

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
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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

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Fourth Quarter 2019 Financial Results



January 31, 2020

Dear First Bancorp Shareholders:

The First Bancorp ended the decade with a sixth consecutive year of record earnings, and closed out 2019 with a record quarter. Our earnings strength continues to be keyed off earning asset growth, and was supplemented nicely in 2019 by growth in non-interest income. Earning assets were up \$125.2 million or 6.7% for the year leading to a \$2.3 million, or 4.5% increase in net interest income. Non-interest income was up \$1.6 million or 12.6% from 2018, led by a 22.0% increase in mortgage banking revenue. Non-interest expenses were controlled, with an increase of 5.1% from 2018. Based upon the strength of the Company's earnings, we declared a dividend of 30 cents per share in the fourth quarter, representing a payout to our shareholders of 48.39% of net income for the period. Total assets at December 31, 2019 were \$2.07 billion, up \$35.6 million from the quarter ended September 30, 2019 and up \$124.2 million from a year ago.

Total deposits at December 31, 2019 were \$1.65 billion, up \$123.4 million or 8.1% from December 31, 2018. Low-cost deposits increased \$15.9 million year-over-year, and certificates of deposit increased \$98.6 million. Deposit growth allowed for a \$25.4 million year-over-year reduction in borrowed funds.

The Company's capital position remained strong as of December 31, 2019, with total risk-based capital ratio of 15.27%, and leverage capital ratio of 8.88%. These measures compare favorably to 15.19% and 8.60% respectively as of December 31, 2018, and are well in excess of regulatory requirements.

Asset quality is stable and solid. As of December 31, 2019, non-performing assets as a percentage of total assets were 0.82%, up marginally from 0.79% a year earlier. Past due loans were 1.16% of total loans at December 31, 2019, up marginally from 1.08% of total loans at December 31, 2018. Net charge-offs as a percentage of loans were 0.07% as of December 31, 2019, down from 0.08% in 2018 and 0.12% in 2017.

Net Income for the year ended December 31, 2019 was \$25.5 million, up \$2.0 million or 8.5% from the year ended December 31, 2018. On a fully diluted earnings per share basis, 2019 earnings were \$2.34, up \$0.17 or 7.8% from the prior year. The Company's Return on Average Assets of 1.27% for the year ended December 31, 2019 was up from 1.23% for the year ended December 31, 2018. Return on Average Tangible Common Equity was 14.66% and 15.18% respectively for the same periods, reflecting a higher level of capital being held.

On December 19, 2019 the Company's Board of Directors declared a dividend for the fourth quarter of \$0.30 per share, payable on January 17, 2020 to shareholders of record as of January 7, 2020. The company's stock closed at \$30.23 per share on December 31, 2019, up from \$26.30 at the prior year-end. With dividends re-invested, shares of The First Bancorp provided shareholders with a total annualized return of 20.13% for the year ended December 31, 2019, and 103.04% over the five years then ended.

I can't say enough about our outstanding team of customer-focused banking professionals who are committed to building our business each and every day. We look forward to 2020!

Best always,

Tony C. McKim
President & Chief Executive Officer

Dare to dream

Together we will
get there

Consolidated Balance Sheets (Unaudited)

