

BAR HARBOR BANKSHARES
Form 10-Q
May 11, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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

Commission File Number: **841105-D**

BAR HARBOR BANKSHARES

(Exact name of registrant as specified in its charter)

Maine
(State or other jurisdiction of
incorporation or organization)
PO Box 400
82 Main Street, Bar Harbor, ME
(Address of principal executive offices)

01-0393663
(I.R.S. Employer
Identification Number)

04609-0400
(Zip Code)

(207) 288-3314

(Registrant's telephone number, including area code)

Inapplicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). YES NO

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act: Large accelerated filer ___ Accelerated filer X Non-accelerated filer (do not check if a smaller reporting company) ___ Smaller reporting company ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES: ___ NO: X

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

<u>Class of Common Stock</u>	<u>Number of Shares Outstanding May 4, 2009</u>
\$2.00 Par Value	2,870,521

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BAR HARBOR BANKSHARES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2009 AND DECEMBER 31, 2008
(Dollars in thousands, except share data)

(unaudited)

	March 31, 2009	December 31, 2008
Assets		
Cash and due from banks	\$ 6,049	\$ 9,041
Overnight interest bearing money market funds	1	1
Total cash and cash equivalents	6,050	9,042
Securities available for sale, at fair value	367,582	290,502
Federal Home Loan Bank stock	15,621	14,796
Loans	648,323	633,603
Allowance for loan losses	(5,906)	(5,446)
Loans, net of allowance for loan losses	642,417	628,157
Premises and equipment, net	10,960	10,854
Goodwill	3,158	3,158
Bank owned life insurance	6,636	6,573
Other assets	9,751	9,206
TOTAL ASSETS	\$1,062,175	\$972,288
Liabilities		
Deposits		
Demand and other non-interest bearing deposits	\$ 47,718	\$ 57,954
NOW accounts	66,488	67,747
Savings and money market deposits	161,379	163,780
Time deposits	221,705	200,206
Brokered time deposits	118,137	88,506
Total deposits	615,427	578,193
Short-term borrowings	164,046	121,672
Long-term advances from Federal Home Loan Bank	185,489	197,231
Junior subordinated debentures	5,000	5,000
Other liabilities	5,693	4,747
TOTAL LIABILITIES	975,655	906,843
Shareholders' equity		

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Common stock, par value \$2.00; authorized 10,000,000 shares; issued 3,643,614 shares at March 31, 2009, and December 31, 2008	7,287	7,287
Preferred stock, no par value; authorized 1,000,000 shares; issued 18,751 shares at March 31, 2009	18,260	---
Surplus	5,366	4,903
Retained earnings	69,544	67,908
Accumulated other comprehensive income (loss):		
Unamortized net actuarial losses on employee benefit plans, net of tax of \$58 and \$59, at March 31, 2009, and December 31, 2008, respectively	(113)	(115)
Net unrealized depreciation on securities available for sale, net of tax of \$100 and \$573, at March 31, 2009, and December 31, 2008, respectively	(196)	(1,149)
Net unrealized appreciation on derivative instruments, net of tax of \$304 and \$382 at March 31, 2009 and December 31, 2008, respectively	591	740
Total accumulated other comprehensive income (loss)	282	(524)
Less: cost of 773,093 and 769,635 shares of treasury stock at March 31, 2009, and December 31, 2008, respectively	(14,219)	(14,129)
TOTAL SHAREHOLDERS' EQUITY	86,520	65,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,062,175	\$972,288

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

BAR HARBOR BANKSHARES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(Dollars in thousands, except share data)

(unaudited)

	Three Months Ended March 31,	
	2009	2008
Interest and dividend income:		
Interest and fees on loans	\$ 8,727	\$ 9,538
Interest on securities	4,637	3,696

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Dividend on FHLB stock	---	196
Total interest and dividend income	13,364	13,430
Interest expense:		
Deposits	2,800	4,097
Short-term borrowings	261	555
Long-term debt	2,363	2,486
Total interest expense	5,424	7,138
Net interest income	7,940	6,292
Provision for loan losses	665	512
Net interest income after provision for loan losses	7,275	5,780
Noninterest income:		
Trust and other financial services	572	539
Service charges on deposit accounts	309	362
Other service charges, commissions and fees	55	50
Credit and debit card service charges and fees	176	333
Net securities gains	412	377
Other operating income	80	388
Total non-interest income	1,604	2,049
Noninterest expense:		
Salaries and employee benefits	2,756	2,657
Occupancy expense	398	385
Furniture and equipment expense	353	490
Credit and debit card expenses	101	255
Other operating expense	1,556	1,201
Total non-interest expense	5,164	4,988
Income before income taxes	3,715	2,841
Income taxes	1,090	889
Net income	2,625	1,952
Preferred stock dividends and accretion of discount	222	---
Net income available to common shareholders	\$2,403	\$1,952
<u>Per Common Share Data:</u>		
Basic earnings per share	\$ 0.84	\$ 0.65
Diluted earnings per share	\$ 0.82	\$ 0.64

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

BAR HARBOR BANKSHARES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(Dollars in thousands, except share data)

(unaudited)

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	Common Stock	Preferred Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance December 31, 2007	\$7,287	\$ ---	\$4,668	\$63,292	\$ 1,118	\$(10,391)	\$65,974
Net income	---	---	---	1,952	---	---	1,952
Total other comprehensive loss	---	---	---	---	(317)	---	(317)
Cash dividends declared (\$0.250 per share)	---	---	---	(746)	---	---	(746)
Purchase of treasury stock (38,096 shares)	---	&nb					