THE FIRST BANCORP

Board of Directors
Stuart G. Smith
Chairman of the Board
Katherine M. Boyd
Daniel R. Daigneault
Robert B. Gregory
Tony C. McKim
Randy A. Nelson
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

FNLC NASDAQ LISTED

Fourth Quarter 2008
Financial Results

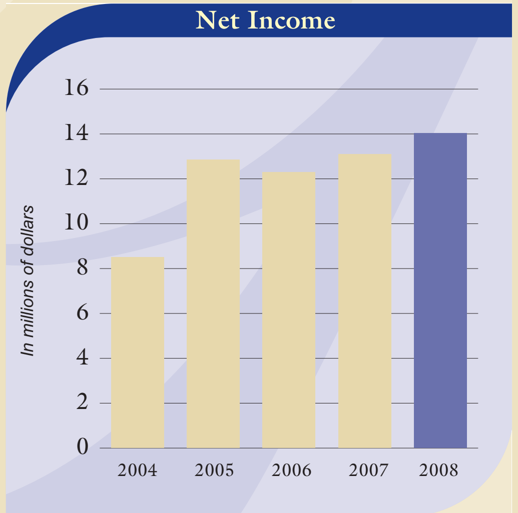
THE FIRST BANCORP

January 30, 2009

Dear First Bancorp Shareholder:

I am pleased to report the cash dividend for the fourth quarter of 2008 is $0.195 per share, which is level with the dividend declared in the third quarter of 2008. This fourth quarter dividend, however, represents an increase of 8.3% over the fourth quarter dividend declared in 2007. On an annualized basis, the quarterly dividend of $0.195 per share amounts to $0.78 per share and represents a yield of 3.92% based on the $19.89 closing price on December 31, 2008.

This was a very tumultuous year for the financial industry with economic conditions and challenges not seen in many decades. Despite these difficult times The First Bancorp still posted record profits of $14.0 million for the year ended December 31, 2008, an increase of $.9 million or 7.1% over the $13.1 million posted for 2007. The catalyst for this growth in earnings was net interest income which increased by $5.9 million in 2008. This strong increase was attributable to higher levels of earning assets as both loans and investments grew nicely, accompanied by a significant decline in interest costs.



While the weakness in the national economy has not hit coastal Maine as hard as many other parts of the country, we nevertheless have seen a deterioration in asset quality. Net chargeoffs were $2.7 million in 2008 – with $1.1 million coming from one borrowing relationship – compared to net chargeoffs of $1.0 million in 2007. As a result, our provision for loan losses was increased by $3.3 million in 2008 compared to 2007. Even with the higher level of chargeoffs, however, we were able to increase our allowance for loan losses by $2.0 million during 2008. Although we are always concerned when we see a deterioration in asset quality, our balance sheet is sound and I feel that The First's conservative approach to loan underwriting will enable us to weather the current economic storm better than most banks. We have not traded quality for higher levels of asset growth, and most importantly, we have not originated sub-prime mortgages.

One highlight of 2008 for The First Bancorp was our stock performance. Our price per share increased from $14.64 on December 31, 2007 to $19.89 per share on December 31, 2008, with a total return with dividends reinvested of 43.7% for the year. This compares extremely well to our industry, as measured by the KBW Regional Bank Index, which had a total return of -18.5%. It also compares well to the broad market, as measured by the S&P 500, which had a total return of -36.9% and the Russell 2000, which our stock is included in, which had a total return of -33.7% in 2008.

In challenging economic times, capital levels become increasingly important for every bank. We continue to be considered well-capitalized by FDIC standards, and on January 9, 2009 we added an additional $25 million to capital with a preferred stock investment from the U.S. Treasury Capital Purchase Program. Participating in the program will provide the Company with greater ability to ride out the current economic storm, especially if conditions worsen, and will give us greater ability to work with individuals and businesses as they struggle through these adverse economic conditions.

Overall this was another successful year for The First Bancorp and we truly appreciate your continued support.

