

Camden National Corporation NasdaqGS:CAC FQ3 2025 Earnings Call Transcripts

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Table of Contents

Call Participants		3
Presentation		4
Question and Answer		7

Call Participants

EXECUTIVES

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Renée D. Smyth
Executive VP and Chief Experience & Marketing Officer

Simon R. Griffiths
CEO, President & Director

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Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Matthew M. Breese
Stephens Inc., Research Division

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

Presentation

Operator

Good day, and welcome to Camden National Corporation's Third Quarter 2025 Earnings Conference Call. My name is Elliot, and I'll be your operator for today's call. [Operator Instructions]

I'll now turn the call over to Renee Smyth, Executive Vice President, Chief Experience and Marketing Officer.

Renée D. Smyth

Executive VP and Chief Experience & Marketing Officer

Thank you, and good afternoon, and welcome to Camden National Corporation's conference call for the third quarter of 2025. Joining us this afternoon are members of Camden National Corporation's executive team, Simon Griffiths, President and Chief Executive Officer, and Mike Archer, Executive Vice President and Chief Financial Officer.

Please note that today's presentation contains forward-looking statements, and actual results could differ materially from what is discussed on today's call. Cautionary language regarding these forward-looking statements is included in our third quarter 2025 earnings release, issued this morning, and in other reports we file with the SEC. All of these materials and public filings are available on our Investor Relations website at camdennational.bank. Camden National Corporation trades on NASDAQ under the symbol CAC.

In addition, today's presentation includes a discussion of non-GAAP financial measures. Any references to non-GAAP financial measures are intended to provide meaningful insights and are reconciled with GAAP in our earnings release which is also available on our Investor Relations website.

I am pleased to introduce our host, President and Chief Executive Officer, Simon Griffiths.

Simon R. Griffiths

CEO, President & Director

Good afternoon, everyone, and thank you, Renée. Today represents a pivotal moment in Camden National's continued growth and success. Earlier today, we announced record third quarter earnings of \$21.2 million, setting a new high watermark for the organization. This achievement represents a 51% increase in earnings over the previous quarter. Equally important, pretax pre-provision income for the third quarter rose 19% over the prior quarter signaling the momentum across our franchise. This significant achievement underscores the strength of our successful execution of the Northway Financial integration strategy, following our acquisition Northway that we closed earlier this year on January 2 and the value of our expanded capabilities made, possible by the dedication of our team and the continued trust of our customers and shareholders.

Our strong quarterly earnings continue to support the rebuilding of capital levels following the Northway acquisition, while enhancing long-term shareholder value. This progress is reflected in our tangible common equity ratio, which grew 32 basis points in the third quarter to 7.09%, and a 6% increase in tangible book value in the quarter, reaching \$28.42 per share as of September 30. We are well-positioned for continued tangible book value accretion through core earnings and a disciplined capital deployment strategy focused on dividends.

Several key performance indicators continued to trend positively this quarter. Our net interest margin expanded by 10 basis points to 3.16%. Our non-GAAP efficiency ratio improved to 52.5% and we reported a return on average tangible equity of 19.1% for the third quarter. These results reaffirm our commitment to delivering top-tier financial performance driven by sustainable growth and operational excellence.

We delivered robust annualized loan growth of 4% this quarter, reflecting our continued commitment to profitable organic expansion and strategic investments and talent acquisition. Our scale, combined with deep local expertise in the communities we serve, remains a key competitive advantage, enabling us to build lasting relationships and unlock new business opportunities.

Our committed loan pipeline was robust as of September 30, totaling \$116 million and our customers continue to demonstrate resilience despite broader economic uncertainties.

In the third quarter, average core deposits grew 2%, reflecting the benefit of seasonal deposit inflows and continued customer confidence and franchise strength. During the third quarter, saving deposit balances grew 5%, continuing the momentum from recent quarters. This product continues to be a strong vehicle for development of new and growth of existing customer relationships.

Credit trends remain strong, underscoring the quality of our underwriting and vigilant risk management approach. We continue to address issues swiftly and prudently, as reflected in key credit metrics, including a 14 basis point decrease in nonperforming assets in the third quarter to just 12 basis points of total assets at September 30.