<i>In thousands of dollars, except per share data</i>	12/31/2019	12/31/2018
Assets		
Cash and due from banks	\$14,433	\$19,134
Interest-bearing deposits in other banks	11,310	12,079
Securities available for sale	360,520	317,416
Securities to be held to maturity	281,606	255,663
Restricted equity securities, at cost	8,982	11,586
Loans held for sale	154	-
Loans	1,297,075	1,238,283
Less allowance for loan losses	11,639	11,232
Net loans	1,285,436	1,227,051
Accrued interest receivable	7,167	6,660
Premises and equipment	21,305	22,056
Other real estate owned	279	584
Goodwill	29,805	29,805
Other assets	47,799	42,536
Total assets	\$2,068,796	\$1,944,570
Liabilities		
Demand deposits	\$169,777	\$163,575
NOW deposits	393,569	382,923
Money market deposits	161,000	152,043
Savings deposits	236,141	237,135
Certificates of deposit	689,979	591,409
Total deposits	1,650,466	1,527,085
Borrowed funds	184,955	210,317
Other liabilities	20,867	15,626
Total Liabilities	1,856,288	1,753,028
Shareholders' equity		
Common stock	109	109
Additional paid-in capital	63,964	62,746
Retained earnings	144,839	132,460
Net unrealized gain (loss) on securities available-for-sale	3,657	(5,051)
Net unrealized loss on transferred securities	(182)	(197)
Net unrealized gain on cash flow hedging derivatives	97	1,438
Net unrealized gain (loss) on postretirement benefit costs	24	37
Total shareholders' equity	212,508	191,542
Total liabilities & shareholders' equity	\$2,068,796	\$1,944,570
Common Stock		
Number of shares authorized	18,000,000	18,000,000
Number of shares issued and outstanding	10,899,210	10,862,651
Tangible book value per common share	\$16.75	\$14.87
Leverage capital ratio	8.88%	8.60%
Total risk-based capital ratio	15.27%	15.19%

Consolidated Statements of Income and Comprehensive Income (Unaudited)

<i>In thousands of dollars, except per share data</i>	For the years ended 12/31/2019	12/31/2018	For the quarters ended 12/31/2019	12/31/2018
Interest income				
Interest and fees on loans	\$59,239	\$53,548	\$14,789	\$14,384
Interest on deposits with other banks	188	242	43	110
Interest and dividends on investments	19,224	16,753	4,825	4,307
Total interest income	78,651	70,543	19,657	18,801
Interest expense				
Interest on deposits	23,268	15,970	5,529	4,839
Interest on borrowed funds	2,890	4,364	710	967
Total interest expense	26,158	20,334	6,239	5,806
Net interest income	52,493	50,209	13,418	12,995
Provision for loan losses	1,250	1,500	375	167
Net interest income after provision for loan losses	51,243	48,709	13,043	12,828
Non-interest income				
Investment management and fiduciary income	3,318	3,030	859	745
Service charges on deposit accounts	2,330	2,194	583	570
Net securities gains	224	137	209	-
Mortgage origination and servicing income	1,909	1,565	682	523
Other operating income	6,408	5,674	1,575	1,415
Total non-interest income	14,189	12,600	3,908	3,253
Non-interest expense				
Salaries and employee benefits	18,396	17,641	4,698	4,411
Occupancy expense	2,558	2,435	627	564
Furniture and equipment expense	3,990	3,924	1,021	1,108
FDIC insurance premiums	439	1,226	-	276
Amortization of identified intangibles	43	43	11	11
Other operating expense	9,746	8,198	2,647	2,126
Total non-interest expense	35,172	33,467	9,004	8,496
Income before income taxes	30,260	27,842	7,947	7,585
Applicable income taxes	4,735	4,306	1,261	1,222
Net income	\$25,525	\$23,536	\$6,686	\$6,363
Basic earnings per common share	\$2.36	\$2.18	\$0.62	\$0.59
Diluted earnings per common share	\$2.34	\$2.17	\$0.61	\$0.59
Net unrealized gain (loss) on securities available for sale	8,708	(2,150)	(29)	4,082
Net unrealized gain (loss) on transferred securities	15	(23)	7	(3)
Net unrealized gain (loss) on hedging derivatives	(1,341)	(106)	362	(844)
Net unrealized gain (loss) on postretirement benefit costs	(13)	184	(13)	184
Other comprehensive income gain (loss)	7,369	(2,095)	327	3,419
Comprehensive income	\$32,894	\$21,441	\$7,013	\$9,782
Financial Ratios				
Return on average tangible common equity	14.66%	15.18%	14.63%	16.00%
Net interest margin, tax equivalent	2.89%	2.91%	2.87%	2.92%