

OUR BEST DAYS ARE AHEAD

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Cornelius J. Russell
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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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Third Quarter 2020 Financial Results



October 31, 2020

Dear First Bancorp Shareholders:

With great appreciation for the team of dedicated professionals at The First Bancorp, I'm pleased to report that the Company posted strong operating results in the third quarter. Earnings of \$7.1 million for the period increased \$526,000 from the second quarter, and marked a new quarterly earnings record. Net interest income before loan loss provision increased \$254,000 from the second quarter and \$1.5 million from the third quarter of 2019. Non-interest revenue increased \$204,000 from the second quarter, and \$1.3 million, or 36.0%, year-over-year, driven by continued strong mortgage banking revenue. Operating expenses in the third quarter remained controlled as demonstrated by an efficiency ratio of 45.97% for the quarter, down from 52.08% for the same period a year ago.

Total assets at September 30, 2020 were \$2.3 billion, up \$29.5 million in the third quarter and up \$263.4 million from a year ago. Earning assets increased \$31.5 million during the quarter and have increased \$258.8 million year-over-year. Loan balances fell \$15.0 million in the third quarter, while investments increased \$18.6 million. Commercial real estate and construction loans increased \$14.8 million during the period, offset by an \$18.7 million drop in other commercial loans, a \$5.5 million reduction in municipal loans, and a \$4.0 million decline in home equity line of credit balances. Overall loan growth excluding PPP has totaled \$42.2 million, or 3.26%, year-to-date, and \$75.8 million, or 6.0%, year-over-year. PPP loans totaled \$97.3 million at the end of the third quarter.

The Company's capital position remained strong as of September 30, 2020, with a total risk-based capital ratio of 15.44%, and a leverage capital ratio of 8.42%. The total capital ratio compares favorably to 15.03% as of June 30, 2020 and 15.44% as of September 30, 2019. The leverage capital ratio is level with the immediate prior quarter end, and is down from 8.82% at September 30, 2019, the result of asset growth, including the \$97.3 million in PPP loan balances. The Company is eligible and enrolled to participate in the Federal Reserve's Paycheck Protection Program Liquidity Facility (PPPLF), but to date has elected not to do so. Had PPPLF been utilized to its fullest extent, the leverage capital ratio as of September 30, 2020 is estimated to have been 8.80%. Each of the Company's capital ratios remain well in excess of regulatory requirements.

Asset quality remains stable. As of September 30, 2020, the ratio of non-performing assets to total assets was 0.43%, up slightly from 0.41% at June 30, 2020, and improved from 0.84% at September 30, 2019. Net charge-offs for the quarter were an annualized 0.15% of total loans; the year-to-date annualized charge-off rate of 0.08% of total loans is in line with the 0.07% experienced in the year ended December 31, 2019. Past due loans were 0.89% of total loans as of September 30, 2020, up modestly from 0.66% of total loans at June 30, 2020, and 0.78% as of September 30, 2019.

Net Income for the three months ended September 30, 2020 was \$7.1 million, up \$807,000 or 12.8% from the three months ended September 30, 2019. The Company's Return on Average Assets of 1.24% for the quarter was level with the third quarter of 2019. On a Pre-Tax, Pre-Provision (non-GAAP) basis, the third quarter 2020 Return on Assets was 1.79%, up from 1.52% the prior year. Return on Average Tangible Common Equity was improved year-over-year, at 14.81% for the third quarter of 2020, up from 14.01% for the third quarter of 2019.

On September 24, 2020 the Company's Board of Directors declared a third quarter dividend of 31 cents per share. The third quarter dividend represents a payout to shareholders of 47.69% of earnings per share for the period, and was paid on October 16, 2020 to shareholders of record as of October 6, 2020.

And lastly, I am excited to share that on September 3rd, 2020 we announced the signing of an agreement to acquire a retail banking branch in Belfast, pending regulatory approval. The branch in Belfast would be our 17th and take us into Waldo County, bridging the gap between Knox and Hancock counties. We look forward to bringing First National Bank's brand of "Dream First" banking to the area later this year.

