or their resultant impact.

Changes in tax laws and regulations and differences in interpretation of tax laws and regulations may adversely impact our financial statements.

Local, state or federal tax authorities may interpret tax laws and regulations differently than we do and challenge tax positions that we have taken on tax returns. This may result in differences in the treatment of revenues, deductions, credits and/or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest or penalties that could have a material adverse effect on our results. In addition, there may be future changes to tax laws, administrative rulings or court decisions that could adversely affect our financial condition, including an increased provision for income taxes and/or reduced net income. We are not able to predict the timing or impact of any changes in local, state or federal tax laws.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2021, the Company owned or leased a total of 64 facilities, excluding any properties designated as other real estate owned. All facilities are fully utilized and considered suitable and adequate for the purposes intended. The Company owns 42 of its facilities, none of which are subject to a mortgage, and the remaining branches and loan offices are leased by the Company. The Company has 56 branches located throughout Maine, a branch in Portsmouth, New Hampshire, a commercial loan production office in Manchester, New Hampshire, and a mortgage loan production office in Braintree, Massachusetts.

The following table presents the Company's materially important locations and properties as of December 31, 2021:

Facility Name	Location	General Character of the Physical Property	Primary Business Segment	Property Status	Property Square Feet[1]
Main Office	Camden, Maine	3 story building	Branch and principal executive office	Owned	15,500
3 Canal Plaza	Portland, Maine	1 floor	Executive office	Leased	3,850
2 Canal Plaza	Portland, Maine	2 floors	Branch and service center	Leased	17,710
Hanley Center	Rockport, Maine	2 story building	Service center	Owned	32,360
Gardiner	Gardiner, Maine	3 story building	Branch and service center	Owned	17,497
Kennebunk	Kennebunk, Maine	2 story building	Branch and service center	Owned	9,982
Auburn	Auburn, Maine	3 story building	Branch	Owned	13,000
Bangor	Bangor, Maine	1 floor	Branch	Leased	17,432
Ellsworth	Ellsworth, Maine	3 story building	Branch	Owned	44,000 [2]
Rockland	Rockland, Maine	3 story building	Branch	Owned	21,600

(1) Total square footage for leased locations represents the amount of space the Company occupies.

(2) Includes space leased to third parties.

For additional information regarding the Company's premises and equipment and lease obligations see Notes 5 and 6 of the consolidated financial statements within Item 8. *Financial Statements and Supplementary Data*.

Item 3. Legal Proceedings

The Company is currently involved, and from time to time in the future may become involved, in various legal claims that arise in the normal course of the Company's business. The Company may also in the future become involved in other regulatory, judicial and/or arbitration proceedings relating to matters that arise in connection with the conduct of the Company's business. Because of the difficulty in predicting the outcome of these matters, particularly when they are in their early stages, the Company cannot predict what the final outcome of each legal proceeding may be, or what the eventual loss, fine or penalty related to each proceeding may be, if any. Based on currently available information, in our opinion the results of legal proceedings that are currently pending are not expected to have a material effect on our 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. 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. As of December 31, 2021 and 2020, the Company did not maintain material reserves against legal claims.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is currently traded on the NASDAQ Global Market ("NASDAQ") under the ticker symbol "CAC." The Company has paid quarterly dividends since its foundation in 1984. The high and low closing sales prices (as quoted by NASDAQ for 2021 and 2020) and cash dividends declared per share of the Company's common stock, by calendar quarter for the past two years, were as follows:

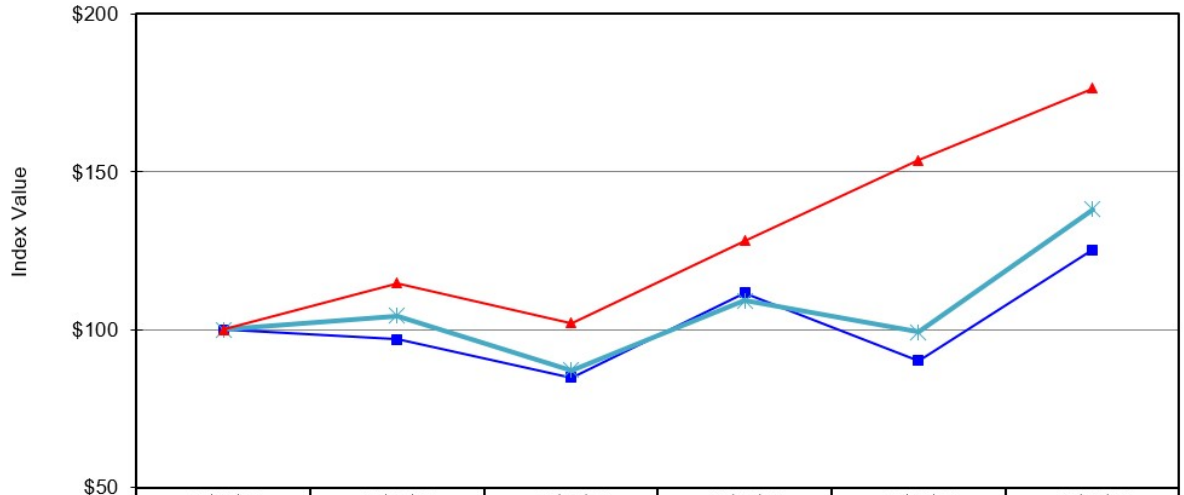
	2021			2020		
	Market Price		Dividends Declared per Share	Market Price		Dividends Declared per Share
	High	Low		High	Low	
First Quarter	$ 49.19	$ 35.96	$ 0.36	$ 48.16	$ 28.94	$ 0.33
Second Quarter	49.20	46.02	0.36	38.42	26.93	0.33
Third Quarter	49.09	44.00	0.36	35.17	28.36	0.33
Fourth Quarter	50.83	44.27	0.40	37.85	30.30	0.33

As of February 22, 2022, there were 14,740,895 shares of the Company's common stock outstanding by approximately 1,100 shareholders, as obtained through our transfer agent. Such number of shareholders does not reflect the number of persons or entities holding stock in nominee name through banks, brokerage firms and other nominees.

Although the Company has historically paid quarterly dividends on its common stock, the Company's ability to pay such dividends depends on a number of factors, including restrictions under federal laws and regulations on the Company's ability to pay dividends, and as a result, there can be no assurance that dividends will be paid in the future. For further information on dividend restrictions, refer to Item 1. *"Business—Supervision and Regulation"* and Item 7. *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources*."

The following graph illustrates the annual percentage change in the cumulative total shareholder return of the Company's common stock for the period December 31, 2016 through December 31, 2021. For purposes of comparison, the graph illustrates comparable shareholder returns of the SNL $1B – $5B Bank Index and the Russell 2000 Stock Index. The graph assumes a $100 investment on December 31, 2016 in each case and measures the amount by which the market value, assuming reinvestment of dividends, has changed as of December 31, 2021.

Stock Performance Graph



	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
Camden National Corporation	100.00	96.82	84.77	111.72	90.13	125.20
SNL $1B-$5B Bank Index	100.00	104.33	87.06	109.22	99.19	138.09
Russell 2000 Index	100.00	114.65	102.02	128.06	153.62	176.39

In February 2021, the Board of Directors authorized a common stock repurchase program, authorizing management to repurchase up to 750,000 shares, or approximately 5%, of the Company's outstanding common stock, that had an expiration date of the earlier of (i) reaching the authorized share repurchase amount, (ii) vote by the Board of Directors to terminate the plan, or (iii) one year. As of December 31, 2021, the Company repurchased 217,931 shares at an average price of $46.25. This repurchase program subsequently terminated in January 2022.

Issuer's Purchases of Equity Securities

Period	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or appropriate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 1-31, 2021	3,035	$ 47.00	3,035	640,463
November 1-30, 2021	15,632	46.38	15,632	624,831
December 1-31, 2021	92,762	46.34	92,762	532,069
Total	111,429	$ 46.36	111,429	532,069

In January 2022, the Board of Directors authorized a common stock repurchase program authorizing management to repurchase up to 750,000 shares, or approximately 5%, of the Company's outstanding common stock. This program replaces the 2021 repurchase program and will terminate upon the earlier of (i) reaching the authorized share repurchase amount, (ii) vote by the Board of Directors to terminate the plan, or (iii) January 3, 2023.

Other information required by this item is incorporated by reference to Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion below focuses on the factors affecting our consolidated results of operations for the year ended December 31, 2021, 2020 and 2019 and financial condition at December 31, 2021 and 2020 and, where appropriate, factors that may affect our future financial performance, unless stated otherwise. This discussion should be read in conjunction with the consolidated financial statements, notes to the consolidated financial statements and selected consolidated financial data.

ACRONYMS AND ABBREVIATIONS

The acronyms and abbreviations identified below are used throughout Item 7. *"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 this section of the Form 10-K:

Acronym	Description	Acronym	Description
AFS:	Available-for-sale	FRBB:	Federal Reserve Bank of Boston
ALCO:	Asset/Liability Committee	GAAP:	Generally accepted accounting principles in the United States
ACL:	Allowance for credit losses	GDP:	Gross domestic product
AOCI:	Accumulated other comprehensive income (loss)	HPFC:	Healthcare Professional Funding Corporation, a wholly-owned subsidiary of Camden National Bank
ASC:	Accounting Standards Codification	HTM:	Held-to-maturity
ASU:	Accounting Standards Update	IRS:	Internal Revenue Service
Bank:	Camden National Bank, a wholly-owned subsidiary of Camden National Corporation	LGD:	Loss given default
BOLI:	Bank-owned life insurance	LIBOR:	London Interbank Offered Rate
Board ALCO:	Board of Directors' Asset/Liability Committee	LTIP:	Long-Term Performance Share Plan
CARES Act:	Coronavirus Aid, Relief, and Economic Security Act, issued by the Federal government in response to COVID-19 in March 2020	Management ALCO:	Management Asset/Liability Committee
CCTA:	Camden Capital Trust A, an unconsolidated entity formed by Camden National Corporation	MBS:	Mortgage-backed security
CD:	Certificate of deposits	MSPP:	Management Stock Purchase Plan
CECL:	Current Expected Credit Losses	N/A:	Not applicable
Company:	Camden National Corporation	N.M.:	Not meaningful
CMO:	Collateralized mortgage obligation	OCC:	Office of the Comptroller of the Currency
CUSIP:	Committee on Uniform Securities Identification Procedures	OCI:	Other comprehensive income (loss)
DCRP:	Defined Contribution Retirement Plan	OREO:	Other real estate owned
EPS:	Earnings per share	OTTI:	Other-than-temporary impairment
FASB:	Financial Accounting Standards Board	PD:	Probability of default
FDIC:	Federal Deposit Insurance Corporation	ROU:	Right-of-use
FHLB:	Federal Home Loan Bank	SBA:	U.S. Small Business Administration
FHLBB:	Federal Home Loan Bank of Boston	SBA PPP:	U.S. Small Business Administration Paycheck Protection Program
FHLMC:	Federal Home Loan Mortgage Corporation	SERP:	Supplemental executive retirement plans
FNMA:	Federal National Mortgage Association	TDR:	Troubled-debt restructured loan
FOMC:	Federal Open Market Committee	UBCT:	Union Bankshares Capital Trust I, an unconsolidated entity formed by Union Bankshares Company that was subsequently acquired by Camden National Corporation
FRB:	Federal Reserve System Board of Governors	U.S.:	United States of America

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 return on average tangible equity; the efficiency ratio; net interest income (fully-taxable equivalent); earnings before income taxes and provision; earnings before income taxes, provision, and SBA PPP loan income; total loans, excluding SBA PPP loans; ACL on loans to total loans, excluding SBA PPP loans; adjusted yield on interest-earning assets and adjusted net interest margin (fully-taxable equivalent); tangible book value per share; tangible common equity ratio; and core deposits and average core deposits. We utilize these non-GAAP financial measures for purposes of measuring our performance against our peer group and other financial institutions and analyzing our internal performance. We also believe these non-GAAP financial measures help investors better understand the Company's operating performance and trends and allow 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 core deposit intangible assets and other adjustments, as necessary, to (ii) average shareholders' equity, adjusted for average goodwill and core deposit intangible assets. This adjusted financial ratio reflects a shareholders' return on tangible capital deployed in our business and is a common performance measure within the financial services industry.

	For the Year Ended December 31,		
(In thousands)	**2021**	**2020**	**2019**
Net income, as presented	$ 69,014	$ 59,486	$ 57,203
Add: amortization of intangible assets, net of tax[1]	517	539	557
Net income, adjusted for amortization of intangible assets	$ 69,531	$ 60,025	$ 57,760
Average equity, as presented	$ 542,725	$ 503,624	$ 459,865
Less: average goodwill and other intangible assets	(97,211)	(97,880)	(98,570)
Average tangible equity	$ 445,514	$ 405,744	$ 361,295
Return on average equity	12.72 %	11.81 %	12.44 %
Return on average tangible equity	15.61 %	14.79 %	15.99 %

(1) Assumed a 21% income 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 used by financial institutions 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 to (ii) net interest income on a tax equivalent basis plus total non-interest income, adjusted for certain other income items, as necessary.

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Non-interest expense, as presented	$ 103,720	$ 99,983	$ 95,303
Less: legal settlement	—	(1,200)	—
Less: prepayment fees on borrowings	(514)	—	—
Adjusted non-interest expense	$ 103,206	$ 98,783	$ 95,303
Net interest income, as presented	$ 137,436	$ 136,307	$ 127,630
Add: effect of tax-exempt income[1]	988	1,155	1,029
Non-interest income, as presented	49,735	50,490	42,113
Add (Less): net loss (gain) on sale of securities	—	—	105
Adjusted net interest income plus non-interest income	$ 188,159	$ 187,952	$ 170,877
Ratio of non-interest expense to total revenues[2]	55.41 %	53.52 %	56.15 %
Efficiency ratio	54.85 %	52.56 %	55.77 %

(1) Reported on a tax-equivalent basis using a 21% income tax rate.

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

Net Interest Income (Fully-Taxable Equivalent). Net interest income on a fully-taxable equivalent basis 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 with the financial services industry and is used within the calculation of net interest margin on a fully-taxable equivalent basis.

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Net interest income, as presented	$ 137,436	$ 136,307	$ 127,630
Add: effect of tax-exempt income[1]	987	1,155	1,029
Net interest income, tax equivalent	$ 138,423	$ 137,462	$ 128,659

(1) Reported on a tax-equivalent basis using a 21% income tax rate.

Earnings before Income Taxes and Provision, and Earnings before Income Taxes, Provision and SBA PPP Loan Income. Earnings before income taxes and provision, and earnings before income taxes, provision and SBA PPP loan income are each a supplemental measure of operating earnings and performance. Earnings before income taxes and provision is calculated as net income before provision for credit losses and income tax expense, and earnings before income taxes, provision and SBA PPP loan income is calculated as net income before provision for credit losses, income tax expense and SBA PPP loan income. These supplemental measures have become more widely used by financial institutions as a measure of financial performance for comparability across financial institutions due to the impact of the COVID-19 pandemic on the provision for credit losses, as well as the origination of SBA PPP loans in response to the COVID-19 pandemic that are not a recurring and sustainable source of revenues for financial institutions.

(In thousands)	For the Year Ended December 31, 2021	2020	2019
Net income, as presented	$ 69,014	$ 59,486	$ 57,203
Add: income tax expense, as presented	17,627	14,910	14,376
Add: provision for credit losses, as presented	(3,190)	12,418	2,861
Earnings before income taxes and provision for credit losses	$ 83,451	$ 86,814	$ 74,440
Less: SBA PPP loan income	(8,170)	(7,750)	—
Earnings before income taxes, provision for credit losses and SBA PPP Loan income	$ 75,281	$ 79,064	$ 74,440

Adjusted Yield on Interest-Earning Assets. Adjusted yield on interest-earning assets normalizes the Company's reported yield on interest-earning assets for certain unusual, non-recurring items, including: (i) the impact of SBA PPP loans and (ii) excess cash/liquidity held by the Company, primarily due to Federal stimulus programs and changes in the FRB cash holding requirements for financial institutions both in response to COVID-19.

	For the Year Ended December 31, 2021	2020	2019
Yield on interest-earning assets, as presented	3.07 %	3.56 %	4.15 %
Less: effect of PPP loans on yield on interest-earning assets	(0.10)%	(0.06)%	— %
Add: effect of excess cash/liquidity on yield on interest-earning assets	0.13 %	0.09 %	0.01 %
Adjusted yield on interest-earning assets	3.10 %	3.59 %	4.16 %

Adjusted Net Interest Margin (Fully-Taxable Equivalent). Adjusted net interest margin on a fully-taxable equivalent basis normalizes the Company's reported net interest margin on a fully-taxable equivalent basis for certain unusual, non-recurring items, including: (i) the impact of PPP loans and (ii) excess cash/liquidity held by the Company, primarily due to Federal stimulus programs and changes in the FRB cash holding requirements for financial institutions both in response to COVID-19.

	For the Year Ended December 31, 2021	2020	2019
Net interest margin (fully-taxable equivalent), as presented	2.84 %	3.09 %	3.15 %
Less: effect of PPP loans on net interest margin (fully-taxable equivalent)	(0.10)%	(0.07)%	— %
Add: effect of excess cash/liquidity on net interest margin (fully-taxable equivalent)	0.13 %	0.08 %	0.01 %
Adjusted net interest margin (fully-taxable equivalent)	2.87 %	3.10 %	3.16 %

Total Loans, excluding SBA PPP Loans. Total loans, excluding SBA PPP loans is used by management to measure the Company's core loan portfolio. The Company calculates total loans, excluding SBA PPP loans as total loans (as reported on the consolidated statements of condition) less SBA PPP loans.

Allowance for Credit Losses ("ACL") on Loans to Total Loans, excluding SBA PPP Loans. ACL on loans to total loans, excluding SBA PPP loans, is calculated as (i) ACL on loans, adjusted for the ACL allocated to SBA PPP loans, to (ii) total loans, adjusted to exclude SBA PPP loans. SBA PPP loans were provided to qualifying businesses as part of the federal government stimulus package issued in response to the COVID-19 pandemic. These loans are fully-guaranteed by the SBA, and may even be forgiven in full or in part, and, thus, present little to no credit risk to the Company. By excluding the impact of the SBA PPP loans, the ratio attempts to be more comparable with prior periods and demonstrates the level of loan loss reserves established on the Company's loans originated as part of its core operations and credit underwriting standards.

(In thousands)	December 31, 2021	December 31, 2020
Total Loans, excluding SBA PPP Loans:		
Total loans, as presented	$ 3,431,474	$ 3,219,822
Less: SBA PPP loans	(35,953)	(135,095)
Total loans, excluding SBA PPP loans	$ 3,395,521	$ 3,084,727
ACL on Loans to Total Loans, excluding SBA PPP Loans:		
ACL on loans, as presented	$ 33,256	$ 37,865
Less: ACL on loans allocated to SBA PPP loans	(18)	(69)
Adjusted ACL on loans	$ 33,238	$ 37,796
ACL on loans to total loans	0.97%	1.18%
ACL on loans to total loans, excluding SBA PPP loans	0.98%	1.23%

Tangible Book Value per Share and Tangible Common Equity Ratio. Tangible book value per share is the ratio of (i) shareholders' equity less goodwill, premium on deposits and other acquisition-related intangibles to (ii) total common shares outstanding at period end. Tangible book value per share is a common measure within our industry when assessing the value of a company as it removes goodwill and other intangible assets generated within purchase accounting upon a business combination.

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 our industry to assess whether or not a company is highly leveraged.

(In thousands, except number of shares and per share data)	December 31, 2021	December 31, 2020
Tangible Book Value Per Share:		
Shareholders' equity, as presented	$ 541,294	$ 529,314
Less: goodwill and other intangible assets	(96,885)	(97,540)
Tangible shareholders' equity	$ 444,409	$ 431,774
Shares outstanding at period end	14,739,956	14,909,097
Book value per share	$ 36.72	$ 35.50
Tangible book value per share	$ 30.15	$ 28.96
Tangible Common Equity Ratio:		
Total assets	$ 5,500,356	$ 4,898,745
Less: goodwill and other intangibles	(96,885)	(97,540)
Tangible assets	$ 5,403,471	$ 4,801,205
Common equity ratio	9.84 %	10.81 %
Tangible common equity ratio	8.22 %	8.99 %

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)	December 31, 2021	December 31, 2020
Total deposits	$ 4,608,889	$ 4,005,244
Less: certificates of deposit	(309,648)	(357,666)
Less: brokered deposits	(208,468)	(283,567)
Core deposits	$ 4,090,773	$ 3,364,011

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 table) less certificates of deposit. Management believes core deposits is a useful measure to assess the Company's deposit base, including its potential volatility.

	For the Year Ended December 31,		
(In thousands)	**2021**	**2020**	**2019**
Total average deposits	$ 4,096,411	$ 3,666,444	$ 3,233,560
Less: certificates of deposit	(333,352)	(454,750)	(506,971)
Average core deposits	$ 3,763,059	$ 3,211,694	$ 2,726,589

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 our 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 ACL, including the ACL on loans, off-balance sheet credit exposures and investments; (ii) accounting for acquisitions and the subsequent review of goodwill and intangible assets generated in an acquisition for impairment; (iii) income taxes; and (iv) accounting for defined benefit and postretirement plans.

Refer to Note 1 of the consolidated financial statements for additional details of the Company's accounting policies, including new accounting standards recently adopted.

Allowance for Credit Losses ("ACL"). Effective January 1, 2020, but applied to reporting periods on or after October 1, 2020, the Company adopted the new accounting standard for credit losses, ASU No. 2016-13*, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended ("ASU 2016-13). This new accounting standard, commonly referred to as "CECL," significantly changed our methodology for accounting for reserves on loans, unfunded off-balance sheet credit exposures, including certain unfunded loan commitments and standby guarantees, as well as introduced the consideration for an allowance on HTM debt investments. ASU 2016-13 replaced the "incurred loss" methodology used to establish an allowance on loans and off-balance sheet credit exposures, with an "expected loss" approach. Under CECL, the ACL at each reporting period serves as our best estimate of projected credit losses over the contractual life of certain assets, adjusted for expected prepayments, given an expectation of economic conditions and forecasts as of the valuation date.

The recorded ACL on loans and HTM debt investments is determined based on the amortized cost basis of the assets and may be determined at various levels, including homogeneous loan pools, individual credits with unique risk factors, and CUSIP. We have elected to use a discounted cash flow approach to calculate the ACL for each loan segment. Within the discounted cash flow model, a probability of default ("PD") and loss given default ("LGD") assumption is applied to calculate the expected loss for each loan segment. PD is the probability the asset will default within a given timeframe and LGD is the percentage of the assets not expected to be collected due to default. PD and LGD data may be derived using (1) internal historical default and loss experience, as well as from (2) external data there are not statistically meaningful loss events or internal loss data does not span a full economic cycle for a given loan segment.

CECL may create more volatility in our ACL, particularly our ACL on loans and ACL on off-balance sheet credit exposures. Under CECL, our ACL may increase or decrease period-to-period based on many factors, including, but not limited to: (i) macroeconomic forecasts and conditions; (ii) a change in the forecast period; (iii) a change in the reversion speed; (iv) a change in the prepayment speed assumption; (v) an increase or decrease in loan balances, including a changes in loan portfolio mix; (vi) credit quality of the loan portfolio; and (vii) various qualitative factors outlined in ASU 2016-13.

ASU 2016-13 also changed our methodology and accounting for credit losses within our investment portfolio designated as AFS. To the extent the fair value of a security designated as AFS is less than its amortized cost and we either (i) intend to sell the security or (ii) it is more-likely-than-not we will be required to sell the security before recovery of its amortized cost basis, then the investment is permanently impaired and the amortized cost basis is written down to fair value and a corresponding impairment charge is recorded within the consolidated statements of income. If neither of the above is true, but the fair value of the investment is below its amortized cost basis at the reporting date, then an allowance is established on the AFS investment for the portion of the impairment that is due to credit reasons (e.g. credit rating downgrades, past due receivables, and/or other macro- or micro-adverse trends). The allowance established on an AFS investment due to credit losses is limited to the amount the fair value of the investment is below its amortized cost basis as of the reporting date. If the fair value of the investment is below its amortized cost basis for non-credit-related reasons (e.g. interest rate environment), then the impairment continues to be recognized within shareholders' equity through AOCI, as it did prior to the adoption of ASU 2016-13.

ACL on Loans. We consider the ACL on loans to be a critical accounting policy given the uncertainty in evaluating the allowance required to cover management's estimate of all expected credit losses over the expected contractual life of the loans in its portfolio. Determining the appropriateness of the allowance is a key management function that requires significant judgment and estimate by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the current loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance in future periods. While our current evaluation indicates that the ACL at December 31, 2021 and 2020 was appropriate, the allowance may need to be increased under adversely different conditions or assumptions.

The significant key assumptions used with the ACL calculation at December 31, 2021 using the CECL methodology, included:

- *Macroeconomic factors (loss drivers):* Macroeconomic factors are used within our discounted cash flow model to forecast the PD over the forecast period. As macroeconomic factor condition worsen, the PD increases, and the corresponding LGD increases, resulting in an increase in the ACL. We monitor and assess Maine unemployment, changes in Maine GDP, changes in National GDP, and changes in Maine's Housing Price Index at least annually to determine if these macroeconomic factors continue to be the most predictive indicator of losses within our loan portfolio. Macroeconomic factors used in the calculation of the ACL may change from time to time. In the fourth quarter of 2021, the Company reassessed its macroeconomic factors and, as a result, is no longer considering the changes in Maine's Retail Sales in the calculation of the ACL as of December 31, 2021.
- *Forecast Period and Reversion speed:* ASU 2016-13 requires a company to use a reasonable and supportable forecast period in developing the ACL, which represents the time period that management believes it can reasonably forecast the identified loss drivers. Generally, the forecast period management believes to be reasonable and supportable is set annually and validated through an assessment of economic leading indicators. In periods of greater volatility and uncertainty, such as that seen across the global markets and economies, including the U.S., throughout 2021 and 2020 largely due to the ongoing COVID-19 pandemic, we are likely to use a shorter forecast period, whereas when markets, economies and various other factors are considered more stable and certain, we are likely to use a longer forecast period. Also, in times of greater uncertainty, we may consider a range of possible forecasts and evaluate the probability of each scenario. Generally, we expect our forecast period to range from one to three years. Once the reasonable and supportable forecast period is determined, ASU 2016-13 requires a company to revert its loss expectations to the long-run historical mean for the remainder of the contract life of the asset, adjusted for prepayments. In determining the length of time over which the reversion will take place (*i.e.* "reversion speed"), we consider such factors such as, but not limited to, historical loan loss experience over previous economic cycles, as well as where we believe we are within the current economic cycle.

  At December 31, 2021 and 2020, we used a one-year forecast period and one-year reversion period for each loan segment.
- *Prepayment speeds:* Prepayment speeds are determined for each loan segment utilizing our own historical loan data, as well as consideration of current environmental factors. The prepayment speed assumption is utilized with the discounted cash flow model (*i.e.* the CECL model) to forecast expected cash flows over the contractual life of the loan, adjusted for expected prepayments. A higher prepayment speed assumption will drive a lower ACL, and vice versa.
- *Qualitative factors:* As within previous accounting guidance used for the "incurred loss" model, ASU 2016-13 requires companies to consider various qualitative factors that may impact expected credit losses. We continue to consider qualitative factors in determining and arriving at our ACL each reporting period.

As of December 31, 2021 and 2020, the recorded ACL was $33.3 million and $37.9 million, respectively, and represented our best estimate of expected credit losses within our loan portfolio as of each date. However, we may adjust our assumptions to account for differences between expected and actual losses from period to period. A future change of our assumptions will likely alter the level of allowance required and may have a material impact on future results of operations and financial condition. The ACL is reviewed periodically within a calendar quarter to assess trends in the aforementioned key assumptions as well as asset quality within our loan portfolio, and we consider the impact of these trends on the ACL and the Company's financial condition, if any. The ACL is reviewed and approved on a quarterly basis by the Company's Audit Committee, and later reviewed and ratified by the Bank's Board of Directors.

Refer to "—Results of Operations—Provision for Credit Losses," "—Financial Condition—Asset Quality," and Note 3 of the consolidated financial statements for further discussion.

ACL on Off-Balance Sheet Credit Exposures. We consider the ACL on off-balance sheet credit exposures to be a critical accounting policy given the uncertainty in evaluating the level of the allowance required to cover management's estimate of all expected credit losses on expected future loan fundings of, primarily, unfunded loan commitments for those that are not unconditionally cancellable by the Company. The expected credit loss factors for each loan segment calculated using the ACL on loans methodology described above, as well as within Note 1 of the consolidated financial statements, is used to calculate the ACL on off-balance sheet credit exposures for each applicable loan segment, and, thus, are subject to the same level of estimation risk and volatility previously described. In addition, one other key assumption is used to derive the ACL on off-balance sheet credit exposures and that is the expected funding rate. The expected funding rate is derived using historical loan-level data for credit line usage, and is applied to total off-balance sheet credit exposures at each reporting date, excluding any

that are unconditionally cancellable by the Company, to determine the expected funding amount. As unfunded loan commitments are funded, the allowance migrates from that provided for off-balance sheet credit exposures to the ACL on loans. If the expected funding rate or any other key assumption used is not reasonable, then this could have an adverse impact on the total ACL upon funding.

As of December 31, 2021 and 2020, the recorded ACL on off-balance sheet credit exposures was $3.2 million and $2.6 million, respectively, and presented within accrued interest and other liabilities on the consolidated statements of condition. Increases (decreases) to the allowance are presented within provision (credit) for credit losses on the consolidated statements of income. The allowance at December 31, 2021 and 2020, represented our best estimate, however, we may adjust our assumptions to account for differences between expected and actual losses from period to period. A future change to our assumptions will likely alter the level of allowance required and may have a material impact on future results of operations and financial condition. The ACL on off-balance sheet credit exposures is approved on a quarterly basis by the Company's Audit Committee, and later reviewed and ratified by the Bank's Board of Directors.

Refer to "—Results of Operations—Provision for Credit Losses," "—Financial Condition—Asset Quality," and Note 3 and 11 of the consolidated financial statements for further discussion.

ACL for HTM Debt Securities. The estimate of expected credit losses on our HTM investment portfolio is based on the expected cash flows of each individual CUSIP over its contractual life and considers historical credit loss information, current conditions and reasonable and supportable forecasts. Given the rarity of municipal defaults and losses, we utilize external third party loss forecast models as the sole source of municipal default and loss rates. Investment cash flows are modeled over a reasonable and supportable forecast period and then revert to the long-term average economic conditions on a straight line basis (similar to that of our ACL on loans policy). Management may exercise discretion to make adjustments based on various environmental factors.

At December 31, 2021 and 2020, the Company held three securities in its HTM portfolio with an amortized cost basis of $1.3 million and no allowance was carried given the immaterial nature of such securities. These investments are all investment-grade municipal securities and two of the three securities also carried credit enhancements. Should our HTM portfolio grow in size, change its mix and/or experience credit deterioration, an allowance may be recorded at that time.

Prior to 2020, the Company evaluated its HTM portfolio for OTTI. The Company did not record any OTTI for the year ended 2019.

Refer to "—Financial Condition—Investments" and Note 2 of the consolidated financial statements for further discussion.

ACL on AFS Debt Securities. We consider the ACL on AFS debt securities to be a critical accounting policy given the size of the investment portfolio and level of estimation used to determine the allowance, as appropriate. As of December 31, 2021 and 2020, the Company's AFS portfolio is entirely made up of assets that are fair valued using level 2 valuation techniques in accordance with ASC 820, *Fair Value Measurement*. We engage a third party pricing agency to assist with the valuation of such debt securities and the assets are carried at fair value at each reporting period. An allowance is recorded on an AFS debt security to the extent an event has occurred that suggests receipt of full contractual payments are at risk. When such an event has been identified, a discounted cash flow model is used to determine the expected losses due to credit risk, and an allowance is recorded to reduce the carrying value of the debt security by the calculated expected loss amount, limited to the amount by which the fair value of the debt security is below its amortized cost basis.

As further described within "—Financial Condition—Investments," the Company's AFS portfolio, as of December 31, 2021 and 2020, was primarily consisted of plain-vanilla MBS and CMO debt securities issued or guaranteed by U.S. government-sponsored agencies, and, thus, presenting little to no credit risk. As of December 31, 2021 and 2020, the Company had not identified indications of credit risk and did not carry any allowance for credit losses on its AFS portfolio, nor did it record any permanent impairments during 2021 or 2020.

Prior to 2020, the Company evaluated its AFS portfolio for OTTI. The Company did not record any OTTI for the year ended 2019.

Refer to "—Financial Condition—Investments" and Note 2 of the consolidated financial statements for further discussion.

Purchase Price Allocation and Impairment of Goodwill and Identifiable Intangible Assets. We record all acquired assets and liabilities at fair value, which is an estimate determined by the use of internal valuation techniques. We also may engage external valuation services to assist with the valuation of material assets and liabilities acquired, including, but not limited to,

loans, core deposit intangibles and/or other intangible assets, real estate and time deposits. As part of purchase accounting, we typically acquire goodwill and other intangible assets as part of the purchase price. These assets are subject to ongoing periodic impairment tests under differing accounting models. We did not acquire any other company or assets during 2021 or 2020.

Goodwill impairment evaluations are required to be performed at least annually, but may be required more frequently if certain conditions indicate a potential impairment may exist. Our policy is to perform the goodwill impairment analysis annually as of November 30th, or more frequently as warranted. The goodwill impairment evaluation is required to be performed at the reporting unit level. Effective January 1, 2020, accounting guidance no longer requires a company to determine the implied fair value of goodwill to measure impairment. Instead, goodwill is now impaired by the amount the book value of the reporting unit exceeds its fair value, and an impairment charge is recorded for the lesser of this amount or the amount to write-down goodwill to zero.

We may use a qualitative analysis to evaluate goodwill for impairment when it is believed that it is not more-likely-than-not that the fair value of the reporting unit is below its book value, or if a quantitative analysis was recently used to estimate the fair value of the reporting unit, and there are not any indications of events that would suggest such conclusions for impairment have changed. We performed our annual goodwill impairment assessment as of November 30, 2021 and 2020, using a qualitative analysis and concluded that it was not more-likely-than-not that goodwill was impaired. Furthermore, we performed an interim goodwill impairment assessment in the second quarter of 2020, in response to the turmoil in the global markets and economy spurred by COVID-19, including its impact on the Company's share price. At that time, a quantitative analysis, using various valuation techniques, including a discounted cash flow model and market valuation models, was used to assess the Company's goodwill for impairment. The Company did not recognize any impairment of goodwill in 2021 or 2020.

The Company's core deposit intangible assets have a finite life and are amortized over their estimated useful lives. Core deposit intangible assets are subject to impairment tests if events or circumstances indicate a possible inability to realize the carrying amount. Core deposit intangible assets are measured for impairment utilizing a cost recovery model. We did not identify any events or circumstances that occurred in 2021 or 2020 that would indicate that our core deposit intangible assets may be impaired and should be evaluated for such.

Refer to “—Financial Condition—Goodwill and Core Deposit Intangible Assets” and Note 4 of the consolidated financial statements for further discussion.

Income Taxes. We account for income taxes by deferring income taxes based on the estimated future tax effects of differences between the book and tax bases of assets and liabilities, considering the provisions of enacted tax laws. These differences result in deferred tax assets and liabilities, which are included in the consolidated statements of condition.

We must also assess the likelihood that any deferred tax assets will be recovered from future taxable income and establish a valuation allowance for those assets determined not likely to be recoverable. At December 31, 2021 and 2020, the Company carried deferred tax assets totaling $19.2 million and $12.0 million, respectively, and did not record any valuation allowance on these deferred tax assets. Although we determined a valuation allowance was not required for our deferred tax assets as of December 31, 2021 and 2020, there is no guarantee that these assets will be realized. To the extent a valuation allowance on the Company's deferred tax assets is recorded in future periods, a material charge to the Company's consolidated statements of income may result and reduce net income.

