



**Board of Directors**

David B. Soule, Jr.  
*Chairman of the Board*  
Katherine M. Boyd  
Daniel R. Daigneault  
Robert B. Gregory  
Tony C. McKim  
Carl S. Poole, Jr.  
Mark N. Rosborough  
Stuart G. Smith  
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  
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207.563.3195



*Fourth Quarter 2013*  
**Financial Results**

January 31, 2014

Dear First Bancorp Shareholder:

I am pleased to report the Company's Board of Directors has increased the cash dividend for the fourth quarter of 2013 to \$0.20 per share. This is a half-cent increase from the \$0.195 dividend per share which the Company has paid each quarter for the past five years, and it represents a yield of 4.59% on an annualized basis using the \$17.42 closing price on December 31, 2013.

The Company posted unaudited net income for the year ended December 31, 2013, of \$13.0 million, up \$277,000 or 2.2% from 2012, and earnings per common share on a fully diluted basis of \$1.20 were down \$0.02 or 1.6% from 2012. The Company also posted unaudited net income for the quarter ended December 31, 2013, of \$3.5 million, up \$273,000 or 8.5% from the same period in 2012, and earnings per common share on a fully diluted basis of \$0.33 were up \$0.02 or 6.5% from the same period in 2012.

This was a very good year for the Company. Net income was the best the Company has posted since 2009 and our fourth best year ever. In February we opened our sixteenth office on Exchange Street in Bangor. We had a very successful stock offering in the first quarter which enabled us to finish repaying the U.S. Treasury Capital Purchase Program investment in full. Credit quality improved significantly, with non-performing assets at their lowest level in nearly five years and net chargeoffs down \$3.1 million from 2012.

After several years of declining balances, the loan portfolio grew \$7.1 million or 0.8% in 2013 as we began to see economic recovery along the coast of Maine. This growth was centered in commercial and municipal loans. At the same time, the investment portfolio increased \$39.6 million or 8.8% to \$489.0 million, resulting in earning assets increasing \$46.7 million or 3.5% in 2013. On the funding side, we saw excellent growth in low-cost deposits, which increased \$33.7 million or 9.0% in 2013.

Net interest income on a tax-equivalent basis was down \$1.0 million from 2012. Although we have experienced margin compression for more than five years due to weakness in the economy and unprecedented low interest rates, the slow decline stabilized in the past two quarters. This is evidenced by a \$285,000 increase in net interest income on a tax-equivalent basis in the fourth quarter compared to the same period in 2012.

Non-performing assets stood at 1.44% of total assets as of December 31, 2013 – our lowest level since early 2009. This is well below the 2.32% peak in non-performing assets at December 31, 2011, and down from 1.89% at the end of the previous year. Net chargeoffs in 2013 were \$5.2 million or 0.60% of average loans, compared to \$8.3 million or 0.95% of average loans in 2012. Past-due loans ended the year at 1.82%, down from 2.67% at the end of 2012 and at the lowest level seen since 2007. The allowance for loan losses stood at 1.31% of total loans as of December 31, 2013, down from 1.44% at December 31, 2012.

The First Bancorp's price per share increased 5.77% or \$0.95 in 2013, and when the 2013 cash dividend of \$0.785 per share is added, our total return was 10.65% for the year. We feel the price of our shares has done exceptionally well after the common stock offering in the first quarter and although our total return lagged the broad market and industry indices in 2013, at year end we were trading at 1.61 times tangible book value – an excellent valuation for a community bank stock.

After working through difficult and challenging economic conditions for more than five years, we are very pleased with our 2013 performance. With virtually all metrics moving in the right direction – earnings, credit quality, asset growth, deposit growth, and margin stabilization – we are optimistic as we begin the new year. In 2014, we will keep our focus on increasing earnings, improving credit quality, maintaining strong capital, and continuing to pay a generous dividend to our shareholders. We truly appreciate your continued support and confidence in The First Bancorp.

