

OUR BEST DAYS ARE AHEAD

Board of Directors

Mark N. Rosborough
Chairman of the Board
Katherine M. Boyd
Robert B. Gregory
Renee W. Kelly
Tony C. McKim
Cornelius J. Russell
Stuart G. Smith
Bruce B. Tindal
F. Stephen Ward

Executive Officers

Tony C. McKim
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 2018 Financial Results



October 31, 2018

Dear First Bancorp Shareholders:

I'm pleased to announce that The First Bancorp produced another quarter of record earnings. Continued growth in earning assets resulted in increased net interest income despite tighter margins. First Advisors, the Bank's trust and investment management division, also posted strong results year-to-date with revenues up 15% over the first nine months of last year. Based upon the strength of the Company's earnings, we declared a dividend of 29 cents per share in the third quarter, representing a payout to our shareholders of 52.73% of net income for the period.

Net Income for the three months ended September 30, 2018 was \$5.9 million, up \$951,000 or 19.1% from the three months ended September 30, 2017. On a fully diluted earnings per share basis, earnings in the third quarter of 2018 were \$0.55, up \$0.09 or 19.6% from the same period a year ago. The Company's Return on Average Assets of 1.21% and Return on Average Tangible Common Equity of 15.05% for the three months ended September 30, 2018, were up from 1.09% and 13.08% respectively from the same period in 2017.

Total assets at September 30, 2018 were \$1.98 billion, up \$67.9 million for the quarter and up \$138.9 million year-to-date. Earning assets increased \$66.3 million in the third quarter of 2018 and are up \$138.1 million through the first nine months of 2018.

Total deposits at September 30, 2018 were \$1.51 billion, up \$98.3 million from the quarter ended June 30, 2018, and up \$164.9 million from September 30, 2017. Strong growth in demand, NOW and money market account balances allowed for reduced use of both non-local Certificates of Deposit and Borrowed Funds during the quarter.

Because you can.

The Company's capital position remained strong as of September 30, 2018, with an estimated total risk-based capital ratio of 15.17%, and an estimated leverage capital ratio of 8.45%, both well in excess of regulatory requirements.

Asset quality is stable and remains solid. Non-performing assets as a percentage of total assets fell to 0.74% as of September 30, 2018, down from 0.78% at June 30, 2018, and down from 0.94% a year ago. Past due loans were 0.83% of total loans at September 30, 2018, up modestly from 0.61% of total loans at June 30, 2018 and down from 0.98% a year ago. A total of \$333,000 was provisioned for loan losses in the third quarter of 2018, down from the \$750,000 provisioned in the third quarter of 2017. The allowance for loan losses stood at 0.94% of total loans as of September 30, 2018, level with June 30, 2018, and down nominally from the 0.98% of total loans at September 30, 2017. Annualized net charge-offs as a percentage of loans were 0.041% as of September 30, 2018, down from 0.12% in calendar year 2017 and 0.13% in 2016.

On September 27, 2018 the Company's Board of Directors declared a dividend for the third quarter of \$0.29 per share, payable on October 31, 2018 to shareholders of record as of October 9, 2018. The company's stock closed at \$28.97 per share on September 28, 2018, down from \$30.31 a year ago and up from \$27.23 at year-end 2017.

Best always,

Tony C. McKim
President & Chief Executive Officer

Dream First.

Consolidated Balance Sheets (Unaudited)