Last quarter, we proactively disclosed and reserved \$6 million for a syndicated loan participation, involving a telecommunication services company that entered bankruptcy. In the third quarter of 2025, we charged off \$10.7 million of the \$12.2 million carrying value of this loan. We remain confident in the overall health of our well-diversified loan portfolio.

We sustained strong momentum in our noninterest income this quarter, with assets under management and administration reaching a record high of \$2.4 billion. Fiduciary and brokerage fee income for the nine months ending September 30, 2025, grew organically by 16% year-over-year, reflecting strong client engagement and demand for our trusted advisory services. Summer mortgage activity was robust, contributing to another solid quarter of mortgage banking income. We continue to identify meaningful opportunities to deepen relationships within our existing customer base, particularly as we focus on advice-driven engagement and expand treasury management services into the New Hampshire market.

Our innovation agenda and strategic investments are focused on attracting and retaining a digitally engaged customer base. Since launching our enhanced digital account opening platform in January of this year, we have seen a 131% increase in consumer accounts originated digitally. As we continue to introduce tools like Round-Up savings and digital financial literacy resources, digital engagement among customers under 45 has grown 11% year-over-year, measured by monthly logins.

We are also advancing automation across the enterprise to drive operational excellence and elevate service delivery. With over 143 bots in production, we have processed more than 5 million items, saving over 74,000 cumulative hours since implementation, freeing up capacity to focus on high-value customer interactions.

Our deep community routes continue to drive customer loyalty and long-term growth. To mark our 150th anniversary, we hosted a half-day Community Well-being Day in September, closing offices to support volunteerism across the region. While the 600 employees contributed over 1,900 hours across 65 nonprofit organizations, in addition to their annual paid volunteer time.

Our record-breaking third quarter performance energizes us as we look ahead. These outstanding results reflect the dedication of nearly 700 teammates and our unwavering commitment to serving our customers and executing our strategy. The momentum we have built positions us well to carry the success through the remainder of 2025 and beyond. With a strong foundation and a focused approach, we remain confident in our ability to deliver exceptional outcomes and create meaningful long-term value for our shareholders.

And with that, I'd like to hand over to Mike to provide some financial highlights regarding the quarter.

Michael R. Archer
Executive VP & CFO

Thank you, Simon, and good afternoon, everyone. We are very pleased with our third quarter 2025 financial results as they signify the earnings power and the future potential of Camden National, having completed the acquisition of Northway Financial and successfully executed the integration and cost take-out plans.

For the third quarter, we reported net income of \$21.2 million, diluted earnings per share of \$1.25 both representing increases of 51% over the second quarter of 2025. On a non-GAAP basis, pretax pre-provision income reached \$29.5 million for the third quarter, an increase of 19% over the prior quarter.

Strong revenue growth for the third quarter of 5% on a linked quarter basis, coupled with continued expense discipline and achievement of synergies from the Northway acquisition, resulted in improvement across several key financial metrics, including a return on average assets of 1.21% and a non-GAAP return on average tangible equity just over 19% for the quarter.

Average loan growth of 1% and net interest margin expansion of 10 basis points during the third quarter to 3.16%, fueled our net interest income growth of 4% between quarters. Our asset yield increased 4 basis points during the third quarter to 4.98% driven by steady repricing and origination of new assets and the current interest rate environment. At the same time, our funding costs improved by 6 basis points during the quarter to 1.90%, driven by seasonal deposit market flows, as average deposits increased 2% during the third quarter, relieving pressure on more costly borrowings. With a liability-sensitive interest rate risk position, we are well positioned for future Fed rate cuts.

We continue to see favorable momentum in non-interest income revenue, reaching \$14.1 million in the third quarter, an increase of 8% over the second quarter. Included within non-interest income this quarter was a net gain of \$675,000 from the sale of two non-branch properties. Adjusting for this non-recurring net gain, non-interest income grew 3% on a linked-quarter basis totaled \$13.5 million.

