



**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  
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207.563.3195



*Fourth Quarter 2010*  
**Financial Results**



January 28, 2011

Dear First Bancorp Shareholder:

I am pleased to report the cash dividend for the fourth quarter of 2010 is \$0.195 per share, which is level with the dividend declared in the third quarter of 2010. On an annualized basis, the quarterly dividend of \$0.195 per share amounts to \$0.78 per share and represents a yield of 4.94% based on the \$15.79 closing price on December 31, 2010. Maintaining the cash dividend at the current level is one of the Company's primary objectives.

The Company posted unaudited net income for the year ended December 31, 2010 of \$12.1 million, down \$926,000 or 7.1% from 2009. Earnings per common share on a fully diluted basis were \$1.10 for the year ended December 31, 2010, down \$0.12 or 9.8% from the \$1.22 posted in 2009. For the quarter ended December 31, 2010, unaudited net income was \$3.1 million, up \$415,000 or 15.6% from the same period in 2009, and earnings per common share on a fully diluted basis of \$0.28 were up \$0.04 or 16.7% from the same period in 2009. Compared to the previous quarter, net income was down \$118,000 or 3.7% and earnings per common share on a fully diluted basis were down \$0.01 to \$0.28.

This was an extremely challenging year for all banks, including The First Bancorp. The economic downturn is now in its third year, and although there are a few signs of improvement, unemployment and lower housing prices continue to impact the United States economy, and to a lesser extent, the Maine economy. Despite this, our financial performance in 2010 was quite good, and while slightly lower than in recent years, we continue to significantly outperform our national peer group.

Net interest income declined by \$3.1 million in 2010 compared to 2009, almost all due to our net interest margin dropping to 3.38% from 3.66% in 2009. Margin compression was responsible for approximately \$1.1 million of this change while \$2.0 million was attributable to lengthening the maturity of our liabilities to reduce interest rate risk. This decision early in the year was not taken easily, knowing that we would be paying up in the short term to reduce interest rate risk in the long term.

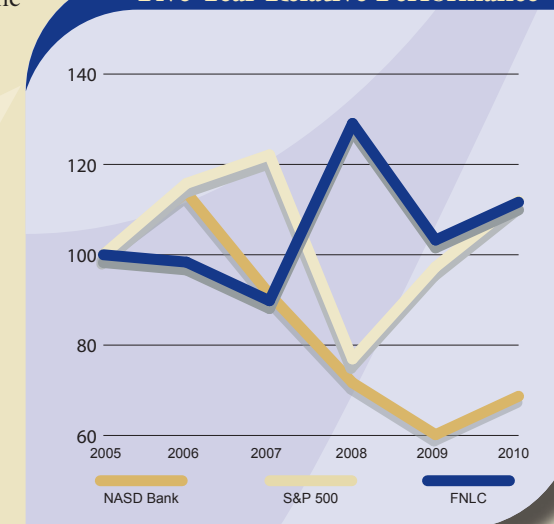
Non-performing loans stood at 2.39% of total loans at December 31, 2010 compared to 2.36% of total loans at September 30, 2010 and 1.95% at December 31, 2009. This compares favorably to non-performing loans at 3.66% for our peer group as of September 30, 2010. Net chargeoffs were \$8.7 million or 0.94% of average loans in 2010 compared to \$7.3 million or 0.75% of average loans in 2009. We provisioned \$8.4 million for loan losses in 2010, down \$3.8 million or 30.9% from 2009. Although the allowance for loan losses decreased \$321,000 during the year, it stands at 1.50% of outstanding loans at December 31, 2010 compared to 1.43% of outstanding loans at December 31, 2009.

We continue to be well capitalized, which is critically important in this period of prolonged economic weakness. Our total risk-based capital is in excess of 15.0%, well above the well-capitalized threshold of 10.0% set by the FDIC. Good earnings and strong capital serve a dual purpose: they are a buffer for potential loan losses and they enable the Company to maintain the dividend at its current level. We appreciate your continued support and confidence in The First Bancorp.