Judgment is required in determining the amount and timing of recognition of the resulting deferred tax assets and liabilities, including projections of future taxable income.

As of December 31, 2021, our federal and state income tax returns for 2020, 2019 and 2018 were open to audit by federal and various state authorities. If, as a result of an audit, we were to be assessed interest and penalties, the amounts would be recorded through other non-interest expense on the consolidated statements of income.

Refer to “—Results of Operations—Income Tax Expense” and Note 19 of the consolidated financial statements for further discussion.

Defined Benefit and Postretirement Plans. We use a December 31st measurement date to determine the expenses for the Company's defined benefit and postretirement plans and related financial disclosure information. Postretirement plan expense is sensitive to changes in the number of eligible employees, changes in the discount rate, mortality rate, and other expected rates, such as medical cost trends rates and salary scale assumptions. There are no new entrants to the Company's defined benefit and postretirement plans.

Refer to Note 18 of the consolidated financial statements for further discussion.

EXECUTIVE OVERVIEW

2021 Overview. The Company reported record net income and diluted EPS for the year ended 2021 of $69.0 million and $4.60, respectively, in the face of continued challenges stemming from the COVID-19 pandemic. Interest rates remained at record low-levels throughout 2021, and the impact was seen by the Company, and more broadly across the industry, as our net interest margin compressed 25 basis points during the year to 2.84%. Like 2020, the record-setting residential mortgage activity spurred by the low interest rate environment carried forward throughout 2021 and we broke our previous residential mortgage originations record set in 2020. For the year ended 2021, we originated $1.1 billion in residential mortgages, an increase of 5% over 2020.

At the onset of the COVID-19 pandemic in 2020, our greatest concern (like many others across the industry) was credit risk. We proactively worked with our loan customers to provide temporary debt relief using the terms provided for under the CARES Act. In doing so, by mid-year 2020, we had granted temporary debt relief to many of our commercial and retail customers totaling over $600 million of loans. By December 31, 2020, this balance was reduced to $26.5 million (less than 1% of our loan portfolio), and, as of December 31, 2021, all of these loans had returned to contractual payment status. Our overall asset quality throughout the COVID-19 pandemic has remained very strong, highlighted by non-performing assets of 0.13% of total loans at December 31, 2021, compared to 0.22% at December 31, 2020; net charge-offs of 0.02% of average loans for the year ended December 31, 2021 and 2020; and loans 30-89 days past due of 0.04% of total loans at December 31, 2021, compared to 0.10% at December 31, 2021. Due to the strength of our loan portfolio, and improving macroeconomic conditions, our ACL on loans decreased from 1.18% of total loans at December 31, 2020 to 0.97% of total loans at December 31, 2021.

Our balance sheet continues to be a source of strength for the Company and enables us not only to be well-positioned to withstand the turbulent and volatile markets we have faced the last two years, but also positions us to capitalize on efficient organic growth moving forward.

- All of our regulatory capital ratios for the Company and Bank were well in excess of regulatory capital requirements at December 31, 2021, and our common equity ratio was 9.84% and tangible common equity ratio (non-GAAP) was 8.22% at December 31, 2021.
- Another solid year of deposit growth of 15% during 2021 resulted in a loan-to-deposit ratio of 74% at December 31, 2021, well below our historical norm.
- Our ACL to loans ratio of 0.97% at December 31, 2021 continues to be at an elevated-level compared to that seen pre-pandemic (0.81% at December 31, 2019).

During 2021, through the combination of cash dividends and share repurchases, the Company returned $31.2 million of capital to shareholders, which included the repurchase of 217,931 shares of its common stock at a weighted average price of $46.25 and cash dividends to shareholders of $1.48 per share, a 12% increase over 2020.

As we enter 2022, the FOMC has signaled its intent to raise short-term interest rates in an effort to combat inflation. The Company's interest rate risk position is asset sensitive, and should the FOMC increase short-term interest rates we expect that the Company's net interest margin and net interest income are likely to increase. However, we are cautious that if the yield curve should flatten, or worse invert, this could have a negative impact on overall market growth and on customer loan demand.

Operating Results. Net income for the year ended 2021 was $69.0 million, representing an increase of $9.5 million, or 16%, over 2020. Earnings before incomes taxes and provision for credit losses (non-GAAP) for the year ended 2021 was $83.5million, representing a decrease of $3.4 million, or 4%, compared to 2020.

The key drivers of the increase in net income between periods include:

- An increase in net interest income of $1.1 million, or 1%, driven by a lower interest expense of $9.8 million, more than offsetting the decrease in interest income of $8.7 million.
- A decrease in provision for credit losses of $15.6 million. For the year ended 2020, the Company reported provision expense of $12.4 million as it built-up its ACL in response to the onset of the COVID-19 pandemic. For the year ended 2021, the Company reported negative provision expense (or a credit) of $3.2 million as it released a portion of its ACL established in 2020 as markets improved and credit quality deterioration did not occur.
- A decrease in non-interest income of $755,000, or 1%, driven by lower mortgage banking income of $4.8 million, or 26%, as we shifted our strategy to hold more residential mortgages in our loan portfolio to manage our liquidity and interest rate risk position, partially offset by higher debit card income of $2.7 million, or 26%.

- An increase in non-interest expense of $3.7 million, or 4%, primarily driven by higher salaries and employee benefits costs of $3.1 million, or 5%. Our ratio of non-interest expense to total revenue[1] was 55.41% for 2021, compared to 53.52% for 2020, or on a non-GAAP-basis our efficiency ratio was 54.85% and 52.56% for the same periods, respectively.

Other key financial metrics between years included:

- Diluted EPS for the year ended 2021 was $4.60, an increase of $0.65, or 16%, over 2020.
- Return on average assets for the year ended 2021 was 1.31%, compared to 1.23% for 2020.
- Return on average equity for the year ended 2021 was 12.72%, compared to 11.81% for 2020.
- Return on average tangible equity (non-GAAP) for the year ended 2021 was 15.61%, compared to 14.79% for 2020.

[1] Revenue is the sum of net interest income and non-interest income.

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 fair value marks on loans and/or time deposits created in purchase accounting, less the interest paid on interest-bearing deposits and borrowings. Net interest income, which is our largest source of revenue, accounted for 73% of total revenues for both years ended 2021 and 2020. Net interest income is affected by factors including, but not limited to, changes in interest rates, loan and deposit pricing strategies and competitive conditions, loan prepayment speeds, the volume and mix of interest-earning assets and interest-bearing liabilities, and the level of non-performing assets.

Net Interest Income. Net interest income on a fully-taxable equivalent basis for the year ended 2021 was $138.4 million, an increase of $962,000, or 1%, over 2020. The increase was driven by a $9.8 million decrease in interest expense between periods that more than offset the decrease in interest income on a fully-taxable equivalent basis of $8.9 million between periods.

- The decrease in interest expense was the result of a 25 basis point decrease in our average cost of funds and strong average deposits growth of $430.0 million, or 12%, during 2021. In 2021, our funding costs benefited from a full year of record lower interest rates as the FOMC held the Federal Funding Rate at 0.00%-0.25% for all of 2021, having lowered it in early-2020 in response to the COVID-19 pandemic. In addition, our favorable deposit growth during 2021 led to a strong overall liquidity position, and allowed us to take actions to manage funding costs to help minimize the impact of lower interest-earning asset yields, including: (1) a decrease in average CD balances of $121.4 million, (2) the early termination of a $25.0 million long-term borrowing contract during the first quarter of 2021, and (3) the full redemption of the Company's $15.0 million subordinated notes during the second quarter of 2021, at par plus accrued interest.
- The decrease in interest income on a fully-taxable equivalent basis was the result of a 49 basis point decrease in our yield on average interest-earning assets during 2021, again, driven by the lower interest rate environment, but was partially offset by average interest-earning asset growth of $426.0 million, or 10%. Average investment balances for 2021 increased $308.9 million, or 31%, compared to 2020 and average loan balances for 2021 grew $27.9 million, compared to 2020. We increased our investment holdings during 2021 to manage the Company's excess liquidity that was driven by its strong deposits growth during 2021. The Company's loan growth was primarily within its commercial real estate loan portfolio and residential real estate loan portfolio, which increased 8% and 7%, respectively.

Net Interest Margin. Net interest margin is calculated as net interest income on a fully-taxable equivalent basis as a percentage of average interest-earning assets. Our net interest margin on a fully-taxable equivalent basis for 2021 and 2020 was 2.84% and 3.09%, respectively, and our adjusted net interest margin on a fully-taxable equivalent basis (non-GAAP) for the year ended 2021 was 2.87%, compared to 3.10% for 2020.

The following table presents, for the periods noted, average balances, interest income, interest expense, and the corresponding average yields earned and rates paid, as well as net interest income, net interest rate spread and net interest margin:

	Average Balance, Interest and Yield/Rate Analysis								
	For the Year Ended December 31,								
	2021			2020			2019		
(Dollars in thousands)	Average Balance[1]	Interest	Yield/ Rate	Average Balance[1]	Interest	Yield/ Rate	Average Balance[1]	Interest	Yield/ Rate
ASSETS									
Interest-earning assets:									
Interest-bearing deposits in other banks and other interest-earning assets	$ 268,879	$ 322	0.12 %	$ 179,718	$ 343	0.19 %	$ 67,288	$ 1,435	2.13 %
Investments – taxable	1,189,895	19,724	1.66 %	874,823	19,604	2.24 %	825,674	20,982	2.54 %
Investments – nontaxable[2]	115,169	3,798	3.30 %	121,302	4,117	3.39 %	99,024	3,419	3.45 %
Loans[3]:									
Commercial real estate	1,412,884	51,488	3.64 %	1,310,160	51,403	3.92 %	1,260,412	58,677	4.66 %
Commercial[2]	330,919	12,159	3.67 %	381,087	15,147	3.97 %	390,689	18,285	4.68 %
SBA PPP	118,414	8,170	6.90 %	146,918	7,750	5.28 %	—	—	— %
Municipal[2]	20,529	691	3.37 %	19,073	679	3.56 %	19,181	688	3.59 %
HPFC	9,808	800	8.15 %	17,000	1,399	8.23 %	27,502	2,213	8.05 %
Residential real estate	1,156,698	41,792	3.61 %	1,085,064	43,927	4.05 %	1,045,668	45,291	4.33 %
Consumer and home equity	250,061	10,528	4.21 %	312,076	13,986	4.48 %	346,769	18,557	5.35 %
Total loans	3,299,313	125,628	3.81 %	3,271,378	134,291	4.11 %	3,090,221	143,711	4.65 %
Total interest-earning assets	4,873,256	149,472	3.07 %	4,447,221	158,355	3.56 %	4,082,207	169,547	4.15 %
Cash and due from banks	51,983			48,479			43,906		
Other assets	364,740			381,204			309,925		
Less: ACL	(34,433)			(31,459)			(25,530)		
Total assets	$ 5,255,546			$ 4,845,445			$ 4,410,508		
LIABILITIES & SHAREHOLDERS' EQUITY									
Deposits:									
Non-interest checking	$ 1,083,357	$ —	— %	$ 684,539	$ —	— %	$ 519,078	$ —	— %
Interest checking	1,297,695	2,512	0.19 %	1,289,501	4,553	0.35 %	1,123,268	10,456	0.93 %
Savings	675,533	277	0.04 %	536,014	303	0.06 %	476,860	387	0.08 %
Money market	706,474	2,075	0.29 %	701,640	3,477	0.50 %	607,383	7,541	1.24 %
Certificates of deposit	333,352	1,782	0.53 %	454,750	5,759	1.27 %	506,971	7,967	1.57 %
Total deposits	4,096,411	6,646	0.16 %	3,666,444	14,092	0.38 %	3,233,560	26,351	0.81 %
Borrowings:									
Brokered deposits	282,399	1,274	0.45 %	242,951	1,452	0.60 %	316,475	7,650	2.42 %
Customer repurchase agreements	185,246	570	0.31 %	205,890	1,314	0.64 %	241,899	3,023	1.25 %
Subordinated debentures	48,605	2,523	5.19 %	59,228	3,512	5.93 %	59,007	3,266	5.54 %
Other borrowings	3,562	35	0.99 %	58,601	523	0.89 %	29,132	598	2.05 %
Total borrowings	519,812	4,402	0.85 %	566,670	6,801	1.20 %	646,513	14,537	2.25 %
Total funding liabilities	4,616,223	11,048	0.24 %	4,233,114	20,893	0.49 %	3,880,073	40,888	1.05 %
Other liabilities	96,598			108,707			70,570		
Shareholders' equity	542,725			503,624			459,865		
Total liabilities & shareholders' equity	$ 5,255,546			$ 4,845,445			$ 4,410,508		
Net interest income (fully-taxable equivalent)		138,424			137,462			128,659	
Less: fully-taxable equivalent adjustment		(988)			(1,155)			(1,029)	
Net interest income		$ 137,436			$ 136,307			$ 127,630	
Net interest rate spread (fully-taxable equivalent)			2.83 %			3.07 %			3.10 %
Net interest margin (fully-taxable equivalent)			2.84 %			3.09 %			3.15 %
Adjusted net interest margin (fully-taxable equivalent) (non-GAAP)			2.87 %			3.10 %			3.16 %

(1) Reported average balances are calculated on a daily basis.

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

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

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 year's rate), (b) changes in rates (change in rate multiplied prior year'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 Year Ended December 31, 2021 vs. December 31, 2020			For the Year Ended December 31, 2020 vs. December 31, 2019		
	Increase (Decrease) Due to:		Net Increase (Decrease)	Increase (Decrease) Due to:		Net Increase (Decrease)
(In thousands)	Volume	Rate		Volume	Rate	
Interest-earning assets:						
Interest-bearing deposits in other banks and other interest-earning assets	$ 169	$ (190)	$ (21)	$ 2,395	$ (3,487)	$ (1,092)
Investments – taxable	7,058	(6,938)	120	1,248	(2,626)	(1,378)
Investments – nontaxable	(208)	(111)	(319)	769	(71)	698
Commercial real estate	4,027	(3,942)	85	2,318	(9,592)	(7,274)
Commercial	(1,992)	(996)	(2,988)	(449)	(2,689)	(3,138)
SBA PPP	(1,505)	1,925	420	7,750	—	7,750
Municipal	52	(40)	12	(4)	(5)	(9)
HPFC	(592)	(7)	(599)	(845)	31	(814)
Residential real estate	2,901	(5,036)	(2,135)	1,706	(3,070)	(1,364)
Consumer and home equity	(2,778)	(680)	(3,458)	(1,856)	(2,715)	(4,571)
Total interest income	7,132	(16,015)	(8,883)	13,032	(24,224)	(11,192)
Interest-bearing liabilities:						
Interest checking	29	(2,070)	(2,041)	1,546	(7,449)	(5,903)
Savings	84	(110)	(26)	47	(131)	(84)
Money market	24	(1,426)	(1,402)	1,169	(5,233)	(4,064)
Certificates of deposit	(1,542)	(2,435)	(3,977)	(820)	(1,388)	(2,208)
Brokered deposits	237	(415)	(178)	(1,779)	(4,419)	(6,198)
Customer repurchase agreements	(132)	(612)	(744)	(450)	(1,259)	(1,709)
Subordinated debentures	(630)	(359)	(989)	12	234	246
Other borrowings	(490)	2	(488)	604	(679)	(75)
Total interest expense	(2,420)	(7,425)	(9,845)	329	(20,324)	(19,995)
Net interest income (fully-taxable equivalent)	$ 9,552	$ (8,590)	$ 962	$ 12,703	$ (3,900)	$ 8,803

Net interest income included the following for the periods indicated:

(In thousands)	Income Statement Location	For the Year Ended December 31, 2021	2020	2019
Loan fees (cost)[1]	Interest income	$ 7,156	$ 5,648	$ (923)
Net fair value mark accretion from purchase accounting	Interest income and Interest expense	689	1,220	1,348
Recoveries on previously charged-off acquired loans	Interest income	226	258	216
Total		**$ 8,071**	**$ 7,126**	**$ 641**

(1) For the year ended 2021 and 2020, the Company recognized $6.9 million and $6.2 million of fees associated with SBA PPP loan originations. As of December 31, 2021, there were $1.2 million of SBA PPP loan origination fees yet to be recognized.

The Company's consolidated financial statements and the notes to the consolidated financial statements presented within have been prepared in accordance with GAAP, which requires the measurement of the financial position and operating results in terms of historical dollars and, in some cases, current fair values without considering changes in the relative purchasing power of money over time due to inflation. Unlike many industrial companies, substantially all of our assets and virtually all of our liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the general level of inflation. Over short periods of time, interest rates and the yield curve may not necessarily move in the same direction or in the same magnitude as inflation.

As of the date of this Annual Report on Form 10-K, the FOMC has signaled that there could be multiple short-term interest rate hikes during 2022 in an effort to curb inflationary pressures. The Company's interest rate risk position as of December 31, 2021 is asset sensitive, and if the FOMC increases the Federal Funding Rate one or more times during 2022 it is our expectation that net interest income is likely to increase as variable rate loans and deposits reprice, and new loans indexed to short-term interest rates are originated at higher yields.

Provision for Credit Losses

The Company adopted ASU 2016-13, commonly referred to as “CECL,” to account for the ACL, effective January 1, 2020. As such, ACL and provision for credit losses as of and for the years ended December 31, 2021 and 2020 were accounted for in accordance with the CECL standard. The ACL and provision for credit losses as of and for the year ended December 31, 2019 were accounted for under the incurred loss methodology. Refer to “—Critical Accounting Policies” and Note 1 of the consolidated financial statements for the Company's accounting and policies for the ACL.

The provision for credit losses was made up of the following components for the periods indicated:

	For the Year Ended December 31,			Change from 2021 to 2020	
	2021	2020	2019	$	%
	(CECL)	*(CECL)*	*(Incurred Loss)*		
(Credit) provision for loan losses	$ (3,817)	$ 13,215	$ 2,862	$ (17,032)	(129) %
Provision (credit) for credit losses on off-balance sheet credit exposures	627	(797)	(1)	1,424	N.M.
Provision for credit losses	**$ (3,190)**	**$ 12,418**	**$ 2,861**	**$ (15,608)**	**(126)%**

Provision for loan losses. At the onset of the COVID-19 pandemic in 2020, we increased the Company's ACL on loans to account for the adverse impact the COVID-19 pandemic was anticipated to have on its loan portfolio, based on the various macroeconomic data trends and various qualitative considerations. For the year ended 2020, we recorded $13.2 million of provision expense to carry the ACL on loans at $37.9 million, or 1.18% of total loans, as of December 31, 2020. In 2021, we recorded a credit for loan losses of $3.8 million, which reflects (1) the shift in the macroeconomic conditions and outlook in as trends and market optimism improved in comparison to 2020, and (2) overall credit deterioration within the Company's loan portfolio did not materialize as anticipated due to COVID-19. Net charge-offs for the years ended December 31, 2021 and 2020 were 0.02% of average loans; non-performing assets were 0.13% of total assets as of December 31, 2021, compared to 0.22% as of December 31, 2020; and loans 30-89 days past were 0.04% of total loans as of December 31, 2021, compared to 0.10% as of December 31, 2020.

Provision for credit losses on off-balance credit exposures. At December 31, 2021, the ACL on off-balance sheet credit exposures was $3.2 million, as compared to $2.6 million as of December 31, 2020. The increase was driven by elevated unfunded commitments of $104.1 million between periods, partially offset by a lower expected loss factor given the overall macroeconomic improvement between periods.

Non-Interest Income

The following table sets forth information regarding non-interest income for the periods indicated:

	For the Year Ended December 31,			Change from 2021 to 2020	
(Dollars in thousands)	2021	2020	2019	$	%
Mortgage banking income, net	$ 13,704	$ 18,487	$ 7,837	$ (4,783)	(26) %
Debit card income	13,105	10,420	9,701	2,685	26 %
Service charges on deposit accounts	6,626	6,697	8,393	(71)	(1) %
Income from fiduciary services	6,516	6,115	5,901	401	7 %
Brokerage and insurance commissions	3,913	2,832	2,625	1,081	38 %
Bank-owned life insurance	2,364	2,533	2,425	(169)	(7) %
Customer loan swap fees	—	222	1,166	(222)	(100) %
Net (loss) gain on sale of securities	—	—	(105)	—	—
Other income	3,507	3,184	4,170	323	10 %
Total non-interest income	**$ 49,735**	**$ 50,490**	**$ 42,113**	**$ (755)**	**(1)%**
Non-interest income as a percentage of total revenues[1]	27 %	27 %	25 %		

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

Mortgage banking income, net is generated through the sale of residential mortgage loans to secondary market investors and also includes income recognized upon the sale of a residential mortgages in which we maintain the servicing rights creating a mortgage servicing asset, net of related amortization of the capitalized mortgage servicing asset. Our current practice has been to sell the servicing rights for residential mortgages originated, except for certain third party relationships that require the Company to service the loan.

The decrease in mortgage banking income, net for 2021 compared to 2020, was driven by our change in strategy during the first half of 2021 as we shifted to sell less of our residential mortgage loan production in 2021, in order to hold more of it in our loan portfolio to manage our interest rate risk and overall liquidity position. We sold 44% of our residential mortgage production to the secondary market during 2021, compared to 61% during 2020 (or $154.1 million less between periods).

Debit card income represents the interchange fees earned from debit card transactions of our business and consumer checking account customers, and the annual incentive bonus received from our network provider. The increase for 2021 over 2020 was driven by an increase in customer spend volume of 21% as our average customer spend increased likely driven by government stimulus over the past two years in response to the COVID-19 pandemic. The increase in customer spend volume also resulted in a larger annual incentive bonus from Visa of $740,975 for 2021, compared to $555,000 for 2020.

Service charges on deposit accounts represents the fees earned from providing various services to deposit customers, including overdraft and non-sufficient funds fees, normal fees for servicing deposit accounts, and cash management fees for business customers. Overdraft and non-sufficient fund fees totaled $4.7 million and $4.8 million for the years ended 2021 and 2020, respectively.

Income from fiduciary services represents the fees earned for investment advisory and trust services provided by Camden National Wealth Management. The fees earned are primarily a percentage of our clients' assets under management. Assets under management were $1.1 billion and $957.0 million as of December 31, 2021 and 2020, respectively.

Brokerage and insurance commissions represent the fees earned for brokerage services, investment advisory and insurance services provided by the Bank, doing business as Camden Financial Consultants. The increase for 2021 over 2020 was driven by fees for brokerage and advisory services, including assets under administration growth of $130.2 million, or 23%, during 2021 over 2020 to $704.1 million as of December 31, 2021.

Bank-owned life insurance represents the change in cash surrender value of the Company's various BOLI policies in place for certain current and former officers of the Company and Bank. The change in cash surrender value reflects the performance of the underlying investments of the policies. The decrease in income for 2021 compared to 2020 was driven by the lower interest rate environment.

Customer loan swap fees represents fees earned from the counterparty upon execution of a back-to-back commercial loan swap with our customers. For the year ended 2021, we did not execute any back-to-back loan swaps with our customers given the interest rate environment and our overall interest rate risk position.

Net (loss) gain on sale of securities represents the realized (loss) gain upon sale of our debt investments. We did not sell any investment securities during the year ended 2021 or 2020.

Other Income includes third party merchant and credit card commissions, other miscellaneous fees and net gains on equity securities.

Non-Interest Expense

The following table sets forth information regarding non-interest expense for the periods indicated:

	For the Year Ended December 31,			Change from 2021 to 2020	
(Dollars in thousands)	2021	2020	2019	$	%
Salaries and employee benefits	$ 61,007	$ 57,938	$ 54,489	$ 3,069	5 %
Furniture, equipment and data processing	12,247	11,756	10,881	491	4 %
Net occupancy costs	7,532	7,585	7,047	(53)	(1) %
Consulting and professional fees	3,691	3,833	3,706	(142)	(4) %
Debit card expense	4,313	3,753	3,613	560	15 %
Regulatory assessments	2,074	1,450	1,261	624	43 %
Amortization of core deposit intangible assets	655	682	705	(27)	(4) %
OREO and collection (recoveries) costs, net	(101)	382	480	(483)	(126) %
Other expenses	12,302	12,604	13,121	(302)	(2) %
Total non-interest expense	**$ 103,720**	**$ 99,983**	**$ 95,303**	**$ 3,737**	**4 %**
Ratio of non-interest expense to total revenues	55.41 %	53.52 %	56.15 %		
Efficiency ratio (non-GAAP)	54.85 %	52.56 %	55.77 %		

Salaries and employee benefits includes employee wages, commissions, incentives, equity compensation, employer-related taxes, insurance benefits, and other certain employee-related costs, net of direct employee-related costs incurred for loan originations. The increase in 2021 over 2020 was driven by: (i) an increase in wages and related taxes of 4% as we issued our normal annual merit in March 2021 and a second (off-cycle) merit increase in October 2021 where we provided all current employees with a 3% or more wage increase, with limited exceptions, and increased our starting minimum wage for new employees to $17 per hour. The off-cycle merit increase was in response to the tight labor market within our markets; and (ii) an increase in bonuses and incentives of $1.7 million, based on annual performance-to-budget.

Furniture, equipment and data processing includes depreciation expense of capitalized furniture, equipment and data-related costs, and ongoing system and other data processing costs, including outsourced solutions. The increase in 2021 over 2020 was driven by continued investments in technology, including information security-related investments.

Net occupancy costs include building and property costs associated with the operation of our branches, loan production offices and service centers, including, but not limited to, rent, depreciation, maintenance and related taxes, net of rental income earned from the lease of office space.

Consulting and professional fees include third party consulting services and other professional fees, such as audit and tax services, legal services, and Company and Bank director fees.

Debit card expense is the cost incurred for the generation of debit card income, including third party switch network provider fees and related data transmission costs, and plastic card costs for the generation of debit cards for checking account

customers. Debit card expense increased 15% in 2021 compared to 2020, while debit card income increased 26% over this same period. Many of the costs associated with debit card expense are fixed per unit.

Regulatory assessments are the costs incurred and paid to various regulatory agencies, including the FDIC and OCC. Regulatory assessment fees are based on a number of factors, not limited to, asset growth, regulator risk assessment and positive or negative trends specific to the financial institution. The increase in 2021 over 2020 was driven by the receipt of the *Small Bank Assessment Credit* from the FDIC in the first and second quarters of 2020. We did not receive any further credits during 2021, and our regulatory assessment costs have returned to normal historical levels.

OREO and collection costs, net include the costs associated with OREO, collection and foreclosure efforts for the Company's loans. The decrease in 2021 compared to 2020 was primarily driven by the recovery of $160,000 of costs in 2020 that were expensed in 2020, a gain of $190,000 recognized in 2021 upon the sale of an OREO property, and a reflection of the Company's strong asset quality. Should asset quality metrics begin to deteriorate, the associated costs with OREO, collection and foreclosure efforts will likely increase.

Amortization of core deposit intangible assets represents the amortization expense on core deposit intangible assets.

Other expenses include employee-related costs, such as certain SERP and other postretirement benefits expenses; hiring, training, education, meeting and business travel costs; donations and marketing costs; postage, freight and courier costs; and other expenses.

Income Tax Expense

Income tax expense for the year ended 2021 and 2020 was $17.6 million and $14.9 million, respectively, which resulted in an effective income tax rate of 20.3% for the year ended 2021 and 20.0% for 2020. The increase in the Company's effective tax rate between periods was driven by an increase in its blended state income tax rate between periods. As the Company continues to expand its footprint outside of Maine its blended state tax rate has increased, and will continue to increase, because Maine's state tax rate for financial institutions is lower than other states in the region in which we operate.

The Company's effective income tax rate for the year ended 2021 of 20.3% was lower than our marginal tax rate of 22.2%, which includes our 21.0% federal income tax rate and 1.4% state income tax rate, net of federal tax benefit, primarily due to non-taxable interest income from municipal bonds and certain qualifying loans, non-taxable BOLI, and tax credits received on qualifying investments.

The Company's deferred tax assets were $19.2 million and $12.0 million at December 31, 2021 and 2020, respectively. We continuously monitor and assess the need for a valuation allowance on our deferred tax assets, and we determined that no valuation allowance was necessary as of December 31, 2021 and 2020.

Refer to Note 19 of the consolidated financial statements for further discussion of income taxes and related deferred tax assets and liabilities.

2020 Operating Results as Compared to 2019 Operating Results

The Company's net income for the year ended 2020 was $59.5 million, an increase of $2.3 million, or 4%, over 2019. Over the same period, diluted EPS increased $0.26, or 7%, to $3.95 per share for the year ended December 31, 2020. The Company's 2020 operating results compared to 2019 are summarized as follows:

Net Interest Income and Net Interest Margin. Net interest income on a fully-taxable equivalent basis for 2020 was $137.5 million, an increase of $8.8 million, or 7%, over 2019. The increase was largely driven by a $20 million, or 49%, decrease in interest expense due to the rate declines. Conversely, interest income on a fully-taxable equivalent basis declined by $11.2 million, or 7%, partially offsetting the increase in interest income. Average interest earning assets increased by $365.0 million, or 9%, which included average SBA PPP loans of $146.9 million, but produced a 59 basis point decline in our average yield on interest-earning assets between periods and reduced our average yield to 3.56% for the year ended December 31, 2020. Average funding liabilities increased by $353.0 million, or 9%, which was driven by average deposit growth of $432.9 million, or 13%, and produced a 53 basis point decline in our funding cost between periods to 0.49% for the year ended December 31, 2020.

Net interest margin on a fully-taxable equivalent basis declined by 6 basis points between periods to 3.09% for the year ended December 31, 2020, and, on an adjusted-basis (excluding SBA PPP loans and excess liquidity) (non-GAAP), our net interest margin on a full-taxable equivalent basis was 3.10% for the year ended 2020, compared to 3.16% for 2019.

Provision for Credit Losses. The provision for credit losses for 2020 was $12.4 million, an increase of $9.6 million compared to 2019. The increase between periods was due to the COVID-19 pandemic and the inherent level of uncertainty within the markets and impact on the Company's loan portfolio at that time. Furthermore, the Company adopted the CECL during 2020, whereas the incurred loss methodology was used to account for the ACL for 2019.

Non-Interest Income. Non-interest income for 2020 was $50.5 million, and increased $8.4 million, or 20%, over 2019. The net increase was primarily driven by:

- An increase in mortgage banking income of $10.7 million, or 136%, between periods primarily due to an increase in residential mortgage loan originations of 79% driven by the decline in interest rates in 2020 in response to the onset of the COVID-19 pandemic.
- An increase in debit card income of $719,000, or 7%, between periods driven by an increase in customer spend volume of 11%.
- A decrease in service charges on deposit accounts of $1.7 million, or 20%, between periods driven by lower overdraft and non-sufficient funds fees due to elevated deposit balances across our customer base as a result of government-issued stimulus in response to COVID-19.
- A decrease in other income of $986,000, or 24%, between periods as we recognized a $928,000 unrealized gain on another bank stock in 2019. In 2020, the bank stock was redeemed and a realized gain of $38,000 was recognized.

Non-Interest Expense. Non-interest expense for 2020 was $100.0 million, an increase of $4.7 million, or 5%, over 2019. The net increase was driven by:

- An increase in salaries and employee benefits of $3.4 million, or 6%, between periods, primarily due to a 5% increase in wages and related taxes, a 10% increase in health insurance costs, and higher bonus and incentives of $1.3 million, based on annual performance-to-budget.
- An increase in furniture, equipment and data processing costs of $875,000, or 8%, between periods, driven by continued technology and data-related investments made throughout 2020, as well as an increase in online banking costs of $125,000 as the pace of customer migration to electronic banking channels accelerated in 2020 due to COVID-19 and its impact.
- An increase in net occupancy costs of $538,000, or 8%, between periods, driven by an increase in rent and rent-related expenses of $495,000 and an increase in office cleaning costs of $331,000 due to COVID-19, partially offset by lower utility costs of $289,000 as many of our employees worked remotely through much of 2020 due to COVID-19.

For 2020, our ratio of non-interest expense to total revenues was 53.52%, compared to 56.15% for 2019, and, on a non-GAAP basis, our efficiency ratio was 52.56% for 2020, compared to 55.77% for 2019.

Income Tax Expense. Income tax expense for 2020 was $14.9 million, with an effective tax rate of 20.0%, compared to $14.4 million for 2019, with an effective tax rate of 20.1%.

FINANCIAL CONDITION

Cash and Cash Equivalents

Total cash and cash equivalents at December 31, 2021 were $220.6 million, compared to $145.8 million at December 31, 2020. The increase in cash and cash equivalents balances of $74.8 million between periods was primarily driven by an increase in deposits of $487 million, or 61%, during 2021, which was likely the result of additional government stimulus programs issued in 2021 in response to COVID-19. We continuously manage and monitor our cash levels to ensure compliance with applicable regulatory requirements, including liquidity and FRB reserve requirements.

In March 2020, the FRB reduced reserve requirement ratios to zero percent, effectively eliminating the cash reserve requirement for all depository institutions.

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 returns without undue risk. At December 31, 2021 and 2020, the Company's investment portfolio generally consisted of MBS, CMO, municipal and corporate debt securities, FHLBB and FRB common stock, and mutual funds held in a rabbi trust for purposes of Company executive and director nonqualified retirement plans. We designate our debt securities as AFS or HTM based on our intent and investment strategy and are carried at fair value or amortized cost, respectively; our FHLBB and FRB common stock is carried at cost; and our mutual funds are trading securities which are carried at fair value. At December 31, 2021 and 2020, total investments were 28% and 23% of total assets, respectively.

At December 31, 2021 and 2020, the Company's investments portfolio totaled $1.5 billion and $1.1 billion, respectively, representing an increase of $390.7 million, or 34%, for the year ended December 31, 2021. The increase was driven primarily by investments in our AFS debt securities portfolio, including:

- Purchase of $758.8 million of debt securities in an effort to deploy excess liquidity that resulted from significant deposit growth over the past year as consumers and businesses received proceeds from various government stimulus programs in response to the COVID-19 pandemic. The weighted-average life of investments purchased during 2021 was 5.8 years, in part driving the increase in the weighted-average life of our debt securities portfolio from 5.1 years at December 31, 2020 to 5.9 years at December 31, 2021.
- Partially offsetting the purchases were (i) paydowns and calls of $321.6 million during 2021 and (ii) a $38.8 million decrease in the fair value of certain securities, based on changes in market interest rates as of December 31, 2021.

Our AFS debt securities portfolio, which comprised 99% of our investment portfolio at December 31, 2021 and 2020, was carried at fair value using level 2 valuation techniques. Refer to Notes 1 and 21 of the consolidated financial statements for further details on the Company's fair value techniques.

The AFS and HTM debt securities portfolio has limited credit risk due to its composition, which includes highly rated debt securities by nationally recognized rating agencies, and securities backed by the U.S. government and government-sponsored agencies. At December 31, 2021 and 2020, these investments represented approximately 90% and 88%, respectively, of the investment portfolio. The majority of the municipal bonds, which represented 8% and 11% of the investment portfolio at December 31, 2021 and 2020, respectively, had a credit rating of "AA" or higher.

Our other investments on the consolidated statements of condition consist of FHLBB and FRB common stock. These investments are carried at cost. We are required to maintain a certain level of investment in FHLBB stock based on our level of FHLBB advances, and maintain a certain level of investment in FRB common stock based on the Bank's capital levels. As of December 31, 2021 and 2020, our investment in FHLBB stock totaled $4.9 million and $6.2 million, respectively, and our investment in FRB stock was $5.4 million.

Our investments in mutual funds are designated as trading securities and carried at fair value. These investments are held within a rabbi trust and will be used for future payments associated with the Company's Executive and Director Deferred Compensation Plan. These investments are carried at fair value using level 1 valuation techniques.

