

# OUR BEST DAYS ARE AHEAD

## Board of Directors

Mark N. Rosborough  
*Chairman of the Board*  
Katherine M. Boyd  
Robert B. Gregory  
Renee W. Kelly  
Tony C. McKim  
Cornelius J. Russell  
Stuart G. Smith  
Bruce B. Tindal  
F. Stephen Ward

## Executive Officers

Tony C. McKim  
*President & Chief Executive Officer*  
Richard M. Elder  
*Executive Vice President & Chief Financial Officer*  
Charles A. Wootton  
*Executive Vice President & Clerk*

## Corporate Counsel

Pierce Atwood  
Portland, Maine

## Independent Auditors

Berry, Dunn, McNeil & Parker  
Portland, Maine

## The First Bancorp

P.O. Box 940, Damariscotta, Maine 04543  
207.563.3195



## Second Quarter 2019 Financial Results



July 31, 2019

Dear First Bancorp Shareholders:

I'm pleased to announce that The First Bancorp set a new earnings mark in the second quarter with net income of \$6.4 million. Key factors in our performance continue to be earning asset growth, non-interest income growth and controlled operating expenses. Earning assets are up \$80.7 million from a year ago while margins have remained stable, resulting in a year-over-year increase of 5.8% in tax equivalent net interest income. Non-interest income increased 13.3% from the second quarter of 2018, while operating expenses continue to be controlled as demonstrated by our efficiency ratio of 50.80% for the quarter. At the same time, our asset quality metrics remain solid, with annualized net charge-offs at the lowest level since before the financial crisis. I couldn't be prouder of the entire team of banking professionals at The First Bancorp who make these outstanding results possible.

Net Income for the three months ended June 30, 2019 was \$6.4 million, up \$661,000 or 11.5% from the three months ended June 30, 2018. On a fully diluted earnings per share basis, earnings in the second quarter of 2019 were \$0.59, up \$0.06 or 11.3% from the same period a year ago.

Total assets at June 30, 2019 were \$1.99 billion, up marginally from the quarter ended March 31, 2019 and up \$82.9 million from June 30, 2018. Balances in the investment portfolio were up \$18.6 million during the quarter while outstanding loan balances were down \$15.5 million.

Total deposits at June 30, 2019 were \$1.59 billion, down \$13.9 million from the quarter ended March 31, 2019, and up \$176.3 million from June 30, 2018. Over half of the quarter-to-quarter change is attributable to money market deposits which were down \$9.5 million, centered in one relationship; low-cost deposits were down \$8.9 million due to normal seasonal fluctuations. Year-over-year, low-cost deposits increased \$88.9 million, or 13.5%, of which a portion was attributable to a re-classification of borrowed funds to deposits undertaken in the fourth quarter of 2018.

The Company's capital position remained strong as of June 30, 2019, with an estimated total risk-based capital ratio of 15.43%, and an estimated leverage capital ratio of 8.72%, both well in excess of regulatory requirements.

Asset quality remained stable and solid. Annualized net charge-offs as a percentage of loans were 0.06% as of June 30, 2019, down from 0.08% percent of loans in calendar year 2018, and 0.12% in calendar year 2017. Past due loans were 0.98% of total loans as of June 30, 2019, up from the 0.89% of total loans at March 31, 2019, and up from 0.61% a year ago. Non-performing assets as a percentage of total assets were 0.83% as of June 30, 2019, up from 0.77% as of March 31, 2019 and up from 0.78% a year ago. Despite the modest period to period increases, past dues and non-performing assets remain low by historical standards. A total of \$250,000 was provisioned for loan losses in the second quarter of 2019, down from the \$500,000 provisioned in the second quarter of 2018. The allowance for loan losses stood at 0.92% of total loans as of June 30, 2019, in range with the 0.91% and the 0.94% of total loans at March 31, 2019 and June 30, 2018, respectively.

The Company's Board of Directors declared a dividend of 30 cents per share in the second quarter, an increase of one cent from the 29 cents per share paid in each of the previous four quarters. The second quarter dividend represents a payout to shareholders of 50.85% of net income for the period, and is payable on July 31, 2019 to shareholders of record as of July 10, 2019.

Best always,

Tony C. McKim  
President & Chief Executive Officer

Follow your spark.

Those who dream  
big, do big.