Very truly yours,

Daniel R. Daigneault  
President & Chief Executive Officer

**Five-Year Relative Performance**



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

<i>In thousands of dollars, except per share data</i>	12/31/2010	12/31/2009
<b>Assets</b>		
Cash and due from banks	\$ 13,272	\$ 15,332
Time deposits in other banks	100	-
Securities available for sale	293,229	81,838
Securities to be held to maturity	107,380	190,537
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	15,443	15,443
Loans held for sale	2,806	2,876
Loans	887,596	952,492
Less allowance for loan losses	13,316	13,637
Net loans	874,280	938,855
Accrued interest receivable	5,263	4,889
Premises and equipment	18,980	18,331
Other real estate owned	4,929	5,345
Goodwill	27,684	27,684
Other assets	30,436	30,264
<b>Total assets</b>	<b>\$ 1,393,802</b>	<b>\$ 1,331,394</b>
<b>Liabilities</b>		
Demand deposits	\$ 74,032	\$ 66,317
NOW deposits	119,823	114,955
Money market deposits	71,604	94,425
Savings deposits	100,870	90,873
Certificates of deposit	608,189	556,097
Total deposits	974,518	922,667
Borrowed funds	257,330	249,778
Other liabilities	12,106	11,011
Total Liabilities	1,243,954	1,183,456
<b>Shareholders' equity</b>		
Preferred stock	24,705	24,606
Common stock	98	97
Additional paid-in capital	45,474	45,121
Retained earnings	81,701	78,450
Net unrealized loss on securities available-for-sale	(2,057)	(125)
Net unrealized loss on postretirement benefit costs	(73)	(211)
Total shareholders' equity	149,848	147,938
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 1,393,802</b>	<b>\$ 1,331,394</b>
<b>Common Stock</b>		
Number of shares authorized	18,000,000	18,000,000
Number of shares issued and outstanding	9,773,025	9,744,170
Book value per share	\$ 12.80	\$ 12.66
Tangible book value per share	\$ 9.97	\$ 9.82
Leverage capital ratio (2010 estimated)	9.00%	9.44%
Total risk-based capital ratio (2010 estimated)	15.50%	14.96%

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

<i>In thousands of dollars, except per share data</i>	For the years ended		For the quarters ended	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
<b>Interest income</b>				
Interest and fees on loans	\$ 43,903	\$ 49,277	\$ 10,561	\$ 11,573
Interest on deposits with other banks	6	1	1	-
Interest and dividends on investments	13,351	13,291	3,780	2,903
Total interest income	57,260	62,569	14,342	14,476
<b>Interest expense</b>				
Interest on deposits	10,297	11,872	2,598	2,469
Interest on borrowed funds	6,374	7,044	1,386	1,679
Total interest expense	16,671	18,916	3,984	4,148
Net interest income	40,589	43,653	10,358	10,328
Provision for loan losses	8,400	12,160	2,100	4,500
Net interest income after provision for loan losses	32,189	31,493	8,258	5,828
<b>Non-interest income</b>				
Investment management and fiduciary income	1,455	1,331	339	333
Service charges on deposit accounts	2,838	2,516	644	762
Net securities gains	2	-	-	-
Mortgage origination and servicing income	1,796	2,341	890	428
Other operating income	3,044	6,566	738	2,706
Total non-interest income	9,135	12,754	2,611	4,229
<b>Non-interest expense</b>				
Salaries and employee benefits	11,927	10,935	3,265	2,941
Occupancy expense	1,536	1,580	407	398
Furniture and equipment expense	2,209	2,273	538	573
FDIC insurance premiums	1,931	1,666	503	390
Net securities losses	-	150	-	3
Other than temporary impairment charge	-	916	-	-
Amortization of identified intangibles	283	283	70	70
Other operating expense	7,244	8,855	1,942	2,391
Total non-interest expense	25,130	26,658	6,725	6,766
Income before income taxes	16,194	17,589	4,144	3,291
Applicable income taxes	4,078	4,547	1,067	629
Net income	\$ 12,116	\$ 13,042	\$ 3,077	\$ 2,662
Less preferred stock dividends and amortization	1,348	1,161	337	337
Net income available to common shareholders	\$ 10,768	\$ 11,881	\$ 2,740	\$ 2,325
Basic earnings per share	\$ 1.10	\$ 1.22	\$ 0.28	\$ 0.24
Diluted earnings per share	\$ 1.10	\$ 1.22	\$ 0.28	\$ 0.24
Closing market price per share	\$ 15.79	\$ 15.42	\$ 15.79	\$ 15.42
<b>Financial Ratios</b>				
Return on average tangible common equity	10.83%	12.54%	10.72%	9.49%
Net interest margin tax equivalent	3.38%	3.66%	3.35%	3.54%
Efficiency ratio	48.15%	43.39%	49.47%	44.46%