Reported non-interest expense for the third quarter was \$35.9 million. Our third quarter operating expenses reflect our expected cost savings and synergies from the Northway acquisition. As we look forward, we are estimating fourth quarter non-interest expense to be between \$36 million to \$36.5 million.

For the third quarter of 2025, we reported a provision for credit losses of \$3.0 million, down from \$6.9 million in the previous quarter. As Simon noted in his comments, we recorded a charge-off of \$10.7 million during the third quarter for the syndication loan we previously disclosed last quarter. At June 30, we carried a specific reserve of \$6 million on this loan, and, upon charge-off, we recognized an additional provision expense of \$4.7 million this quarter. This additional provision expense was partially offset by changes in our macroeconomic outlook and a decrease in our committed unfunded loan pipeline during the quarter.

As of September 30, the allowance totaled \$45.5 million and covered 5.5 times total non-performing loans. As shown in our Earnings Release, our credit quality metrics at quarter end remained solid.

This concludes our comments. We will now open the call for questions.

Question and Answer

Operator

[Operator Instructions] First question comes from Steve Moss with Raymond James.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Maybe just start on loan growth here, Simon. Good quarter for commercial real estate growth, and I hear you, Simon, in terms of the pipeline being robust. Just kind of curious, where is loan pricing? And kind of are you seeing a pickup in activity and maybe more opportunities in your markets these days?

Simon R. Griffiths

CEO, President & Director

Yes. Thanks for the question, Steve. I'd say, overall, we have seen some nice momentum in a number of our businesses, commercial, certainly small business and home equity, which is up about 54% year-over-year. Certainly part of that story is coming out of the New Hampshire market, and that's something we've been talking about now. It's a tremendous market. We've got some great stakeholders, and we've made some recent hires in the market.

On the pricing front, certainly been some softening in the last 60, 90 days. They're still holding up fairly strong. So I think this is a nice opportunity. We will probably see a little bit of softening of loan volumes in the back-half of the fourth quarter compared to sort of what we saw in the third quarter, but still lots of good momentum and really pleased with some of those businesses and how they're performing.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Okay. Great. And then in terms of the margin here, good step-up as expected, that is obviously cut in September here, probably getting another rate cut tomorrow. Just kind of curious as to how you guys are thinking about the margin going forward and some of the dynamics you have for assets repricing higher here?

Michael R. Archer

Executive VP & CFO

Sure, Steve. Yes -- we are well positioned certainly for the Fed rate cuts, and in our base model, we do have that cut in tomorrow and one in for December, certainly from there, of course, depends on the yield curve kind of where we go. But I think in our base model, where we have margin expansion, up 5, 10 basis points next quarter, a lot of that coming from the cost of funds side of the house, we think, probably some of the asset side, the expansion probably will start to slow down on what we call a little more flattish as we continue to put new loans on at higher rates, but that's being offset a little bit by just the repricing down of some of the variable rate loans. So it's really, I think, for least amount of base model for now, we're thinking how all that benefits from the cost of funds.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Okay. Appreciate that color. And so as we think about each rate cut, I kind of realize the one in December is kind of late and obviously the September one was late for this quarter. Is it roughly kind of like, I guess, 5 to 7 basis points per rate cut kind of how to think about it?

Michael R. Archer

Executive VP & CFO

Yes, I think we were modeling somewhere around 3 to 4 annualized. But yes, I think that's kind of not hard.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Got it. Okay. And then in terms of just the activity, Simon, you mentioned hiring in New Hampshire. Just kind of curious how many people you've hired? How you're thinking about investment? I realize that we're heading into the fourth quarter planning season for next year, but just color around that and kind of how you're thinking about expenses for next year.

Simon R. Griffiths
CEO, President & Director

Yes, thanks. I think that's been a key message from us and a focus as a management team, really just disciplined expense management and obviously, we're very pleased with the efficiency ratio coming in at just under 55%. I think this reflects how we think about expenses, reinvesting and self-funding a lot of those investments. We have invested in a couple of commercial bankers, continue to build out the team, fill in key areas, also looking from a home equity perspective and a mortgage perspective to continue to make sure we cover the market and make investments where they make sense and I think that continues at a steady pace next year. I think it's something that we just continue to want to keep building on, but be very strategic in those investments and as I say, make sure we continue to be disciplined in our approach.