## Consolidated Balance Sheets (Unaudited)

<i>In thousands of dollars, except per share data</i>	6/30/2019	12/31/2018	6/30/2018
<b>Assets</b>			
Cash and due from banks	\$16,918	\$19,134	\$21,056
Interest-bearing deposits in other banks	917	12,079	1,616
Securities available for sale	322,570	317,416	302,070
Securities to be held to maturity	302,527	255,663	260,077
Restricted equity securities, at cost	8,982	11,586	12,363
Loans held for sale	-	-	481
Loans	1,249,132	1,238,283	1,224,440
Less allowance for loan losses	11,471	11,232	11,472
Net loans	1,237,661	1,227,051	1,212,968
Accrued interest receivable	9,966	6,660	7,723
Premises and equipment	21,045	22,056	21,682
Other real estate owned	289	584	609
Goodwill	29,805	29,805	29,805
Other assets	48,019	42,536	43,511
<b>Total assets</b>	<b>\$1,998,699</b>	<b>\$1,944,570</b>	<b>\$1,913,961</b>
<b>Liabilities</b>			
Demand deposits	\$147,771	\$163,575	\$146,964
NOW deposits	363,092	382,923	282,449
Money market deposits	128,180	152,043	100,378
Savings deposits	236,915	237,135	229,464
Certificates of deposit	716,998	591,409	657,391
Total deposits	1,592,956	1,527,085	1,416,646
Borrowed funds	181,858	210,317	297,455
Other liabilities	19,292	15,626	16,556
<b>Total Liabilities</b>	<b>1,794,106</b>	<b>1,753,028</b>	<b>1,730,657</b>
<b>Shareholders' equity</b>			
Common stock	109	109	109
Additional paid-in capital	63,319	62,746	62,246
Retained earnings	138,493	132,460	126,464
Net unrealized gain (loss) on securities available-for-sale	2,750	(5,051)	(7,245)
Net unrealized loss on transferred securities	(190)	(197)	(189)
Net unrealized gain on cash flow hedging derivatives	75	1,438	2,066
Net unrealized gain (loss) on postretirement benefit costs	37	37	(147)
<b>Total shareholders' equity</b>	<b>204,593</b>	<b>191,542</b>	<b>183,304</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$1,998,699</b>	<b>\$1,944,570</b>	<b>\$1,913,961</b>
<b>Common Stock</b>			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	10,890,236	10,862,651	10,851,917
Tangible book value per common share	\$15.96	\$14.87	\$14.13
Leverage capital ratio (2019 estimated)	8.72%	8.60%	8.55%
Total risk-based capital ratio (2019 estimated)	15.43%	15.19%	14.97%

## Consolidated Statements of Income and Comprehensive Income (Unaudited)

<i>In thousands of dollars, except per share data</i>	For the six months ended		For the quarters ended	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
<b>Interest income</b>				
Interest and fees on loans	\$29,457	\$25,429	\$14,900	\$13,038
Interest on deposits with other banks	97	17	29	6
Interest and dividends on investments	9,536	8,210	4,893	4,161
<b>Total interest income</b>	<b>39,090</b>	<b>33,656</b>	<b>19,822</b>	<b>17,205</b>
<b>Interest expense</b>				
Interest on deposits	11,756	6,857	6,179	3,758
Interest on borrowed funds	1,485	2,121	693	1,178
<b>Total interest expense</b>	<b>13,241</b>	<b>8,978</b>	<b>6,872</b>	<b>4,936</b>
Net interest income	25,849	24,678	12,950	12,269
Provision for loan losses	625	1,000	250	500
<b>Net interest income after provision for loan losses</b>	<b>25,224</b>	<b>23,678</b>	<b>12,700</b>	<b>11,769</b>
<b>Non-interest income</b>				
Investment management and fiduciary income	1,637	1,542	864	802
Service charges on deposit accounts	1,170	1,097	609	570
Net securities gains	-	136	-	-
Mortgage origination and servicing income	651	692	355	361
Other operating income	3,291	2,846	1,777	1,448
<b>Total non-interest income</b>	<b>6,749</b>	<b>6,313</b>	<b>3,605</b>	<b>3,181</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	8,833	8,770	4,423	4,280
Occupancy expense	1,287	1,297	635	598
Furniture and equipment expense	2,000	1,844	1,025	915
FDIC insurance premiums	439	613	231	334
Amortization of identified intangibles	22	22	11	11
Other operating expense	4,547	4,209	2,405	2,038
<b>Total non-interest expense</b>	<b>17,128</b>	<b>16,755</b>	<b>8,730</b>	<b>8,176</b>
Income before income taxes	14,845	13,236	7,575	6,774
Applicable income taxes	2,294	1,996	1,180	1,040
<b>Net income</b>	<b>\$12,551</b>	<b>\$11,240</b>	<b>\$6,395</b>	<b>\$5,734</b>
Basic earnings per common share	\$1.16	\$1.04	\$0.59	\$0.53
Diluted earnings per common share	\$1.15	\$1.04	\$0.59	\$0.53
Net unrealized gain (loss) on securities available for sale	7,801	(4,344)	4,289	(1,035)
Net unrealized gain (loss) on transferred securities	7	(15)	4	(7)
Net unrealized gain (loss) on hedging derivatives	(1,363)	522	(898)	138
<b>Other comprehensive income gain (loss)</b>	<b>6,445</b>	<b>(3,837)</b>	<b>3,395</b>	<b>(904)</b>
<b>Comprehensive income</b>	<b>\$18,996</b>	<b>\$7,403</b>	<b>\$9,790</b>	<b>\$4,830</b>
<b>Financial Ratios</b>				
Return on average tangible common equity	15.03%	14.82%	14.97%	14.95%
Net interest margin, tax equivalent	2.90%	2.94%	2.88%	2.88%