Beginning in 2020, upon adoption of CECL, our AFS debt securities that are in an unrealized loss position are assessed to determine if an allowance should be recorded or if a write-down is required. As of and for the years ended December 31, 2021 and 2020, we did not record any allowances or write-down any of our AFS debt securities in an unrealized loss position. Refer

to "—*Critical Accounting Policies"* and Note 1 of the consolidated financial statements for further discussion of our practices and policies, and refer to Note 2 of the consolidated financial statements for additional details of our assessment of the allowance for AFS investments as of and for the year ended December 31, 2021.

Beginning in 2020, upon adoption of CECL, each reporting period our HTM debt securities are assessed to determine if an allowance should be recorded or if a write-down is required. As of and for the years ended December 31, 2021 and 2020, we did not record any allowances or write-down any of our HTM debt securities as of December 31, 2021. Refer to "—*Critical Accounting Policies"* and Note 1 of the consolidated financial statements for further discussion of our practices and policies, and refer to Note 2 of the consolidated financial statements for additional details of our assessment of the allowance for HTM investments as of and for the year ended December 31, 2021.

The following table sets forth the carrying value of AFS and HTM debt securities along with the percentage distribution as of the dates indicated:

	December 31,			
	2021		2020	
(Dollars in thousands)	Carrying Value	Percent of Total Investments	Carrying Value	Percent of Total Investments
Trading Securities (carried at fair value):				
Mutual funds	$ 4,428	— %	$ 4,161	— %
Total trading securities	**4,428**	**— %**	**4,161**	**— %**
AFS Debt Investments (carried at fair value):				
Obligations of U.S. government-sponsored enterprises	8,344	— %	—	— %
Obligations of states and political subdivisions	117,478	8 %	127,120	11 %
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	1,000,257	66 %	566,618	50 %
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	358,849	24 %	410,454	37 %
Subordinated corporate bonds	22,558	1 %	11,621	1 %
Total AFS debt investments	**1,507,486**	**99 %**	**1,115,813**	**99 %**
HTM Debt Investments (carried at amortized cost):				
Obligations of states and political subdivisions	1,291	— %	1,297	— %
Total HTM debt investments	**1,291**	**— %**	**1,297**	**— %**
Other Investments (carried at cost):				
FHLBB stock	4,906	— %	6,167	1 %
FRB stock	5,374	— %	5,374	— %
Total other investments	**10,280**	**1 %**	**11,541**	**1 %**
Total	**$ 1,523,485**	**100 %**	**$ 1,132,812**	**100 %**

We continuously monitor and evaluate our investment securities portfolio to identify and assess risks within our portfolio, including, but not limited to, the impact of the current rate environment and the related prepayment risk, and review credit ratings. The overall mix of debt securities at December 31, 2021 compared to December 31, 2020 remains relatively unchanged and well positioned to provide a stable source of cash flow. The duration of our debt investment securities portfolio at December 31, 2021 was 4.8 years, compared to 3.9 years at December 31, 2020. We are currently investing in cash flowing debt securities with average lives in the 3-5 year part of the yield curve with limited extension risk in a rising interest rate environment.

The following table presents the book value and fully-taxable equivalent weighted-average yields of debt investments by contractual maturity and the book value of other investments, for the periods indicated. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay.

					December 31,	
					2021	2020
(Dollars in thousands)	Due in 1 year or less	Due in 1 – 5 years	Due in 5 – 10 years	Due in over 10 years	Amortized Cost	Amortized Cost
Debt investments:						
Obligations of U.S. government-sponsored enterprises	$ —	$ —	$ 8,585	$ —	$ 8,585	$ —
Obligations of states and political subdivisions	716	5,528	60,111	47,022	113,377	120,905
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	2,081	28,774	180,844	792,170	1,003,869	547,396
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	8,310	13,031	47,399	293,041	361,781	399,937
Subordinated corporate bonds	3,002	1,000	18,658	—	22,660	11,533
Total debt investments	**$ 14,109**	**$ 48,333**	**$ 315,597**	**$ 1,132,233**	**$ 1,510,272**	**$ 1,079,771**
Weighted-average yield on debt securities[1]	2.36	2.42 %	2.31 %	1.56 %	1.75 %	1.92 %
Other investments[2]:						
Mutual funds (fair value)					$ 4,428	$ 4,161
FHLBB stock (cost)					4,906	6,167
FRB stock (cost)					5,374	5,374
Total other investments					**$ 14,708**	**$ 15,702**

(1) Weighted average is calculated by dividing the book value by the book value times tax yield.

(2) There is no scheduled maturity date.

Loans

The Company provides loans primarily to customers located within our geographic market area. Its primary markets continue to be in Maine, making up 72% and 73% of our loan portfolio as of December 31, 2021 and 2020, respectively. Massachusetts and New Hampshire are our second and third largest markets, making up 14% and 9%, respectively, of our total loan portfolio as of December 31, 2021, compared to 13% and 8%, respectively, as of December 31, 2020. As of December 31, 2021, our distribution channels include 57 branches within Maine; one residential mortgage lending office in Braintree, Massachusetts; two locations in New Hampshire, including a branch in Portsmouth and a commercial loan production office in Manchester; and an online residential mortgage and small commercial digital loan platform.

The most significant industry concentration within our loan portfolio at December 31, 2021 and 2020 was the non-residential building operators industry (operators of commercial and industrial buildings, retail establishments, theaters, banks and insurance buildings). At December 31, 2021 and 2020, the non-residential building operators' industry concentration was 32% of our total commercial real estate portfolio and 14% of total loans, respectively. At December 31, 2021, there were no other industry concentrations within our loan portfolio that exceeded 10% of total loans.

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

	December 31,			
(Dollars in thousands)	2021		2020	
Commercial real estate - non-owner-occupied	$ 1,178,185	34 %	$ 1,097,975	34 %
Commercial real estate - owner-occupied	317,275	9 %	271,495	8 %
Commercial	363,695	11 %	381,494	12 %
SBA PPP	35,953	1 %	135,095	4 %
Residential real estate	1,306,447	38 %	1,054,798	33 %
Consumer and home equity	229,919	7 %	278,965	9 %
Total loans	**$ 3,431,474**	**100 %**	**$ 3,219,822**	**100 %**
Loan portfolio mix:				
Commercial	1,895,108	55 %	1,886,059	59 %
Retail	1,536,366	45 %	1,333,763	41 %

Commercial Real Estate - Non-Owner-Occupied. Non-owner-occupied commercial estate loans are investment properties in which the primary source for repayment of the loan by the borrower is derived from rental income associated with the property or the proceeds of the sale, refinancing, or permanent refinancing of the property. Non owner-occupied commercial real estate loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, multi-family residential, commercial/retail office space, industrial/warehouse space, hotels, assisted living facilities and other specific use properties. Also included within the non-owner-occupied commercial real estate loan segment are construction projects until they are completed.

Commercial Real Estate - Owner-Occupied. Generally, owner-occupied commercial real estate loans are properties that are owned and operated by the borrower, and the primary source for repayment is the cash flow from the ongoing operations and activities conducted by the borrower's business. Owner-occupied commercial real estate loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, commercial/retail office space, restaurants, educational and medical practice facilities and other specific use properties.

SBA PPP. SBA PPP loans are unsecured, fully-guaranteed commercial loans backed by the SBA, issued to qualifying small businesses as part of federal stimulus issued in response to the COVID-19 pandemic. Loans made under the program have terms of two or five years and are to be used by the borrower to offset certain payroll and other operating costs, such as rent and utilities. The loan and accrued interest, or a portion thereof, is eligible for forgiveness by the SBA should the qualifying small business meet certain conditions. These loans were originated under the guidance of the SBA, which has been subject to change. Effective May 31, 2021, the SBA PPP loan program ended and the Company is no longer originating loans under this program.

Residential Real Estate. Residential real estate loans consist of loans secured by one-to four-family properties, including for investment purposes. We generally retain in our portfolio adjustable rate mortgages, fixed rate mortgages with original terms of 30 years or less, and jumbo/non-conforming residential mortgages.

For the year ended 2021, we originated a record $1.1 billion of residential mortgage loans, an increase of 5% over 2020. In 2021, we sold 44% of our residential mortgage production to secondary market investors, compared to 61% for 2020. The historically low interest rate environment in 2020 carried into 2021 and drove strong purchase and refinance activity. Refinance activity was 47% of our residential mortgage originations for the year ended 2021, compared to 55% for 2020.

As part of our overall asset/liability management strategy, we sell residential mortgages we originate to secondary market participants to manage our interest rate risk position and generate non-interest income. Factors we consider in determining which loans to sell, include, but are not limited to, current and future outlook of the interest rate environment; loan terms, including loan size, interest rate, fixed or variable and maturity date; and estimated prepayment speed.

Consumer and Home Equity. Consumer and home equity loans are originated for a wide variety of purposes designed to meet the needs of our customers. Consumer loans include overdraft protection, automobile, boat, recreational vehicle, and mobile home loans, home equity loans and lines, and secured and unsecured personal loans.

At December 31, 2021 and 2020, 27% and 35% of the consumer loan portfolio was unsecured, respectively, and 47% of the home equity portfolio was secured by junior lien positions as of each date.

Related Party Transactions

The Bank is permitted, in its normal course of business, to make loans to certain officers and directors of the Company and Bank under terms that are consistent with the Bank's lending policies and regulatory requirements. In addition to extending loans to certain officers and directors of the Company and Bank on terms consistent with the Bank's lending policies, federal banking regulations also require training, audit and examination of the adherence to this policy (also known as "Regulation O" requirements). Note 3 and Note 8 of the consolidated financial statements provide related party lending and deposit information, respectively. We have not entered into significant non-lending related party transactions.

Asset Quality

Asset quality continues to be of the upmost importance to the Company, and continues to be of great focus in light of COVID-19 and its impact on our markets and economies. Our practice is to manage the Company's loan portfolio proactively so that we are able to effectively identify problem credits and trends 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. The Company continues to dedicate significant resources to monitor and manage credit risk throughout our loan portfolio and includes management and board-level oversight as follows:

- The Credit Risk and Special Assets team and the Credit Risk Policy Committee, which is an internal management committee comprised of various executives and senior managers across business lines, including Accounting and Finance, Credit Underwriting, Credit Risk and Special Assets, Compliance, and Commercial and Retail Banking, oversee the Company's systems and procedures to monitor the credit quality of its loan portfolio, conduct a loan review program, and maintain the integrity of the loan rating system.
- The adequacy of the ACL is overseen by the Management Provision Committee, which is an internal management committee comprised of various Company executives and senior managers across business lines, including Accounting and Finance, Credit Underwriting, Credit Risk and Special Assets, Compliance, and Commercial and Retail Banking. The Management Provision Committee supports the oversight efforts of the Audit Committee of the Board of Directors.
- The Directors' Credit Committee of the Board of Directors reviews large credit exposures, monitors 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, and concentration levels.
- The Audit Committee of the Board of Directors has approval authority and oversight responsibility for the ACL adequacy and methodology.

In response to the COVID-19 pandemic, we worked directly with businesses and consumers through 2020 to provide temporary debt relief that generally provided principal and/or interest payment deferrals for a period of 180 days or less. For loans that received temporary debt relief, we provided such relief under the guidance of the CARES Act and bank regulatory guidance that enabled such qualifying loans to be exempted from assessment under TDR accounting guidance. All loans granted temporary debt relief met the TDR exemption criteria under authoritative guidance, *i.e.*, all such loans were current with terms of payment at the time of relief, and therefore were not individually assessed, designated or accounted for as TDRs. In addition, those loans that were granted temporary debt relief were not automatically downgraded into lower credit risk ratings. At December 31, 2020, the payment status of these loans operating under a temporary payment deferral arrangement were reported based on payment status at the time the deferral was granted to the borrower. In late-December 2020, another stimulus package (*i.e.* Consolidated Appropriations Act of 2021) was signed into law to provide additional COVID-19 relief for businesses and consumers under similar terms as those issued under the CARES Act, and, again, enabled the Company to provide temporary debt relief to borrowers impacted by COVID-19. The Consolidated Appropriations Act of 2021 expired on December 31, 2021 and the Company is no longer exempt from TDR accounting for COVID-19 hardships under the terms of the authoritative guidance.

As of December 31, 2021, the Company had no loans operating under a short-term deferral arrangement granted due to a COVID-19-related hardship, whereas at December 31, 2020, the amortized cost of loans operating under this program was $26.5 million, or 0.8% of loans. At this time, any additional temporary debt relief will be made on a case-by-case basis.

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 composition and amount of our non-performing loans as of the dates indicated:

	December 31,	
(Dollars in thousands)	2021	2020
Non-accrual loans:		
Commercial real estate - non-owner-occupied	$ 51	$ 366
Commercial real estate - owner-occupied	133	146
Commercial	829	1,607
SBA PPP	—	—
Residential real estate	2,107	3,477
Consumer and home equity	1,207	2,000
Total non-accrual loans	**4,327**	**7,596**
Accruing loans past due 90 days	—	—
Accruing TDRs (not included above)	2,392	2,818
Total non-performing loans	**6,719**	**10,414**
Other real estate owned	165	236
Total non-performing assets	**$ 6,884**	**$ 10,650**
Total loans, excluding loans held for sale	$ 3,431,474	3,219,822
Total assets	$ 5,500,356	$ 4,898,745
ACL on loans	$ 33,256	$ 37,865
ACL on loans to non-accrual loans	768.57 %	498.49 %
Non-accrual loans to total loans	7.19 %	7.44 %
Non-accrual loans to total loans	0.13 %	0.24 %
Non-performing loans to total loans	0.20 %	0.32 %
Non-performing assets to total assets	0.13 %	0.22 %

Generally, a loan is classified as non-accrual when interest and/or principal payments are 90 days past due or when management believes collecting all principal and interest owed is in doubt. All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the current period. Interest payments received on non-accrual loans are applied as a reduction of principal. A loan remains on non-accrual status until all principal and interest amounts contractually due are brought current, all future principal and interest payments are reasonably assured, and a consistent repayment record, generally six consecutive payments, has been demonstrated. At that time, we may reclassify the loan to performing. For loans that qualify as TDRs, we will classify the interest collected as interest income once the aforementioned criteria for non-accrual loans is met and demonstrated. However, loans classified as TDRs remain classified as such for the life of the loan, except in limited circumstances, when it is determined that the borrower is performing under the modified terms and (i) the loan is subsequently restructured and re-written in a new agreement at an interest rate greater than or equal to an acceptable market rate for a comparable new loan at the time of the restructuring, and (ii) there has been no principal forgiveness.

The following table highlights the interest income that would have been recognized if loans on non-accrual status had been current in accordance with their original terms (*i.e.*, "foregone interest income") and the interest income recognized on non-performing loans and performing TDRs for the periods indicated:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Foregone interest income	$ 256	$ 335	$ 420
Interest income recognized on non-performing loans and performing TDRs	90	128	162

Potential Problem Loans. Potential problem loans consist of classified accruing commercial and commercial real estate loans that were 30-89 days past due. Such loans are characterized by weaknesses in the financial condition of our borrowers or collateral deficiencies. Based on historical experience, the credit quality of some of these loans may improve due to the

financial condition of the borrowers or changes in collateral values, while the credit quality of other loans may deteriorate, resulting in some amount of loss. These loans are not included in the above analysis of non-accrual loans. At December 31, 2021, potential problem loans totaled $162,000.

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

	December 31,	
(Dollars in thousands)	**2021**	**2020**
Loans 30-89 days past due:		
Commercial real estate - non-owner-occupied	$ —	$ 50
Commercial real estate - owner-occupied	47	—
Commercial	552	430
SBA PPP	—	—
Residential real estate	400	2,297
Consumer and home equity	509	440
Total loans 30-89 days past due	**$ 1,508**	**$ 3,217**
Total loans	3,431,474	3,219,822
Loans 30-89 days past due to total loans	0.04 %	0.10 %

ACL. The following table sets forth information concerning the components of our ACL for the periods indicated:

	At or For the Year Ended December 31,		
(Dollars in thousands)	**2021**	**2020**	**2019**
	(CECL)	*(CECL)*	*(Incurred Loss)*
ACL on loans, beginning of period	$ 37,865	$ 25,171	$ 24,712
Impact of CECL adoption[1]	—	233	—
(Credit) provision for loan losses	(3,817)	13,215	2,862
Net charge-offs (recoveries)[2]:			
Commercial real estate	(9)	(17)	251
Commercial	579	558	1,013
SBA PPP	—	—	—
Residential real estate	(15)	(171)	446
Consumer and home equity	237	384	693
Total net charge-offs (recoveries)	792	754	2,403
ACL on loans, end of the period	**$ 33,256**	**$ 37,865**	**$ 25,171**
Components of ACL:			
ACL on loans	$ 33,256	$ 37,865	$ 25,171
ACL on off-balance sheet credit exposures	3,195	2,568	21
ACL, end of period	**$ 36,451**	**$ 40,433**	**$ 25,192**
Total loans, excluding loans held for sale	$ 3,431,474	$ 3,219,822	$ 3,095,023
Average loans	$ 3,299,313	$ 3,271,378	$ 3,090,221
Net charge-offs to average loans	0.02 %	0.02 %	0.08 %
Provision for loan losses to average loans	(0.12)%	0.40 %	0.09 %
ACL on loans to total loans	0.97 %	1.18 %	0.81 %

(1) Effective January 1, 2020, the Company adopted ASU 2016-13, commonly referred to as "CECL." Refer to "*—Critical Accounting Policies"* and Note 1 of the consolidated financial statements for further details.

(2) Additional information related to (credit) provision for loan losses and net (charge-offs) recoveries is presented in the following table for the periods indicated:

(Dollars in thousands)	For the Year Ended December 31, Total Charge-offs	Total Recoveries	Net Charge-Offs (Recoveries)	Average Loans	Ratio of Net Charge-Offs (Recoveries) to Average Loans
2021:					
Commercial real estate	$ —	$ 9	$ (9)	$ 1,412,884	— %
Commercial	799	220	579	361,256	0.16 %
SBA PPP	—	—	—	118,414	— %
Residential real estate	92	107	(15)	1,156,698	— %
Consumer and home equity	273	36	237	250,061	0.09 %
Total	**$ 1,164**	**$ 372**	**$ 792**	**$ 3,299,313**	**0.02 %**
2020:					
Commercial real estate	$ 103	$ 120	$ (17)	$ 1,310,160	— %
Commercial	1,130	572	558	417,160	0.13 %
SBA PPP	—	—	—	146,918	— %
Residential real estate	121	292	(171)	1,085,064	(0.02) %
Consumer and home equity	484	100	384	312,076	0.12 %
Total	**$ 1,838**	**$ 1,084**	**$ 754**	**$ 3,271,378**	**0.02 %**
2019:					
Commercial real estate	$ 300	$ 49	$ 251	$ 1,260,412	0.02 %
Commercial	1,238	225	1,013	437,372	0.23 %
Residential real estate	462	16	446	1,045,668	0.04 %
Consumer and home equity	713	20	693	346,769	0.20 %
Total	**$ 2,713**	**$ 310**	**$ 2,403**	**$ 3,090,221**	**0.08 %**

(3) Effective January 1, 2020, the Company adopted ASU 2016-13, commonly referred to as "CECL." Refer to "*—Critical Accounting Policies"* and Note 1 of the consolidated financial statements for further details.

The following table sets forth information concerning the allocation of the ACL on loans by loan categories at the dates indicated:

(Dollars in thousands)	December 31, 2021 ACL on Loans	2021 Percent of Loans in Each Category to Total Loans	2020 ACL on Loans	2020 Percent of Loans in Each Category to Total Loans
Commercial real estate - non-owner-occupied	$ 18,834	34 %	$ 21,778	34 %
Commercial real estate - owner-occupied	2,539	9 %	2,832	8 %
Commercial	4,183	11 %	6,703	12 %
SBA PPP	19	1 %	69	4 %
Residential real estate	6,133	38 %	3,474	33 %
Consumer and home equity	1,548	7 %	3,009	9 %
Total	**$ 33,256**	**100 %**	**$ 37,865**	**100 %**

There was no ACL on AFS or HTM debt securities as of December 31, 2021 or 2020.

Refer to "*—Critical Accounting Policies*" and Note 1 of the consolidated financial statements for further details of our CECL model macroeconomic factors (*i.e.* loss drivers), and refer to Note 3 of the consolidated financial statements for discussion of the risk characteristics for each portfolio segment considered when evaluating the ACL, as well as factors driving the change in the ACL on loans at December 31, 2021 compared to December 31, 2020.

Goodwill and Core Deposit Intangible Assets

Upon completion of an acquisition the Company will likely generate goodwill and other intangible assets. Goodwill represents the price paid in excess of the fair value of acquired assets and liabilities. Through the acquisition of other financial institutions, core deposit intangible assets are recognized at the estimated fair value of the acquired non-maturity deposit customer relationships. Goodwill is reviewed for impairment as of November 30th annually, or more frequently as needed, and core deposit intangible assets are reviewed when a triggering event suggests such is necessary.

At December 31, 2021 and 2020, goodwill totaled $94.7 million. Through our annual impairment analysis performed as of November 30th each year, we determined goodwill was not impaired. Refer to "*—Critical Accounting Policies*" and Note 4 of the consolidated financial statements for further details of the testing performed.

At December 31, 2021 and 2020, core deposit intangible assets totaled $2.2 million and $2.8 million, respectively, and related amortization was $655,000, $682,000, and $705,000 for the years ended 2021, 2020 and 2019, respectively. There were no indications of potential risk of impairment of core deposit intangible assets for any of the aforementioned years.

Investment in BOLI

BOLI is presented in the consolidated statements of condition at its cash surrender value. Increases in BOLI's cash surrender value are reported as a component of non-interest income in the consolidated statements of income.

BOLI was $97.2 million and $94.9 million at December 31, 2021 and 2020, respectively. The increase year-over-year reflects the increase in the cash surrender value. BOLI provides a means to mitigate increasing employee benefit costs. We expect to benefit from the BOLI contracts as a result of the tax-free growth in cash surrender value and death benefits that are expected to be generated over time. The largest risk to the BOLI program is credit risk of the insurance carriers. To mitigate this risk, annual financial condition reviews are completed on all carriers. BOLI is invested in the "general account" of quality insurance companies or in separate account products, 94% of our balances are with insurance carriers that had an A.M. Best rating of "B++" or better at December 31, 2021.

Deposits

The Company receives checking, savings and time deposits primarily from customers located within our geographic market area. Other forms of deposits include brokered deposits and deposits with the Certificate of Deposit Account Registry System ("CDARS"). Total deposits at December 31, 2021 were $4.6 billion, which included brokered deposits of $208.5 million. Total deposits at December 31, 2021 increased $603.6 million, or 15%, over December 31, 2020. The increase was primarily within core deposits (non-GAAP), which grew $726.8 million, or 22%, over this period, primarily due to additional government stimulus and programs provided to our depositors in response to the COVID-19 pandemic. Over the same period, CDs decreased $48 million, or 13%, as we continued to actively manage non-relationship deposits in an effort to lower our cost of funds.

At December 31, 2021, the Company had no customer relationships that exceeded 10% of total deposits.

Average Deposits. The following table presents the average deposits and average interest rate paid for the periods indicated:

	For the Year Ended December 31,					
	2021		2020		2019	
(Dollars in thousands)	Average Balance[1]	Average Rate Paid	Average Balance[1]	Average Rate Paid	Average Balance[1]	Average Rate Paid
Deposits:						
Non-interest checking	$ 1,083,357	— %	$ 684,539	— %	$ 519,078	— %
Interest checking	1,297,695	0.19 %	1,289,501	0.35 %	1,123,268	0.93 %
Savings	675,533	0.04 %	536,014	0.06 %	476,860	0.08 %
Money market	706,474	0.29 %	701,640	0.50 %	607,383	1.24 %
Core deposits (non-GAAP)	3,763,059	0.13 %	3,211,694	0.26 %	2,726,589	0.67 %
CDs	333,352	0.53 %	454,750	1.27 %	506,971	1.57 %
Total deposits	4,096,411	0.16 %	3,666,444	0.38 %	3,233,560	0.81 %
Brokered deposits	282,399	0.45 %	242,951	0.60 %	316,475	2.42 %
Total deposits, including brokered deposits	**$ 4,378,810**	**0.18 %**	**$ 3,909,395**	**0.40 %**	**$ 3,550,035**	**0.96 %**

(1) Reported average balances are calculated on a daily basis.

Uninsured Deposits. Total deposits that exceed the FDIC deposit insurance limit of $250,000 at December 31, 2021 and 2020, were $1.3 billion and $1.4 billion, respectively. The Company has pledged assets as collateral covering certain deposits in the amount of $347.0 million and $322.0 million at December 31, 2021 and 2020, respectively.

The portion of time deposits that exceed the FDIC deposit insurance limit of $250,000, by time remaining until maturity, at December 31, 2021 was $61.4 million. At December 31, 2021, the Company does not have time deposits that are otherwise uninsured.

Borrowings and Advances

We utilize a variety of funding sources to manage our borrowings, including, but not limited to, FHLBB and correspondent bank overnight borrowings, FHLBB advances, customer and wholesale repurchase agreements, and subordinated debentures. We proactively monitor our borrowings through Management and Board ALCO as part of prudent balance sheet, earnings, and liquidity management. As part of our liquidity management, we use internal designations of “short-term” and “long-term” borrowings, and manage our borrowings within each designation:

- Short-term borrowings include, but are not limited to, FHLBB and correspondent bank overnight borrowings, FHLBB advances with maturity within one year of origination, and customer repurchase agreements.
- Long-term borrowings may include, but are not limited to, FHLBB advances with maturity greater than one year, wholesale repurchase agreements, and subordinated debentures.

At December 31, 2021, short-term borrowings were $211.6 million, representing an increase of $49.2 million, or 30%, since December 31, 2020. The increase in short-term borrowings was due to our deposit growth during 2020.

At December 31, 2021, long-term borrowings, including subordinated debentures, totaled $44.3 million, a decrease of $15 million, or 25%, since December 31, 2020. In 2020, we entered into a new long-term borrowing contract with the FHLBB for $25.0 million that matures in 2025, and in February 2021 we terminated this borrowing contract given excess liquidity levels and incurred a one-time prepayment penalty of $514,000.

Short-Term Borrowings. The following table below provides certain information on our short-term borrowings at and for the period ended:

(Dollars in thousands)	December 31, 2021	December 31, 2020	December 31, 2019
FHLBB and correspondent bank overnight borrowings:			
Balance outstanding at end of year	$ —	$ —	$ 5,825
Average daily balance outstanding	297	7,545	15,282
Maximum balance outstanding at any month end	—	10,725	91,200
Weighted average interest rate for the year	0.40 %	1.37 %	2.20 %
Weighted average interest rate at end of year	— %	— %	1.85 %
FHLBB advances (less than one year):			
Balance outstanding at end of year	$ —	$ —	$ 25,000
Average daily balance outstanding	—	27,381	3,850
Maximum balance outstanding at any month end	—	50,000	25,000
Weighted average interest rate for the year	— %	0.59 %	1.85 %
Weighted average interest rate at end of year	— %	— %	1.77 %
Customer repurchase agreements:			
Balance outstanding at end of year	$ 211,608	$ 162,439	$ 237,984
Average daily balance outstanding	185,246	205,890	241,899
Maximum balance outstanding at any month end	217,320	265,997	273,454
Weighted average interest rate for the year	0.31 %	0.64 %	1.25 %
Weighted average interest rate at end of year	0.25 %	0.34 %	1.21 %

Long-Term Borrowings. As of December 31, 2021 and 2020, the Company had $0 and $25.0 million of long-term borrowings. In light of the Company's liquidity position due to strong deposit growth during 2020 and 2021, in the first quarter of 2021, we terminated a $25.0 million long-term borrowing contract with the FHLBB under which advances had an interest rate of 0.98%, and incurred a one-time prepayment penalty of $514,000.

Subordinated Debentures. In connection with the formation of CCTA and UBCT, and the issuance and sale of trust preferred securities to the public, we received and have outstanding at December 31, 2021 and 2020, junior subordinated debentures totaling $44.3 million.

As of December 31, 2021, the Company had no subordinated debentures outstanding. On April 16, 2021, we exercised our call option on the $15.0 million of subordinated debentures that was outstanding at December 31, 2021, at par plus accrued interest.

FHLBB Collateral. FHLBB short-term and long-term borrowings 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 and $1.3 billion at December 31, 2021 and 2020, respectively. The carrying value of securities pledged as collateral at the FHLBB was $26,000 and $38,000 at December 31, 2021 and 2020, respectively.

Shareholders' Equity

Total shareholders' equity at December 31, 2021 was $541.3 million, which was an increase of $12 million, or 2%, since December 31, 2020. The increase was primarily driven by normal operating activities, including net income of $69.0 for the year ended 2021, net of: (1) a decrease in the fair value of the Company's AFS debt securities of $27.0, net of tax; (2) dividends declared of $22.1 million for the year ended 2021; and (3) repurchase of 217,931 shares of the Company's common stock for a total cost of $10.1 million

At December 31, 2021 and 2020, the Company and the Bank exceeded all regulatory capital guidelines, and, specifically, the Bank met the capital ratios necessary to be considered "well capitalized" under prompt corrective action provisions for each

period. There were no changes to the Company or the Bank's capital that occurred subsequent to December 31, 2021 that would change the Company or Bank's regulatory capital categorization.

In January 2022, the Company's Board of Directors authorized the repurchase of up to 750,000 shares of the Company's common stock, representing approximately 5% of the Company's issued and outstanding shares of common stock as of December 31, 2021. This program replaces the 2021 program, which expired upon the announcement of the new program, and will continue until the earlier of: (1) authorized number of shares are repurchased, (2) the Company's Board of Directors terminates the program, or (3) January 3, 2023 (12 months from the announcement of the new program). Purchases under the new program may be made at the Company's discretion from time to time in the open market, through block trades or otherwise, and in privately negotiated transactions, subject to market conditions and other factors, and in accordance with applicable legal and regulatory requirements.

Refer to "*—Capital Resources"* and Note 14 of the consolidated financial statements for further discussion of the Company's capital position.

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

	As of and For the Year Ended December 31,		
	2021	**2020**	**2019**
Financial Ratios			
Average equity to average assets	10.33 %	10.39 %	10.43 %
Common equity ratio	9.84 %	10.81 %	10.69 %
Tangible common equity ratio (non-GAAP)	8.22 %	8.99 %	8.66 %
Dividend payout ratio	32.03 %	33.33 %	33.24 %
Per Share Data			
Book value per share	$ 36.72	$ 35.50	$ 31.26
Tangible book value per share (non-GAAP)	$ 30.15	$ 28.96	$ 24.77
Dividends declared per share	$ 1.48	$ 1.32	$ 1.23

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 and monitor liquidity in accordance with internal guidelines and all applicable regulatory requirements. At December 31, 2021 and 2020, the Company's liquidity level exceeded its target. We believe that we currently have appropriate liquidity available to respond to demands. Sources of funds that we utilize consist of deposits; borrowings from the FHLBB and other sources; cash flows from loans and investments; and cash flows from operations, including other contractual obligations and commitments.

We believe that our 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 brokered deposit and wholesale repurchase markets, could significantly affect our liquidity position.

Deposits. Deposits continue to represent our primary source of funds. For 2021, total deposits, including brokered deposits, were $4.6 billion, an increase of 15% over December 31, 2020. Total deposit growth during 2021 was driven by core deposits (non-GAAP) growth of $726.8 million, or 22%, which excludes CDs and brokered deposits. Included within money market deposits for 2021 and 2020 were $63.9 million and $59.8 million, respectively, of deposits from Camden National Wealth Management, which represent client funds. These deposits fluctuate with changes in the portfolios of the clients of Camden National Wealth Management. Time deposits are generally considered to be more interest rate sensitive than other deposits and, therefore, more likely to be withdrawn to obtain higher yields elsewhere if available.

The following is a summary of the scheduled maturities of CDs as of December 31, 2021:

(In thousands)	CDs
1 year or less	$ 168,558
> 1 year	141,090
Total	**$ 309,648**

Borrowings. Borrowings are used to supplement deposits as a source of liquidity. Our primary sources of borrowings are with the FHLBB and customer repurchase agreements, but may also include alternative sources such as various forms of subordinated debentures. For the year ended 2021, total borrowings increased $9.2 million, or 4%, to $255.9 million compared to the same period last year. Our practice is to secure borrowings from the FHLBB with qualified commercial and residential real estate loans, home equity loans and certain investment securities. At December 31, 2021, total borrowing capacity was $775.4 million. Customer repurchase agreements are secured by mortgage-backed securities and government-sponsored enterprises. Through the Bank, we also 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 $54.7 million as of December 31, 2021. Additionally, the Company also has a $10.0 million line of credit with a correspondent bank that matures on December 16, 2022. We also believe that we have additional untapped access to the brokered deposit market and wholesale reverse repurchase transaction market. These sources are considered as liquidity alternatives in our contingent liquidity plan.

The following is a summary of the scheduled maturities of borrowings as of December 31, 2021:

(In thousands)	FHLBB Advances	Customer Repurchase Agreements	Subordinated Debentures	Total
1 year or less	$ —	$ 211,608	$ —	$ 211,608
> 1 year	—	—	44,331	44,331
Total	**$ —**	**$ 211,608**	**$ 44,331**	**$ 255,939**

Loans. Contractual loan repayments also affect our liquidity position. Actual speed and timing of repayment may differ materially from contract terms due to prepayments or nonpayment. The Company's residential mortgage loan portfolio is also a significant source of contingent liquidity for the Company that could be accessed in a reasonable time period through the sale of loans on the secondary market, as needed. As of December 31, 2021, book value of $1.4 billion of qualifying loans were pledged as collateral.

The following table presents the contractual maturities of loans at the date indicated:

	December 31, 2021					
(Dollars in thousands)	Due in 1 Year or Less	Due after 1 Year Through 5 Years	Due After 5 Years Through 15 Years	Due in More than 15 Years	Total	Percent of Total Loans
Maturity Distribution[1]:						
Fixed Rate:						
Commercial real estate[2]	$ 39,068	$ 100,967	$ 441,139	$ 2,724	$ 583,898	17 %
Commercial	4,759	124,688	83,706	627	213,780	6 %
Residential real estate	204	9,000	170,618	915,409	1,095,231	32 %
Consumer and home equity	1,140	13,758	24,962	158,280	198,140	6 %
Total fixed rate	45,171	248,413	720,425	1,077,040	2,091,049	61 %
Variable Rate:						
Commercial real estate[2]	32,509	170,568	462,864	245,622	911,563	27 %
Commercial	42,630	75,310	51,946	15,981	185,867	5 %
Residential real estate	39	1,038	37,650	172,489	211,216	6 %
Consumer and home equity	392	4,799	10,150	16,438	31,779	1 %
Total variable rate	75,570	251,715	562,610	450,530	1,340,425	39 %
Total loans	**$ 120,741**	**$ 500,128**	**$ 1,283,035**	**$ 1,527,570**	**$ 3,431,474**	**100 %**

(1) Scheduled repayments are reported in the maturity category in which payment is due. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less

(2) Commercial real estate loans includes non-owner-occupied and owner-occupied properties.

Additionally, we have active relationships with various secondary market investors that purchase residential mortgage loans we originate. In addition to managing our interest rate risk position and earnings through the sale of these loans, we are also able to manage our liquidity position through timely sales of residential mortgage loans to the secondary market. For the year ended 2021, we sold 44% of our $1.1 billion of residential mortgage loan originations to the secondary market.