Operator

We now turn to Damon DelMonte with KBW.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

I hope you're doing well. Just wanted to circle back on the expense question. I think, Mike, you said your guide for next quarter is like \$36 million to \$36.5 million. Just kind of wondering what some of the dynamics are in the step-up on a quarter-over-quarter basis. And as you look across '26, do you think kind of the 3% to 4% annual growth rate is reasonable?

Michael R. Archer
Executive VP & CFO

Yes. Thanks, Damon, for the question. Yes, good question there. As we think about the fourth quarter, I think there's some stuff on the people side of the house, just in terms of some incentives and how the year shakes out, Damon, that we're thinking that some of our operating expenses could tick up a notch. Also as part of just the acquisition of Northway, they just had a legacy contract with an individual there that there's some accounting for that has to be done at year-end. So I wouldn't call that necessarily a recurring expense per se, it's directly tied to the performance of the BOLI asset, which has done very well this year. And so there's some additional expense that we are anticipating could run through in the fourth quarter. So really, it's those two factors are the primary drivers for kind of our outlook currently for the fourth quarter.

As we think about going into next year, I would just say we're still certainly in the planning phase, but as Simon just mentioned that, that efficiency ratio and paying particular attention to that, trying to manage to mid-50s-ish, something in that space is kind of where we want to be. So we'll continue to do that as we think about our outlook for expenses.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Got you. Great. I appreciate that color. And then with regards to the margin, I appreciate the commentary around the core margin there. As you think about like the fair value accretion that gets run through each quarter, do you see that kind of slowing down or tailing off here in the fourth quarter and as we go through '26? Or does it kind of stay elevated like we've seen in the last couple of quarters?

Michael R. Archer
Executive VP & CFO

I mean I think it's pretty -- \$4.5 million to \$5 million is a pretty good number for us all in honestly. Certainly, for next quarter. I think if it becomes a bit of a refi boom or if the long end comes down a little bit more, we could see that potentially accelerate in '26. We're certainly not baking that into our base model, if you will. But I think that \$4.5 million to \$5 million is a pretty solid run rate for us, at least for now.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Great. And then I guess just lastly, with the charge-off, obviously, you released some reserves there, you're down to 91 basis points. Just kind of wondering how you think about that level when you consider the outlook for growth and that kind of being offset by the healthy credit quality overall. I mean do you think you kind of keep it in this low 90 range? Or do you think you need to kind of build it back up a bit?

Simon R. Griffiths
CEO, President & Director

Yes. Thanks, Damon. We feel very comfortable about that range. I think it represents our confidence in the underlying portfolio and we've certainly felt very good about the overall credit this year in terms of the portfolio that we have and that we have a very strongly diversified portfolio. I think that leads us to feeling good about the ACL and the current kind of guided range.

Operator

We now turn to Matthew Breese with Stephens.

Matthew M. Breese
Stephens Inc., Research Division

Just a related question. It feels like you cleaned up the problem syndicated credit this quarter. And I guess I'm curious, is that provision that we saw more indicative of what you expect going forward? And are we back to more or less kind of normal course of business for Camden from a credit perspective overall from here?

Michael R. Archer
Executive VP & CFO

Yes. I might answer that, Matt, I think that low 90s, 91, kind of that space, plus or minus a basis point or two, I think it's a good spot for us. I think we feel comfortable there. So certainly, with loan growth, of course, more provision will be had. But I think overall, I mean, I think that's a good proxy of where it would be. That 91 basis points, if you were to go back and look at that compared to where we were at year-end pre-acquisition, was a few basis points higher. I think it reflects a similar macroeconomic outlook for us right now and I would say, based on just kind of our current thinking, I think it's a pretty fair spot as we know the world can turn pretty fast. But I think right now, that's kind of what we're thinking.

