



## First Quarter 2015 Financial Results

### Board of Directors

David B. Soule, Jr.  
*Chairman of the Board*  
Katherine M. Boyd  
Robert B. Gregory  
Tony C. McKim  
Carl S. Poole, Jr.  
Mark N. Rosborough  
Cornelius J. Russell  
Stuart G. Smith  
Bruce B. Tindal

### Executive Officers

Tony C. McKim  
*President & Chief Executive Officer*  
F. Stephen Ward  
*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



April 30, 2015

Dear First Bancorp Shareholders:

I am pleased to report that the first quarter of 2015 was the best quarter in the Company's history. Unaudited net income for the quarter and for the three months ended March 31, 2015, was \$4.2 million, up \$747,000 or 21.8% from the first quarter of 2014 and earnings per common share on a fully diluted basis of \$0.39 were up \$0.07 or 21.9% from the first quarter of 2014. In addition, the Board of Directors voted to maintain the quarterly dividend in March at 21 cents per share.

After several years of low loan demand, healthy loan growth was the highlight of the first quarter in 2015. Total loans have increased \$21.6 million or 2.4% year to date, and year over year, total loans are up \$70.3 million or 8.1%. We have seen good growth in all sectors of the loan portfolio, with commercial loans posting the highest increase in outstanding balances.

At the same time, credit quality continues to show significant improvement. Non-performing assets stood at 0.91% of total assets as of March 31, 2015 – the lowest level we have seen since the third quarter of 2008. This is well below the 1.30% we saw in non-performing assets a year ago, and down from 0.97% at year end. Our provision for loan losses was \$500,000 in the first three months of 2015, a \$100,000 increase from the \$400,000 we provisioned in the first three months of 2014. At the same time, other credit-related costs – including expenses for collections, foreclosure and foreclosed properties – were \$136,000 for the first three months of 2015 compared to \$204,000 for the first three months of 2014.

The decrease in other credit-related costs was a factor in keeping the increase in non-interest expense for the first three months of 2015 to \$13,000 or 0.2% compared to the first three months of 2014. At the same time, non-interest income was up \$1.3 million or 56.9% as a result of booking \$1.4 million of securities gains in the first quarter of 2015. With significant volatility in long-term rates in the past three months, Management took advantage of lower long-term rates and booked these gains at an opportune time.

The loan growth, securities gains and improvement in credit quality can be seen in our operating ratios. Our return on average assets was 1.16% for the first three months of 2015 compared to 0.95% for the first three months of 2014, and our return on average tangible common equity was 12.63% compared to 11.51% for the same periods, respectively. At 56.79% for the first three months of 2015, the efficiency ratio remains well below the Bank's UBPR peer group average which stood at 66.39% as of December 31, 2014.

After several years of low loan demand, it is refreshing to see the increase in the loan portfolio in the first quarter and over the past year. The local economy has rebounded considerably in the past year, and the impact of this can be seen in our operating results. All of these factors and controlled operating expenses contribute to our ability to continue to share our operating results with our shareholders in the form of higher cash dividends.

