



**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



*Fourth Quarter 2011*  
**Financial Results**



January 31, 2012

Dear First Bancorp Shareholder:

I am pleased to report the cash dividend for the fourth quarter of 2011 is \$0.195 per share, which is level with the dividend declared in the third quarter of 2011. On an annualized basis, the quarterly dividend of \$0.195 per share amounts to \$0.78 per share and represents a yield of 5.07% based on the \$15.37 closing price on December 31, 2011. Maintaining the cash dividend at the current level has been one of the Company's primary objectives.

The Company posted unaudited net income for the year ended December 31, 2011 of \$12.4 million, up \$248,000 or 2.0% from 2010. Earnings per common share on a fully diluted basis were \$1.14 for the year ended December 31, 2011, up \$0.04 or 3.6% from 2010. For the quarter ended December 31, 2011, unaudited net income was \$3.0 million, down \$55,000 or 1.8% from the same period in 2010 and earnings per common share on a fully diluted basis of \$0.29 were up \$0.01 or 3.6% from the same period in 2010.

This was another challenging year for all banks, including The First Bancorp. The economic downturn is now in its fourth year and although there are a few signs of improvement, unemployment and lower housing prices continue to impact the United States economy and the Maine economy. Despite this, our financial performance in 2011 was quite good, with a modest increase over the prior year, and we continue to significantly outperform our national peer group.

Net interest income on a tax-equivalent basis was up \$833,000 or 1.9% over the same period in 2010. This increase was attributable to average earning assets in 2011 running \$68.0 million or 5.4% above the level seen in 2010, adding \$2.2 million to net interest income. This increase more than offset our net interest margin slipping from 3.38% in 2010 to 3.28% in 2011.

Non-performing loans stood at 3.21% of total loans as of December 31, 2011, compared to 2.39% at December 31, 2010 and 2.42% at the previous quarter-end. Net loan chargeoffs in 2011 were \$10.9 million or 1.23% of average loans, up \$2.2 million from net chargeoffs of \$8.7 million or 0.94% of average loans in 2010. We provisioned \$10.5 million for loan losses in 2011, up \$2.1 million from the \$8.4 million provisioned in 2010. Although the allowance for loan losses decreased \$316,000 between December 31, 2010 and December 31, 2011, year-over-year the allowance as a percentage of loans outstanding was unchanged at 1.50%.

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 to 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



**Consolidated Balance Sheets (Unaudited)**

<i>In thousands of dollars, except per share data</i>	12/31/2011	12/31/2010
<b>Assets</b>		
Cash and due from banks	\$ 14,115	\$ 13,838
Interest bearing deposits in other banks	-	100
Securities available for sale	286,202	293,229
Securities to be held to maturity	122,661	107,380
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	15,443	15,443
Loans held for sale	-	2,806
Loans	864,988	887,596
Less allowance for loan losses	13,000	13,316
Net loans	851,988	874,280
Accrued interest receivable	4,835	5,263
Premises and equipment	18,842	18,980
Other real estate owned	4,094	4,929
Goodwill	27,684	27,684
Other assets	27,592	29,870
<b>Total assets</b>	<b>\$ 1,373,456</b>	<b>\$ 1,393,802</b>
<b>Liabilities</b>		
Demand deposits	\$ 75,750	\$ 74,032
NOW deposits	122,775	119,823
Money market deposits	79,015	71,604
Savings deposits	114,617	100,870
Certificates of deposit	549,176	608,189
Total deposits	941,333	974,518
Borrowed funds	265,663	257,330
Other liabilities	15,602	12,106
Total Liabilities	1,222,598	1,243,954
<b>Shareholders' equity</b>		
Preferred stock	12,303	24,705
Common stock	98	98
Additional paid-in capital	45,829	45,474
Retained earnings	85,314	81,701
Net unrealized gain (loss) on securities available-for-sale	7,401	(2,057)
Net unrealized loss on postretirement benefit costs	(87)	(73)
Total shareholders' equity	150,858	149,848
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 1,373,456</b>	<b>\$ 1,393,802</b>
<b>Common Stock</b>		
Number of shares authorized	18,000,000	18,000,000
Number of shares issued and outstanding	9,812,180	9,773,025
Book value per share	\$14.12	\$12.80
Tangible book value per share	\$11.30	\$9.97
Leverage capital ratio (2011 estimated)	8.33%	9.30%
Total risk-based capital ratio (2011 estimated)	15.37%	16.23%

**Consolidated Statements of Income (Unaudited)**

<i>In thousands of dollars, except per share data</i>	For the years ended		For the quarters ended	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
<b>Interest income</b>				
Interest and fees on loans	\$ 39,805	\$ 43,903	\$ 9,717	\$ 10,561
Interest on deposits with other banks	12	6	1	1
Interest and dividends on investments	15,885	13,351	3,838	3,780
Total interest income	55,702	57,260	13,556	14,342
<b>Interest expense</b>				
Interest on deposits	9,746	10,297	2,268	2,598
Interest on borrowed funds	4,963	6,374	1,248	1,386
Total interest expense	14,709	16,671	3,516	3,984
Net interest income	40,993	40,589	10,040	10,358
Provision for loan losses	10,550	8,400	4,950	2,100
Net interest income after provision for loan losses	30,443	32,189	5,090	8,258
<b>Non-interest income</b>				
Investment management and fiduciary income	1,506	1,455	366	339
Service charges on deposit accounts	2,688	2,838	656	644
Net securities gains	3,293	2	3,056	-
Mortgage origination and servicing income	1,138	1,796	293	890
Other operating income	3,125	3,044	788	738
Total non-interest income	11,750	9,135	5,159	2,611
<b>Non-interest expense</b>				
Salaries and employee benefits	12,245	11,927	2,990	3,265
Occupancy expense	1,583	1,536	389	407
Furniture and equipment expense	2,144	2,209	479	538
FDIC insurance premiums	1,390	1,931	286	503
Net securities losses	-	-	-	-
Other than temporary impairment charge	-	-	-	-
Amortization of identified intangibles	283	283	71	70
Other operating expense	8,392	7,244	2,153	1,942
Total non-interest expense	26,037	25,130	6,368	6,725
Income before income taxes	16,156	16,194	3,881	4,144
Applicable income taxes	3,792	4,078	859	1,067
Net income	\$ 12,364	\$ 12,116	\$ 3,022	\$ 3,077
Less preferred stock dividends and amortization	1,208	1,348	181	337
Net income available to common shareholders	11,156	10,768	2,841	2,740
Basic earnings per share	\$1.14	\$1.10	\$0.29	\$0.28
Diluted earnings per share	\$1.14	\$1.10	\$0.29	\$0.28
Closing market price per share	\$ 15.37	\$ 15.79	\$ 15.37	\$ 15.79
<b>Financial Ratios</b>				
Return on average tangible equity	11.05%	10.83%	10.11%	10.72%
Net interest margin tax equivalent	3.28%	3.38%	3.27%	3.35%
Efficiency ratio	49.74%	48.15%	49.30%	49.47%