Investments. We generally invest in amortizing MBS and CMO debt securities that return cash flow at an accelerated rate in comparison to other types of debt securities that are of a bullet structure. As of December 31, 2021 and 2020, the Company's MBS and CMO debt securities portfolio totaled 90% and 87%, respectively, of the Company's investment portfolio. The investment portfolio is also a significant source of contingent liquidity for the Company that could be accessed in a reasonable time period through the sale of investments on the secondary market, if needed. As of December 31, 2021, $867.4 million of our AFS debt securities, or 57.5%, was designated as AFS and not pledged as collateral.

The following is a summary of the scheduled cash flows from our debt securities portfolio, including investments designated as AFS and HTM, as of December 31, 2021:

(In thousands)	Contractual Cash Flows[1]
1 year or less	$ 254,775
> 1 year	1,255,585
Total	**$ 1,510,360**

(1) Expected contractual cash flows could differ as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Other Liquidity Requirements. Through the Company's normal course of business it generates cash flows from earnings and, while not contractual, it has a history of paying a quarterly cash dividend to its shareholders and repurchasing its shares of common stock. For the year ended 2021, the Company reported $69.0 million of net income, paid cash dividends of $21.1 million to shareholders and repurchased shares of its common stock for $10.1 million.

Also through its normal operations, the Company is party to several other contractual obligations not previously discussed, such as various lease agreements on a number of its branches. Renewal options within the various lease contracts, as applicable, were 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. At December 31, 2021, we had the following lease and other contractual obligations to make future payments under each of these contracts as follows:

(In thousands)	Total Amount Committed	Payments Due Per Period	
		1 Year or Less	> 1 Year
Operating leases	$ 14,034	$ 1,354	$ 12,680
Finance leases	7,431	309	7,122
Other contractual obligations	2,079	2,079	—
Total	**$ 23,544**	**$ 3,742**	**$ 19,802**

The Company's estimated lease liability for its various operating and finance leases was reported within other liabilities on our consolidated statements of condition. Please refer to Notes 1 and 6 of the consolidated financial statements for discussion and details of our leases.

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. Many of the commitments will expire without being drawn upon, and thus, the total amount does not necessarily represent future cash requirements. Refer to Note 11 of the consolidated financial statements for additional details.

We use derivative financial instruments for risk management purposes (primarily interest rate risk) and not for trading or speculative purposes. These contracts with our various counterparties may subject the Company to various cash flow requirements, which may include posting of cash as collateral (or other assets) for arrangements that the Company is in a liability position (*i.e*. “underwater”). Refer to Note 12 of the consolidated financial statements for further discussion of our derivatives and hedge instruments.

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 $541.3 million and $529.3 million at December 31, 2021 and December 31, 2020, respectively, which amounted to 10% of total assets. Refer to "*— Financial Condition — Shareholders' Equity"* for discussion regarding changes in shareholders' equity since December 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 $22.1 million, or $1.48 per share, $19.8 million, or $1.32 per share, and $18.9 million, or $1.23 per share, for the year ended December 31, 2021, 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 regulatory requirements and state corporate law.

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 year ended December 31, 2021, 2020, and 2019, the Bank declared dividends payable to the Company in the amount of $41.7 million, $39.4 million, and $36.9 million, respectively. Under OCC regulations, the Bank generally may not declare a dividend in excess of the Bank's undivided profits or, absent OCC approval, if the total amount of dividends declared by the Bank in any calendar year exceeds the total of the Bank's retained net income for the current year plus its retained net income for the prior two years. 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 14 of the consolidated financial statements for discussion and details of the Company and Bank's capital regulatory requirements. At December 31, 2021 and 2020, the Company and Bank met all regulatory capital requirements and the Bank continues to be classified as "well capitalized" under prompt corrective action provisions.

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, Enterprise Risk Management and Chief Risk Officer, 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 in 2020 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, such as stay-at-home orders, masking mandates and others, 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) oversaw the roll out of and continue to monitor the SBA PPP loan program and temporary loan relief programs; (vi) developed our branch network plan, including determination of which of our branches were to close in order to best allocate resources; (vii) developed a plan for, and oversaw the re-opening of our branches in June 2020, which included ensuring health and safety protocols and practices were in place for our employees and customers; and (viii) completed and implemented the Company's "return-to-office" strategy during the third quarter of 2021, which included certain employees returning to the office full-time, others through a hybrid model (*i.e.,* work from home part-time and from one of the Company's physical locations part-time), and others working remotely full-time. The Company's Executive Committee continues to monitor this strategy and will continue to re-evaluate in 2022.

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 members of senior management. The Pandemic Work Group, through the Company's executive team, regularly reports to the Board of Directors to assist with its ongoing oversight of the Company's response to COVID-19 and management of all areas of risks the Company faces, which have been affected by the COVID-19 pandemic.

The Company is, and may become, subject to other risks. Refer to Item 1A. *Risk Factors* for further description of the Company's material risks.

Credit Risk. Credit risk is the current and prospective risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the Company or otherwise to perform as agreed. It is found in all activities in which success depends on counterparty, issuer or borrower performance. It arises any time funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the Company's balance sheet. The Company makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and counterparties and the value of the real estate and other assets serving as collateral for the repayment of loans. For further discussion regarding credit risk and the credit quality of the Company's loan portfolio, refer to "*—Financial Condition—Asset Quality"* and Note 3 of the consolidated financial statements.

Liquidity Risk. Liquidity risk is the current and prospective risk to earnings or capital arising from the Company's inability to meet its obligations when they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. For further discussion regarding the Company's management of liquidity risk, refer to "*—Liquidity"* section.

Market Risk. Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices and equity prices. Our primary market risk exposure is interest rate risk. The ongoing monitoring and management of this risk is an important component of our asset and liability management process, which is governed by policies established by the Bank's Board of Directors that are reviewed and approved annually. The Board ALCO delegates responsibility for carrying out the asset/liability management policies to Management ALCO. In this capacity, Management ALCO develops guidelines and strategies impacting our asset/liability management-related activities based upon estimated market risk sensitivity, policy limits and overall market interest rate levels and trends. Board ALCO meets on a quarterly basis to review strategies, policies, economic conditions and various activities as part of the management of these risks.

Certain of the Company's revenues are asset-based and determined as a percentage of the value of a client's assets under management. Such values are affected by changes in financial markets, such as interest rate risk, equity prices, and foreign exchange rates, and, accordingly, declines in the financial market may negatively impact its revenue. At December 31, 2021, client assets under management by Camden National Wealth Management were $1.1 billion. It is estimated that a 1% increase or decrease in client assets under management would have resulted in an annualized increase or decrease in reported 2021 income from fiduciary services of $72,000.

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 have resulted in negative rates as of December 31, 2021 and 2020 as many deposit and funding rates were below 2.00%. In this case, a downward shift of 100 basis points was the only down scenario performed. 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 and 200 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 the lesser of current levels or 0.25%.

As of December 31, 2021, 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		
	As of December 31,		
Rate Change from Year 1 – Base	**2021**	**2020**	**2019**
Year 1			
+200 basis points	1.52 %	1.52 %	(0.59)%
-100 basis points	(0.67)%	(0.67)%	(0.44)%
Year 2			
+200 basis points	7.72 %	7.72 %	3.96 %
-100 basis points	(7.78)%	(7.78)%	(5.55)%

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 trend downward (assuming no balance sheet growth) as asset yields replace into lower assumed rates with limited opportunity for funding cost reductions. If rates decrease 100 basis points, net interest income is projected to decrease as loans reprice into lower yields and funding costs have limited capacity for reduction in the first year. In the second year, net interest income is projected to continue to decrease as loan and investment cash flow reprice into lower yields as prepayments increase while reduction in the cost of funds remains limited. If rates increase 200 basis points, net interest income is projected to increase in the first year due to the repricing of assets

outpacing funding cost increases. In the second year, net interest income is projected to increase as loan and investment yields continue to reprice/reset into higher yields and the cost of funds lags.

Periodically, if deemed appropriate, we use 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. As of December 31, 2021, we had interest rate swap agreements with a total notional of $43.0 million related to our junior subordinated debentures, $100.0 million of notional interest swap agreements on variable rate loans to mitigate exposure to falling interest rates, $50.0 million of notional interest rate swap agreements on variable rate deposits to mitigate exposure to rising rates, $50.0 million of notional interest rate swap agreements on short term funding to mitigate exposure to rising rates, and $345.5 million of notional interest rate swap agreements related to commercial loan level derivative program with both our commercial customers and a corresponding swap dealer. The Board and Management ALCO monitor derivative activities relative to their expectations and our hedging policies.

LIBOR is a benchmark interest rate for certain floating rate loans, deposits and borrowings, and off-balance sheet exposures of the Company. The administrator of LIBOR has announced that the publication of the most commonly used U.S. Dollar LIBOR settings will cease to be provided or will cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. As such, the Company has an internal project team that is focused on an orderly transition from LIBOR to alternative reference rates. The markets for alternative rates are developing. The Company will continue to assess the use of alternative rates, including SOFR, and expects to transition to alternative rates as the markets and best practices further develop. Refer to Note 1 of the consolidated financial statements.

Capital Risk. Capital risk is the risk that an investor may lose all or part of the principal amount invested. The Company faces this risk as it manages its balance sheet and has investments or loans that may lose all or part of the principal amount the Company has invested, which can have an impact on shareholders' equity. The Company also faces capital risk in that the entity may lose value on components of its shareholders' equity. The regulatory environment mandates the Company and Bank maintain certain levels of capital. These capital levels can change based upon regulatory changes, which can then impact what the Company is able to accomplish from a strategic perspective. For further discussion regarding capital risk and management of this risk, refer to "*—Capital Resources"* and Note 14 of the consolidated financial statements.

Operational Risk. Operational risk is the current and prospective risk to earnings and capital arising from fraud, error and the inability to deliver products or services, maintain a competitive position and manage information. Risk is inherent in efforts to gain strategic advantage and in the failure to keep pace with changes in the financial services marketplace. Operational risk is evident in each product and service offered by the Company and encompasses product development and delivery, transaction processing, systems development, change management, complexity of products and services, human resource elements and the internal control environment. The risk that transactions may not be processed on time or correctly can have significant impact on the Bank's reputation, which can result in compliance violations and fines, and/or other financial risks.

The Company manages operational risk through a series of internal programs, as well as through the assistance of third parties. These programs include various internal and external audit programs, internal committees to oversee compliance with programs and remedial actions, if necessary, and various documented policies, procedures and framework for addressing such risks.

Technology Risk, including Cybersecurity. Technology Risk is the risk of financial loss, disruption or damage to the reputation of an organization resulting from the failure of its information technology systems, weak computing infrastructure, or a breach of information technology systems. Technology and cybersecurity risk could materialize in a variety of ways, such as unpatched or vulnerable computing systems, deliberate and unauthorized breaches of security to gain access to information systems, unintentional or accidental breaches of security, operational information technology risks due to factors such as poor system integrity, weak computing infrastructure and/or a weak Cybersecurity protection program.

Poorly managed technology and cybersecurity risk can leave an institution exposed to a variety of cyber crimes, with consequences ranging from data disruption to economic destitution. Reputation risk due to a technology and/or cybersecurity event can be significant to overcome depending on the severity of the event.

The Company manages technology and cybersecurity risks through its internal programs, as well as through the assistance of third parties. These programs include various internal and external audit programs, internal committees to oversee compliance with programs and remedial actions, if necessary, and various documented policies, procedures and framework for addressing such risks. Additionally, the Board actively oversees risks related to cybersecurity through various committees that are responsible for developing a comprehensive technology plan and monitoring and testing the Company's information

security. The Company has also developed a Cybersecurity Incident Response Team ("CSIRT") that is responsible for monitoring, detecting, responding to and reporting cybersecurity incidents. The CSIRT uses a variety of monitoring and testing techniques to protect the integrity of the Company's systems and the security of confidential information.

Vendor and Third Party Risk. Vendor and third party risk represents the risk related to outsourced activities and in certain situations includes reliance on vendors to deliver services on our behalf. The Company has many service partners and an increasing reliance on outsourced services, which places greater risk on the Company through these many partners. These relationships are controlled by contracts and service level agreements, but represent increasing risk to the Company.

The Company manages vendor and third party risk through its vendor management program, which includes robust due diligence and risk assessment prior to engaging a new vendor, annual review of certain vendors dependent on the services provided by the vendor and the risk the vendor may present to the Company through our reliance on its services.

People and Compensation Risk. People and compensation risk includes: (1) the risk of employee dishonesty, incompetence or error; (2) the risk of not having individuals with adequate training and experience to properly discharge their responsibilities; (3) the risk of not having sufficient depth of personnel to provide back up for critical functions; (4) the risk of lawsuit by employees alleging improper actions by or on behalf of the Company; (5) succession planning; and (6) compensation risk, which includes having compensation plans that effectively allow the Company to hire and keep the right talent, and properly designed compensation and incentive programs to promote ethical behavior and assure that excessive risk is not encouraged.

The Company manages people and compensation risk through annual risk assessments of various compensation and incentive plans, oversight by the Compensation Committee of the Board of Directors, the use of third party compensation consultants, and various insurance programs.

Compliance and Legal Risk. Compliance and legal risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. This risk exposes the Company to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. Legal risk exists in generally all activity of the Company where there is any possibility that the Company will become subject to liability for improper actions.

The Company manages compliance and legal risk through various internal and external audit programs, use of third parties for consulting and legal support, ongoing compliance risk assessments, the ERM Committee and various insurance programs.

Strategic Alignment Risk. Strategic alignment risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the Company's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

Reputation Risk. Reputation risk is the current and prospective impact on earnings and capital arising from negative public opinion. The reputation of financial services companies can be based on brand and trust, and the loss of brand or trust can negatively impact the Company's operations and financial results. Reputation risk exposure is present throughout the organization and our interactions with our various stakeholders, including, but not limited to, our customers, communities and investors.

The Company manages its strategic alignment and reputation risk through various internal policies and programs, including, but not limited to, the Company's core values, code of ethics policy, financial code of ethics policy, Audit Committee complaint policy, employee handbook, and other policies and programs, as well as through strategic planning and oversight by the Board of Directors.

RECENT ACCOUNTING PRONOUNCEMENTS

See "—*Critical Accounting Policies"* and Note 1 of the consolidated financial statements for details of recently issued accounting pronouncements and their expected impact on the consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required by this Item 7A is included in Item 7. "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.*"

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except number of shares)	December 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks	$ 38,902	$ 49,524
Interest-bearing deposits in other banks (including restricted cash)	181,723	96,250
Total cash, cash equivalents and restricted cash	220,625	145,774
Investments:		
Trading securities	4,428	4,161
Available-for-sale securities, at fair value (amortized cost of $1,508,981 and $1,078,474, respectively)	1,507,486	1,115,813
Held-to-maturity securities, at amortized cost (fair value of $1,380 and $1,411, respectively)	1,291	1,297
Other investments	10,280	11,541
Total investments	1,523,485	1,132,812
Loans held for sale, at fair value (book value of $5,786 and $40,499, respectively)	5,815	41,557
Loans	3,431,474	3,219,822
Less: allowance for credit losses on loans	(33,256)	(37,865)
Net loans	3,398,218	3,181,957
Goodwill	94,697	94,697
Core deposit intangible assets	2,188	2,843
Bank-owned life insurance	97,241	94,877
Premises and equipment, net	37,775	39,884
Deferred tax assets	19,210	11,956
Other assets	101,102	152,388
Total assets	$ 5,500,356	$ 4,898,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest checking	$ 1,279,565	$ 792,550
Interest checking	1,351,736	1,288,575
Savings and money market	1,459,472	1,282,886
Certificates of deposit	309,648	357,666
Brokered deposits	208,468	283,567
Total deposits	4,608,889	4,005,244
Short-term borrowings	211,608	162,439
Long-term borrowings	—	25,000
Subordinated debentures	44,331	59,331
Accrued interest and other liabilities	94,234	117,417
Total liabilities	4,959,062	4,369,431
Commitments and contingencies		
Shareholders' Equity		
Common stock, no par value: authorized 40,000,000 shares, issued and outstanding 14,739,956 and 14,909,097 on December 31, 2021 and 2020, respectively	123,111	131,072
Retained earnings	424,412	377,502
Accumulated other comprehensive (loss) income:		
Net unrealized (loss) gain on available-for-sale securities, net of tax	(1,173)	29,310
Net unrealized loss on cash flow hedging derivative instruments, net of tax	(1,779)	(4,626)
Net unrecognized loss on postretirement plans, net of tax	(3,277)	(3,944)
Total accumulated other comprehensive (loss) income	(6,229)	20,740
Total shareholders' equity	541,294	529,314
Total liabilities and shareholders' equity	$ 5,500,356	$ 4,898,745

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

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except number of shares and per share data)	For the Year Ended December 31, 2021	2020	2019
Interest Income			
Interest and fees on loans	$ 125,437	$ 134,000	$ 143,399
Taxable interest on investments	18,869	18,399	19,509
Nontaxable interest on investments	3,001	3,253	2,701
Dividend income	412	655	722
Other interest income	765	893	2,187
Total interest income	148,484	157,200	168,518
Interest Expense			
Interest on deposits	7,920	15,544	34,001
Interest on borrowings	605	1,837	3,621
Interest on subordinated debentures	2,523	3,512	3,266
Total interest expense	11,048	20,893	40,888
Net interest income	137,436	136,307	127,630
(Credit) provision for credit losses	(3,190)	12,418	2,861
Net interest income after (credit) provision for credit losses	140,626	123,889	124,769
Non-Interest Income			
Mortgage banking income, net	13,704	18,487	7,837
Debit card income	13,105	10,420	9,701
Service charges on deposit accounts	6,626	6,697	8,393
Income from fiduciary services	6,516	6,115	5,901
Brokerage and insurance commissions	3,913	2,832	2,625
Bank-owned life insurance	2,364	2,533	2,425
Customer loan swap fees	—	222	1,166
Net loss on sale of securities	—	—	(105)
Other income	3,507	3,184	4,170
Total non-interest income	49,735	50,490	42,113
Non-Interest Expense			
Salaries and employee benefits	61,007	57,938	54,489
Furniture, equipment and data processing	12,247	11,756	10,881
Net occupancy costs	7,532	7,585	7,047
Debit card expense	4,313	3,753	3,613
Consulting and professional fees	3,691	3,833	3,706
Regulatory assessments	2,074	1,450	1,261
Amortization of core deposit intangible assets	655	682	705
Other real estate owned and collection (recoveries) costs, net	(101)	382	480
Other expenses	12,302	12,604	13,121
Total non-interest expense	103,720	99,983	95,303
Income before income tax expense	86,641	74,396	71,579
Income Tax Expense	17,627	14,910	14,376
Net income	$ 69,014	$ 59,486	$ 57,203
Per Share Data			
Basic earnings per share	$ 4.62	$ 3.96	$ 3.70
Diluted earnings per share	$ 4.60	$ 3.95	$ 3.69
Weighted average number of common shares outstanding	14,903,855	14,985,235	15,407,289
Diluted weighted average number of common shares outstanding	14,971,578	15,023,767	15,453,022
Cash dividends declared per share	$ 1.48	$ 1.32	$ 1.23

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	For the Year Ended December 31, 2021	2020	2019
Net income	$ 69,014	$ 59,486	$ 57,203
Other comprehensive (loss) income:			
Net change in unrealized (loss) gain on available-for-sale debt securities, net of tax	(30,483)	26,060	21,076
Net change in unrealized gain (loss) on cash flow hedging derivatives, net of tax	2,847	1,422	(1,611)
Net change in other comprehensive income for supplemental executive retirement plan and other postretirement benefit plan, net of tax	667	(474)	(1,313)
Other comprehensive (loss) income	(26,969)	27,008	18,152
Comprehensive income	$ 42,045	$ 86,494	$ 75,355

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands, except number of shares and per share data)	Common Stock		Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
	Shares Outstanding	Amount			
Balance at December 31, 2018	15,591,914	$ 158,215	$ 302,030	$ (24,420)	$ 435,825
Cumulative-effect adjustment—ASU 2016-02 (Note 1)	—	—	254	—	254
Net income	—	—	57,203	—	57,203
Other comprehensive income, net of tax	—	—	—	18,152	18,152
Stock-based compensation expense	—	1,885	—	—	1,885
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings and tax benefit	40,857	(202)	—	—	(202)
Common stock repurchased	(488,052)	(20,795)	—	—	(20,795)
Cash dividends declared ($1.23 per share)	—	—	(18,907)	—	(18,907)
Balance at December 31, 2019	15,144,719	139,103	340,580	(6,268)	473,415
Cumulative-effect adjustment— ASU 2016-13 (Note 1)	—	—	(2,809)	—	(2,809)
Net income	—	—	59,486	—	59,486
Other comprehensive income, net of tax	—	—	—	27,008	27,008
Stock-based compensation expense	—	1,785	—	—	1,785
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings and tax benefit	38,732	(116)	—	—	(116)
Common stock repurchased	(274,354)	(9,700)	—	—	(9,700)
Cash dividends declared ($1.32 per share)	—	—	(19,755)	—	(19,755)
Balance at December 31, 2020	14,909,097	131,072	377,502	20,740	529,314
Net income	—	—	69,014	—	69,014
Other comprehensive loss, net of tax	—	—	—	(26,969)	(26,969)
Stock-based compensation expense	—	2,381	—	—	2,381
Exercise of stock options and issuance of vested share awards, net of repurchase for tax withholdings and tax benefit	48,790	(263)	—	—	(263)
Common stock repurchased	(217,931)	(10,079)	—	—	(10,079)
Cash dividends declared ($1.48 per share)	—	—	(22,104)	—	(22,104)
Balance at December 31, 2021	14,739,956	$ 123,111	$ 424,412	$ (6,229)	$ 541,294

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the Year Ended December 31, 2021	2020	2019
Operating Activities			
Net income	$ 69,014	$ 59,486	$ 57,203
Adjustments to reconcile net income to net cash provided by operating activities:			
Originations of mortgage loans held for sale	(436,740)	(654,097)	(282,443)
Proceeds from the sale of mortgage loans	484,718	640,841	281,207
Gain on sale of mortgage loans, net of origination costs	(13,265)	(15,328)	(6,365)
(Credit) provision for credit losses	(3,190)	12,418	2,861
Depreciation and amortization expense	3,708	3,828	3,891
Investment securities amortization and accretion, net	6,722	4,803	2,997
Stock-based compensation expense	2,381	1,785	1,885
Amortization of core deposit intangible assets	655	682	705
Purchase accounting accretion, net	(699)	(1,304)	(1,483)
Net decrease (increase) in derivative collateral posted	26,700	(26,540)	(26,240)
Increase (decrease) in other assets	2,669	(10,912)	(1,005)
Increase (decrease) in other liabilities	43	2,568	(342)
Net cash provided by operating activities	142,716	18,230	32,871
Investing Activities			
Proceeds from available-for-sale debt securities	321,625	264,124	355,611
Purchase of available-for-sale debt securities	(758,847)	(433,418)	(339,286)
Net increase in loans	(212,117)	(125,572)	(70,714)
Purchase of Federal Home Loan Bank stock	(68)	(9,231)	(13,688)
Proceeds from sale of Federal Home Loan Bank	1,329	9,665	15,645
Purchase of premises and equipment	(1,852)	(2,926)	(4,267)
Proceeds from other investments	—	1,712	—
Recoveries of previously charged-off loans	372	1,084	310
Proceeds from sale of other real estate owned	465	110	554
Net cash used in investing activities	(649,093)	(294,452)	(55,835)
Financing Activities			
Net increase in deposits	603,645	467,519	73,335
Net proceeds from (repayments of) borrowings less than 90 days	49,169	(106,370)	(2,059)
Proceeds from Federal Home Loan Bank long-term advances	—	25,000	—
Repayments of Federal Home Loan Bank long-term advances	(25,000)	(10,000)	—
Repayment of subordinated debt	(15,000)	—	—
Common stock repurchases	(10,090)	(9,689)	(20,795)
Exercise of stock options and issuance of restricted stock, net of repurchase for tax withholdings	(263)	(116)	(202)
Cash dividends paid on common stock	(21,081)	(19,842)	(18,572)
Finance lease payments	(152)	(142)	(106)
Net cash provided by financing activities	581,228	346,360	31,601
Net increase in cash, cash equivalents and restricted cash	74,851	70,138	8,637
Cash, cash equivalents and restricted cash at beginning of year	145,774	75,636	66,999
Cash, cash equivalents and restricted cash at end of year	$ 220,625	$ 145,774	$ 75,636
Supplemental information			
Interest paid	$ 11,192	$ 21,505	$ 41,374
Income taxes paid	18,502	15,660	13,542
Transfer from premises to other real estate owned	204	24	—
Transfer from loans to other real estate owned	—	236	543
Unsettled common stock repurchase	—	11	—

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Acronyms and Abbreviations. The acronyms and abbreviations identified below are used in the notes to the consolidated financial statements. The following is provided to aid the reader and provide a reference page when reviewing the notes to the consolidated financial statements.

Acronym	Description	Acronym	Description
AFS:	Available-for-sale	FRBB:	Federal Reserve Bank of Boston
ALCO:	Asset/Liability Committee	GAAP:	Generally accepted accounting principles in the United States
ACL:	Allowance for credit losses	GDP:	Gross domestic product
AOCI:	Accumulated other comprehensive income (loss)	HPFC:	Healthcare Professional Funding Corporation, a wholly-owned subsidiary of Camden National Bank
ASC:	Accounting Standards Codification	HTM:	Held-to-maturity
ASU:	Accounting Standards Update	IRS:	Internal Revenue Service
Bank:	Camden National Bank, a wholly-owned subsidiary of Camden National Corporation	LGD:	Loss given default
BOLI:	Bank-owned life insurance	LIBOR:	London Interbank Offered Rate
Board ALCO:	Board of Directors' Asset/Liability Committee	LTIP:	Long-Term Performance Share Plan
CARES Act:	Coronavirus Aid, Relief, and Economic Security Act, issued by the Federal government in response to COVID-19 in March 2020	Management ALCO:	Management Asset/Liability Committee
CCTA:	Camden Capital Trust A, an unconsolidated entity formed by Camden National Corporation	MBS:	Mortgage-backed security
CD:	Certificate of deposits	MSPP:	Management Stock Purchase Plan
CECL:	Current Expected Credit Losses	N/A:	Not applicable
Company:	Camden National Corporation	N.M.:	Not meaningful
CMO:	Collateralized mortgage obligation	OCC:	Office of the Comptroller of the Currency
CUSIP:	Committee on Uniform Securities Identification Procedures	OCI:	Other comprehensive income (loss)
DCRP:	Defined Contribution Retirement Plan	OREO:	Other real estate owned
EPS:	Earnings per share	OTTI:	Other-than-temporary impairment
FASB:	Financial Accounting Standards Board	PD:	Probability of default
FDIC:	Federal Deposit Insurance Corporation	ROU:	Right-of-use
FHLB:	Federal Home Loan Bank	SBA:	U.S. Small Business Administration
FHLBB:	Federal Home Loan Bank of Boston	SBA PPP:	U.S. Small Business Administration Paycheck Protection Program
FHLMC:	Federal Home Loan Mortgage Corporation	SERP:	Supplemental executive retirement plans
FNMA:	Federal National Mortgage Association	TDR:	Troubled-debt restructured loan
FOMC:	Federal Open Market Committee	UBCT:	Union Bankshares Capital Trust I, an unconsolidated entity formed by Union Bankshares Company that was subsequently acquired by Camden National Corporation
FRB:	Federal Reserve System Board of Governors	U.S.:	United States of America

General Business. Camden National Corporation, a Maine corporation (the "Company"), is the bank holding company for Camden National Bank (the "Bank") and is headquartered in Camden, Maine. The primary business of the Company is to attract deposits from and to extend loans to consumer, institutional, municipal, non-profit and commercial customers. The Company, through the Bank, offers commercial and consumer banking products and services, and through Camden Financial Consultants, a division of the Bank, and Camden National Wealth Management, a department of the Bank, offers brokerage and insurance services as well as investment management and fiduciary services. The Bank's deposits are insured by the FDIC, subject to regulatory limits.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the Company and the Bank (which includes the consolidated accounts of HPFC and Property A, Inc. as of and for the year ended December 31, 2021, 2020 and 2019, and also includes Property P, Inc. as of and for the year ended December 31, 2019). All intercompany accounts and transactions have been eliminated in consolidation. Assets held by the Bank in a fiduciary capacity, through Camden National Wealth Management, 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 CCTA and UBCT. These entities are unconsolidated subsidiaries of the Company.

Reclassifications. Certain reclassifications have been made to prior year amounts, without impact to net income or total shareholders' equity, to conform to the current year's presentation.

Use of Estimates. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could vary from these estimates as a result of changing conditions and future events. Several estimates are particularly critical and are susceptible to significant near-term change, such as the ACL, including the allowance for loan losses, off-balance sheet credit exposures, and AFS and HTM debt securities (effective for periods on or after January 1, 2020, upon adoption of ASU No. 2016-13*, Financial Instruments - Credit Losses (Topic 326):* M*easurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), as amended); the accounting for business combinations including subsequent impairment analyses for goodwill and other intangible assets; accounting for income taxes; postretirement benefits; and asset impairment assessments, including the assessment of OTTI of investment securities (for periods prior to January 1, 2020).

Subsequent Events. The Company has evaluated events and transactions subsequent to December 31, 2021 for potential recognition or disclosure as required by GAAP and there have been no such events or transactions.

Significant Concentration of Credit Risk. The Company makes loans primarily to customers in Maine, Massachusetts and New Hampshire. Although it has a diversified loan portfolio, a large portion of the Company's loans are secured by commercial or residential real estate and are subject to real estate market volatility within these states. Furthermore, the debtors' ability to honor their contracts is highly dependent upon other economic factors throughout Maine, Massachusetts and New Hampshire. The Company does not generally engage in non-recourse lending and typically will require the principals of any commercial borrower to obligate themselves personally on the loan.

Cash, Cash Equivalents and Restricted Cash. For the purposes of reporting, cash and cash equivalents consist of cash on hand and amounts due from banks. In March 2020, the FRB reduced its reserve requirement ratios to 0%, effectively eliminating cash reserve requirements for all depository institutions.

Certain cash balances will be designated as restricted as required by certain contracts with unrelated third parties.

Investments. Debt investments for which the Company has the positive intent and ability to hold to maturity are classified as HTM and recorded at amortized cost on the consolidated statements of condition.

Debt investments that are not classified as HTM or trading are classified as AFS and are carried at fair value on the Company's consolidated statements of condition with subsequent changes to fair value recorded within AOCI, net of tax.

Trading securities and equity investments with a readily determinable fair value are carried at fair value on the Company's consolidated statements of condition, with the change in fair value recognized between periods recognized within net income on the consolidated statements of income.

Purchase premiums and discounts are recognized in interest income on the consolidated statements of income using the interest method over the period to maturity or issuer call option date, if earlier, and are recorded on the trade date.

Upon sale of an investment security, the realized gain or loss on the sale is recognized within non-interest income on the consolidated statements of income. The cost basis of our investments sold is determined using the specific identification method.

ACL on (or Write-off of) AFS Debt Securities (effective January 1, 2020). Upon adoption of ASU 2016-13, effective January 1, 2020, management now assesses its AFS debt securities in an unrealized loss position for the following: (i) whether it intends to sell the security, or (ii) it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through net income. For AFS debt securities that do not meet either of the two criteria, management evaluates whether the decline in fair value resulted from credit losses or other factors. In making this assessment, management considers the following: (i) the extent to which fair value is less than amortized cost, (ii) credit rating of the security, (iii) macroeconomic trends of the industry specific to the security, and (iv) any other adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance on AFS debt securities is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. When assessing an AFS debt security for credit loss, securities with identical CUSIPs are pooled together to assess for impairment using the average cost basis. Any impairment that has not been recorded through an allowance is recognized in AOCI.

A change in the ACL on AFS debt securities or write-off of an AFS debt security, which may be in full or a portion thereof, is recorded as expense (credit) within provision for credit losses on the consolidated statements of income. Losses are charged against the allowance when management believes the uncollectibility of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

As of December 31, 2021 and 2020, there was no allowance carried on the Company's AFS debt securities nor were there any permanent write-offs for the years ended December 31, 2021 or 2020 under ASU 2016-13. Refer to Note 2 of the consolidated financial statements for further discussion.

ACL on (or Write-off of) HTM Debt Securities (effective January 1, 2020). The Company adopted ASU 2016-13, which is commonly referred to as "CECL" (*i.e.* current expected credit losses), effective January 1, 2020. ASU 2016-13 requires companies to estimate expected credit losses on its HTM debt securities and carry an allowance for such. Management measures expected credit losses on HTM debt securities on a collective basis by major security types that share similar risk characteristics, which may include, but is not limited to, credit ratings, financial asset type, collateral type, size, effective interest rate, term, geographical location, industry, and vintage.

The estimate of expected credit losses on the HTM portfolio is based on the expected cash flows of each individual CUSIP over its contractual life and considers historical credit loss information, current conditions and reasonable and supportable forecasts. Given the rarity of municipal defaults and losses, the Company will utilize external third party loss forecast models as the sole source of municipal default and loss rates. As with the loan portfolio, cash flows are modeled over a reasonable and supportable forecast period and then revert to the long-term average economic conditions on a straight line basis. Management may exercise discretion to make adjustments based on various qualitative factors.

An HTM debt security is written-off in the period in which a determination is made that all or a portion of the financial asset is uncollectible. Any previously recorded allowance, if any, is reversed and then the amortized cost basis is written-down to the amount deemed to be collectible, if any.

A change in the ACL on HTM debt securities or write-off of an HTM debt security, which may be in full or a portion thereof, is recorded as expense (credit) within provision for credit losses on the consolidated statements of income.

As of December 31, 2021 and 2020, there was no allowance carried on the Company's HTM debt securities nor were there any permanent write-offs for the years ended December 31, 2021 or 2020 under ASU 2016-13. Refer to Note 2 of the consolidated financial statements for further discussion.

OTII Assessment (periods prior to January 1, 2020). For periods prior to the adoption of ASU No. 2016-13, effective January 1, 2020, management conducted a quarterly review and evaluation of its AFS and HTM debt investments to determine if the decline in fair value of any security appeared to be other-than-temporary. The factors considered included, but were not limited to the length of time and the extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; the credit ratings of the security or issuer, whether the decline in fair value appears to be issuer specific

or, alternatively, a reflection of general market or industry conditions; and the Company's intent and ability to hold the security for a period of time sufficient to allow for a recovery in fair value.

The other-than-temporary decline in fair value of AFS and HTM debt securities that the Company does not intend to sell and is not more-likely-than-not required to sell before recovery of its amortized cost basis are accounted for as follows: (i) if the decline in fair value is credit-related, the loss is recognized in non-interest income on the consolidated statements of income; (ii) if the decline in fair value is due to other factors (e.g. changes in the interest rate environment), the loss is recognized in AOCI, net of tax. If the Company intends to sell or is more-likely-than-not required to sell before recovery of amortized cost, it records OTTI equal to the difference between the debt security's amortized cost basis and calculated fair value within non-interest income on the consolidated statements of income.

For the year ended December 31, 2019, the Company did not record any OTTI on its AFS or HTM debt securities.

FHLBB and FRBB Stock. The Company, through the Bank, is a member of the FHLBB and FRBB, and, as a member, is required to hold a certain amount of FHLBB and FRB common stock. These equity stocks are non-marketable and are reported at cost within other investments on the consolidated statements of condition. The Company evaluates its FHLBB and FRB common stock for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Loans Held for Sale. The Company has elected the fair value option for loans classified as held for sale on the consolidated statements of condition. Designation of loans as held for sale is determined based on intent and is generally completed as the loans are underwritten. The fair value for loans held for sale is determined using quoted secondary market prices. Management consistently evaluates the Company's loan portfolio in conjunction with asset/liability management practices, and will opt to sell certain residential mortgage loans to manage the Company's interest rate exposure and for other business purposes, including generating fee income through mortgage sale gains and managing its liquidity position.