Very truly yours,

Daniel R. Daigneault  
President & Chief Executive Officer



**Consolidated Balance Sheets (Unaudited)**

<i>In thousands of dollars, except per share data</i>	12/31/2013	12/31/2012
<b>Assets</b>		
Cash and due from banks	\$16,570	\$14,958
Interest-bearing deposits in other banks	2,562	1,638
Securities available for sale	305,824	291,614
Securities to be held to maturity	169,277	143,320
Restricted equity securities, at cost	13,912	14,448
Loans held for sale	83	1,035
Loans	876,367	869,284
Less allowance for loan losses	11,514	12,500
Net loans	864,853	856,784
Accrued interest receivable	5,038	4,912
Premises and equipment	23,616	22,988
Other real estate owned	4,807	7,593
Goodwill	29,805	29,805
Other assets	27,616	25,904
<b>Total assets</b>	<b>\$1,463,963</b>	<b>\$1,414,999</b>
<b>Liabilities</b>		
Demand deposits	\$106,125	\$90,252
NOW deposits	151,322	147,309
Money market deposits	86,730	80,983
Savings deposits	149,103	135,250
Certificates of deposit	531,119	505,056
Total deposits	1,024,399	958,850
Borrowed funds	279,125	282,905
Other liabilities	14,341	16,921
Total Liabilities	1,317,865	1,258,676
<b>Shareholders' equity</b>		
Preferred stock	-	12,402
Common stock	106	98
Additional paid-in capital	58,395	46,314
Retained earnings	94,000	89,692
Net unrealized gain (loss) on securities available-for-sale	(6,591)	7,940
Net unrealized gain (loss) on postretirement benefit costs	188	(123)
Total shareholders' equity	146,098	156,323
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$1,463,963</b>	<b>\$1,414,999</b>
<b>Common Stock</b>		
Number of shares authorized	18,000,000	18,000,000
Number of shares issued and outstanding	10,671,192	9,859,914
Book value per common share	\$13.69	\$14.60
Tangible book value per common share	\$10.83	\$11.47
Leverage capital ratio (2013 estimated)	8.45%	8.46%
Total risk-based capital ratio (2013 estimated)	15.91%	16.05%

**Consolidated Statements of Income (Unaudited)**

<i>In thousands of dollars, except per share data</i>	For the years ended		For the quarters ended	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
<b>Interest income</b>				
Interest and fees on loans	\$34,897	\$37,026	\$8,657	\$9,020
Interest on deposits with other banks	8	4	2	1
Interest and dividends on investments	15,031	14,795	4,108	3,673
Total interest income	49,936	51,825	12,767	12,694
<b>Interest expense</b>				
Interest on deposits	7,997	8,396	1,962	2,026
Interest on borrowed funds	4,499	4,542	1,144	1,175
Total interest expense	12,496	12,938	3,106	3,201
Net interest income	37,440	38,887	9,661	9,493
Provision for loan losses	4,200	7,835	700	1,535
Net interest income after provision for loan losses	33,240	31,052	8,961	7,958
<b>Non-interest income</b>				
Investment management and fiduciary income	1,919	1,636	481	406
Service charges on deposit accounts	2,756	2,671	657	676
Net securities gains	1,087	1,968	-	1
Mortgage origination and servicing income	2,080	1,396	345	542
Other operating income	4,245	3,607	1,116	1,097
Total non-interest income	12,087	11,278	2,599	2,722
<b>Non-interest expense</b>				
Salaries and employee benefits	14,305	12,691	3,698	3,206
Occupancy expense	2,050	1,639	493	392
Furniture and equipment expense	2,656	2,235	664	585
FDIC insurance premiums	1,143	1,212	279	303
Amortization of identified intangibles	326	283	81	71
Other operating expense	8,457	8,211	1,904	2,211
Total non-interest expense	28,937	26,271	7,119	6,768
Income before income taxes	16,390	16,059	4,441	3,912
Applicable income taxes	3,425	3,371	939	683
Net income	\$12,965	\$12,688	\$3,502	\$3,229
Basic earnings per common share	\$1.20	\$1.22	\$0.33	\$0.31
Diluted earnings per common share	\$1.20	\$1.22	\$0.33	\$0.31
<b>Other comprehensive income, net of tax</b>				
Net unrealized gain (loss) on securities available for sale	(14,531)	539	(2,379)	1,962
Unrecognized postretirement transition obligation	311	(36)	303	5
Other comprehensive income	(14,220)	503	(2,076)	1,967
Comprehensive income	(\$1,255)	\$13,191	\$1,426	\$5,196
<b>Financial Ratios</b>				
Return on average tangible common equity	10.66%	10.40%	11.76%	10.25%
Net interest margin tax equivalent	3.05%	3.14%	3.07%	3.07%
Efficiency ratio	55.44%	51.01%	53.79%	51.81%