



**Board of Directors**

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

**Executive Officers**

Daniel R. Daigneault  
*President & Chief Executive Officer*  
Tony C. McKim  
*Executive Vice President & Chief Operating 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



*First Quarter 2012*  
**Financial Results**



April 30, 2012

Dear First Bancorp Shareholder:

I am pleased to report the cash dividend for the first quarter of 2012 is \$0.195 per share, which is level with the dividend declared in the previous quarter. On an annualized basis, the quarterly dividend of \$0.195 per share amounts to \$0.78 per share and represents a yield of 5.26% based on the \$14.83 closing price on March 31, 2012.

The Company posted unaudited net income for the three months ended March 31, 2012 of \$2.9 million, down \$230,000 or 7.3% from net income posted for the three months ended March 31, 2011. Earnings per common share on a fully diluted basis of \$0.28 were down \$0.01 or 3.4% from the same period in 2011. Compared to the previous quarter, net income was down \$109,000 or 3.6% and earnings per common share on a fully diluted basis were down \$0.01 or 3.4%.

Our quarterly results over the past two years have been very consistent, with net income varying less than 9% between the lowest and highest quarter. Two factors continue to affect The First Bancorp's performance: the weak global economy and low interest rates.

Compared to the same period in 2011, net interest income on a tax-equivalent basis declined \$546,000 or 4.9%, while it was down only \$203,000 or 1.9% when compared to the previous quarter. Compression can be seen in our net interest margin, which dropped from 3.40% for the first three months of 2011 to 3.22% for the present quarter. This is the result of the low interest rate environment, with more assets repricing downward than liabilities.

The weak economy impacts employment and housing prices, which in turn impact credit quality for the Bank. Net chargeoffs for the quarter were \$2.1 million or 0.99% of average loans on an annualized basis, up \$734,000 from net chargeoffs of \$1.4 million or 0.64% of average loans for the first three months of 2011. We provisioned \$2.1 million for loan losses in the first quarter of 2012, equal to the amount provisioned in the first quarter of 2011. Total past-due loans were 3.05% of total loans, slightly below 3.07% of total loans at year end.

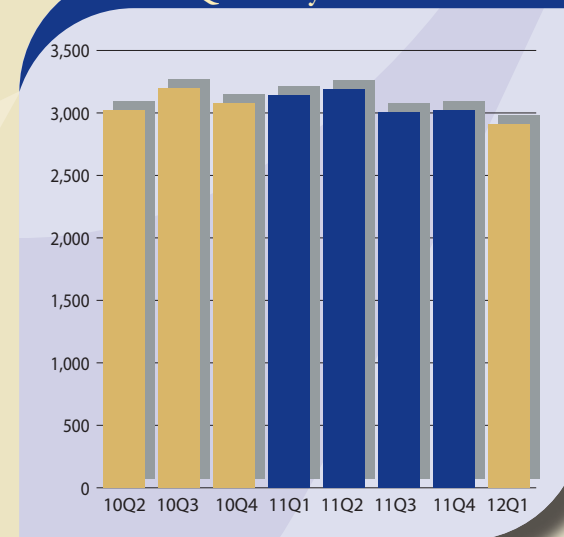
As of March 31, 2012, the Bank's leverage capital ratio was 8.35%, and the tier one and tier two risk-based capital ratios were 14.13% and 15.38%, respectively, all well above the FDIC minimum requirements to be considered "well-capitalized". With strong capital ratios, we are able to maintain our dividend payout at \$0.195 per share per quarter. We paid out 69.6% of earnings in the first quarter compared to 67.2% for the same period in 2011, and our shareholders consistently tell us that our dividend yield is one of the primary reasons they own our shares.

All in all, I am pleased with the consistent results we have posted for the past two years. We appreciate your continued support and confidence in The First Bancorp.