Originated Loans and Acquired Loans. Loans held for investment are reported at amortized cost adjusted for any partial charge-offs and net of any deferred loan fees or costs. For originated loans, interest income is accrued based upon the daily principal amount outstanding except for loans on non-accrual status.

Loans acquired through a business or asset purchase are reported at fair value, as of acquisition date. For acquired loans, interest income is accrued based upon the daily principal amount outstanding and is then further adjusted by the accretion of any discount or amortization of any premium associated with the loan that was recognized based on the acquisition date fair value.

For originated loans, loan fees and certain direct origination costs are deferred and amortized into interest income over the contractual term of the loan using the level-yield method. When a loan is paid off, the unamortized portion is recognized in interest income.

A loan is classified as non-accrual generally when it becomes 90 days past due as to interest or principal payments, or sooner if management considers such action to be prudent. All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which the loan is considered delinquent and the amortization of any unamortized net deferred origination loan fees/costs stops. Interest payments received on non-accrual loans are applied as a reduction of principal. A loan remains on non-accrual status until all principal and interest amounts contractually due are brought current and future payments are reasonably assured. Should a loan transition from non-accrual status back to accrual status, the unrecognized interest earned during the period the loan was on non-accrual status and unamortized deferred origination fees and costs are recognized over the remaining contractual life of the loan using the level-yield method.

ACL on Loans. The Company adopted ASU 2016-13, commonly referred to as "CECL," effective January 1, 2020, using a modified-prospective approach. Upon adoption, the Company recorded a cumulative-effect adjustment of $2.8 million was recorded reducing retained earnings, with a corresponding adjustment of $233,000 increasing the ACL on loans, an adjustment of $3.3 million increasing other liabilities for the ACL on off-balance sheet credit exposures, and an adjustment of $769,000 increasing deferred tax assets.

The ACL on loans calculation under CECL is based on the amortized cost basis of a loan, which is comprised of the unpaid principal balance of the loan, net deferred loan fees (costs), acquired premium (discount), and any write-downs previously taken on the loan.

The ACL on loans is increased by charges to provision for credit losses and reduced by charge-offs, net of recoveries. Management evaluates the appropriateness of the ACL on loans quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period to period. The ACL on loans is presented on the consolidated statements of condition.

Loans past due 30 days or more are considered delinquent. In general, secured loans that are delinquent for 90 consecutive days are placed on non-accrual status, and, under CECL, may be subject to individual loss assessment in accordance with established internal policy. In general, unsecured loans that are delinquent for 90 consecutive days are charged off.

In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a TDR, with the exception of loan modifications or concessions resulting directly from the effects of the COVID-19 pandemic that were granted to customers who were otherwise in current payment status at the time of the modification or concession.

Under CECL, the ACL on loans reduces the loan portfolio to the net amount expected to be collected, and represents the expected losses over the life of all loans at the reporting date. The allowance incorporates forward-looking information and applies a reversion methodology beyond the reasonable and supportable forecast.

The ACL on loans represents the Company's estimated risk of loss within its loan portfolio as of the reporting date. To appropriately measure expected credit losses, management disaggregates the loan portfolio into pools of similar risk characteristics (*i.e.* “segment”). The Company utilizes a discounted cash flow approach to calculate the expected loss for each segment. Within the discounted cash flow model, a PD and LGD assumption is applied to calculate the expected loss for each segment. PD is the probability the asset will default within a given timeframe and LGD is the percentage of assets not expected to be collected due to default. The Company's PD and LGD assumptions may be derived from internal historical default and loss experience or from external data where there are not statistically meaningful loss events for a loan segment or it does not have default and loss data that covers a full economic cycle.

As of December 31, 2021, the primary macroeconomic drivers used within the discounted cash flow model included forecasts of Maine Unemployment, changes in Maine and National GDP, and changes in the Maine Housing Price Index. In addition to the primary macroeconomic drivers listed above, the Company used the change in Maine's Retail Trade Earnings in its discounted cash flow model to calculated its ACL on loans as of December 31, 2020. Management monitors and assesses its macroeconomic drivers at least annually to determine if or that they continue to be the most predictive indicator of losses within the Company’s loan portfolio, and these macroeconomic drivers may change from time to time.

To determine its reasonable and supportable forecast, management may leverage macroeconomic forecasts obtained from various reputable sources, which may include, but is not limited to, the Federal Open Market Committee forecast and other publicly available forecasts from well recognized, leading economists or firms. The Company’s reasonable and supportable forecast period generally ranges from one to three years, depending on the facts and circumstances of the current state of the economy, portfolio segment and management’s judgement of what can be reasonably supported. The model reversion period generally ranges from one to six years, and it also depends on the current state of the economy and management’s judgments of such. Management monitors and assesses the forecast and reversion period at least annually. The Company used a one-year forecast and reversion period to calculate the ACL on loans as of December 31, 2021 and 2020.

The ACL on loans is calculated over a loan’s contractual life. For term loans, the contractual life is calculated based on the maturity date. For commercial revolving loans with no stated maturity date, the contractual life is calculated based on the internal review date. For all other revolving loans, the contractual life is based on either the estimated maturity date or a default date. The contractual term does not include expected extension, renewals or modifications.

The Company's loan portfolio is segmented as follows based on the various risk profiles of the Company's loans:

- The commercial loan portfolio is segmented into three categories – (i) commercial real estate, which is collateralized by real estate; (ii) commercial, which is typically utilized for general business purposes; and (iii) SBA PPP loans, which were originated by the Company during the years ended December 31, 2021 and 2020 in response to the COVID-19 pandemic. Commercial real estate is further segmented between non-owner-occupied (*i.e.* investment properties) and owner-occupied properties.
- Retail loans are a homogenous group, generally consisting of standardized products that are smaller in amount and distributed over a large number of individual borrowers. Retail loans are segmented into three categories – (i) residential real estate, (ii) home equity and (iii) consumer.

In calculating the ACL on loans, the contractual life of a loan must be adjusted for prepayments to arrive at expected cash flows. The Company models term loans using an annualized prepayment. When the Company has a specific expectation of differing payment behavior for a given loan, the loan may be evaluated individually. For revolving loans that do not have a principal payment schedule, a curtailment rate is factored into the cash flow.

The ACL on loans evaluation also considers various qualitative factors, such as: (i) actual or expected changes in economic trends and conditions, (ii) changes in the value of underlying collateral for loans, (iii) changes to lending policies, underwriting standards and/or management personnel performing such functions, (iv) delinquency and other credit quality trends, (v) credit risk concentrations, if any, (vi) changes to the nature of the Company's business impacting the loan portfolio, (vii) and other external factors, that may include, but are not limited to, results of internal loan reviews, examinations by bank regulatory agencies, or other such events such as a natural disaster.

Certain loans are individually evaluated for estimated credit losses, including those (i) greater than $500,000 that are classified as substandard or doubtful and are on non-accrual, (ii) a TDR, or (iii) that have other unique characteristics differing from the segment. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan or the estimated realizable value of the collateral, if any.

Management may also adjust its assumptions to account for differences between expected and actual losses from period-to-period. The variability of management’s assumptions could alter the ACL on loans materially and impact future results of operations and financial condition. The loss estimation models and methods used to determine the allowance for credit losses are continually refined and enhanced.

Incurred Loss Methodology. For reporting periods prior to January 1, 2020, the Company estimated the allowance for loan losses using the incurred loss methodology.

In determining the appropriate allowance, the Company used a methodology to systematically measure the amount of estimated loan loss exposure inherent in the loan portfolio. The methodology included three elements: (1) identification of loss allocations for certain specific loans, (2) loss allocation factors for certain loan types based on credit risk and loss experience, and (3) general loss allocations for other qualitative and economic factors.

The allocations for specific loans were determined based on loans that have a principal balance of $500,000 or more that were classified as substandard or doubtful and were on non-accrual status. Such loans were classified as impaired and an allowance was established when the discounted expected future cash flows (or collateral value or observable market price) of the impaired loan was lower than the recorded investment of that loan. Loans that did not meet the above criteria were separated into risk pools by portfolio segment and risk ratings. The Company would then evaluate each risk pool collectively for impairment through loss allocation factors.

The Company used a risk rating system for certain loan segments to determine the credit quality of these loan pools and applied the related loss allocation factors. In assessing the risk rating of a particular loan, the Company considered, among other factors, the obligor’s debt capacity, financial condition, the level of the obligor’s earnings, the amount and sources of repayment, the performance with respect to loan terms, the adequacy of collateral, the level and nature of contingent liabilities, management strength, and the industry in which the obligor operates. These factors were based on an evaluation of historical information, as well as subjective assessment and interpretation of applicable conditions. Emphasizing one factor over another, or considering additional factors that may be relevant in determining the risk rating of a particular loan but which are not an explicit part of the Company's methodology, could impact the risk rating assigned to that loan.

The Company would at least annually, and more frequently as deemed prudent by management, reassess and revise the loss allocation factors used in the assignment of loss exposure to appropriately reflect the analysis of loss experience. Portfolios of more homogeneous populations of loans including home equity and consumer loans were analyzed as groups taking into account delinquency rates and other economic conditions that may affect the ability of borrowers to meet debt service requirements, including interest rates and energy costs. The Company also considered regulatory guidance, historical loss ranges, portfolio composition, and other changes in the portfolio. An additional allocation is determined based on a judgmental process whereby management considered qualitative and quantitative assessments of other environmental factors.

Accrued Interest. Upon adoption of CECL, effective as of January 1, 2020, the Company made the following elections regarding accrued interest receivable: (i) present accrued interest receivable balances within other assets on the consolidated statements of condition; (ii) exclude accrued interest from the measurement of the ACL, including investments and loans; and (iii) continue to write-off accrued interest receivable by reversing interest income.

The Company has a robust policy in place to write-off accrued interest when a loan is placed on non-accrual. Accrued interest is written-off by reversing previously recorded interest income. For loans, write-off typically occurs when a loan has been in default for 90 days or more.

Goodwill and Core Deposit Intangible Assets. Goodwill represents the price paid in an acquisition that is in excess of the fair value of the net assets acquired. Goodwill is not subject to amortization but rather is evaluated at least annually for impairment, or as events and circumstances dictate, at the reporting unit level, and for which the Company has determined it has a single reporting unit. Any impairment is charged to non-interest expense on the consolidated statements of income.

The Company evaluates goodwill for impairment annually as of November 30th, or more frequently as warranted by external and/or internal factors. The Company may utilize a qualitative analysis and/or a quantitative analysis to evaluate goodwill for impairment. The Company has the option to by-pass the qualitative analysis for any given year and perform the quantitative analysis.

Using a qualitative analysis to assess goodwill for impairment, the Company will consider various factors to determine if it is more-likely-than-not that its carrying value of its reporting unit exceeds its fair value. These factors include, but are not limited to, the overall macro-economic environment; industry economic and regulatory environment; and company specific factors, including, but not limited to, performance, Company common stock share price, competition and/or significant changes in senior management. Should the Company determine it is more-likely-than-not that the carrying value of its reporting unit exceeds its fair value, then it would then perform the next step of the goodwill impairment test, which is a quantitative analysis. If the Company were to determine it is not more-likely-than-not that the carrying value of its reporting unit exceeds its fair value, the Company would have completed its goodwill impairment evaluation and concluded goodwill was not impaired.

After performing the qualitative analysis and determining it is more-likely-than-not that the carrying value of its reporting unit exceeds its fair value or if the Company by-passed the qualitative analysis, it would perform a quantitative analysis to determine if the carrying value of its reporting unit exceeds its fair value. The Company may use various valuation techniques such as a discounted cash flow model, a comparative market transaction multiple approach and/or other valuation methods, to determine the reporting unit's fair value. 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"), and accordingly now recognizes an impairment of goodwill to the extent the carrying value of a reporting unit exceeds its fair value. 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 of goodwill exceeded its implied fair value.

The Company completed its testing for impairment of goodwill for the years ended December 31, 2021, 2020 and 2019 and concluded goodwill was not impaired. Refer to Note 4 of the consolidated financial statements for further details.

Core deposit intangible assets represents the estimated value of acquired customer relationships and is amortized on a straight-line basis 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. If necessary, management will test the core deposit intangibles for impairment by comparing their carrying value to the expected undiscounted cash flows of the assets. If the undiscounted cash flows of the intangible assets exceed their carrying value then the intangible assets are deemed to be fully recoverable and not impaired. However, if the undiscounted cash flows of the intangible assets are less than their carrying value then management must compare the fair value of the intangible assets to its carrying value. If the fair value of the intangible assets exceeds their carrying value then the intangible assets are not impaired. If the fair value of the intangible assets is less than its carrying value then an impairment charge is recorded to mark the carrying value of the intangible assets to fair value. For the year ended December 31, 2021, 2020 or 2019, there were no events or changes in circumstances that indicated the carrying amount may not be recoverable.

BOLI. BOLI represents the cash surrender value of life insurance policies on the lives of certain active and retired employees where the Company is the beneficiary and is recorded as an asset on the consolidated statements of condition. Increases in the cash surrender values of the policies, as well as death benefits received, net of any cash surrender value, are recorded in non-interest income on the consolidated statements of income, and are not subject to income taxes. The Company reviews the financial strength of the insurance carriers prior to the purchase of life insurance policies and no less than annually thereafter. A life insurance policy with any individual carrier is limited to 15% of Tier 1 capital (as defined for regulatory purposes) and the total cash surrender value of life insurance policies is limited to 25% of Tier 1 capital.

Premises and Equipment. Premises and equipment purchased in normal course are stated at cost less accumulated depreciation, while premises and equipment obtained through the acquisition of a company or branch acquisition are stated at

their estimated fair values as of the acquisition date less accumulated depreciation that occurred subsequent to the acquisition date.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the term of the respective lease or the estimated life of the improvement. Land is carried at cost.

Repairs and maintenance costs that are not an improvement or do not extend the estimated useful life of the asset are expensed as incurred.

Software costs, including cloud-based software licenses that qualify as internal-use software, are stated at cost less accumulated amortization within other assets on the consolidated statements of condition. Amortization expense is calculated using the straight-line method over the estimated useful lives of the related assets. Cloud-based software costs that do not qualify as internal-use software are capitalized as service contracts within other assets on the consolidated statements of condition and expensed ratably over the term of the contract period.

Leases. The Company adopted ASU No. 2016-02, *Leases (Topic 842)* ("ASC 842"), effective January 1, 2019, and recorded operating and finance lease ROU assets of $12.1 million and lease liabilities of $12.3 million on the consolidated statements of condition within other assets and liabilities, respectively. The Company adopted using the modified-retrospective transition method and recorded a cumulative-effective adjustment of $254,000 to retained earnings, effective January 1, 2019.

The Company leases office space, space for ATM locations and certain branch locations under noncancellable operating leases, several of which have renewal options to extend lease terms. Upon commencement of a new lease, the Company will recognize a ROU asset and corresponding lease liability. The Company makes the decision on whether to renew an option to extend a lease by considering various factors. The Company will recognize an adjustment to ROU asset and lease liability when lease agreements are amended and executed. The discount rate used in determining the present value of lease payments is based on the Company's incremental borrowing rate for borrowing terms similar to each lease at commencement date. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For real estate leases, non-lease components and other non-components, such as common area maintenance charges, real estate taxes and insurance, are not included in the measurement of the lease liability since they are generally able to be segregated. The Company has elected the short-term lease recognition exemption for all leases that qualify.

OREO. OREO properties acquired through foreclosure or deed-in-lieu of foreclosure are recorded initially at estimated fair value less estimated costs to sell. Any write-down of the recorded investment in the related loan is charged to the ACL on loans 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. Any subsequent declines in the fair value of a property are recorded as a valuation allowance on the asset. Any subsequent increases in the fair value of a property are recorded as reductions of the valuation allowance, but not below zero. At December 31, 2021 and 2020, OREO properties were carried within other assets on the consolidated statements of condition at $165,000 and $236,000, respectively.

Upon a sale of an OREO property, any excess of the carrying value over the sale proceeds is recognized as a loss on sale. Any excess of sale proceeds over the carrying value of the OREO property is first applied as a recovery to the valuation allowance, if any, with the remainder being recognized as a gain on sale. The recognized gain or loss upon sale of OREO property is recognized within other real estate owned and collection costs, net on the consolidated statements of income.

Operating expenses, including legal and other direct expenses, and changes in the valuation allowance relating to foreclosed assets are included in other real estate owned and collection costs, net on the consolidated statements of income.

Mortgage Banking. Residential real estate mortgage loans are originated for purposes of being (i) held for investment and (ii) held for sale into the secondary market. The transfer of these financial assets is accounted for as a sale when control over the asset has been surrendered. Control is deemed to be surrendered when (i) the asset has been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset, and (iii) the Company does not maintain effective control over the transferred asset through an agreement to repurchase it before its maturity. The Company records the gain on sale of the financial asset within mortgage banking income, net on the consolidated statements of income, net of direct and indirect costs incurred to originate the loan.

Servicing assets are recognized as separate assets when servicing rights are acquired through the sale of residential mortgage loans with servicing rights retained. Capitalized servicing rights are initially recorded at fair value and reported within other assets on the consolidated statements of condition and recognized as income within mortgage banking income, net on the

consolidated statements of income. Servicing rights are amortized in proportion to, and over the period of, the estimated future servicing of the underlying mortgages (typically, the contractual life of the mortgage). The amortization of mortgage servicing rights is recorded as a reduction of income within non-interest income on the consolidated statements of income.

Servicing assets are evaluated for impairment quarterly based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment of the servicing assets is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If it is later determined that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded increasing income, but not below zero.

Servicing fee income is recorded for fees earned for servicing loans for investors. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income within non-interest income on the consolidated statements of income when earned.

Short-Term and Long-Term Borrowings. Short-term borrowings are those that upon origination are scheduled to mature within one year. The Company's short-term borrowings may include, but are not limited to, FHLBB overnight and FHLBB advances, customer repurchase agreements, federal funds purchased, and line of credit advances.

Long-term borrowings are those that upon origination are scheduled to mature in one or more years. The Company's long-term borrowings may include, but are not limited to, FHLBB advances, subordinated debentures, and wholesale repurchase agreements.

Short-term and long-term borrowings on the consolidated statements of income are presented net of unamortized issuance costs, if any, and amortized over the life of the borrowing.

The Company is required to post collateral for certain borrowings, for which it generally posts loans and/or investment securities as collateral.

Income Taxes. Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax implications attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current information suggests that it is not more-likely than-not that the Company will not be able to realize the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company assesses quarterly whether or not a valuation allowance on its deferred tax assets is necessary. If it is more-likely-than-not that the Company will not be able to realize the benefit of the deferred tax assets, then a valuation allowance is established on the deferred tax asset not expected to be realized. At December 31, 2021 and 2020, the Company did not carry a valuation allowance on its deferred tax assets.

The Company accounts for its windfall tax benefits and shortfalls within income tax expense on the consolidated statements of income as a discrete period item in the period generated.

EPS. Basic EPS excludes dilution and is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if certain securities or other contracts to issue common stock (such as stock options) were exercised or converted into additional common shares that would then share in the earnings of the Company. Diluted EPS is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding for the period, plus an incremental number of common-equivalent shares computed using the treasury stock method.

Unvested share-based payment awards which include the right to receive non-forfeitable dividends are considered to participate with common stock in undistributed earnings for purposes of computing EPS. Restricted share grants and management stock purchase grants are considered participating securities for this purpose. Accordingly, the Company is required to calculate basic and diluted EPS using the two-class method. The calculation of EPS using the two-class method (i) excludes any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities from the numerator and (ii) excludes the dilutive impact of the participating securities from the denominator.

Postretirement Plans. The Company sponsors various retirement plans for current and former employees, including a SERP for certain officers of the Company and a postretirement health care and life insurance plan to certain eligible retired employees. The SERP and postretirement benefit plans are unfunded and have no plan assets, and the Company has recorded a liability on the consolidated statements of condition.

For the SERP, benefit obligations are estimated using the projected unit credit method. Under this method, each participant's benefits are attributed to years of service, taking into consideration future salary increases and the SERP's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled to at retirement is broken down into units, each associated with a year of past or future credited service. For the SERP, an individual's estimated attributed benefit for valuation purposes related to a particular separation date is the benefit described under the SERP based on credited service as of the measurement date, but determined using the projected salary that would be used in the calculation estimate of the benefit on the expected separation date.

The Company has obligations with various active and retired employees related to certain postretirement benefits. The obligations are based on the employee's date of hire and years of service through retirement, with the associated cost recognized over the requisite service period. Under the plan, the postretirement benefit amount the Company will pay for any given year for an individual is capped. The accrual methodology results in an accrued amount at the full eligibility date equal to the then present value of all of the future benefits expected to be paid.

Net periodic benefits cost (credit) includes service costs and interest costs based on the assumed discount rate, amortization of prior service costs due to plan amendments and/or amortization of actuarial gains or losses. As prior service costs and actuarial gains or losses are amortized, they are reclassified from AOCI on the consolidated statements of condition into other expenses on the consolidated statements of income. The amortization of actuarial gains and losses is determined using the 10% corridor minimum amortization approach and is taken over the average remaining future working lifetime of the plan participants.

Revenue from Contracts with Customers. The Company receives a portion of its non-interest income from contracts with customers, which is accounted for in accordance with ASC 606. 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 in recording revenues from contracts with customers in accordance with ASC 606.

Stock-Based Compensation. The fair value of restricted stock awards, restricted stock units and stock options is determined on the grant date. For restricted stock awards and units, compensation is recognized ratably over the requisite service period equal to the fair value of the award. For stock option awards, the fair value is determined using the Black-Scholes option-pricing model. Compensation expense for stock option awards is recognized ratably over the requisite service period equal to the fair value of the award. For performance-based share awards, the Company estimates the degree to which performance conditions will be met to determine the number of shares that will vest and the related compensation expense. Compensation expense is adjusted in the period such estimates change.

The Company does not assume an estimated forfeiture rate on its nonvested share-based awards in its reporting of share-based compensation expense. Should a share-based award be forfeited, the Company would reverse all associated compensation expense previously recorded on the nonvested shares.

Off-Balance Sheet Credit Exposures. In the ordinary course of business, the Company enters into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded as loans when they are funded.

ACL on Off-Balance Sheet Credit Exposures. The Company established an ACL on off-balance sheet credit exposures by recording a liability for expected credit losses on certain unfunded loan commitments and standby letters of credit. Prior to the adoption of CECL, effective January 1, 2020, but which the ACL on off-balance sheet credit exposures represented management's best estimate of probable inherent losses on unfunded loan commitments and standby letters of credit.

Upon adoption of CECL, the ACL on off-balance sheet credit exposures, excluding those that are unconditionally cancellable by the Company, estimates the expected losses on the unfunded commitments and standby letters of credit at each reporting date. To appropriately measure expected credit losses, management disaggregates the loan portfolio into similar risk characteristics, identical to those determined for the loan portfolio. An estimated funding rate is then applied to the qualifying unfunded loan commitments and standby letters of credit using the Company’s own historical experience to estimate the

expected funded for each loan segment as of the reporting date. Once the expected funded amount for each loan segment is determined, the CECL loss rate, which is the calculated expected loan loss as a percent of the amortized cost basis for each loan segment, is applied to calculate the ACL on off-balance sheet credit exposures as of the reporting date.

The ACL on off-balance sheet credit exposures is presented within accrued interest and other liabilities on the consolidated statements of condition. A charge (credit) to provision for credit losses on the consolidated statements of income is made to account for the change in the ACL on off-balance sheet exposures between reporting periods.

Derivative Financial Instruments Designated as Hedges. The Company recognizes all derivatives in the consolidated statements of condition at fair value. On the date the Company enters into the derivative contract, the Company designates the derivative as a hedge of either a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), or a held for trading instrument ("trading instrument"). The Company formally documents relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows or fair values of hedged items. Changes in fair value of a derivative that is effective and that qualifies as a cash flow hedge are recorded in OCI and are reclassified into earnings when the forecasted transaction or related cash flows affect earnings. Changes in fair value of a derivative that qualifies as a fair value hedge and the change in fair value of the hedged item are both recorded in earnings and offset each other when the transaction is effective. Those derivatives that are classified as trading instruments are recorded at fair value with changes in fair value recorded in earnings. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, that it is unlikely that the forecasted transaction will occur, or that the designation of the derivative as a hedging instrument is no longer appropriate.

Segment Reporting. Operating segments are the components of an entity for which separate financial information is available and evaluated regularly by the chief operating decision-maker in order to allocate resources and assess performance. The Company's chief operating decision-maker assesses consolidated financial results to make operating and strategic decisions, assess performance, and allocate resources. Therefore, the Company has determined that its business is conducted in one reportable segment and represents the consolidated financial statements of the Company.

Recent Accounting Pronouncements Adopted:

ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). The FASB issued ASU 2019-12 to simplify the accounting for income taxes by removing certain technical exceptions and by clarifying and amending certain areas. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, and as such the Company adopted effective January 1, 2021. The adoption of ASU 2019-12 did not have a material impact on its consolidated financial statements.

ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform* ("ASU 2020-04"), as amended by ASU No. 2021-01, *Reference Rate Reform (Topic 848) Scope* ("ASU 2021-01"). On March 12, 2020, the FASB issued ASU 2020-04, which was subsequently amended by ASU 2021-01. The FASB issued these updates to ease the burden in accounting for the effects of reference rate reform on financial reporting. ASU 2020-04 and ASU 2021-01 contain optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform. The Company adopted ASU 2020-04 and ASU 2021-01 effective January 1, 2021, and there was no material impact on the Company's consolidated financial statements as a result of adopting this guidance**.**

NOTE 2 – INVESTMENTS

Trading Securities

Trading securities are reported on the Company's consolidated statements of condition at fair value. As of December 31, 2021 and 2020, the fair value of the Company's trading securities were $4.4 million and $4.2 million, respectively. These securities are held in a rabbi trust account and invested in mutual funds. The trading securities will be used for future payments associated with the Company's deferred compensation plan for eligible employees and directors.

AFS Debt Securities

AFS debt securities are reported on the Company's consolidated statements of condition at fair value. The following table summarizes the amortized cost, estimated fair value and unrealized gains (losses) of AFS debt securities as of the dates indicated:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2021				
Obligations of U.S. government-sponsored enterprises	$ 8,585	$ —	$ (241)	$ 8,344
Obligations of states and political subdivisions	112,086	5,392	—	117,478
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	1,003,869	7,856	(11,468)	1,000,257
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	361,781	2,835	(5,767)	358,849
Subordinated corporate bonds	22,660	152	(254)	22,558
Total AFS debt securities	$ 1,508,981	$ 16,235	$ (17,730)	$ 1,507,486
December 31, 2020				
Obligations of states and political subdivisions	$ 119,608	$ 7,627	$ (115)	$ 127,120
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	547,396	19,796	(574)	566,618
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	399,937	10,652	(135)	410,454
Subordinated corporate bonds	11,533	186	(98)	11,621
Total AFS debt securities	$ 1,078,474	$ 38,261	$ (922)	$ 1,115,813

As of December 31, 2021 and 2020, there was no allowance carried on AFS debt securities.

At December 31, 2021, net unrealized losses on AFS debt securities reported within AOCI were $1.2 million, net of a deferred tax asset of $321,000. At December 31, 2020, net unrealized gains on AFS debt securities reported within AOCI were $29.3 million, net of a deferred tax liability of $8.0 million.

The following table details the Company’s sales of AFS debt securities for the periods indicated below:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Proceeds from sales of AFS debt securities[1]	$ —	$ —	$ 207,001
Gross realized gains	—	—	1,427
Gross realized losses	—	—	(1,532)

(1) For the year ended December 31, 2019, the Company had not previously recorded any OTTI on AFS debt securities sold.

The following table presents the Company's AFS debt securities with gross unrealized losses, for which an ACL has not been recorded, segregated by the length of time the securities have been in a continuous loss position:

(In thousands, except number of holdings)	Number of Holdings	Less Than 12 Months		12 Months or More		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2021							
Obligations of U.S. government-sponsored enterprises	4	$ 8,344	$ (241)	$ —	$ —	$ 8,344	$ (241)
Obligations of states and political subdivisions	—	—	—	—	—	—	—
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	113	659,851	(8,999)	61,978	(2,469)	721,829	(11,468)
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	56	191,456	(4,602)	38,117	(1,165)	229,573	(5,767)
Subordinated corporate bonds	7	11,932	(232)	979	(22)	12,911	(254)
Total AFS debt securities	180	$ 871,583	$ (14,074)	$ 101,074	$ (3,656)	$ 972,657	$ (17,730)
December 31, 2020							
Obligations of states and political subdivisions	1	$ 2,404	$ (115)	$ —	$ —	$ 2,404	$ (115)
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	15	61,222	(568)	980	(6)	62,202	(574)
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	9	39,107	(135)	—	—	39,107	(135)
Subordinated corporate bonds	5	4,902	(98)	—	—	4,902	(98)
Total AFS debt securities	30	$ 107,635	$ (916)	$ 980	$ (6)	$ 108,615	$ (922)

As of December 31, 2021 and 2020, the unrealized losses on Company's AFS debt securities have not been recognized into income because management does not intend to sell and it is not more-likely-than-not it will be required to sell any of the AFS debt securities before recovery of its amortized cost basis. Furthermore, the unrealized losses were due to changes in interest rates and other market conditions and not reflective of credit events. The issuers continue to make timely principal and interest payments on the bonds.

At December 31, 2021 and 2020, total accrued interest receivable on AFS debt securities, which has been excluded from reported amortized cost basis on AFS debt securities, was $3.4 million and $3.1 million, respectively, and was reported within other assets on the consolidated statements of condition. An allowance was not carried on the accrued interest receivable at either date.

At December 31, 2021, the amortized cost and estimated fair values of AFS debt securities, by contractual maturity, were as 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. Mortgage-related securities are shown in total, as their maturities are highly variable.

(In thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 3,718	$ 3,735
Due after one year through five years	5,661	6,001
Due after five years through ten years	86,929	89,042
Due after ten years	47,022	49,602
Subtotal	143,330	148,380
Mortgage-related securities	1,365,651	1,359,106
Total	$ 1,508,981	$ 1,507,486

HTM Debt Securities

HTM debt securities are reported on the Company's consolidated statements of condition at amortized cost. The following table summarizes the amortized cost, estimated fair value and unrealized gains (losses) of HTM debt securities as of the dates indicated:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2021				
Obligations of states and political subdivisions	$ 1,291	$ 89	$ —	$ 1,380
Total HTM debt securities	$ 1,291	$ 89	$ —	$ 1,380
December 31, 2020				
Obligations of states and political subdivisions	$ 1,297	$ 114	$ —	$ 1,411
Total HTM debt securities	$ 1,297	$ 114	$ —	$ 1,411

As of December 31, 2021 and 2020, the Company’s HTM debt securities portfolio was made up of three investment-grade municipal debt securities, of which two securities also carried credit enhancements. The HTM debt securities portfolio was comprised solely of high credit quality (rated AA or higher) state and municipal obligations. High credit quality state and municipal obligations have a history of zero to near-zero credit loss. As a result, the Company determined that the expected credit loss on its HTM portfolio was immaterial, and therefore, an allowance was not carried on its HTM debt securities at December 31, 2021 or 2020.

As of December 31, 2021 and 2020, none of the Company's HTM debt securities were past due or on non-accrual status. The Company did not recognize any interest income on non-accrual HTM debt securities during the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, total accrued interest receivable on HTM debt securities, which has been excluded from reported amortized cost basis on HTM debt securities, was $10,000 at each date and reported within other assets on the consolidated statements of condition. An allowance was not carried on the accrued interest receivable at either date.

At December 31, 2021, the amortized cost and estimated fair values of HTM debt securities, by contractual maturity, were as 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
Due in one year or less	$ —	$ —
Due after one year through five years	866	920
Due after five years through ten years	425	460
Due after ten years	—	—
Total	$ 1,291	$ 1,380

AFS and HTM Debt Securities Pledged

At December 31, 2021 and 2020, AFS and HTM debt securities with an amortized cost of $640.1 million and $485.0 million, respectively, and estimated fair values of $641.2 million and $507.1 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.

Other Investments

The Company's FHLBB and FRB common stock are reported at cost within other investments on the consolidated statements of condition. The Company evaluates these investments for impairment based on the ultimate recoverability of the par value. The company did not record any impairment on its FHLBB and FRB stock for the years ended December 31, 2021 and 2020.

The following table summarizes the Company's investment in FHLBB stock and FRB stock as presented within other investments on the consolidated statements of condition, as of the dates indicated:

(In thousands)	December 31, 2021	December 31, 2020
FHLBB	$ 4,906	$ 6,167
FRB	5,374	5,374
Total	$ 10,280	$ 11,541

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

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

	December 31,	
(In thousands)	2021	2020
Commercial Loans:		
Commercial real estate - non-owner-occupied	$ 1,178,185	$ 1,097,975
Commercial real estate - owner-occupied	317,275	271,495
Commercial	363,695	381,494
SBA PPP	35,953	135,095
Total commercial loans	1,895,108	1,886,059
Retail Loans:		
Residential real estate	1,306,447	1,054,798
Home equity	210,403	258,573
Consumer	19,516	20,392
Total retail loans	1,536,366	1,333,763
Total loans	$ 3,431,474	$ 3,219,822

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

	December 31,	
(In thousands)	2021	2020
Net unamortized fair value mark discount on acquired loans	$ (593)	$ (1,291)
Net unamortized loan origination costs[(1)]	3,110	856
Total	$ 2,517	$ (435)

(1) Net unamortized loan origination costs includes unrecognized origination fees for SBA PPP loans of $1.2 million and $2.2 million as of December 31, 2021 and 2020, respectively.

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.

SBA PPP Loans. Beginning in April 2020, the Company originated SBA PPP loans to qualifying businesses as part of the federal stimulus packages issued due to the COVID-19 pandemic. This program provided qualifying businesses a specialized low interest rate loan by the U.S. Treasury Department and was administered by the SBA. The SBA PPP loan provided borrower guarantees for lenders, as well as loan forgiveness incentives for borrowers that utilized the loan proceeds to cover employee compensation-related business operating costs, as well as certain other costs up to pre-established limits. Effective May 31, 2021, the SBA PPP loan program ended and the Company is no longer originating loans under the program.

For the year ended December 31, 2021, the Company originated 1,620 SBA PPP loans totaling $102.2 million to qualifying businesses across our markets in need of financial support due to the COVID-19 pandemic. Of these SBA PPP loans originated during the year ended December 31, 2021, 379 loans totaling $35.6 million remain outstanding as of December 31, 2021.

For the year ended December 31, 2020, the Company originated 3,034 SBA PPP loans totaling $244.8 million. Of these SBA PPP loans originated during the year ended December 31, 2020, 37 loans totaling $319,000 remain outstanding as of December 31, 2021.

Related Party Loans. In the normal course of business, the Company 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 do not involve more than the normal risk of collectability or present other unfavorable features. At December 31, 2021 and 2020, outstanding loans to certain officers, directors and their associated companies were less than 5% of the Company's shareholders' equity.

ACL on Loans

The Company manages its loan portfolio proactively to effectively identify problem credits and assess trends early, 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. The Company monitors and manages credit risk through the following governance structure:

- The Credit Risk and Special Assets team and the Credit Risk Policy Committee, which is an internal management committee comprised of various executives and senior managers across business lines, including Accounting and Finance, Credit Underwriting, Credit Risk and Special Assets, Compliance, and Commercial and Retail Banking, oversee the Company's systems and procedures to monitor the credit quality of its loan portfolio, conduct a loan review program, and maintain the integrity of the loan rating system.
- The adequacy of the ACL is overseen by the Management Provision Committee, which is an internal management committee comprised of various Company executives and senior managers across business lines, including Accounting and Finance, Credit Underwriting, Credit Risk and Special Assets, Compliance, and Commercial and Retail Banking. The Management Provision Committee supports the oversight efforts of the Audit Committee of the Board of Directors.