<i>In thousands of dollars, except per share data</i>	9/30/2018	12/31/2017	9/30/2017
Assets			
Cash and due from banks	\$21,649	\$19,207	\$22,375
Interest-bearing deposits in other banks	51,045	860	584
Securities available for sale	305,444	300,172	298,999
Securities to be held to maturity	257,395	256,567	242,679
Restricted equity securities, at cost	11,586	10,358	10,798
Loans held for sale	1,134	386	434
Loans	1,243,558	1,164,139	1,121,086
Less allowance for loan losses	11,682	10,729	11,012
Net loans	1,231,876	1,153,410	1,110,074
Accrued interest receivable	7,095	5,867	5,820
Premises and equipment	21,451	22,502	21,731
Other real estate owned	584	1,012	320
Goodwill	29,805	29,805	29,805
Other assets	42,790	42,784	38,082
Total assets	\$1,981,854	\$1,842,930	\$1,781,701
Liabilities			
Demand deposits	\$170,728	\$145,332	\$158,797
NOW deposits	357,834	318,043	325,695
Money market deposits	129,516	163,898	134,257
Savings deposits	237,424	232,605	234,456
Certificates of deposit	619,409	559,001	496,844
Total deposits	1,514,911	1,418,879	1,350,049
Borrowed funds	265,274	228,758	234,328
Other liabilities	17,008	13,972	17,442
Total Liabilities	1,797,193	1,661,609	1,601,819
Shareholders' equity			
Common stock	109	108	108
Additional paid-in capital	62,497	61,747	61,446
Retained earnings	129,247	121,144	118,360
Net unrealized loss on securities available-for-sale	(9,133)	(2,901)	(825)
Net unrealized loss on transferred securities	(194)	(174)	(140)
Net unrealized gain on cash flow hedging derivatives	2,282	1,544	1,035
Net unrealized loss on postretirement benefit costs	(147)	(147)	(102)
Total shareholders' equity	184,661	181,321	179,882
Total liabilities & shareholders' equity	\$1,981,854	\$1,842,930	\$1,781,701
Common Stock			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	10,857,116	10,829,918	10,824,724
Tangible book value per common share	\$14.25	\$13.97	\$13.84
Leverage capital ratio (2018 estimated)	8.45%	8.58%	8.42%
Total risk-based capital ratio (2018 estimated)	15.17%	15.24%	15.70%

Consolidated Statements of Income and Comprehensive Income (Unaudited)

<i>In thousands of dollars, except per share data</i>	For the nine months ended		For the quarters ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Interest income				
Interest and fees on loans	\$39,164	\$33,415	\$13,735	\$11,648
Interest on deposits with other banks	132	46	115	23
Interest and dividends on investments	12,446	11,549	4,236	3,846
Total interest income	51,742	45,010	18,086	15,517
Interest expense				
Interest on deposits	11,131	6,769	4,274	2,473
Interest on borrowed funds	3,397	3,146	1,276	1,090
Total interest expense	14,528	9,915	5,550	3,563
Net interest income	37,214	35,095	12,536	11,954
Provision for loan losses	1,333	1,750	333	750
Net interest income after provision for loan losses	35,881	33,345	12,203	11,204
Non-interest income				
Investment management and fiduciary income	2,285	1,995	743	655
Service charges on deposit accounts	1,624	1,562	527	511
Net securities gains	137	471	1	468
Mortgage origination and servicing income	1,042	1,260	350	499
Other operating income	4,259	4,050	1,413	1,360
Total non-interest income	9,347	9,338	3,034	3,493
Non-interest expense				
Salaries and employee benefits	13,230	12,110	4,460	4,267
Occupancy expense	1,871	1,816	574	589
Furniture and equipment expense	2,816	2,702	972	942
FDIC insurance premiums	950	762	337	259
Amortization of identified intangibles	32	32	10	10
Other operating expense	6,072	5,929	1,863	1,946
Total non-interest expense	24,971	23,351	8,216	8,013
Income before income taxes	20,257	19,332	7,021	6,684
Applicable income taxes	3,084	4,830	1,088	1,702
Net income	\$17,173	\$14,502	\$5,933	\$4,982
Basic earnings per common share	\$1.59	\$1.35	\$0.55	\$0.46
Diluted earnings per common share	\$1.58	\$1.34	\$0.55	\$0.46
Net unrealized gain (loss) on securities available for sale	(6,232)	110	(1,888)	(240)
Net unrealized loss on transferred securities	(20)	(11)	(5)	(3)
Net unrealized gain (loss) on hedging derivatives	738	(128)	216	(20)
Other comprehensive income loss	(5,514)	(29)	(1,677)	(263)
Comprehensive income	\$11,659	\$14,473	\$4,256	\$4,719
Financial Ratios				
Return on average tangible common equity	14.90%	13.06%	15.05%	13.08%
Net interest margin, tax equivalent	2.90%	3.03%	2.83%	3.02%