Very truly yours,

Daniel R. Daigneault  
President & Chief Executive Officer

**Quarterly Net Income**



**Consolidated Balance Sheets** *(Unaudited)*

<i>In thousands of dollars, except per share data</i>	3/31/2012	12/31/2011	3/31/2011
<b>Assets</b>			
Cash and due from banks	\$ 12,123	\$ 14,115	\$ 13,700
Interest-bearing deposits in other banks	1,532	-	100
Securities available for sale	317,111	286,202	325,451
Securities to be held to maturity	137,606	122,661	109,936
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	14,823	15,443	15,443
Loans held for sale	184	-	450
Loans	870,892	864,988	894,684
Less allowance for loan losses	12,954	13,000	14,000
Net loans	857,938	851,988	880,684
Accrued interest receivable	5,690	4,835	6,236
Premises and equipment	18,722	18,842	18,685
Other real estate owned	4,214	4,094	4,575
Goodwill	27,684	27,684	27,684
Other assets	26,165	27,003	28,094
<b>Total assets</b>	<b>\$ 1,423,792</b>	<b>\$ 1,372,867</b>	<b>\$ 1,431,038</b>
<b>Liabilities</b>			
Demand deposits	\$ 69,520	\$ 75,750	\$ 67,502
NOW deposits	120,844	122,775	120,045
Money market deposits	75,752	79,015	73,766
Savings deposits	118,946	114,617	108,359
Certificates of deposit	630,773	549,176	680,585
Total deposits	1,015,835	941,333	1,050,257
Borrowed funds	240,151	265,663	217,534
Other liabilities	16,213	15,013	11,703
Total Liabilities	1,272,199	1,222,009	1,279,494
<b>Shareholders' equity</b>			
Preferred stock	12,328	12,303	24,729
Common stock	98	98	98
Additional paid-in capital	46,011	45,829	45,551
Retained earnings	86,150	85,314	82,623
Net unrealized gain/(loss) on securities available-for-sale	7,088	7,401	(1,389)
Net unrealized loss on postretirement benefit costs	(82)	(87)	(68)
Total shareholders' equity	151,593	150,858	151,544
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 1,423,792</b>	<b>\$ 1,372,867</b>	<b>\$ 1,431,038</b>
<b>Common Stock</b>			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	9,839,760	9,812,180	9,786,964
Book value per share	\$14.15	\$14.12	\$12.96
Tangible book value per share	\$11.34	\$11.30	\$10.13
Leverage capital ratio (2012 estimated)	8.35%	8.32%	9.06%
Total risk-based capital ratio (2012 estimated)	15.38%	15.66%	16.40%

**Consolidated Statements of Income** *(Unaudited)*

<i>In thousands of dollars, except per share data</i>	For the quarters ended	
	3/31/2012	3/31/2011
<b>Interest income</b>		
Interest and fees on loans	\$ 9,392	\$ 10,173
Interest on deposits with other banks	-	2
Interest and dividends on investments	3,714	4,079
Total interest income	13,106	14,254
<b>Interest expense</b>		
Interest on deposits	2,193	2,563
Interest on borrowed funds	1,107	1,186
Total interest expense	3,300	3,749
Net interest income	9,806	10,505
Provision for loan losses	2,100	2,100
Net interest income after provision for loan losses	7,706	8,405
<b>Non-interest income</b>		
Investment management and fiduciary income	396	424
Service charges on deposit accounts	638	640
Net securities gains	523	-
Mortgage origination and servicing income	(156)	459
Other operating income	767	754
Total non-interest income	2,168	2,277
<b>Non-interest expense</b>		
Salaries and employee benefits	3,084	3,077
Occupancy expense	414	449
Furniture and equipment expense	573	550
FDIC insurance premiums	301	401
Amortization of identified intangibles	71	71
Other operating expense	1,735	1,940
Total non-interest expense	6,178	6,488
Income before income taxes	3,696	4,194
Applicable income taxes	783	1,051
Net income	\$ 2,913	\$ 3,143
Basic earnings per share	\$ 0.28	\$ 0.29
Diluted earnings per share	\$ 0.28	\$ 0.29
<b>Other comprehensive income, net of tax</b>		
Net unrealized loss on securities available for sale	(313)	668
Unrecognized transition obligation for postretirement benefits	5	5
Other comprehensive income	(308)	673
Comprehensive income	\$ 2,605	\$ 3,816
<b>Financial Ratios</b>		
Return on average tangible common equity	9.68%	11.43%
Net interest margin tax equivalent	3.22%	3.40%
Efficiency ratio	50.40%	48.28%