- The Directors' Credit Committee of the Board of Directors reviews large credit exposures, monitors 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, and concentration levels.
- The Audit Committee of the Board of Directors has approval authority and oversight responsibility for the ACL adequacy and methodology.

Segmentation. For purposes of determining the ACL on loans, the Company disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. As of December 31, 2021 and 2020, the Company's loan portfolio segments, as determined based on the unique risk characteristics of each, included the following:

Commercial Real Estate - Non-Owner-Occupied. Non-owner occupied commercial real estate loans are, in substance, all commercial real estate loans that are not categorized by the Company as owner-occupied commercial real estate loans. Non owner-occupied commercial estate loans are investment properties in which the primary source for repayment of the loan by the borrower is derived from rental income associated with the property or the proceeds of the sale, refinancing, or permanent refinancing of the property. Non-owner-occupied commercial real estate loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, multi-family residential, commercial/retail office space, industrial/ warehouse space, hotels, assisted living facilities and other specific use properties. Also included within the non-owner-occupied commercial real estate loan segment are construction projects until they are completed. 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. Maximum loan-to-value ratios at origination are governed by established policy and regulatory guidelines.

Commercial Real Estate - Owner-Occupied. Generally, owner-occupied commercial real estate loans are properties that are owned and operated by the borrower, and the primary source for repayment is the cash flow from the ongoing operations and activities conducted by the borrower's business. Owner-occupied commercial real estate loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, commercial/retail office space, restaurants, educational and medical practice 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. Maximum loan-to-value ratios at origination are governed by established policy and regulatory guidelines.

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.

SBA PPP. SBA PPP loans are unsecured, fully-guaranteed commercial loans backed by the SBA, issued to qualifying small businesses as part of federal stimulus issued in response to the COVID-19 pandemic. Loans made under the program have terms of two or five years and are to be used by the borrower to offset certain payroll and other operating costs, such as rent and utilities. The loan and accrued interest, or a portion thereof, is eligible for forgiveness by the SBA should the qualifying small business meet certain conditions. These loans were originated under the guidance of the SBA, which has been subject to change. Effective May 31, 2021, the SBA PPP loan program ended and the Company is no longer originating loans under this program.

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 residences, including for investment purposes.

Home Equity. Home equity loans and lines of credit are made to qualified individuals and are secured by senior or junior mortgage liens on owner-occupied one- to four-family homes, condominiums, or vacation homes. The home equity loan has a fixed rate and is billed as equal payments comprised of principal and interest. The home equity line of credit has a variable rate and is billed as interest-only payments during the draw period. At the end of the draw period, the home equity line of credit is

billed as a percentage of the principal balance plus all accrued interest. Borrower qualifications include favorable credit history combined with supportive income requirements and combined loan-to-value ratios within established policy guidelines.

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

ACL on Loans. The following table presents the activity in the ACL on loans, as reported under CECL, for the periods indicated:

	Commercial Real Estate							
(In thousands)	Non-Owner-Occupied	Owner-Occupied	Commercial	SBA PPP	Residential Real Estate	Home Equity	Consumer	Total
At or For the Year Ended December 31, 2021								
Beginning balance, December 31, 2020	$ 21,778	$ 2,832	$ 6,703	$ 69	$ 3,474	$ 2,616	$ 393	$ 37,865
Loans charged off	—	—	(799)	—	(92)	(162)	(111)	(1,164)
Recoveries	—	9	220	—	107	4	32	372
(Credit) provision for loan losses	(2,944)	(302)	(1,941)	(50)	2,644	(989)	(235)	(3,817)
Ending balance, December 31, 2021	$ 18,834	$ 2,539	$ 4,183	$ 19	$ 6,133	$ 1,469	$ 79	$ 33,256
At or For the Year Ended December 31, 2020								
Beginning balance, December 31, 2019	$ 10,924	$ 1,490	$ 3,985	$ —	$ 5,842	$ 2,423	$ 507	$ 25,171
Impact of adopting CECL[(1)]	(668)	(90)	1,548	—	(1,129)	792	(220)	233
Loans charged off	(82)	(21)	(1,130)	—	(121)	(317)	(167)	(1,838)
Recoveries	107	13	572	—	292	33	67	1,084
Provision (credit) for loan losses	11,497	1,440	1,728	69	(1,410)	(315)	206	13,215
Ending balance, December 31, 2020	$ 21,778	$ 2,832	$ 6,703	$ 69	$ 3,474	$ 2,616	$ 393	$ 37,865

(1) Effective January 1, 2020, the Company adopted ASU 2016-13, commonly referred to as "CECL." Refer to Note 1 for further details.

In the fourth quarter of 2021, the Company completed its annual reassessment of significant model inputs and assumptions within its discounted cash flow analysis used for estimating its ACL on loans as of December 31, 2021. The significant changes in methodology between periods included:

- As of December 31, 2021, the ACL on loans for the residential real estate, consumer and home equity loan segments was calculated using externally-sourced data for determining the LGD. Previously, internally-sourced data was used to derive the LGD for these segments as of December 31, 2020.
- As of December 31, 2021, the macroeconomic loss drivers used for the commercial real estate – non-owner-occupied segment were Maine Unemployment and the change in Maine GDP, compared to Maine Unemployment and the change in Maine Retail Trade Earnings as of December 31, 2020.

The ACL on loans at December 31, 2021, was $33.3 million, a decrease of $4.6 million, or 12%, since December 31, 2020. As of December 31, 2021 and 2020, the significant model inputs and assumptions used within the discounted cash flow model for purposes of estimating the ACL on loans were:

- *Macroeconomic (loss) drivers:* As of December 31, 2021, the following loss drivers for each loan segment were used to calculate the expected PD over the forecast and reversion period: (i) commercial real estate – non-owner-occupied used Maine Unemployment and change in Maine GDP; (ii) commercial real estate – owner-occupied used Maine Unemployment and change in Maine GDP, (iii) commercial used Maine Unemployment and change in National GDP; (iv) residential real estate used Maine Unemployment and change in Maine House Price Index, (v) home equity used

Maine Unemployment and change in Maine House Price Index and (vi) consumer used Maine Unemployment and change in National GDP.

As of December 31, 2020, the following loss drivers for each loan segment were used to calculate the expected PD over the forecast and reversion period: (i) commercial real estate – non-owner-occupied used Maine Unemployment and change in Maine Retail Trade Earnings; (ii) commercial real estate – owner-occupied used Maine Unemployment and change in Maine GDP, (iii) commercial used Maine Unemployment and change in National GDP; (iv) residential real estate used Maine Unemployment and change in Maine House Price Index, (v) home equity used Maine Unemployment and change in Maine House Price Index and (vi) consumer used Maine Unemployment and change in National GDP.

Though the SBA PPP loans are fully guaranteed by the SBA, the Company applied an insignificant expected credit loss factor to its SBA PPP loan segment based on its past historical experience with similar loans and guarantees as of December 31, 2021 and 2020.

- *Reasonable and Supportable Forecast Period:* As of December 31, 2021 and 2020, the ACL on loans estimate used a reasonable and supportable forecast period of one year.
- *Reversion Period:* As of December 31, 2021 and 2020, the ACL on loans estimate used a reversion period of one year.
- *Prepayment Speeds:* The estimate of prepayment speed for each loan segment continued to be derived used internally-sourced prepayment data as of December 31, 2021 and 2020.
- *Qualitative Factors:* As of December 31, 2021 and 2020, the ACL on loans estimate incorporated various qualitative factors into the calculation.

The ACL on loans at December 31, 2021, was $33.3 million, compared to $37.9 million at December 31, 2020. The decrease across each loan segment, with the exception of the residential real estate, was driven by the vast improvement of forecasted economic conditions between periods. The forecast across the Company's macroeconomic loss drivers were bearish as of December 31, 2020 as markets were uncertain of the impact of the COVID-19 pandemic on the broader economy and an elevated risk of credit losses within the Company's portfolio persisted. As the broader economy and markets improved through 2021, the Company's forecasted economic conditions improved and the assumed PD and LGD with its discounted cash flow model decreased, which resulted in a decrease in the required allowance for each segment. The increase in the allowance for the residential real estate loan segment was driven by the aforementioned LGD methodology change for this segment.

The following table presents activity in the allowance for loan losses and select loan information by portfolio segment, under the incurred loss methodology, for the period indicated:

(In thousands)	Commercial Real Estate	Commercial	Residential Real Estate	Home Equity	Consumer	Total
At or For the Year Ended December 31, 2019:						
Allowance:						
Beginning balance	$ 11,654	$ 3,957	$ 6,071	$ 2,796	$ 234	$ 24,712
Loans charged off	(300)	(1,238)	(462)	(412)	(301)	(2,713)
Recoveries	49	225	16	1	19	310
Provision for loan losses	1,011	1,041	217	38	555	2,862
Ending balance	$ 12,414	$ 3,985	$ 5,842	$ 2,423	$ 507	$ 25,171
Allowance balance attributable loans:						
Individually evaluated for impairment	$ 30	$ —	$ 364	$ 69	$ —	$ 463
Collectively evaluated for impairment	12,384	3,985	5,478	2,354	507	24,708
Total ending allowance	$ 12,414	$ 3,985	$ 5,842	$ 2,423	$ 507	$ 25,171
Loans:						
Individually evaluated for impairment	$ 402	$ 319	$ 3,384	$ 373	$ —	$ 4,478
Collectively evaluated for impairment	1,242,995	442,382	1,066,990	312,406	25,772	3,090,545
Total loan balances	$ 1,243,397	$ 442,701	$ 1,070,374	$ 312,779	$ 25,772	$ 3,095,023

Credit Concentrations. 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 December 31, 2021, the Company's total exposure to the lessors of nonresidential buildings' industry was 14% of total loans and 32% of total commercial real estate loans. There were no other industry concentrations exceeding 10% of the Company's total loan portfolio as of December 31, 2021.

COVID-19 Loan Deferral Program. In response to the COVID-19 pandemic, the Company worked with businesses and consumers through the year ended 2020 to provide temporary debt payment relief that generally provided principal and/or interest payment deferrals for a period of 180 days or less. At December 31, 2021, the Company did not have any loans operating under temporary short-term payment deferral arrangements due to being impacted by the COVID-19 pandemic, compared to $26.5 million at December 31, 2020. The majority of these loans have returned to normal payment status or have since been fully repaid. Of those loans that were previously operating under a short-term deferral arrangement, $1.2 million and $1.0 million were classified as non-accrual and $410,000 and $310,000 were 30-89 days past due as of December 31, 2021 and 2020, respectively.

Credit Quality Indicators. 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 real estate - non-owner-occupied and owner-occupied, commercial and residential real estate portfolio segments 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 ACL on loans:

- *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.

The Company periodically reassesses asset quality indicators to reflect appropriately 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.

Based on the most recent analysis performed, the risk category of loans by portfolio segment by vintage, reported under the CECL methodology, was as follows as of the periods indicated:

(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2021									
Commercial real estate - non-owner-occupied									
Risk rating									
Pass (Grades 1-6)	$ 286,428	$ 179,565	$ 161,695	$ 118,196	$ 96,169	$ 274,731	$ —	$ —	$1,116,784
Special mention (Grade 7)	171	7,266	286	119	4,294	10,590	—	—	22,726
Substandard (Grade 8)	350	1,518	217	9,942	391	26,257	—	—	38,675
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total commercial real estate - non-owner-occupied	286,949	188,349	162,198	128,257	100,854	311,578	—	—	1,178,185
Commercial real estate - owner-occupied									
Risk rating									
Pass (Grades 1-6)	91,328	39,082	31,409	43,786	46,466	56,682	—	—	308,753
Special mention (Grade 7)		—	—	3,396	362	1,708	—	—	5,466
Substandard (Grade 8)	—	—	54	—	1,785	1,217	—	—	3,056
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total commercial real estate - owner-occupied	91,328	39,082	31,463	47,182	48,613	59,607	—	—	317,275
Commercial									
Risk rating									
Pass (Grades 1-6)	91,102	43,757	44,925	23,895	13,818	27,743	80,775	31,586	357,601
Special mention (Grade 7)	145	117	590	115	383	222	967	244	2,783
Substandard (Grade 8)	—	339	320	492	293	1,209	360	298	3,311
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total commercial	91,247	44,213	45,835	24,502	14,494	29,174	82,102	32,128	363,695
SBA PPP									
Risk rating									
Pass (Grades 1-6)	35,164	319	—	—	—	—	—	—	35,483
Special mention (Grade 7)	470	—	—	—	—	—	—	—	470
Substandard (Grade 8)	—	—	—	—	—	—	—	—	—
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total SBA PPP	35,634	319	—	—	—	—	—	—	35,953
Residential Real Estate									
Risk rating									
Pass (Grades 1-6)	586,637	281,804	103,228	63,403	46,696	219,983	903	—	1,302,654
Special mention (Grade 7)	—	—	—	—	—	230	—	—	230
Substandard (Grade 8)	—	—	—	—	—	3,563	—	—	3,563
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total residential real estate	586,637	281,804	103,228	63,403	46,696	223,776	903	—	1,306,447
Home equity									
Risk rating									
Performing	760	554	6,179	10,995	2,464	10,792	165,189	12,295	209,228
Non-performing	—	—	—	41	—	174	847	113	1,175
Total home equity	760	554	6,179	11,036	2,464	10,966	166,036	12,408	210,403
Consumer									
Risk rating									
Performing	6,860	3,523	3,089	1,051	548	2,014	2,399	—	19,484
Non-performing	—	9	21	—	—	2	—	—	32
Total consumer	6,860	3,532	3,110	1,051	548	2,016	2,399	—	19,516
Total Loans	$1,099,415	$ 557,853	$ 352,013	$ 275,431	$ 213,669	$ 637,117	$ 251,440	$ 44,536	$3,431,474

(In thousands)	2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2020									
Commercial real estate - non-owner-occupied									
Risk rating									
Pass (Grades 1-6)	$ 138,010	$ 224,148	$ 144,552	$ 119,409	$ 157,588	$ 264,253	$ —	$ —	$1,047,960
Special mention (Grade 7)	5,739	—	—	4,256	3,497	847	—	—	14,339
Substandard (Grade 8)	24	125	2,070	405	1,522	31,530	—	—	35,676
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total commercial real estate - non-owner-occupied	143,773	224,273	146,622	124,070	162,607	296,630	—	—	1,097,975
Commercial real estate - owner-occupied									
Risk rating									
Pass (Grades 1-6)	35,948	29,217	48,312	47,065	25,507	76,098	—	—	262,147
Special mention (Grade 7)	—	—	4,584	—	—	1,513	—	—	6,097
Substandard (Grade 8)	—	—	891	462	—	1,898	—	—	3,251
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total commercial real estate - owner-occupied	35,948	29,217	53,787	47,527	25,507	79,509	—	—	271,495
Commercial									
Risk rating									
Pass (Grades 1-6)	53,966	72,863	40,688	25,478	15,788	51,869	72,425	37,026	370,103
Special mention (Grade 7)	—	22	313	4,924	117	400	—	867	6,643
Substandard (Grade 8)	187	1,012	211	51	42	2,081	65	1,099	4,748
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total commercial	54,153	73,897	41,212	30,453	15,947	54,350	72,490	38,992	381,494
SBA PPP									
Risk rating									
Pass (Grades 1-6)	135,095	—	—	—	—	—	—	—	135,095
Special mention (Grade 7)	—	—	—	—	—	—	—	—	—
Substandard (Grade 8)	—	—	—	—	—	—	—	—	—
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total SBA PPP	135,095	—	—	—	—	—	—	—	135,095
Residential Real Estate									
Risk rating									
Pass (Grades 1-6)	339,834	183,877	119,426	79,159	57,269	266,324	3,028	—	1,048,917
Special mention (Grade 7)	—	—	—	—	—	398	—	—	398
Substandard (Grade 8)	—	—	176	487	—	4,820	—	—	5,483
Doubtful (Grade 9)	—	—	—	—	—	—	—	—	—
Total residential real estate	339,834	183,877	119,602	79,646	57,269	271,542	3,028	—	1,054,798
Home equity									
Risk rating									
Performing	855	9,415	17,281	3,478	1,339	17,664	194,065	12,480	256,577
Non-performing	—	—	—	—	—	207	1,241	548	1,996
Total home equity	855	9,415	17,281	3,478	1,339	17,871	195,306	13,028	258,573
Consumer									
Risk rating									
Performing	6,572	6,525	3,096	1,359	378	1,780	678	—	20,388
Non-performing	—	—	—	—	4	—	—	—	4
Total consumer	6,572	6,525	3,096	1,359	382	1,780	678	—	20,392
Total Loans	$ 716,230	$ 527,204	$ 381,600	$ 286,533	$ 263,051	$ 721,682	$ 271,502	$ 52,020	$3,219,822

Past Due and Non-Accrual Loans. 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 will 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.

All loans that were granted temporary payment relief during the years end December 31, 2021 and 2020 due to the COVID-19 pandemic were current with payments in accordance with the terms of the CARES Act (or Consolidated Appropriations Act of 2021) and bank regulatory guidance at the time of initial relief. As of December 31, 2021, all loans that were granted temporary debt relief and had outstanding principal balances have returned to regular payment status. As of December 31, 2020, the payment status for loans that continued to operate under a payment deferral arrangement were reported based on payment status at the time the deferral was granted to the borrower.

The following is a loan aging analysis by portfolio segment (including loans past due over 90 days and non-accrual loans) 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	90 Days or Greater Past Due	Total Past Due	Current	Total Loans Outstanding	Loans > 90 Days Past Due and Accruing
December 31, 2021:							
Commercial real estate - non-owner-occupied	$ —	$ —	$ 51	$ 51	$1,178,134	$1,178,185	$ —
Commercial real estate - owner-occupied	47	—	133	180	$ 317,095	317,275	—
Commercial	282	174	787	1,243	$ 362,452	363,695	—
SBA PPP	—	68	—	68	$ 35,885	35,953	—
Residential real estate	379	475	1,210	2,064	$1,304,383	1,306,447	—
Home equity	456	50	445	951	$ 209,452	210,403	—
Consumer	95	1	32	128	19,388	19,516	—
Total	$ 1,259	$ 768	$ 2,658	$ 4,685	$3,426,789	$3,431,474	$ —
December 31, 2020:							
Commercial real estate - non-owner-occupied	$ —	$ 50	$ 173	$ 223	$1,097,752	$1,097,975	$ —
Commercial real estate - owner-occupied	99	—	47	146	271,349	271,495	—
Commercial	430	—	857	1,287	380,207	381,494	—
SBA PPP	—	—	—	—	135,095	135,095	—
Residential real estate	1,406	1,103	2,535	5,044	1,049,754	1,054,798	—
Home equity	335	173	1,416	1,924	256,649	258,573	—
Consumer	92	67	4	163	20,229	20,392	—
Total	$ 2,362	$ 1,393	$ 5,032	$ 8,787	$3,211,035	$3,219,822	$ —

The following table presents the amortized cost basis of loans on non-accrual status (including non-accruing TDRs) by portfolio segment as of the dates indicated:

	December 31,					
	2021			2020		
(In thousands)	Non-Accrual Loans With an Allowance	Non-Accrual Loans Without an Allowance	Total Non-Accrual Loans	Non-Accrual Loans With an Allowance	Non-Accrual Loans Without an Allowance	Total Non-Accrual Loans
Commercial real estate - non-owner-occupied	$ 38	$ 13	$ 51	$ 351	$ 15	$ 366
Commercial real estate - owner-occupied	86	47	133	99	47	146
Commercial	785	44	829	1,549	58	1,607
Residential real estate	1,780	327	2,107	3,136	341	3,477
Home equity	1,064	111	1,175	1,961	35	1,996
Consumer	32	—	32	4	—	4
Total	$ 3,785	$ 542	$ 4,327	$ 7,100	$ 496	$ 7,596

The following table presents the amortized cost basis of collateral-dependent non-accrual loans (including non-accruing TDRs) by portfolio segment and collateral type, as of the date indicated:

	December 31, 2021			December 31, 2020		
	Collateral Type		Total Collateral - Dependent Non-Accrual Loans	Collateral Type		Total Collateral - Dependent Non-Accrual Loans
(In thousands)	Real Estate	General Business Assets		Real Estate	General Business Assets	
Commercial	$ —	$ —	$ —	$ —	$ 689	$ 689
Residential real estate	268	—	268	248	—	248
Home equity	111	—	111	—	—	—
Total	$ 379	$ —	$ 379	$ 248	$ 689	$ 937

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially by the underlying collateral and there are no other available and reliable sources of repayment.

Interest income that would have been recognized if loans on non-accrual status had been current in accordance with their original terms for the years ended December 31, 2021, 2020, and 2019 is estimated to have been $256,000, $335,000, and $420,000, respectively.

The Company's policy is to reverse previously recorded interest income when a loan is placed on non-accrual, as such, the Company did not record any interest income on its non-accrual for the years ended December 31, 2021 and 2020. An immaterial amount of accrued interest on non-accrual loans was written-off during the years ended December 31, 2021, by reversing interest income. As of December 31, 2021 and 2020, total accrued interest receivable on loans, which has been excluded from reported amortized cost basis on loans, was $7.8 million and $10.2 million, respectively, and reported within other assets on the consolidated statements of condition. An allowance was not carried on the accrued interest receivable at either date.

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. TDR loans 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 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 ACL for the dates indicated:

(In thousands, except number of contracts)	Number of Contracts		Recorded Investment		Specific Reserve	
	December 31,		December 31,		December 31,	
	2021	2020	2021	2020	2021	2020
Commercial real estate - owner-occupied	1	2	$ 118	$ 328	$ 43	$ 37
Commercial	2	2	74	100	—	—
Residential real estate	19	21	2,341	2,638	348	364
Consumer and home equity	3	—	253	—	6	—
Total	25	25	$ 2,786	$ 3,066	$ 397	$ 401

At December 31, 2021, the Company had performing and non-performing TDRs with a recorded investment balance of $2.4 million and $394,000, respectively. At December 31, 2020, the Company had performing and non-performing TDRs with a recorded investment balance of $2.8 million and $248,000, respectively.

The following represents loan modifications that qualify as TDRs that occurred during the periods indicated:

(In thousands, except number of contracts)	Number of Contracts			Pre-Modification Outstanding Recorded Investment			Post-Modification Outstanding Recorded Investment			Specific Reserve		
	For the Year Ended December 31,			For the Year Ended December 31,			For the Year Ended December 31,			For the Year Ended December 31,		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Home Equity												
Interest rate concession and payment deferral	1	—		$ 159	$ —		$ 170	$ —		$ —	$ —	
Maturity concession	2	—	—	187	—	—	187	—	—	6	—	—
Interest rate and maturity concession	—	—	2	—	—	64	—	—	69	—	—	15
Total	3	—	2	$ 346	$ —	$ 64	$ 357	$ —	$ 69	$ 6	$ —	$ 15

As of December 31, 2021, the Company did not have any other commitments to lend additional funds to borrowers with loans classified as TDRs.

For the year ended December 31, 2021, 2020 and 2019, no loans were modified as TDRs within the previous 12 months for which the borrower subsequently defaulted.

In-Process Foreclosure Proceedings

At December 31, 2021 and 2020, the Company had $888,000 and $1.5 million, respectively, of consumer mortgage loans secured by residential real estate properties for which foreclosure proceedings were in process.

NOTE 4 – GOODWILL AND CORE DEPOSIT INTANGIBLE ASSETS

Goodwill

At December 31, 2021 and 2020, the carrying value of goodwill was $94.7 million. There were no changes in the carrying value of goodwill for the year ended December 31, 2021 or 2020.

The Company performs its annual goodwill impairment assessment as of November 30th, and at interim periods if indicators of potential impairment exist.

The Company completed its annual goodwill impairment test as of November 30, 2021, 2020 and 2019 and determined goodwill was not impaired.

Previously recognized goodwill impairment was $3.6 million as of December 31, 2021 and 2020.

Core Deposit Intangible Assets

The gross carrying amount and accumulated amortization of core deposit intangible assets were as follows at the periods indicated:

	December 31,					
	2021			2020		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangible assets	$ 6,451	$ (4,263)	$ 2,188	$ 6,451	$ (3,608)	$ 2,843

For the years ended December 31, 2021, 2020 and 2019, the Company recorded amortization expense of $655,000, $682,000 and $705,000, respectively.

The following table reflects the amortization expense for core deposit intangible assets over the period of estimated economic benefit:

(In thousands)	Core Deposit Intangible
2022	$ 625
2023	592
2024	556
2025	415
2026	—
Thereafter	—
Total	$ 2,188

NOTE 5 – PREMISES AND EQUIPMENT

Details of premises and equipment, at cost, for the periods indicated, were as follows:

	December 31,	
(In thousands)	2021	2020
Buildings and leasehold improvements	$ 46,034	$ 46,054
Furniture, fixtures and equipment	19,886	19,916
Land and land improvements	9,249	9,238
Total cost	75,169	75,208
Accumulated depreciation and amortization	(37,394)	(35,324)
Net premises and equipment	$ 37,775	$ 39,884

At December 31, 2021 and 2020, the Company had capitalized software costs of $2.3 million and related accumulated depreciation expense of $2.1 million and $2.2 million, respectively, and was presented within other assets on the consolidated statements of condition.

Depreciation and amortization expense for the periods indicated were as follows:

(In thousands)		For the Year Ended December 31,		
Fixed Asset Type	**Income Statement Line Item**	**2021**	**2020**	**2019**
Furniture and equipment	Furniture, equipment and data processing	$ 1,994	$ 2,113	$ 2,132
Premises	Net occupancy costs	1,623	1,593	1,593
Software	Furniture, equipment and data processing	91	122	166
Total		$ 3,708	$ 3,828	$ 3,891

The Company did not have any material gains or losses from the sale of premises and equipment for the years ended December 31, 2021, 2020 or 2019.

NOTE 6 – LEASES

The Company enters into noncancellable lease arrangements primarily for office space, space for ATM locations and its branches. Certain lease arrangements contain clauses requiring increasing rental payments over the lease term, which may be linked to an index (commonly the Consumer Price Index) or contractually stipulated.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company entered into a lease arrangement with two of its employees as landlords. The lease was renewed for a period of five years, expiring in 2024, at which time a five-year extension period is available at the option of the Company. The lease arrangement contains certain termination clauses whereby the Company has the right to terminate the lease arrangement, as well as a right to terminate the lease after two years with the required notice without penalty.

The Company entered into a lease agreement in 2019 to rent office space as a sub-tenant from another company in which a director of the Company serves as the Chairman and Chief Executive Officer of the other company. The term of the lease is through 2022.

The following ROU assets and lease liabilities have been reported within other assets and other liabilities on the consolidated statements of condition as of the dates indicated:

		December 31,					
		2021			2020		
(In thousands)	Consolidated Statements of Condition Line Item	Operating Leases	Finance Leases	Total	Operating Leases	Finance Leases	Total
ROU assets	Other Assets	$ 12,660	$ 4,719	$ 17,379	$ 13,608	$ 4,951	$ 18,559
Lease liabilities	Other Liabilities	10,981	4,776	15,757	11,845	4,928	16,773

In accordance with ASC 842, the components of lease expense for the periods indicated were as follows:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Operating lease cost[1]	$ 1,474	$ 1,663	$ 1,480
Finance lease cost:			
Amortization of ROU assets	233	223	110
Interest on lease liabilities[2]	154	151	68
Total finance lease cost	387	374	178
Total lease cost[3]	$ 1,861	$ 2,037	$ 1,658

(1) Includes immaterial short-term and variable lease costs, but excludes common area maintenance costs.

(2) Includes immaterial variable lease costs.

(3) Reported within net occupancy costs on the consolidated statements of income.

Supplemental cash flow information and non-cash activity related to leases was as follows for the periods indicated:

(In thousands)	For the Year Ended December 31, 2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 1,355	$ 1,434	$ 1,394
Operating cash flows from finance leases	154	151	68
Financing cash flows from finance leases	152	142	106
ROU assets obtained in exchange for new lease obligations:			
Operating leases	$ 106	$ 2,002	$ 14,030
Finance leases	—	3,668	1,612

Supplemental information related to leases was as follows as of the dates indicated:

	December 31, 2021	2020
Weighted average remaining lease term (years):		
Operating leases	14.8 years	15.4 years
Finance leases	26.4 years	27.0 years
Weighted average discount rate:		
Operating leases	3.40 %	3.40 %
Finance leases	3.44 %	3.44 %

The following summarizes the remaining scheduled future minimum lease payments for operating and finance leases as of December 31, 2021:

(In thousands)	Operating Leases	Finance Leases
2022	$ 1,354	$ 309
2023	1,229	312
2024	1,151	314
2025	926	317
2026	857	236
Thereafter	8,517	5,943
Total minimum lease payments	14,034	7,431
Less: amount representing interest[(1)]	3,053	2,655
Present value of net minimum lease payments[(2)]	$ 10,981	$ 4,776

(1) Amount necessary to reduce net minimum lease payments to present value calculated at the Company's incremental borrowing rate.

(2) Reflects the liability reported within other liabilities on the consolidated statements of condition.

NOTE 7 – MORTGAGE BANKING

Loans Sold

For the year ended December 31, 2021, 2020 and 2019, the Company sold $471.5 million, $625.5 million and $271.8 million, respectively, of residential mortgage loans on the secondary market, which resulted in a net gain on sale of loans (net of costs, including direct and indirect origination costs) of $13.3 million, $15.3 million, and $6.4 million, respectively.

Loans Held for Sale

At December 31, 2021 and 2020, the Company had identified and designated loans with an unpaid principal balance of $5.8 million and $40.5 million, respectively, as held for sale. The Company has elected the fair value option of accounting for its loans designated as held for sale, and, at December 31, 2021 and 2020, the unrealized gain recorded was $29,000 and $1.1 million, respectively. The unrealized gain or loss on its loans held for sale portfolio was driven by changes in market interest rates and not due to deteriorated credit quality as this risk is mitigated by the short duration between the time of loan closing and transfer of the financial assets to the secondary market investor. Included within the Company's mortgage banking income, net on the consolidated statements of income for the year ended December 31, 2021, 2020 and 2019 was the change in unrealized (losses) gains on loans held for sale of ($1.0) million, $1.1 million and ($150,000), respectively.

The Company mitigates its interest rate exposure on its loans designated as held for sale through forward delivery commitments with certain approved secondary market investors at the onset of the mortgage origination process, typically on a “best-efforts” basis. For the year ended December 31, 2021, 2020 and 2019, net unrealized (losses) gains from the change in fair value on its forward delivery commitments were ($35,000), ($182,000), and $282,000, respectively. Refer to Note 12 for further discussion of the Company's forward delivery commitments.

Servicing Assets

At December 31, 2021 and 2020, the Company's unpaid principal balances on its servicing assets were $411.9 million and $401.6 million, respectively.

For the year ended December 31, 2021, 2020 and 2019, the Company recorded servicing fee income for its servicing assets of $1.3 million, $1.0 million and $898,000, respectively, which was presented in mortgage banking income, net on the consolidated statements of income.

The Company's servicing assets, net of a valuation allowance, at December 31, 2021 and 2020 was $2.5 million and $2.2 million, respectively. Servicing assets, net of a valuation allowance, are presented in other assets on the consolidated statements of condition.

The Company obtains third party valuations of its servicing assets portfolio quarterly. The servicing assets valuation is based on loan level data stratified by note rate of the underlying loans to determine its amortization and fair value. A discounted cash flow model is used to value each servicing asset strata and it incorporates current market assumption commonly used by buyers of these types of mortgage production in U.S. servicing markets. The calculated valuation using the discounted cash flow method is then compared to recent servicing trades on portfolios with similar characteristics in the U.S. The valuation model utilizes a variety of assumptions, the most significant of which are loan prepayment assumptions and the discount rate used to discount future cash flows. At December 31, 2021 and 2020, the prepayment assumption used within the valuation model was 12.9% and 19.0%, respectively, and the discount rate was 9.6% and 10.1%. At December 31, 2021, the estimated effect of a 10% and 20% increase to the prepayment assumption was a decrease of $145,000 and $280,000, respectively, to the valuation of the servicing assets. At December 31, 2021, the estimated effect of a 100 and 200 basis point increase to the discount rate assumption was a decrease of $110,000 and $213,000, respectively, to the valuation of the servicing assets. Other assumptions include, but are not limited to, delinquency rates, foreclosure rates, and loan servicing cost.

The following summarizes servicing assets capitalized and amortized, along with the activity in the related valuation allowance as of and for the periods indicated:

	As of and For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Servicing Assets:			
Balance at beginning of year	$ 2,196	$ 877	$ 831
Capitalized servicing right fees upon sale[1]	790	1,763	263
Amortization charged against mortgage servicing fee income[2]	(515)	(419)	(216)
Valuation adjustment	(1)	(25)	(1)
Balance at end of year	$ 2,470	$ 2,196	$ 877
Valuation Allowance:			
Balance at beginning of year	$ (27)	$ (2)	$ (1)
Decrease (increase) in impairment reserve	26	(25)	(1)
Balance at end of year	$ (1)	$ (27)	$ (2)
Fair value, beginning of year	$ 2,447	$ 1,496	$ 1,677
Fair value, end of year	$ 3,310	$ 2,447	$ 1,496

(1) Associated income was reported within mortgage banking income, net on the consolidated statements of income.

(2) Associated amortization expense was reported within mortgage banking income, net on the consolidated statements of income.

Servicer Net Worth and Liquidity Requirements. The Bank, as a servicer of loans, must maintain certain net worth and liquidity requirements for certain agencies and certain secondary market investors.

As lender and servicer of Federal Housing Authority ("FHA") loans, the Bank is required to maintain a minimum net worth of $1.0 million plus 1.0% of total FHA loans exceeding $25.0 million ("minimum net worth required") and maintain liquid assets equal to at least 20.0% of its minimum net worth required.

The Bank is required to maintain a minimum net worth of $2.5 million plus 25 basis points of the unpaid principal balance of serviced loans and must meet the minimum regulatory capital requirement to be classified as "well capitalized" by both FNMA and FHLMC.

Should the Bank fail to maintain the net worth and liquidity requirements above, the secondary market investor may take remedial action and the Company may lose the right to service the loans, which may result in an impairment of its servicing assets and/or loss of revenue.

At December 31, 2021 and 2020, the Bank met all of the aforementioned minimum net worth, regulatory capital, and liquidity requirements. Refer to Note 14 for further details of the Company and Bank's regulatory capital requirements at December 31, 2021 and 2020.

NOTE 8 – DEPOSITS

The following is a summary of the scheduled maturities of time deposits (*i.e.* CDs) as of the dates indicated:

	December 31,	
(In thousands)	**2021**	**2020**
1 year or less	$ 168,558	$ 243,232
Over 1 year to 2 years	93,525	54,533
Over 2 years to 3 years	19,742	21,068
Over 3 years to 4 years	16,577	18,267
Over 4 years to 5 years	8,948	17,448
Over 5 years	2,298	3,118
Total	$ 309,648	$ 357,666

CDs issued in amounts that meet or exceed the FDIC insurance limit of $250,000 totaled $80.7 million and $91.6 million at December 31, 2021 and 2020, respectively.

The Company has pledged assets as collateral covering certain deposits in the amount of $347.0 million and $322.0 million at December 31, 2021 and 2020, respectively.

The amount of overdraft deposits that were reclassified as loans at December 31, 2021 and 2020 was $822,000 and $520,000, respectively.

At December 31, 2021 and 2020, the Company, in the normal course of business, had deposits from certain officers, directors and their associated companies totaling $52.6 million and $52.9 million, respectively.