Best always,

Tony C. McKim
President & Chief Executive Officer

Consolidated Balance Sheets (Unaudited)

<i>In thousands of dollars, except per share data</i>	09/30/2020	12/31/2019	09/30/2019
Assets			
Cash and due from banks	\$22,742	\$14,433	\$21,418
Interest-bearing deposits in other banks	48,111	11,310	16,714
Securities available for sale	340,140	360,520	326,798
Securities to be held to maturity	331,962	281,606	298,786
Restricted equity securities, at cost	10,545	8,982	8,982
Loans held for sale	6,387	154	852
Loans	1,436,646	1,297,075	1,263,459
Less allowance for loan losses	15,371	11,639	11,765
Net loans	1,421,275	1,285,436	1,251,694
Accrued interest receivable	10,249	7,167	7,636
Premises and equipment	27,110	21,305	21,232
Other real estate owned	777	279	279
Goodwill	29,805	29,805	29,805
Other assets	47,523	47,799	49,031
Total assets	\$2,296,626	\$2,068,796	\$2,033,227
Liabilities			
Demand deposits	\$248,444	\$169,777	\$171,623
NOW deposits	\$492,223	\$393,569	\$400,514
Money market deposits	\$156,948	\$161,000	\$148,689
Savings deposits	\$275,513	\$236,141	\$240,691
Certificates of deposit	\$589,931	\$689,979	\$661,773
Total deposits	\$1,763,059	\$1,650,466	\$1,623,290
Borrowed funds	\$283,787	\$184,955	\$181,417
Other liabilities	\$30,340	\$20,867	\$20,031
Total Liabilities	\$2,077,186	\$1,856,288	\$1,824,738
Shareholders' equity			
Common stock	\$109	\$109	\$109
Additional paid-in capital	\$64,943	\$63,964	\$63,602
Retained earnings	\$154,783	\$144,839	\$141,509
Net unrealized gain on securities available-for-sale	\$5,520	\$3,657	\$3,686
Net unrealized loss on transferred securities	(\$139)	(\$182)	(\$189)
Net unrealized gain (loss) on cash flow hedging derivatives	(\$5,800)	\$97	(\$265)
Net unrealized gain on postretirement benefit costs	\$24	\$24	\$37
Total shareholders' equity	\$219,440	\$212,508	\$208,489
Total liabilities & shareholders' equity	\$2,296,626	\$2,068,796	\$2,033,227
Common Stock			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	10,942,959	10,899,210	10,896,331
Tangible book value per common share	\$17.32	\$16.75	\$16.39
Leverage capital ratio	8.42%	8.88%	8.82%
Total risk-based capital ratio	15.44%	15.27%	15.44%

Consolidated Statements of Income and Comprehensive Income (Unaudited)

<i>In thousands of dollars, except per share data</i>	For the nine months ended 09/30/2020	09/30/2019	For the quarters ended 09/30/2020	09/30/2019
Interest income				
Interest and fees on loans	44,124	44,450	\$14,109	\$14,993
Interest on deposits with other banks	87	145	8	48
Interest and dividends on investments	13,775	14,399	4,389	4,863
Total interest income	57,986	58,994	18,506	19,904
Interest expense				
Interest on deposits	11,613	17,739	2,866	5,983
Interest on borrowed funds	2,219	2,180	895	695
Total interest expense	13,832	19,919	3,761	6,678
Net interest income	44,154	39,075	14,745	13,226
Provision for loan losses	4,550	875	1,800	250
Net interest income after provision for loan losses	39,604	38,200	12,945	12,976
Non-interest income				
Investment management and fiduciary income	2,712	2,459	909	822
Service charges on deposit accounts	1,257	1,747	375	577
Net securities gains	1,179	15	-	15
Mortgage origination and servicing income	3,802	1,227	1,914	576
Other operating income	4,677	4,833	1,607	1,542
Total non-interest income	13,627	10,281	4,805	3,532
Non-interest expense				
Salaries and employee benefits	14,719	13,698	5,032	4,865
Occupancy expense	2,117	1,931	709	644
Furniture and equipment expense	3,438	2,969	1,184	969
FDIC insurance premiums	548	439	189	-
Amortization of identified intangibles	32	32	10	10
Other operating expense	8,382	7,099	2,152	2,552
Total non-interest expense	29,236	26,168	9,276	9,040
Income before income taxes	23,995	22,313	8,474	7,468
Applicable income taxes	3,836	3,474	1,379	1,180
Net income	\$20,159	\$18,839	\$7,095	\$6,288
Basic earnings per common share	\$1.86	\$1.74	\$0.65	\$0.58
Diluted earnings per common share	\$1.84	\$1.73	\$0.65	\$0.58
Net unrealized gain (loss) on securities available for sale	1,863	8,737	(1,580)	936
Net unrealized gain on transferred securities	43	8	7	1
Net unrealized gain (loss) on hedging derivatives	(5,897)	(1,703)	387	(340)
Other comprehensive income gain (loss)	(3,991)	7,042	(1,186)	597
Comprehensive income	\$16,168	\$25,881	\$5,909	\$6,885
Financial Ratios				
Return on average tangible common equity	14.27%	14.67%	14.81%	14.01%
Net interest margin, tax equivalent	2.93%	2.90%	2.82%	2.88%