Very truly yours,

Daniel R. Daigneault
President & Chief Executive Officer

Consolidated Balance Sheets *(unaudited)*

Dollars in thousands	December 31, 2008	December 31, 2007
Assets		
Cash and due from banks	$ 16,856	$ 17,254
Securities available for sale	27,765	40,461
Securities to be held to maturity (fair value $229,459 at December 31, 2008 and $181,132 at December 31, 2007)	234,767	181,354
Loans held for sale (fair value approximates cost)	1,298	1,817
Loans	979,273	920,164
Less allowance for loan losses	8,800	6,800
Net loans	970,473	913,364
Accrued interest receivable	5,783	6,585
Premises and equipment	16,028	16,481
Other real estate owned	2,428	827
Goodwill	27,684	27,684
Other assets	22,789	17,423
Total assets	$ 1,325,871	$1,223,250
Liabilities		
Demand deposits	$ 67,364	$ 60,637
NOW deposits	108,188	101,680
Money market deposits	129,333	124,033
Savings deposits	82,866	86,611
Certificates of deposit	347,458	301,364
Certificates $100,000 and over	190,527	106,955
Total deposits	925,736	781,280
Borrowed funds	272,074	316,719
Other liabilities	10,880	12,583
Total liabilities	1,208,690	1,110,582
Shareholders' equity		
Common stock	97	97
Additional paid-in capital	44,117	44,762
Retained earnings	74,057	67,647
Net unrealized gains (loss) on available-for-sale securities	(819)	436
Net unrealized loss on postretirement benefits	(271)	(274)
Total stockholders' equity	117,181	112,668
Total liabilities & stockholders' equity	$ 1,325,871	$ 1,223,250
Number of shares authorized	18,000,000	18,000,000
Number of shares issued and outstanding	9,696,397	9,732,493
Book value per share	$ 12.09	$ 11.58
Allowance for loan losses/total loans	0.90%	0.74%
Non-performing assets to total assets	1.31%	0.56%

Consolidated Statements of Income *(unaudited)*

Dollars in thousands	For the years ended December 31,		For the quarters ended December 31,	
except per share amounts	2008	2007	2008	2007
Interest income				
Interest and fees on loans	$ 58,078	$ 60,585	$ 13,859	$ 15,626
Interest on deposits with other banks	3	-	3	-
Interest and dividends on investments	13,290	11,136	3,774	3,107
Total interest income	71,371	71,721	17,636	18,733
Interest expense				
Interest on deposits	23,000	29,745	4,959	7,084
Interest on borrowed funds	10,669	10,140	2,357	3,146
Total interest expense	33,669	39,885	7,316	10,230
Net interest income	37,702	31,836	10,320	8,503
Provision for loan losses	4,700	1,432	2,386	582
Net interest income after provision for loan losses	33,002	30,404	7,934	7,921
Other operating income				
Fiduciary income	1,475	1,737	337	393
Service charges on deposit accounts	2,837	2,740	646	681
Mortgage origination and servicing income	145	589	(225)	211
Other operating income	5,312	5,079	1,461	1,259
Total other operating income	9,769	10,145	2,219	2,544
Other operating expenses				
Salaries and employee benefits	11,333	11,037	2,708	2,884
Occupancy expense	1,518	1,438	368	349
Furniture and equipment expense	2,005	1,944	497	488
Amortization of identified intangibles	283	283	70	71
Other	8,061	7,481	2,399	1,791
Total other operating expenses	23,200	22,183	6,042	5,583
Income before income taxes	19,571	18,366	4,111	4,882
Applicable income taxes	5,537	5,265	1,103	1,394
Net income	$ 14,034	$ 13,101	$ 3,008	$ 3,488
Earnings per common share				
Basic earnings per share	$ 1.45	$ 1.34	$ 0.31	$ 0.36
Diluted earnings per share	1.44	1.34	0.31	0.36
Cash dividends declared	0.765	0.690	0.195	0.180
Closing market price per share	19.89	14.64	19.89	14.64
Financial ratios				
Return on average tangible equity[1]	12.02%	11.89%	10.10%	12.34%
Return on average assets [1]	1.10%	1.13%	0.91%	1.15%
Net interest margin tax-equivalent [1]	3.33%	3.13%	3.67%	3.17%
Dividend payout ratio	52.76%	51.49%	62.90%	50.00%
Efficiency ratio	46.23%	50.16%	43.15%	47.91%

[1]*Quarterly results have been annualized using a 365-day basis*