NOTE 9 – BORROWINGS

The following table summarizes the Company's short-term borrowings, long-term borrowings and subordinated debentures as presented on the consolidated statements of condition for the dates indicated:

	December 31, 2021		Contractual Maturity						December 31, 2020	
(Dollars in thousands)	Outstanding Balance	Weighted Average Contractual Rate	2022	2023	2024	2025	2026	Thereafter	Outstanding Balance	Weighted Average Contractual Rate
Short-Term Borrowings:										
Customer repurchase agreements	$ 211,608	0.25 %	$211,608	$ —	$ —	$ —	$ —	$ —	$ 162,439	0.34 %
FHLBB and correspondent bank overnight borrowings	—	—	—	—	—	—	—	—	—	—
Total short-term borrowings	$ 211,608	0.25 %	$211,608	$ —	$ —	$ —	$ —	$ —	$ 162,439	0.34 %
Long-Term Borrowings:										
FHLBB borrowings	$ —	— %	$ —	$ —	$ —	$ —	$ —	$ —	$ 25,000	0.98 %
Total long-term borrowings	$ —	— %	$ —	$ —	$ —		$ —	$ —	$ 25,000	0.98 %
Subordinated Debentures:										
Subordinated debentures	$ —	— %	$ —	$ —	$ —	$ —	$ —	$ —	$ 15,000	5.50 %
CCTA[1]	36,083	5.50 %	—	—	—	—	—	36,083	36,083	5.50 %
UBCT[1]	8,248	5.48 %	—	—	—	—	—	8,248	8,248	5.48 %
Total subordinated debentures	$ 44,331	5.50 %	$ —	$ —	$ —	$ —	$ —	$ 44,331	$ 59,331	5.50 %

(1) The Company has interest rate swap contracts on certain borrowings. Refer to Note 12 for further discussion of derivative instruments.

FHLBB Borrowings

The terms of the Company's outstanding FHLBB borrowings, including overnight funding, were as follows as of the dates indicated:

	December 31,			
(Dollars in thousands)	2021		2020	
Stated Maturity	Outstanding Balance	Weighted Average Contractual Rate	Outstanding Balance	Weighted Average Contractual Rate
March 2025	$ —	— %	$ 25,000	0.98 %
Total	$ —		$ 25,000	

In February 2021, the Company terminated its $25.0 million FHLBB borrowing contract, with a maturity date in 2025, and incurred a one-time prepayment penalty of $514,000.

FHLBB borrowings, if any, 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 and $1.3 billion at December 31, 2021 and 2020, respectively. The carrying value of investment securities pledged as collateral at the FHLBB was $26,000 and $38,000 at December 31, 2021 and 2020, respectively.

Subordinated Debentures

In October 2015, the Company issued $15.0 million of subordinated debt with an interest rate of 5.50% per annum, which qualified as Tier 2 regulatory capital. In April 2021, the Company redeemed the subordinated debt in full at par, plus accrued and unpaid interest. At December 31, 2020, the Company's $15.0 million of subordinated debt provided $12.0 million of Tier 2 capital, or 37 basis points of the Total risk-based capital ratio. The Company incurred certain costs associated with the issuance of the subordinated debt, which amortized over the expected life of the debt. For the years ended December 31, 2021, 2020 and 2019, the amortization expense for debt issuance costs was $0 and $251,000 and $115,000, respectively, and was recognized as an increase to interest expense within the consolidated statements of income. Debt issuance costs were fully amortized as of December 31, 2020.

In April 2006, the Company formed CCTA, which issued and sold trust preferred securities to the public. The Company received $36.1 million from the issuance of the trust preferred securities in return for junior subordinated debentures issued by the Company to CCTA. The Company owns all of the $1.1 million of outstanding common securities of CCTA and was presented within other assets on the consolidated statements of condition. The contract interest rate of the trust preferred securities is three-month LIBOR plus 140 basis points. At December 31, 2021 and 2020, the interest rate on the trust preferred securities was 1.62% and 1.64%, respectively. The proceeds from the offering were used to repurchase Company common stock under the tender offer completed in May 2006. The trust preferred securities, which pay interest quarterly at the same rate as the junior subordinated debentures held by CCTA, are mandatorily redeemable on June 30, 2036, or may be redeemed by CCTA at par at any time.

In connection with an acquisition in 2008, the Company assumed $8.0 million of trust preferred securities, held through a Delaware trust affiliate, UBCT. In 2006, an aggregate principal amount of $8.2 million of 30-year junior subordinated debt securities were issued to UBCT. The Company owns all of the $248,000 of outstanding common securities of UBCT, and was presented within other assets on the consolidated statements of condition. The Company is obligated to pay interest on their principal sum quarterly. The contract interest rate of the trust preferred securities is the average three-month LIBOR plus 1.42%. At December 31, 2021 and 2020, the interest rate on the trust preferred securities was 1.54% and 1.66%, respectively. The debt securities mature on April 7, 2036, but may be redeemed by the Company at par, in whole or in part, on any interest payment date. The debt securities may also be redeemed by the Company in whole or in part, within 90 days of the occurrence of certain special redemption events.

CCTA and UBCT are Delaware statutory trusts created for the sole purpose of issuing trust preferred securities and investing the proceeds in junior subordinated debentures of the Company. The junior subordinated debentures are the sole assets of the trusts. The Company is the owner of all of the common securities of CCTA and UBCT and fully and unconditionally guarantees each trust's securities obligations. In accordance with GAAP, CCTA and UBCT are treated as unconsolidated subsidiaries. The common stock investment in the statutory trusts is included in other assets on the consolidated statements of condition. At December 31, 2021, $43.0 million of the trust preferred securities were included in the Company's total Tier 1 capital and amounted to 8.8% of Tier 1 capital of the Company, or 121 basis points of the Tier 1 capital ratio.

The Company has a notional amount of $43.0 million in interest rate swap agreements on its junior subordinated debentures. Further discussion on the terms and accounting for the interest rate swap agreements is included within Note 12 of the consolidated financial statements.

Interest expense on the subordinated debentures, including the effective portion of the associated interest rate swaps on these debt instruments reclassified from OCI into earnings, totaled $2.5 million, $3.5 million, and $3.3 million for the year ended December 31, 2021, 2020 and 2019, respectively. Refer to Note 12 of the consolidated financial statements for information pertaining to the reclassification of OCI into earnings on the interest rate swaps.

Credit Lines

At December 31, 2021, the Company has the following lines of credit available to it, for which it had no outstanding balances:

- The Bank had an available line of credit with the FHLBB of $9.9 million at December 31, 2021 and 2020. This line of credit serves as overdraft protection should the Company overdraw its account with the FHLBB. The interest rate for this line of credit is set daily by the FHLBB.
- The Company has an unsecured $10.0 million line of credit with PNC Bank that has a maturity date of December 16, 2022 for which the interest rate is LIBOR-based and is set daily by PNC Bank.

- The Company, through the Bank, has an unsecured $50.0 million line of credit with PNC Bank for which the interest rate is set daily by PNC Bank.
- The Company, through the Bank, has a secured line of credit of $54.7 million through the FRB's Discount Window for which the interest rate is set by the FRB daily. At December 31, 2021, the Bank pledged investment securities of $56.5 million.

NOTE 10 – REPURCHASE AGREEMENTS

The Company can raise additional liquidity by entering into repurchase agreements at its discretion. In a security repurchase agreement transaction, the Company will generally sell a security, agreeing to repurchase either the same or substantially identical security on a specified later date, at a greater price than the original sales price. The difference between the sale price and purchase price is the cost of the proceeds, which is recorded as interest expense on the consolidated statements of income. The securities underlying the agreements are delivered to counterparties as security for the repurchase obligations. Because the securities are treated as collateral and the agreement does not qualify for a full transfer of effective control, the transactions do not meet the criteria to be classified as sales, and are therefore considered secured borrowing transactions 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, allocated by source of collateral, as of the dates indicated:

	December 31,	
(In thousands)	2021	2020
Customer Repurchase Agreements[(1)(2)]:		
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	$ 120,846	$ 90,015
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	88,749	70,902
Obligations of states and political subdivisions	2,013	1,522
Total	$ 211,608	$ 162,439

(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.

Certain customers held CDs totaling $728,000 and $1.0 million at December 31, 2021 and 2020, respectively, 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 11 – 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)	December 31, 2021	December 31, 2020
Commitments to extend credit	$ 834,533	$ 723,986
Standby letters of credit	7,952	4,735
Total	$ 842,485	$ 728,721

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.

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.

The Company establishes an ACL on off-balance sheet credit exposures on its contractual off-balance sheet commitments, except those that are unconditionally cancellable by the Company. As of December 31, 2021 and 2020, the ACL on off-balance sheet credit exposures was $3.2 million and $2.6 million, respectively. The ACL on off-balance sheet credit exposures was presented within accrued interest and other liabilities on the consolidated statements of condition.

For the year ended December 31, 2021, 2020 and 2019, the provision (credit) for credit losses on off-balance sheet credit exposures was $627,000, ($797,000) and ($1,000), respectively. At December 31, 2021 and 2020, the ACL and provision (credit) for credit losses on off-balance sheet credit exposures was accounted for and reported using the CECL accounting methodology, and at December 31, 2019, it was accounted for and reported using the incurred loss accounting methodology. The ACL on off-balance sheet credit exposures was presented within accrued interest and other liabilities on the consolidated statements of condition.

Refer to Note 1 of the consolidated financial statements for further discussion of the Company's accounting policy for the ACL on off-balance sheet credit exposures, including the impact upon adoption of CECL.

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.

The Company did not have any material loss contingencies that were provided for and/or that are required to be disclosed as of December 31, 2021 and 2020.

NOTE 12 – DERIVATIVES AND HEDGING

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's credit derivatives result from loan participation arrangements, and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities.

Derivatives Designated as Hedging Instruments - Cash Flow Hedges of Interest Rate Risk

Interest Rate Contracts. The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed rate payments or the receipt of fixed rate amounts from a counterparty in exchange for the Company making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. For the year ended December 31, 2021 and 2020, such derivatives were used to hedge the variable cash flows associated with existing variable-rate assets or liabilities or forecasted issuances of debt.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in AOCI and subsequently reclassified into interest expense or interest income in the same period(s) during which the hedged transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense or interest income as interest payments are made or received on the Company's variable-rate liabilities or assets. The Company estimates that an additional $1.6 million will be reclassified as an increase to interest expense and an additional $1.2 million will be reclassified as an increase to interest income over the next 12 months.

Derivatives not Designated as Hedges

Customer Loan Swaps. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

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.

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.

Risk Participation Agreements. The Company's existing credit derivatives result from participations in or out of interest rate swaps provided by or to external lenders as part of loan participation arrangements, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain lenders which participate in loans.

The following table presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated statements of condition as of the dates indicated:

	Derivative Assets			Derivative Liabilities		
(In thousands)	Notional Amount	Location	Fair Value	Notional Amount	Location	Fair Value
December 31, 2021						
Derivatives designated as hedging instruments:						
Interest rate contracts[1]	$ 160,000	Other assets	$ 5,589	$ 83,000	Accrued interest and other liabilities	$ 7,872
Total derivatives designated as hedging instruments			$ 5,589			$ 7,872
Derivatives not designated as hedging instruments:						
Customer loan swaps[1]	$ 345,545	Other assets	$ 19,297	$ 345,545	Accrued interest and other liabilities	$ 19,485
Risk participation agreements	25,347	Other assets	—	53,704	Accrued interest and other liabilities	—
Fixed Rate mortgage interest rate lock commitments	20,437	Other assets	371	8,587	Accrued interest and other liabilities	91
Forward delivery commitments	3,882	Other assets	86	1,903	Accrued interest and other liabilities	6
Total derivatives not designated as hedging instruments			$ 19,754			$ 19,582
December 31, 2020						
Derivatives designated as hedging instruments:						
Interest rate contracts	$ 110,000	Other assets	$ 5,731	$ 143,000	Accrued interest and other liabilities	$ 11,625
Total derivatives designated as hedging instruments			$ 5,731			$ 11,625
Derivatives not designated as hedging instruments:						
Customer loan swaps	$ 376,290	Other assets	$ 39,627	$ 376,290	Accrued interest and other liabilities	$ 39,627
Fixed rate mortgage interest rate lock commitments	58,574	Other assets	608	28,346	Accrued interest and other liabilities	248
Forward delivery commitments	24,951	Other assets	311	15,548	Accrued interest and other liabilities	196
Total derivatives not designated as hedging instruments			$ 40,546			$ 40,071

(1) Reported fair values include accrued interest receivable and payable.

The table below presents the effect of cash flow hedge accounting, before tax, on AOCI for the periods indicated:

(Dollars in thousands)	Amount of Gain (Loss) Recognized in OCI on Derivative	Amount of Gain (Loss) Recognized in OCI Included Component	Amount of Gain (Loss) Recognized in OCI Excluded Component	Location of Gain (Loss) Recognized from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income Included Component	Amount of Gain (Loss) Reclassified from AOCI into Income Excluded Component
For the Year Ended December 31, 2021							
Interest rate contracts	$ (1,697)	$ (1,697)	$ —	Interest and fees on loans	$ 1,614	$ 1,614	$ —
Interest rate contracts	2,447	2,447	—	Interest on deposits	(661)	(661)	—
Interest rate contracts	2,237	2,237	—	Interest on subordinated debentures	(1,593)	(1,593)	—
Total	$ 2,987	$ 2,987	$ —		$ (640)	$ (640)	$ —
For the Year Ended December 31, 2020							
Interest rate contracts	$ 5,693	$ 5,693	$ —	Interest and fees on loans	$ 1,006	$ 1,006	$ —
Interest rate contracts	(810)	(810)	—	Interest on deposits	(130)	(130)	—
Interest rate contracts	(135)	(135)	—	Interest on borrowings	(102)	(102)	—
Interest rate contracts	(3,534)	(3,534)	—	Interest on subordinated debentures	(1,371)	(1,371)	—
Total	$ 1,214	$ 1,214	$ —		$ (597)	$ (597)	$ —
For the Year Ended December 31, 2019							
Interest rate contracts	$ 269	$ 269	$ —	Interest and fees on loans	$ (214)	$ (214)	$ —
Interest rate contracts	3	3	—	Interest on borrowings	32	32	—
Interest rate contracts	(3,245)	(3,245)	—	Interest on subordinated debentures	(739)	(739)	—
Total	$ (2,973)	$ (2,973)	$ —		$ (921)	$ (921)	$ —

The table below presents the effect of cash flow hedge accounting on the consolidated statements of income for the periods indicated:

	Location and Amount of Gain (Loss) Recognized in Income									
	For the Year Ended December 31,									
	2021			2020				2019		
(Dollars in thousands)	Interest and Fees on Loans	Interest on Deposits	Interest on Subordinated Debentures	Interest and Fees on Loans	Interest on Deposits	Interest on Borrowings	Interest on Subordinated Debentures	Interest and Fees on Loans	Interest on Borrowings	Interest on Subordinated Debentures
Total presented on the consolidated statements of income in which the effects of cash flow hedges are recorded	$ 125,437	$ 7,920	$ 2,523	$ 134,000	$ 15,544	$ 1,837	$ 3,512	$ 143,399	$ 3,621	$ 3,266
Gain (loss) on cash flow hedging relationships										
Interest rate contracts:										
Amount of gain (loss) reclassified from AOCI into income	$ 1,614	$ (661)	$ (1,593)	$ 1,006	$ (130)	$ (102)	$ (1,371)	$ (214)	$ 32	$ (739)
Amount of gain (loss) reclassified from AOCI into income - included component	$ 1,614	$ (661)	$ (1,593)	$ 1,006	$ (130)	$ (102)	$ (1,371)	$ (214)	$ 32	$ (739)
Amount of gain (loss) reclassified from AOCI into income - excluded component	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the consolidated statements of income for the periods indicated:

		For the Year Ended December 31,		
(Dollars in thousands)	Location on Consolidated Statements of Income	2021	2020	2019
Customer loan swaps	Other expense	$ (189)	$ —	$ —
Fixed rate mortgage interest rate lock commitments	Mortgage banking income, net	(80)	(102)	395
Forward delivery commitments	Mortgage banking income, net	(35)	(182)	282
Total		$ (304)	$ (284)	$ 677

Credit Risk-Related Contingent Features

By using derivatives, the Company is exposed to credit risk to the extent that counterparties to the derivative contracts do not perform as required. Should a counterparty fail to perform under the terms of a derivative contract, the Company's credit exposure on interest rate swaps is limited to the net positive fair value and accrued interest of all swaps with each counterparty. The Company seeks to minimize counterparty credit risk through credit approvals, limits, monitoring procedures, and obtaining collateral, where appropriate. As such, management believes the risk of incurring credit losses on derivative contracts with institutional counterparties is remote.

The Company has agreements with its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. In addition, the Company also has agreements with certain of its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well-capitalized institution, then the counterparty could terminate the derivative position(s) and the Company could be required to settle its obligations under the agreements.

As of December 31, 2021 and 2020, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for non-performance risk, related to these agreements was $26.1 million and $50.5 million, respectively. As of December 31, 2021 and 2020, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted cash collateral of $30.7 million and $57.5 million, respectively. If the Company had breached any of these provisions at December 31, 2021 or 2020, it could have been required to settle its obligations under the agreements at their termination value of $26.1 million and $50.5 million, respectively.

NOTE 13 – 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 10 for further discussion of repurchase agreements and Note 12 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 consolidated statements of condition, as of the dates indicated:

				Gross Amount Not Offset in the Consolidated Statements of Condition		
(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	Financial Instruments Pledged (Received)[1]	Cash Collateral Pledged (Received)[1]	Net Amount
December 31, 2021						
Derivative assets:						
Customer loan swaps - commercial customer[2]	$ 19,297	$ —	$ 19,297	$ —	$ —	$ 19,297
Interest rate contracts[3]	5,589	—	5,589	—	(5,529)	60
Total	$ 24,886	$ —	$ 24,886	$ —	$ (5,529)	$ 19,357
Derivative liabilities:						
Customer loan swaps - dealer bank[3]	$ 19,485	$ —	19,485	$ —	$ 19,485	$ —
Interest rate contracts[3]	7,872	—	7,872	—	6,603	1,269
Total	$ 27,357	$ —	$ 27,357	$ —	$ 26,088	$ 1,269
Customer repurchase agreements	$ 211,608	$ —	$ 211,608	$ 211,608	$ —	$ —
December 31, 2020						
Derivative assets:						
Customer loan swaps - commercial customer[2]	$ 39,627	$ —	$ 39,627	$ —	$ —	$ 39,627
Interest rate contracts[3]	5,731	—	5,731	—	(5,595)	136
Total	$ 45,358	$ —	$ 45,358	$ —	$ (5,595)	$ 39,763
Derivative liabilities:						
Customer loan swaps - dealer bank[3]	$ 39,627	$ —	39,627	$ —	$ 39,627	$ —
Interest rate contracts[3]	11,625	—	11,625	—	11,625	—
Total	$ 51,252	$ —	$ 51,252	$ —	$ 51,252	$ —
Customer repurchase agreements	$ 162,439	$ —	$ 162,439	$ 162,439	$ —	$ —

(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 the same dealer bank. The company maintains a master netting arrangement and settles collateral requested or pledged on a net basis for all contracts.

NOTE 14 – SHAREHOLDERS' EQUITY

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 capital rules, 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, the greater of (i) net income for the preceding four quarters, net of distributions and associated tax effects not reflected in net income and (ii) average net income over the preceding four quarters).

The Company and Bank's risk-based capital ratios exceeded regulatory requirements, including the capital conservation buffer, at December 31, 2021 and 2020, and the Bank's capital ratios met the requirements for the Bank to be considered "well capitalized" under prompt corrective action provisions for each period. There were no changes to the Company or Bank's capital ratios that occurred subsequent to December 31, 2021 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:

	December 31, 2021		Minimum Regulatory Capital Required for Capital Adequacy Plus Capital Conservation Buffer	Minimum Regulatory Provision to Be "Well Capitalized"	December 31, 2020		Minimum Regulatory Capital Required for Capital Adequacy Plus Capital Conservation Buffer	Minimum Regulatory Provision to Be "Well Capitalized"
	Amount	Ratio			Amount	Ratio		
Camden National Corporation:								
Total risk-based capital ratio	$ 522,714	14.71 %	10.50 %	10.00 %	$ 498,290	15.40 %	10.50 %	10.00 %
Tier 1 risk-based capital ratio	486,263	13.00 %	8.50 %	6.00 %	445,858	13.78 %	8.50 %	6.00 %
Common equity Tier 1 risk-based capital ratio[1]	443,263	12.00 %	7.00 %	N/A	402,858	12.45 %	7.00 %	N/A
Tier 1 leverage capital ratio[1]	486,263	8.92 %	4.00 %	N/A	445,858	9.13 %	4.00 %	N/A
Camden National Bank:								
Total risk-based capital ratio	$ 488,070	13.78 %	10.50 %	10.00 %	$ 460,611	14.28 %	10.50 %	10.00 %
Tier 1 risk-based capital ratio	451,620	12.75 %	8.50 %	8.00 %	420,294	13.03 %	8.50 %	8.00 %
Common equity Tier 1 risk-based capital ratio	451,620	12.75 %	7.00 %	6.50 %	420,294	13.03 %	7.00 %	6.50 %
Tier 1 leverage capital ratio	451,620	8.31 %	4.00 %	5.00 %	420,294	8.64 %	4.00 %	5.00 %

(1) "Minimum Regulatory Provisions to Be 'Well Capitalized'" are not formally defined under applicable banking regulations for bank holding companies.

In 2006 and 2008, the Company issued $43.0 million of junior subordinated debentures in connection with the issuance of trust preferred securities. Although 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, the debentures within its calculation of risk-based capital. At December 31, 2021 and 2020, $43.0 million of the junior subordinated debentures were induced in Tier 1 and Tier 2 capital for the Company.

In April 2021, the Company redeemed its $15.0 million of subordinated debt in full, at par plus accrued and unpaid interest, and thus the subordinated debt was no longer included as Tier 2 capital within the calculation of total risk-based capital for periods after the redemption date. At December 31, 2020, $12.0 million, or 80%, of the subordinated debt was included as Tier 2 capital within the calculation of the Company's total risk-based capital.

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.

Dividends

The primary source of funds available to the Company for the payment of dividends to its shareholders is dividends paid to the Company by its wholly-owned subsidiary, the Bank. The Bank is subject to certain requirements imposed by federal banking laws and regulations. These requirements, among other things, establish minimum levels of capital and restrict the amount of dividends that a bank subsidiary may distribute. Under OCC regulations, the Bank generally may not declare a dividend in excess of the Bank's undivided profits or, absent OCC approval, if the total amount of dividends declared by the Bank in any calendar year exceeds the total of the Bank's net income for the current year plus its retained net income for the prior two years.

For the years ended December 31, 2021, 2020, and 2019, the Bank declared dividends for payment to the Company in the amount of $41.7 million, $39.4 million, and $36.9 million, respectively. For the years ended December 31, 2021, 2020 and 2019, the Company declared $22.1 million, $19.8 million and $18.9 million, respectively, in dividends payable to its shareholders.

Common Stock Repurchase

In January 2019, the Company's Board of Directors authorized the purchase of up to 775,000 shares of the Company's common stock, representing approximately 5.0% of the Company's issued and outstanding shares of common stock as of December 31, 2018. For the year ended December 31, 2019, the Company purchased 488,052 shares of its common stock at a weighted-average price of $42.61. This program has since terminated.

In January 2020, the Company's Board of Directors authorized the repurchase of up to 750,000 shares of the Company's common stock, representing approximately 5.0% of the Company's issued and outstanding shares of common stock as of December 31, 2019. For the year ended December 31, 2020, the Company purchased 274,354 shares of its common stock at a weighted-average price of $35.36. This program has since terminated.

In February 2021, the Company's Board of Directors authorized the repurchase of up to 750,000 shares of the Company's common stock, representing approximately 5.0% of the Company's issued and outstanding shares of common stock as of December 31, 2020. For the year ended December 31, 2021, the Company purchased 217,931 shares of its common stock at a weighted-average price of $46.25. This program has since terminated.

In January 2022, the Company's Board of Directors authorized the repurchase of up to 750,000 shares of the Company's common stock, representing approximately 5.0% of the Company's issued and outstanding shares of common stock as of December 31, 2021. This program replaces the 2021 program and will continue until the earlier of: (1) authorized number of shares are repurchased, (2) the Company's Board of Directors terminates the program or (3) January 3, 2023.

NOTE 15 – 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 Year Ended December 31,								
	2021			2020			2019		
(In thousands)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
AFS Debt Securities:									
Unrealized holding (loss) gain	$ (38,832)	$ 8,349	$ (30,483)	$ 33,198	$ (7,138)	$ 26,060	$ 26,743	$ (5,750)	$ 20,993
Less: reclassification adjustment for net realized loss[1]	—	—	—	—	—	—	(105)	22	(83)
Net unrealized (loss) gain	(38,832)	8,349	(30,483)	33,198	(7,138)	26,060	26,848	(5,772)	21,076
Cash Flow Hedges:									
Net increase (decrease) in fair value	2,987	(642)	2,345	1,214	(260)	954	(2,973)	639	(2,334)
Less: reclassified AOCI gain (loss) into interest expense[2]	(2,254)	485	(1,769)	(1,603)	345	(1,258)	(707)	151	(556)
Less: reclassified AOCI gain (loss) into interest income[3]	1,614	(347)	1,267	1,006	(216)	790	(214)	47	(167)
Net increase (decrease) in fair value	3,627	(780)	2,847	1,811	(389)	1,422	(2,052)	441	(1,611)
Postretirement Plans:									
Net actuarial loss	(20)	4	(16)	(1,282)	277	(1,005)	(1,918)	412	(1,506)
Less: Amortization of net actuarial loss[4]	(894)	192	(702)	(701)	151	(550)	(271)	59	(212)
Less: Amortization of net prior service credits[4]	24	(5)	19	24	(5)	19	24	(5)	19
Net loss on postretirement plans	850	(183)	667	(605)	131	(474)	(1,671)	358	(1,313)
Other comprehensive (loss) income	$ (34,355)	$ 7,386	$ (26,969)	$ 34,404	$ (7,396)	$ 27,008	$ 23,125	$ (4,973)	$ 18,152

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

(2) Reclassified into interest on deposits, borrowings and subordinated debentures on the consolidated statements of income.

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

(4) Reclassified into salaries and employee benefits and other expenses 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 (Losses) Gains on AFS Debt Securities[1]	Net Unrealized (Losses) Gains 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	20,993	(2,334)	(1,506)	17,153
Less: Amounts reclassified from AOCI	(83)	(723)	(193)	(999)
Other comprehensive income (loss)	21,076	(1,611)	(1,313)	18,152
Balance at December 31, 2019	3,250	(6,048)	(3,470)	(6,268)
Other comprehensive income (loss) before reclassifications	26,060	954	(1,005)	26,009
Less: Amounts reclassified from AOCI	—	(468)	(531)	(999)
Other comprehensive income (loss)	26,060	1,422	(474)	27,008
Balance at December 31, 2020	29,310	(4,626)	(3,944)	20,740
Other comprehensive (loss) income before reclassifications	(30,483)	2,345	(16)	(28,154)
Less: Amounts reclassified from AOCI	—	(502)	(683)	(1,185)
Other comprehensive (loss) income	(30,483)	2,847	667	(26,969)
Balance at December 31, 2021	$ (1,173)	$ (1,779)	$ (3,277)	$ (6,229)

(1) All amounts are net of tax.

NOTE 16 – REVENUE FROM CONTRACTS WITH CUSTOMERS

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:

		For the Year Ended December 31,		
(In thousands)	Location on Consolidated Statements of Income	2021	2020	2019
Debit card interchange income	Debit card income	$ 13,105	$ 10,420	$ 9,701
Services charges on deposit accounts	Service charges on deposit accounts	6,626	6,697	8,393
Fiduciary services income	Income from fiduciary services	6,516	6,115	5,901
Investment program income	Brokerage and insurance commissions	3,913	2,832	2,625
Other non-interest income	Other income	1,794	1,672	1,710
Total non-interest income within the scope of ASC 606		31,954	27,736	28,330
Total non-interest income not in scope of ASC 606		17,781	22,754	13,783
Total non-interest income		$ 49,735	$ 50,490	$ 42,113

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. Additional information related to each revenue stream is discussed below.

Debit Card Interchange Income. The Company has separate contracts with intermediaries and earns interchange revenue and incurs related expenses on debit card transactions of its deposit customers. Income earned and expenses incurred by the Company are dependent on its depositors' debit card usage, including depositor spend, transaction type and merchant. The rates earned are determined by the intermediaries. The Company determined that although the contract for which revenues are directly earned is with the intermediary rather than the depositor, that an underlying contract with each depositor is required for the generation of debit card interchange income and it is the depositors' debit card usage that drives the revenues earned and

related expenses incurred. The contract with the depositor is day-to-day and can be closed by the customer or the Company at any time. As such, the Company recognizes revenue at the time of the transaction as the performance obligation has been met.

The Company's debit card interchange revenue and related expenses are presented on a gross basis as it has control of the specified service prior to transfer to the depositor through the extension of credit.

The Company pays to certain depositors cash rewards for debit card usage to promote usage and increase interchange revenue. Because the consideration paid to depositors is not for any separate or distinct service, these costs are accounted for as a reduction of debit card interchange income. For the years ended December 31, 2021, 2020 and 2019, cash rewards totaled $477,000, $603,000 and $554,000, respectively.

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

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

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

The revenues earned by the Company are net of administrative expenses and the portion retained by the unaffiliated third party brokerage firm. The Company does not have control of the specified services provided to its clients by the unaffiliated third party brokerage firm under the Program. Revenues earned from Program-related services are presented on the consolidated statements of income on a net basis.

NOTE 17 – STOCK-BASED COMPENSATION PLANS

On April 29, 2003 and May 1, 2012, the shareholders of the Company approved the 2003 Stock Option and Incentive Plan ("2003 Plan") and 2012 Equity and Incentive Plan ("2012 Plan"), respectively, the maximum number of shares of stock reserved and available for issuance under the 2012 Plan was 1.2 million shares. Awards may be granted in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, performance shares and dividend equivalent rights, or any combination of the preceding, and the exercise price will not be less than 100% of the fair market value on the date of grant in the case of incentive stock options, or 85% of the fair market value on the date of grant in the case of non-qualified stock options. No stock option is exercisable more than ten years after the date the stock option was granted. The exercise price of all options granted equaled the market price of the Company's stock on the date of grant, except for certain non-qualified stock options that were issued in conjunction with an acquisition.

The amount of cash used to settle stock-based compensation transactions for the years ended December 31, 2021, 2020 and 2019 was $629,000, $374,000 and $455,000, respectively.

Stock Option Awards

Stock options granted under the 2003 Plan and the 2012 Plan include both incentive stock options and non-qualified stock options. Incentive stock options and non-qualified stock options granted vest pro-rata over a five year period, or earlier if an employee retires and has met the retirement eligibility requirements of the plan, and have a contractual life of ten years.

On the date of each grant, the fair value of each award is derived using the Black-Scholes option pricing model based on assumptions made by the Company as follows:

- Dividend yield is based on the dividend rate of the Company's stock at the date of grant.
- Risk-free interest rate is based on the U.S. Treasury bond rate with a term equaling the expected life of the granted options.
- Expected volatility is based on the historical volatility of the Company's stock price calculated over the expected life of the option.
- Expected life represents the period of time that granted options are expected to be outstanding based on historical trends.

For the years ended December 31, 2021, 2020 and 2019, the Company did not issue any stock options. At December 31, 2021 there were no options outstanding that had been granted under the 2003 Plan.

Stock option expense is recognized within salaries and employee benefits on the consolidated statements of income on a straight-line basis over the vesting period. For the years ended December 31, 2021, 2020 and 2019, the expense recognized was $0, $4,000 and $7,000, respectively. The Company does not receive any tax benefit on its issuance of incentive stock options, unless upon exercise a disqualifying disposition is made. The total tax benefit to the Company upon exercise of incentive stock options for the years ended December 31, 2021, 2020 and 2019 was $23,000, $7,000, and $8,000, respectively. Additionally, for the years ended December 31, 2021, 2020 and 2019, the Company received a tax benefit upon the exercise of non-qualified stock options, of $1,000 for each year.

Stock option activity for the year ended December 31, 2021 was as follows:

(Dollars in thousands, except per option data)	Number of Options	Weighted-Average Exercise Price per Option	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2021	10,513	$ 25.29		
Granted	—	—		
Exercised	(7,113)	24.91		
Forfeited	(400)	42.44		
Expired	—	—		
Options outstanding at December 31, 2021	3,000	$ 23.89	2.5	$ 73
Options exercisable at December 31, 2021	3,000	$ 23.89	2.5	$ 73

A summary of the status of the Company's nonvested stock options as of December 31, 2021 and changes during the year then ended was as follows:

	Options	Weighted-Average Grant Date Fair Value per Option
Nonvested at January 1, 2021	900	$ 6.89
Granted	—	—
Vested	(500)	6.18
Forfeited	(400)	7.78
Nonvested at December 31, 2021	—	$ —

For the years ended December 31, 2021, 2020 and 2019, the Company received cash from the exercise of stock options of $159,000, $33,000 and $95,000 respectively.

The Company did not have any unrecognized expense for non-vested stock options at December 31, 2021. The total intrinsic value of options exercised for the years ended December 31, 2021, 2020 and 2019 was $146,000, $90,000, and $309,000, respectively.

Restricted Stock Units

Restricted stock units vest pro-rata over the requisite service period, which is typically three or five years. Restricted stock units issued do not participate in dividends and recipients are not entitled to vote these restricted units until they vest.

For the years ended December 31, 2021, 2020 and 2019, the Company issued restricted stock units with a grant-date fair value of $994,000, $500,000 and $657,000, respectively, to certain employees. The grant-date fair value is calculated utilizing the Company's closing market share price as of the date the awards are granted.

Restricted stock unit expense is recognized within salaries and employee benefits on the consolidated statements of income on a straight-line basis over the vesting period. The expense and the related income tax benefit recognized in connection with the restricted stock units was as follows for the periods indicated:

	For the Year Ended December 31,		
(In thousands)	**2021**	**2020**	**2019**
Expense	$ 610	$ 475	$ 389
Income tax benefit	131	102	84
Fair value of grants vested	506	407	302

Restricted stock unit activity for the year ended December 31, 2021 was as follows:

(Dollars in thousands, except per unit data)	**Number of Units**	**Weighted-Average Grant Date Fair Value per Unit**	**Weighted-Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value**	**Unrecognized Compensation**
Nonvested at January 1, 2021	46,367	$ 37.80			
Granted	20,689	48.05			
Vested	(12,818)	39.49			
Forfeited	(4,653)	42.10			
Nonvested at December 31, 2021	49,585	$ 41.23	3.1	$ 2,388	$ 1,529

Restricted Stock Awards

Restricted stock awards vest pro-rata over the requisite service period, which is typically three years, or earlier if a recipient retires and has met the retirement eligibility requirements of the plan. Awards issued to Company directors are not subject to any service requirements and vest immediately. Nonvested restricted stock awards participate in Company dividends and recipients are entitled to vote these restricted shares during the vesting period.

For the years ended December 31, 2021, 2020 and 2019, the Company issued restricted stock awards with a grant-date fair value of $924,000, $1.0 million and $724,000, respectively, to certain directors and employees. The grant-date fair value is calculated utilizing the Company's closing market share price as of the date the awards are granted.