Matthew M. Breese
Stephens Inc., Research Division

Got it. Okay. And then what is the blended rate, the blended loan yields on the pipeline? And I heard your comments, Mike, loud and clear on the NIM, but it feels like if we get a few more rate cuts which seems like it's on the table. It feels like there's structurally more tailwinds to the NIM beyond the next 60 to 90 days, it just feels like some positive loan yield repricing and then room to reprice deposits a bit lower. So I would feel net-net, like a year from now, the NIM is a bit higher, but I wanted to hear your thoughts on that.

Michael R. Archer
Executive VP & CFO

Yes, I think that's fair, Matt. I think for the 5 to 10 basis points for next quarter, I think that's a pretty good range for us. Certainly, I think there's some opportunity there where we could outperform that as well. Thus far in the cycle, we've been pretty aggressive on pricing down some of the deposits and funding. I think, as we even gear up for tomorrow, internal discussions around that are just changing. We want to be certainly thoughtful in terms of the customer base and trying to balance that with growth in deposits as well. I think as we continue on this path and I want to say on the way up, we're a low 40s beta, I would say, on the way down, at least right now, we're probably inching a little bit higher than that. And I think we could settle in 35 to 40 when it's all said and done, is kind of how we're thinking about it. Yes, really just trying to tee up Matt, that I think from here, maybe we don't move as fast, but certainly, our full expectation is to move and get that funding benefit.

Matthew M. Breese
Stephens Inc., Research Division

Got it. Okay. And then just two other ones for me. I was hoping you could help us out with kind of early reads on loan growth for 2026. And then within that, Simon, you pointed this out, but consumer and home equity, even though it's a smaller portfolio has been growing nicely. Maybe some thoughts there? And to what extent we might see that type of growth continue?

Simon R. Griffiths

CEO, President & Director

Yes. Thanks, Matt. I mean certainly, loan growth, as I talked about earlier. I think fourth quarter flat, up to 2%, feels about the right sort of guide and then sort of mid-single digits, I think, is sort of where we're heading next year. Obviously, with a lot of that opportunity I talked about earlier, certainly in our New Hampshire market. And certainly, I said residential has been very strong for us as well as home equity, commercial, small business. They're certainly areas that have nice momentum. The home equity business, I think it's just a great relationship product for us. I think we really like the opportunity there to really connect and deepen relationships. We've also expanded the number of stakeholders that are able to originate home equities. That's been a big opening up of that door.

So I certainly think this year has been exceptional growth, I mean up 54%, but it may not be as high as that. There's certainly, I think, forward momentum from here. And a lot of that growth actually on the home equity side is in the Maine market. So I think some of that opportunity next year could be in the New Hampshire market. And certainly, that would continue that forward trajectory.

Matthew M. Breese

Stephens Inc., Research Division

Great. And then just last one is on fee income for next year. It feels like we've hit an inflection point on a couple of areas, brokerage and insurance being one, but then also service charges have been up nicely. To what extent might we see some of these positive trends continue into next year?

Simon R. Griffiths

CEO, President & Director

Yes. We're really proud of the fee income growth, particularly in the CFC side of our business, the brokerage side of the business, I mean, up 15%. And certainly, overall, 11% organic growth in assets under management, which is great, and we talked about hitting \$2.4 billion. So that momentum is really positive.

We continue to invest in those businesses. I think it's just a tremendous opportunity. And also in the Wealth business. We've mentioned, I think, on the last call, we've added a couple of folks into that business and there's opportunities down the road to potentially expand into the New Hampshire market as well on the Wealth side. So we do have brokerage, coverage but not modest Wealth coverage.

So I think those are areas that I think make a lot of sense for us and really connecting and partnering those businesses into the commercial business, the mortgage business and really creating that full relationship opportunity. I think it's a business we're going, just love the sort of current growth trajectory and just keep investing in it. But through that lens of self-funding and having that eye to our efficiency, which is, as you know, as a management team, really important to us.

Operator

As we have no further questions, this concludes our question-and-answer session. I would now like to turn the conference back over to Simon Griffiths for any final remarks.

Simon R. Griffiths

CEO, President & Director

Thank you for your time today and continued interest in Camden National Corporation. We truly appreciate your support throughout the year and wish you a productive close to the year and a restful holiday season. Take care, everyone.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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