Best always,

Tony C. McKim  
President & Chief Executive Officer



### Consolidated Balance Sheets (Unaudited)

| <i>In thousands of dollars, except per share data</i>       | 3/31/2015          | 12/31/2014         | 3/31/2014          |
|---|--------------------|--------------------|--------------------|
| <b>Assets</b>   |                    |                    |                    |
| Cash and due from banks                                     | \$13,855           | \$13,057           | \$13,894           |
| Interest-bearing deposits in other banks                    | 336                | 3,559              | 2,935              |
| Securities available for sale                               | 156,317            | 185,261            | 305,700            |
| Securities to be held to maturity                           | 262,455            | 275,919            | 182,853            |
| Restricted equity securities, at cost                       | 13,912             | 13,912             | 13,912             |
| Loans held for sale   | -                  | -                  | 56                 |
| Loans   | 939,169            | 917,564            | 868,914            |
| Less allowance for loan losses                              | 10,196             | 10,344             | 11,655             |
| Net loans   | 928,973            | 907,220            | 857,259            |
| Accrued interest receivable                                 | 5,724              | 4,748              | 5,962              |
| Premises and equipment                                      | 22,270             | 22,619             | 23,239             |
| Other real estate owned                                     | 2,899              | 3,785              | 4,934              |
| Goodwill  | 29,805             | 29,805             | 29,805             |
| Other assets  | 22,286             | 22,246             | 25,568             |
| <b>Total assets</b>   | <b>\$1,458,832</b> | <b>\$1,482,131</b> | <b>\$1,466,117</b> |
| <b>Liabilities</b>  |                    |                    |                    |
| Demand deposits   | \$100,939          | \$113,133          | \$94,260           |
| NOW deposits  | 199,099            | 199,977            | 158,278            |
| Money market deposits                                       | 101,292            | 98,607             | 89,382             |
| Savings deposits  | 167,338            | 165,601            | 149,076            |
| Certificates of deposit                                     | 398,157            | 447,501            | 554,974            |
| Total deposits  | 966,825            | 1,024,819          | 1,045,970          |
| Borrowed funds  | 312,576            | 279,916            | 253,519            |
| Other liabilities   | 15,915             | 15,842             | 14,212             |
| <b>Total Liabilities</b>                                    | <b>1,295,316</b>   | <b>1,320,577</b>   | <b>1,313,701</b>   |
| <b>Shareholders' equity</b>                                 |                    |                    |                    |
| Common stock  | 107                | 107                | 107                |
| Additional paid-in capital                                  | 59,286             | 59,282             | 58,600             |
| Retained earnings   | 101,736            | 99,816             | 95,288             |
| Net unrealized gain (loss) on securities available-for-sale | 2,579              | 2,522              | (1,767)            |
| Net unrealized loss on transferred securities               | (67)               | (48)               | -                  |
| Net unrealized gain (loss) on postretirement benefit costs  | (125)              | (125)              | 188                |
| <b>Total shareholders' equity</b>                           | <b>163,516</b>     | <b>161,554</b>     | <b>152,416</b>     |
| <b>Total liabilities &amp; shareholders' equity</b>         | <b>\$1,458,832</b> | <b>\$1,482,131</b> | <b>\$1,466,117</b> |
| <b>Common Stock</b>   |                    |                    |                    |
| Number of shares authorized                                 | 18,000,000         | 18,000,000         | 18,000,000         |
| Number of shares issued and outstanding                     | 10,734,419         | 10,724,359         | 10,703,272         |
| Book value per common share                                 | \$15.23            | \$15.06            | \$14.24            |
| Tangible book value per common share                        | \$12.43            | \$12.25            | \$11.40            |
| Leverage capital ratio (2015 estimated)                     | 8.77%              | 8.88%              | 8.58%              |
| Total risk-based capital ratio (2015 estimated)             | 16.09%             | 16.27%             | 16.30%             |

### Consolidated Statements of Income (Unaudited)

| <i>In thousands of dollars, except per share data</i>      | For the quarters ended |                |
|--|------------------------|----------------|
|  | 3/31/2015              | 3/31/2014      |
| <b>Interest income</b>                                     |                        |                |
| Interest and fees on loans                                 | \$8,855                | \$8,578        |
| Interest on deposits with other banks                      | 5                      | 2              |
| Interest and dividends on investments                      | 3,505                  | 4,043          |
| <b>Total interest income</b>                               | <b>12,365</b>          | <b>12,623</b>  |
| <b>Interest expense</b>                                    |                        |                |
| Interest on deposits                                       | 1,443                  | 1,825          |
| Interest on borrowed funds                                 | 1,220                  | 1,087          |
| <b>Total interest expense</b>                              | <b>2,663</b>           | <b>2,912</b>   |
| Net interest income  | 9,702                  | 9,711          |
| Provision for loan losses                                  | 500                    | 400            |
| <b>Net interest income after provision for loan losses</b> | <b>9,202</b>           | <b>9,311</b>   |
| <b>Non-interest income</b>                                 |                        |                |
| Investment management and fiduciary income                 | 541                    | 517            |
| Service charges on deposit accounts                        | 579                    | 619            |
| Net securities gains                                       | 1,395                  | 36             |
| Mortgage origination and servicing income                  | 197                    | 194            |
| Other operating income                                     | 946                    | 966            |
| <b>Total non-interest income</b>                           | <b>3,658</b>           | <b>2,332</b>   |
| <b>Non-interest expense</b>                                |                        |                |
| Salaries and employee benefits                             | 3,720                  | 3,697          |
| Occupancy expense  | 645                    | 612            |
| Furniture and equipment expense                            | 770                    | 697            |
| FDIC insurance premiums                                    | 230                    | 265            |
| Amortization of identified intangibles                     | 25                     | 82             |
| Other operating expense                                    | 1,875                  | 1,899          |
| <b>Total non-interest expense</b>                          | <b>7,265</b>           | <b>7,252</b>   |
| Income before income taxes                                 | 5,595                  | 4,391          |
| Applicable income taxes                                    | 1,420                  | 963            |
| <b>Net income</b>  | <b>\$4,175</b>         | <b>\$3,428</b> |
| Basic earnings per common share                            | 0.39                   | 0.32           |
| Diluted earnings per common share                          | 0.39                   | 0.32           |
| Net unrealized gain on securities available for sale       | 57                     | 4,824          |
| Net unrealized loss on transferred securities              | (19)                   | -              |
| Unrecognized postretirement transition obligation          | -                      | -              |
| <b>Other comprehensive income</b>                          | <b>38</b>              | <b>4,824</b>   |
| <b>Comprehensive income</b>                                | <b>\$4,213</b>         | <b>\$8,252</b> |
| <b>Financial Ratios</b>                                    |                        |                |
| Return on average tangible common equity                   | 12.63%                 | 11.51%         |
| Net interest margin tax equivalent                         | 3.10%                  | 3.13%          |
| Efficiency ratio   | 56.79%                 | 55.90%         |