The expense for restricted stock awards issued to employees of the Company is recognized within salaries and employee benefits on the consolidated statements of income on a straight-line basis over the vesting period. The expense for awards issued to directors of the Company (which are not subject to service requirements and vest immediately) is recognized with consulting and professional fees on the consolidated statements of income. The expense and the related income tax benefit recognized in connection with the restricted stock awards was as follows for the periods indicated:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Expense	$ 895	$ 781	$ 751
Income tax benefit	192	168	161
Fair value of grants vested	901	772	780

Restricted stock award activity, which includes awards issued to directors of the Company, for the year ended December 31, 2021 was as follows:

(Dollars in thousands, except per share data)	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Unrecognized Compensation
Nonvested at January 1, 2021	23,656	$ 34.96			
Granted	19,538	47.29			
Vested	(21,706)	41.52			
Forfeited	(2,517)	37.64			
Nonvested at December 31, 2021	18,971	$ 39.80	1.6	$ 914	$ 459

MSPP

The Company offers the MSPP to provide an opportunity for certain employees to receive restricted shares of the Company's common stock in lieu of a portion of their annual incentive bonus. Restricted shares issued under the MSPP are granted at a discount of the fair market value of the stock on the date of grant and they cliff vest two years after the grant date, or earlier if a recipient reaches the retirement eligibility requirements of the Plan. Should an employee forfeit his or her non-vested MSPP awards, the Company will return the lesser of the strike price paid by the employee or the fair value of the non-vested awards as of the date forfeited. Restricted stock issued under the MSPP participate in Company dividends and are entitled to vote these restricted shares during the vesting period.

For the years ended December 31, 2021, 2020 and 2019, the Company issued MSPP awards with a grant-date fair value of $157,000, $83,000 and $85,000, respectively, to certain employees.

The expense for restricted stock awards is recognized within salaries and employee benefits on the consolidated statements of income on a straight-line basis over the vesting period. The expense and the related income tax benefit recognized in connection with the MSPP awards was as follows for the periods indicated:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Expense	$ 104	$ 71	$ 95
Income tax benefit	22	15	20
Fair value of grants vested	70	110	75

MSPP award activity for the year ended December 31, 2021 was as follows:

(Dollars in thousands, except per share data)	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Unrecognized Compensation
Nonvested at January 1, 2021	17,024	$ 8.74			
Granted	9,619	16.35			
Vested	(6,338)	11.02			
Forfeited	(1,414)	11.46			
Nonvested at December 31, 2021	18,891	$ 11.64	0.7	$ 356	$ 88

For the years ended December 31, 2021, 2020 and 2019, the Company received cash from the issuance of restricted shares under the MSPP of $324,000, $247,000 and $250,000, respectively. At December 31, 2021 and 2020, cash received from certain participating employees totaled $554,000 and $455,000, respectively, and was presented within accrued interest and other liabilities on the consolidated statements of condition.

LTIP

The LTIP is intended to attract and retain executives who will contribute to the Company's future success. The long-term performance period is a period of three consecutive years beginning on January 1 of the first year and ending on December 31 of the third year. Awards granted are 50% weighted on the attainment of certain performance targets approved by the Board of Directors and 50% weighted on meeting the requisite service period. The performance-based share units granted will vest only if the performance targets are achieved, and the amount received by the LTIP participants may vary from 0% - 200% of target, depending on the level at which performance targets are met. Failure to achieve the specific performance measures will result in all or a portion of the performance-based share units being forfeited. The service-based awards are restricted stock awards and generally vest annually pro-rata over a three year period. The associated service-based awards are disclosed within the aforementioned "*Restricted Stock Awards"* section of this note.

For the years ended December 31, 2021, 2020 and 2019, the Company issued performance-based stock awards with a grant-date fair value of $753,000, $978,000 and $624,000, respectively. The grant-date fair value is calculated utilizing the Company's closing market share price as of the date the awards are granted.

The expense for the performance-based share units is recognized within salaries and employee benefits on the consolidated statements of income on a straight-line basis over the vesting period. The expense and the related tax benefit for the LTIP's performance-based share units was as follows for the periods indicated:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Expense	$ 637	$ 332	$ 532
Related income tax benefit	137	71	114
Fair value of grants vested	435	—	344

LTIP performance-based share unit activity for the year ended December 31, 2021 was as follows:

(Dollars in thousands, except per share data)	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Unrecognized Compensation
Nonvested at January 1, 2021	51,394	$ 37.07			
Granted[1]	17,822	46.95			
Vested	(10,157)	42.82			
Forfeited	(7,479)	38.32			
Nonvested at December 31, 2021	51,580	$ 39.17	1.6	$ 2,020	$ 434

(1) Number of shares granted assumes payout at 200% of target.

DCRP

The DCRP is an unfunded deferred compensation plan for the benefit of certain Company executives. Annually, participants will receive a credit to an account administered by the Company of 10% of each participant's annual base salary and bonus for the prior performance period. Annual credits to a participant's account will be denominated in deferred stock awards (the right to receive a share of common stock of the Company upon the satisfaction of certain restrictions) based on the fair market value of the common stock of the Company on the date of grant. For all active participants vesting occurs ratably from the date of participation until the participant reaches the age of 65, at which time the participant is 100% vested. In 2018, the DCRP was amended providing the ability to tailor vesting terms for new participants.

For the years ended December 31, 2021, 2020 and 2019, the Company issued DCRP awards with a grant-date fair value of $247,000, $169,000 and $153,000, respectively. The grant-date fair value is calculated utilizing the Company's closing market share price as of the date the awards are granted.

The expense for the DCRP is recognized within salaries and employee benefits on the consolidated statements of income on a straight-line basis over the vesting period. Compensation expense and the related tax benefit recognized in connection with the DCRP was as follows for the periods presented:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Expense	$ 135	$ 122	$ 110
Related income tax benefit	29	26	24
Fair value of grants vested	118	129	102

DCRP award activity for the year ended December 31, 2021 was as follows:

(Dollars in thousands, except per award data)	Number of Deferred Stock Awards	Weighted-Average Grant Date Fair Value per Award	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Unrecognized Compensation
Nonvested at January 1, 2021	5,372	$ 33.93			
Granted	5,167	47.75			
Vested	(2,933)	40.16			
Forfeited	(600)	47.75			
Nonvested at December 31, 2021	7,006	$ 40.33	16.0	$ 337	$ 234

NOTE 18 – EMPLOYEE BENEFIT PLANS

401(k) and Profit Sharing Plan

The Company has a 401(k) and profit sharing plan and the majority of its employees participate in the plans. The Company's employees may contribute pre-tax contributions to the 401(k) plan up to the maximum amount allowed by federal tax laws. The Company makes matching contributions of up to 4% of an employee's eligible compensation. The Company, at its discretion, may make profit sharing contributions to employees' 401(k) accounts in addition to its regular 401(k) plan matching contribution. For each of the years ended December 31, 2021, 2020 and 2019, these additional contributions totaled 3% of employee eligible compensation. For the years ended December 31, 2021, 2020 and 2019, expenses under the 401(k) plan matching contribution and profit sharing contributions totaled $2.9 million, $2.9 million, and $2.4 million, respectively.

SERP and Other Postretirement Benefit Plan

The Company sponsors unfunded, non-qualified SERPs for certain officers. These agreements are designed to make up the shortfall (when compared to a non-highly compensated employee) in replacing income at retirement due to IRS compensation and benefit limits under the 401(k) plan and Social Security. The SERP provides for a minimum 15-year guaranteed benefit for all vested participants. There are no new entrants to the Company's SERP.

The Company also provides medical and life insurance to certain eligible retired employees under the other postretirement benefit plan. This postretirement plan is a benefit only to certain qualifying participants. There are no new entrants to the Company's medical and health postretirement benefit plan.

The following table summarizes changes in the benefit obligation and plan assets for each postretirement benefit plan as of the dates indicated:

	SERP		Other Postretirement Benefits	
	December 31,		December 31,	
(In thousands)	2021	2020	2021	2020
Benefit obligations:				
Beginning of year	$ 16,031	$ 14,682	$ 4,420	$ 4,049
Service cost	504	464	26	28
Interest cost	389	460	103	123
Actuarial loss (gain)	222	911	(202)	371
Benefits paid	(536)	(486)	(180)	(151)
End of year	16,610	16,031	4,167	4,420
Fair value of plan assets:				
Beginning of year	—	—	—	—
Employer contributions	536	486	180	151
Benefits paid	(536)	(486)	(180)	(151)
End of year	—	—	—	—
Unfunded status at end of year[1]	$ 16,610	$ 16,031	$ 4,167	$ 4,420
Amounts recognized in AOCI, net of tax:				
Net actuarial loss	$ 2,653	$ 3,090	$ 718	$ 967
Prior service credit	—	—	(94)	(113)
Total	$ 2,653	$ 3,090	$ 624	$ 854

(1) Presented within other liabilities on the consolidated statements of condition.

The accumulated benefit obligation for the SERP at December 31, 2021 and 2020 was $16.5 million and $15.7 million, respectively.

For the year ending December 31, 2022, the estimated actuarial loss on the SERP that will be amortized from AOCI into net periodic benefit cost is $859,000. All prior service costs have been fully amortized.

For the year ending December 31, 2022, the estimated actuarial loss and prior service credit on other postretirement benefits that will be amortized from AOCI into net periodic benefit cost is $88,000 and $24,000, respectively.

The components of net periodic benefit cost and other amounts recognized in OCI, before taxes, were as follows for the periods indicated:

	SERP			Other Postretirement Benefits		
	For the Year Ended December 31,			For the Year Ended December 31,		
(In thousands)	2021	2020	2019	2021	2020	2019
Net periodic benefit cost:						
Service cost[1]	$ 504	$ 464	$ 395	$ 26	$ 28	$ 48
Interest cost[2]	389	460	523	103	123	148
Recognized net actuarial loss[2]	778	623	240	116	78	31
Amortization of prior service credit[2]	—	—	—	(24)	(24)	(24)
Net periodic benefit cost	1,671	1,547	1,158	221	205	203
Changes in funded status recognized in OCI, before taxes:						
Net actuarial loss (gain) arising during period	222	911	1,524	(202)	371	394
Reclassifications to net periodic benefit cost:						
Amortization of net unrecognized actuarial loss	(778)	(623)	(240)	(116)	(78)	(31)
Amortization of prior service credit	—	—	—	24	24	24
Total recognized in OCI, before taxes	(556)	288	1,284	(294)	317	387
Total recognized in net periodic benefit cost and OCI, before taxes	$ 1,115	$ 1,835	$ 2,442	$ (73)	$ 522	$ 590

(1) Presented in salaries and employee benefits on the consolidated statements of income.

(2) Presented in other expenses on the consolidated statements of income.

The following assumptions were used in determining benefit obligations and net period benefit costs:

	SERP			Other Postretirement Benefits		
	2021	2020	2019	2021	2020	2019
Weighted-average assumptions as of end of year:						
Discount rate for benefit obligation	2.8 %	2.5 %	3.2 %	2.8 %	2.4 %	3.2 %
Discount rate for net periodic benefit cost	2.5 %	3.2 %	4.2 %	2.4 %	3.2 %	4.2 %
Rate of compensation increase for benefit obligation	3.0 %	3.0 %	3.0 %	N/A	N/A	N/A
Rate of compensation increase for net periodic benefit cost	3.0 %	3.0 %	3.0 %	N/A	N/A	N/A
Health care cost trend rate assumed for future years	N/A	N/A	N/A	4.5% - 6.5%	4.5% - 6.5%	4.5% - 7.0%

A 1.0% increase or decrease in the assumed health care cost trend rate would not materially increase or decrease the Company's accumulated postretirement benefit obligation and the related service and interest cost as of December 31, 2021.

For the year ending December 31, 2022, the expected contribution for the SERP is $566,000 and for the other postretirement benefits plan is $261,000. The expected benefit payments for the next ten years are presented in the following table:

(In thousands)	SERP	Other Postretirement Benefits
2022	$ 566	$ 261
2023	835	258
2024	966	260
2025	1,265	243
2026	1,177	228
Next 5 years	5,782	1,098

NOTE 19 – INCOME TAXES

The current and deferred components of income tax expense on the consolidated statements of income were as follows:

	For the Year Ended December 31,		
(In thousands)	2021	2020	2019
Current:			
Federal	$ 16,555	$ 15,197	$ 11,876
State	1,709	1,474	1,241
Total	18,264	16,671	13,117
Deferred:			
Federal	(622)	(1,720)	1,230
State	(15)	(41)	29
Total	(637)	(1,761)	1,259
Income tax expense	$ 17,627	$ 14,910	$ 14,376

The income tax expense differs from the amount computed by applying the statutory federal income tax rate of 21.0% as a result of the following:

	For the Year Ended December 31,		
(Dollars in thousands)	2021	2020	2019
Computed tax expense	$ 18,195	$ 15,623	$ 15,032
Increase (reduction) in income taxes resulting from:			
State taxes, net of federal benefit	1,338	1,132	1,003
Tax exempt income	(782)	(894)	(738)
Income from life insurance	(496)	(532)	(509)
Low income housing credits	(591)	(500)	(430)
Share-based awards	(103)	33	(60)
Other	66	48	78
Income tax expense	$ 17,627	$ 14,910	$ 14,376
Income before income tax expense	$ 86,641	$ 74,396	$ 71,579
Effective tax rate	20.3 %	20.0 %	20.1 %

Temporary differences between the financial statements carrying amounts and the tax bases of assets and liabilities gave rise to the following deferred tax assets and liabilities as of the dates indicated:

	December 31,			
	2021		2020	
(In thousands)	Asset	Liability	Asset	Liability
Net operating loss and tax credit carryforward	$ 8,741	$ —	$ 9,593	$ —
Allowance for loan losses	7,837	—	8,693	—
Pension and other benefits	5,027	—	4,878	—
Net unrealized losses on derivative instruments	528	—	1,267	—
Deferred compensation and benefits	1,002	—	961	—
Net unrealized losses (gains) on AFS debt securities	321	—	—	(8,027)
Depreciation	—	(2,382)	—	(3,204)
Deferred loan origination fees	—	(2,038)	—	(2,111)
Other	174			(94)
Gross deferred tax assets (liabilities)	$ 23,630	$ (4,420)	$ 25,392	$ (13,436)
Valuation allowance on deferred tax assets		—		—
Net deferred tax assets		$ 19,210		$ 11,956

At December 31, 2021 and 2020, the Company had $40.5 million and $44.4 million, respectively, in unused federal net operating losses that were acquired in 2015. Due to Internal Revenue Code Section 382(g) limitations, the Company's use of the federal net operating losses acquired is limited to $3.9 million annually, which was determined using the applicable federal rate and the fair value of consideration paid for the acquisition at the acquisition date. The acquired federal net operating losses will expire between 2030 and 2034. The Company expects that it will be able to fully utilize the acquired allowable federal net operating losses prior to expiration, as the Company has a history of generating taxable income well in excess of the limitation.

The Company continuously monitors and assesses the need for a valuation allowance on its deferred tax assets and, at December 31, 2021 and 2020 determined that no valuation allowance was necessary.

As of December 31, 2021, the Company's federal and state income tax returns for the years ended December 31, 2020, 2019 and 2018 were open to audit by federal and state authorities.

NOTE 20 – EPS

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

	For the Year Ended December 31,		
(In thousands, except number of shares and per share data)	2021	2020	2019
Net income	$ 69,014	$ 59,486	$ 57,203
Dividends and undistributed earnings allocated to participating securities[1]	(190)	(149)	(120)
Net income available to common shareholders	$ 68,824	$ 59,337	$ 57,083
Weighted-average common shares outstanding for basic EPS	14,903,855	14,985,235	15,407,289
Dilutive effect of stock-based awards[2]	67,723	38,532	45,733
Weighted-average common and potential common shares for diluted EPS	14,971,578	15,023,767	15,453,022
Earnings per common share:			
Basic EPS	$ 4.62	$ 3.96	$ 3.70
Diluted EPS	$ 4.60	$ 3.95	$ 3.69
Awards excluded from the calculation of diluted EPS[3]:			
Performance-based share units	2,403	1,849	—
Stock options	—	1,000	—

(1) Represents dividends paid and undistributed earnings allocated to non-vested 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 and 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.

Non-vested 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 non-vested 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 non-vested 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 21 – FAIR VALUE

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

Trading Securities. The fair value of trading securities is reported using market quoted prices and has been classified as Level 1 as they are actively traded and no valuation adjustments have been applied.

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.

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.

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. As of December 31, 2021 and 2020, the credit valuation adjustment on the overall valuation of its derivative positions and was not significant to the overall valuation of its derivatives, and, thus, the Company's interest rate swaps were classified as Level 2.

The fair value of the Company's fixed rate interest rate lock commitments are 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 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 are 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)
December 31, 2021				
Financial assets:				
Trading securities	$ 4,428	$ 4,428	$ —	$ —
AFS debt securities:				
Obligations of U.S. government-sponsored enterprises	8,344	—	8,344	—
Obligations of states and political subdivisions	117,478	—	117,478	—
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	1,000,257	—	1,000,257	—
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	358,849	—	358,849	—
Subordinated corporate bonds	22,558	—	22,558	—
Loans held for sale	5,815	—	5,815	—
Customer loan swaps	19,297	—	19,297	—
Interest rate contracts	5,589	—	5,589	—
Fixed rate mortgage interest rate lock commitments	371	—	371	—
Forward delivery commitments	86	—	86	—
Financial liabilities:				
Trading securities	$ 4,428	$ 4,428	$ —	$ —
Customer loan swaps	19,485	—	19,485	—
Interest rate contracts	7,872	—	7,872	—
Fixed rate mortgage interest rate lock commitments	91	—	91	—
Forward delivery commitments	6	—	6	—
December 31, 2020				
Financial assets:				
Trading securities	$ 4,161	$ 4,161	$ —	$ —
AFS debt securities:				
Obligations of states and political subdivisions	127,120	—	127,120	—
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises	566,618	—	566,618	—
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises	410,454	—	410,454	—
Subordinated corporate bonds	11,621	—	11,621	—
Loans held for sale	41,557	—	41,557	—
Customer loan swaps	39,627	—	39,627	—
Interest rate contracts	5,731	—	5,731	—
Fixed rate mortgage interest rate lock commitments	608	—	608	—
Forward delivery commitments	311	—	311	—
Financial liabilities:				
Trading securities	$ 4,161	$ 4,161	$ —	$ —
Customer loan swaps	39,627	—	39,627	—
Interest rate contracts	11,625	—	11,625	—
Fixed rate mortgage interest rate lock commitments	248	—	248	—
Forward delivery commitments	196	—	196	—

The Company did not have any transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2021 or 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 Loans. Expected credit losses on individually assessed loans deemed to be collateral dependent are valued based upon the lower of amortized cost or fair value of the underlying collateral less costs to sell. Management estimates 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 determined servicing assets are Level 3 of the fair value hierarchy.

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

The Company may be required, from time to time, to measure certain non-financial assets and non-financial liabilities at fair value on a nonrecurring basis in accordance with GAAP, which may include OREO, goodwill and core deposit intangible assets. As of December 31, 2021 and 2020, the Company did not have any non-financial assets or non-financial liabilities measured and reported at fair value.

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 ACL 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 credit 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. 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. Through its assessments, management concluded goodwill was not impaired for the year ended December 31, 2021 or, 2020.

Core Deposit Intangible Assets. 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 indications or triggering events for the year ended December 31, 2021 or 2020, that indicated the carrying amount may not be recoverable.

The table below highlights financial and non-financial assets measured and reported 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)
December 31, 2021				
Financial assets:				
Collateral-dependent loans	$ 73	$ —	$ —	$ 73
December 31, 2020				
Financial assets				
Servicing Assets	$ 1,010	$ —	$ —	$ 1,010
Non-financial assets:				
OREO	$ 236	$ —	$ —	$ 236

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
December 31, 2021				
Collateral-dependent loans:				
Specifically reserved	$ 73	Market approach appraisal of collateral	Estimated selling costs	11%
December 31, 2020				
Servicing assets	$ 1,010	Discounted cash flow	Weighted-average constant prepayment rate	19%
			Weighted average discount rate	10%
OREO	$ 236	Market approach appraisal of collateral	Management adjustment of appraisal	5%
			Estimated selling costs	11%

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)
December 31, 2021					
Financial Assets					
HTM debt securities	$ 1,291	$ 1,380	$ —	$ 1,380	$ —
Commercial real estate loans[(1)(2)]	1,474,087	1,435,794	—	—	1,435,794
Commercial loans[(2)]	359,512	356,463	—	—	356,463
SBA PPP loans[(2)]	35,934	37,133	—	—	37,133
Residential real estate loans[(2)]	1,300,314	1,297,592	—	—	1,297,592
Home equity loans[(2)]	208,934	205,920	—	—	208,934
Consumer loans[(2)]	19,437	17,551	—	—	17,551
Servicing assets	2,471	3,310	—	—	3,310
Financial liabilities:					
Time deposits	$ 409,668	$ 409,264	$ —	$ 409,264	$ —
Short-term borrowings	211,608	211,586	—	211,586	—
Long-term borrowings	—	—	—	—	—
Subordinated debentures	44,331	33,248	—	33,248	—
December 31, 2020					
Financial assets:					
HTM debt securities	$ 1,297	$ 1,411	$ —	$ 1,411	$ —
Commercial real estate loans[(1)(2)]	1,344,860	1,307,132	—	—	1,307,132
Commercial loans[(2)]	374,791	372,194	—	—	372,194
SBA PPP loans[(2)]	135,026	137,209	—	—	137,209
Residential real estate loans[(2)]	1,051,324	1,066,991	—	—	1,066,991
Home equity loans[(2)]	255,957	253,276	—	—	253,276
Consumer loans[(2)]	19,999	18,102	—	—	18,102
Servicing assets	2,196	1,437	—	—	1,437
Financial liabilities:					
Time deposits	$ 457,694	$ 460,278	$ —	$ 460,278	$ —
Short-term borrowings	162,439	162,420	—	162,420	—
Long-term borrowings	25,000	25,442	—	25,442	—
Subordinated debentures	58,331	46,475	—	46,475	—

(1) Commercial real estate loans includes non-owner-occupied and owner-occupied properties.

(2) The presented carrying amount is net of the allocated ACL on loans.

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 22 – PARENT COMPANY FINANCIAL STATEMENTS

Following are the condensed statements of condition, income and cash flows for the Company's parent company:

STATEMENTS OF CONDITION

(In thousands)	December 31, 2021	December 31, 2020
ASSETS		
Cash	$ 34,339	$ 35,359
Investment in subsidiary	558,045	558,820
Receivable from subsidiary	—	46
Other assets	19,259	23,401
Total assets	$ 611,643	$ 617,626
LIABILITIES AND SHAREHOLDERS' EQUITY		
Subordinated debentures	$ 44,331	$ 59,331
Due to subsidiary	156	—
Other liabilities	25,862	28,981
Shareholders' equity	541,294	529,314
Total liabilities and shareholders' equity	$ 611,643	$ 617,626

STATEMENTS OF INCOME

(In thousands)	For the Year Ended December 31, 2021	2020	2019
Operating Income			
Dividend income from subsidiary	$ 41,700	$ 39,400	$ 36,900
Other income	7	103	1,128
Total operating income	41,707	39,503	38,028
Operating Expenses			
Interest on borrowings	2,524	3,512	3,267
Fees to Bank	160	160	160
Other operating expenses	628	578	641
Total operating expenses	3,312	4,250	4,068
Income before equity in undistributed income of subsidiaries and income taxes	38,395	35,253	33,960
Equity in undistributed income of subsidiaries	29,869	23,299	22,580
Income before income taxes	68,264	58,552	56,540
Income tax benefit	750	934	663
Net Income	$ 69,014	$ 59,486	$ 57,203

STATEMENTS OF CASH FLOWS

(In thousands)	For the Year Ended December 31, 2021	2020	2019
Operating Activities			
Net income	$ 69,014	$ 59,486	$ 57,203
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	(29,869)	(23,299)	(22,579)
Decrease (increase) in other assets	4,244	(5,228)	(2,935)
Increase (decrease) in due to subsidiaries	202	71	(109)
(Decrease) increase in other liabilities	(558)	(83)	4,298
Net cash provided by operating activities	43,033	30,947	35,878
Investing Activities			
Proceeds from other investments	—	1,712	—
Net cash provided by investing activities	—	1,712	—
Financing Activities			
Net proceeds from issuance of common stock	2,118	1,670	1,683
Common stock repurchases	(10,090)	(9,689)	(20,795)
Repayment of subordinated debt	(15,000)	—	—
Cash dividends paid on common stock	(21,081)	(19,842)	(18,572)
Net cash used in financing activities	(44,053)	(27,861)	(37,684)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,020)	4,798	(1,806)
Cash, cash equivalents and restricted cash at beginning of year	35,359	30,561	32,367
Cash, cash equivalents and restricted cash at end of year	$ 34,339	$ 35,359	$ 30,561

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Camden National Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of condition of Camden National Corporation and Subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 11, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loans

As described in Notes 1 and 3 to the consolidated financial statements, the allowance for credit losses on loans is established through a provision for credit losses and represents an amount which, in management's judgement, will be adequate to absorb losses on existing loans. The Company's allowance for credit losses on loans balance was $33.3 million at December 31, 2021. Management applies two primary components during the estimation process to determine proper allowance levels; a specific loan loss allocation for loans that are individually evaluated, which was approximately $397 thousand at December 31, 2021 and a general loan loss allocation for those loans collectively evaluated. For loans collectively evaluated, management disaggregates the loan portfolio into pools of similar risk characteristics and utilizes a discounted cash flow approach to calculate the expected loss for each segment. Within the discounted cash flow model, a probability of default ("PD") and loss given default ("LGD") assumption is applied to calculate the expected loss for each segment. PD is the probability the asset will default within a given timeframe and LGD is the percentage of the assets not expected to be collected due to default. PD and LGD data are derived from internal historical default and loss experience as well as the use of external data where there are not statistically meaningful loss events for a loan segment. The reserve for loans collectively evaluated was approximately $32.9 million at December 31, 2021. The development of the general loan loss allocation requires a significant amount of judgement by management and involves a high degree of estimation uncertainty.

We identified the determination of PD, LGD, prepayment speeds, forecasted economic scenarios and qualitative factors as a critical audit matter because auditing the underlying assumptions required a high degree of complexity and auditor judgement in

the evaluation of the Company's methodology and assumptions and involves a high degree of estimation uncertainty. This includes modeling of PD, LGD and forecasts and related key inputs to those models such as emergence period, recovery period and economic forecasts.

Our audit procedures related to this critical audit matter include the following, among others:

a. We obtained an understanding of the relevant controls related to the allowance for credit losses on loans and tested such controls for design and operating effectiveness, including those over model approval, validation and approval of key data inputs such as PD, LGD, emergence period, recovery period, forecasted economic scenarios and qualitative factors (such as economic and business conditions) including validation of underlying data.

a. We tested the completeness and accuracy of data used by management in determining inputs to the PD and LGD such as emergence period and recovery period by agreeing those inputs to internal or external information sources.

a. We tested management's forecasts of future economic indicators which include Maine unemployment, national gross domestic product (GDP) growth, Maine GDP growth and Maine Housing Price Index, by comparing these forecasts to external and internal information sources.

a. We evaluated management's judgments and assumptions used in the development of the qualitative factors, including magnitude and directional consistency, and the reliability of the underlying data on which these factors are based by comparing information to source documents and external information sources.

We have served as the Company's auditor since 2014.

/s/ RSM US LLP

Philadelphia, Pennsylvania
March 11, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Camden National Corporation

Opinion on the Internal Control Over Financial Reporting
We have audited Camden National Corporation and Subsidiary's (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of condition of the Company as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and our report dated March 11, 2022 expressed an unqualified opinion.

Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Philadelphia, Pennsylvania
March 11, 2022

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. 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 Operating Officer and Chief Financial Officer & Principal Financial and Accounting Officer, regarding the effectiveness of the Company's disclosure controls and procedures, as of the end of the last fiscal year. 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 Operating Officer and Chief Financial Officer & Principal Financial and 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 SEC's rules and forms. We intend to continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and we may from time to time make changes to the disclosure controls and procedures to enhance their effectiveness and to ensure that our systems evolve with our business.

Although a significant number of our employees began working from home in mid-March 2020 as a result of COVID-19, we have concluded that these changes in work arrangements did not have a material effect on our internal controls over financial reporting during the period covered by this Annual Report on Form 10-K. There was no change in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S ANNUAL REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of the Company is responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Form 10-K. Management is also responsible for establishing and maintaining adequate internal control over financial reporting and for identifying the framework used to evaluate its effectiveness. Management has designed processes, internal controls and a business culture that foster financial integrity and accurate reporting. The Company's comprehensive system of internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements of the Company in accordance with accounting principles generally accepted in the United States of America. The Company's accounting policies and internal control over financial reporting, established and maintained by management, is under the general oversight of the Company's Board of Directors, including the Board of Directors' Audit Committee.

Management has made a comprehensive review, evaluation, and assessment of the Company's internal control over financial reporting as of December 31, 2021. The standard measures adopted by management in making its evaluation are the measures in *Internal Control — Integrated Framework* (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon its review and evaluation, management concluded that, as of December 31, 2021, the Company's internal control over financial reporting was effective and that there were no material weaknesses. However, Management recognizes a control system, no matter how well designed and operated, has inherent limitations and can provide only reasonable, not absolute, assurance that the control system's objectives will be met and may not prevent or detect all error and fraud. Therefore, even a system determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

RSM US LLP, an independent registered public accounting firm, which has audited and reported on the consolidated financial statements contained in this Form 10-K, has issued its written attestation report on management's assessment of the Company's internal control over financial reporting which precedes this report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information about our executive officers required by Item 401(b) of Regulation S-K as of December 31, 2021 was included within *Item 1. Business — Information about our Executive Officers.* All other information required by this item is incorporated by reference from the material responsive to such item in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders to be held on April 26, 2022.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from the material responsive to such item in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders to be held on April 26, 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities authorized for issuance under equity compensation plans are as follows:

	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance (Excluding Securities in Column (a)) (c)[1]
Equity compensation plans approved by shareholders	169,216	$ 1.72	905,835
Equity compensation plans not approved by shareholders	—	—	—
Total	169,216	$ 1.72	905,835

(1) Represents the 1.2 million shares available under the 2012 Equity and Incentive Plan less awards granted plus shares added back due to the forfeiture, cancellation or reacquisition by the Company for the settlement of an award to cover the exercise price or tax withholding under the current and previous plans.

Refer to Note 1 and Note 17 of the consolidated financial statements for further information related to the Company's equity compensation plans.

The information required by this item is incorporated by reference from the material responsive to such item in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders to be held on April 26, 2022.

Item 13. Certain Relationships, Related Transactions and Director Independence

The information required by this item is incorporated by reference from the material responsive to such item in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders to be held on April 26, 2022.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference from the material responsive to such item in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders to be held on April 26, 2022.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Index to Financial Statements:

The consolidated financial statements of the Company and report of the Company's independent registered public accounting firm incorporated herein are included in Item 8 of this Report, as follows:

2. Financial Statement Schedules:

Schedules have been omitted because they are not applicable or are not required under the instructions contained in Regulation S-X or because the information required to be set forth therein are included in the consolidated financial statements or notes thereto.

3. Exhibits:

Exhibit No.	Definition
2.1	Agreement and Plan of Merger dated as of March 29, 2015 by and among Camden National Corporation, Atlantic Acquisitions, LLC, and SBM Financial, Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed with the Commission on March 30, 2015).
3.1	Articles of Incorporation of Camden National Corporation, as amended (incorporated herein by reference to Exhibit 3.i.1 to the Company's Form 10-K filed with the Commission on March 2, 2011).
3.2	Amendment to the Articles of Incorporation, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed with the Commission on April 26, 2017).
3.3	Amended and Restated Bylaws of Camden National Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed with the Commission on March 30, 2021).
4.1*	Description of Camden National Corporation's Securities Registered under Section 12 of the Exchange Act.
10.1+	Camden National Corporation 2012 Equity and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on May 8, 2012).
10.2+	Amendment to Camden National Corporation 2012 Equity and Incentive Plan, dated as of March 9, 2015 (incorporated herein by reference to Exhibit 10.6 to the Company's Form 10-K filed with the Commission on March 10, 2015).
10.3+	Second Amendment to Camden National Corporation 2012 Equity and Incentive Plan, dated as of March 31, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on August 7, 2015).
10.4+	Third Amendment to Camden National Corporation 2012 Equity and Incentive Plan, dated as of April 24, 2018 (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on April 27, 2018).
10.5+	Camden National Corporation Amended and Restated Management Stock Purchase Plan, dated as of February 26, 2019 (incorporated herein by reference to Exhibit 10.9 to the Company's Form 10-K filed with the Commission on March 13, 2019).
10.6+	Form of Restricted Stock Award Agreement under the Camden National Corporation Management Stock Purchase Plan (incorporated herein by reference to Exhibit 10.10 to the Company's Form 10-K filed with the commission on March 13, 2019).

Exhibit No.	Definition
10.7+	Form of Incentive Stock Option Agreement under the Camden National Corporation 2012 Equity and Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the Company's Form 10-Q filed with the Commission on May 4, 2018).
10.8+	Form of Restricted Stock Award Agreement under the Camden National Corporation 2012 Equity and Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the Company's Form 10-Q filed with the Commission on May 4, 2018).
10.9+	Form of Restricted Stock Unit Award Agreement for Company Employees under the Camden National Corporation 2012 Equity and Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the Commission on May 4, 2018).
10.10+	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Camden National Corporation and certain executives (incorporated herein by reference to Exhibit 10.11 to the Company's Form 10-K filed with the Commission on March 10, 2015).
10.11+	Camden National Corporation Defined Contribution Retirement Plan (incorporated herein by reference to Exhibit 10.11 to the Company's Form 10-K filed with the Commission on March 9, 2018).
10.12+	Supplemental Executive Retirement Program (incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K filed with the Commission on February 4, 2008).
10.13+	Union Trust Company's Amended and Restated Deferred Compensation Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on May 12, 2008).
10.14*+	Camden National Corporation Nonqualified Deferred Compensation Plan.
10.15*+	Camden National Corporation Nonqualified Deferred Compensation Plan Adoption Agreement.
10.16+	Camden National Corporation Audit Committee Complaint Procedures (incorporated herein by reference to Exhibit 10.12 to the Company's Form 10-K filed with the Commission on March 2, 2011).
10.17+	Camden National Corporation Executive Annual Incentive Program (incorporated herein by reference to Exhibit 10.23 to the Company's Form 10-Q filed with the Commission on March 15, 2021).
10.18+	Form of Change in Control Agreement for chief executive officer and other executive officers (incorporated herein by reference to Exhibit 10.21 in the Company's Form 10-K filed with the Commission on March 10, 2015).
10.19+	Camden National Corporation 2018-2020 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 April 27, 2018).
10.20+	Camden National Corporation 2019-2021 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 April 27, 2018).
10.21+	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).
21.1*	Subsidiaries of the Company.
23.1*	Consent of RSM US LLP.
31.1*	Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial and Accounting Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Definition
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101*	iXBRL (Inline eXtensible Business Reporting Language). The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2021 formatted in iXBRL: (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income (iv) the Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements.
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

\+ Management contract or a compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) 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.

Date: March 11, 2022

CAMDEN NATIONAL CORPORATION

/s/ Gregory A. Dufour

Gregory A. Dufour
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Position	Date
/s/ Gregory A. Dufour Gregory A. Dufour	President, Director and Chief Executive Officer	March 11, 2022
/s/ Michael R. Archer Michael R. Archer	Chief Financial Officer and Principal Financial and Accounting Officer	March 11, 2022
/s/ Lawrence J. Sterrs Lawrence J. Sterrs	Chair and Director	March 11, 2022
/s/ Ann W. Bresnahan Ann W. Bresnahan	Director	March 11, 2022
/s/ Craig N. Denekas Craig N. Denekas	Director	March 11, 2022
/s/ David C. Flanagan David C. Flanagan	Director	March 11, 2022
/s/ S. Catherine Longley S. Catherine Longley	Director	March 11, 2022
/s/ Marie J. McCarthy Marie J. McCarthy	Director	March 11, 2022
/s/ James H. Page James H. Page	Director	March 11, 2022
/s/ Carl J. Soderberg Carl J. Soderberg	Director	March 11, 2022
/s/ Robin A. Sawyer Robin A. Sawyer	Director	March 11, 2022