

OUR BEST DAYS ARE AHEAD

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Cornelius J. Russell
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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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Second Quarter 2020 Financial Results



July 31, 2020

Dear First Bancorp Shareholders:

I'm pleased to report that The First Bancorp performed strongly in the second quarter despite the ongoing operational and business climate challenges brought about by the COVID-19 virus. Net income of \$6.6 million was achieved by successes across all business lines. Growth in earning assets combined with stable interest rate margins led to a \$1.5 million, or 11.9%, increase in net interest income before loan loss provision versus the second quarter of 2019, while non-interest revenue increased \$1.0 million, or 27.6%, year-over-year, driven largely by a surge in mortgage refinance activity which produced a \$1.0 million increase in mortgage banking revenue versus the second quarter of 2019. Operating expenses in the second quarter increased a modest 2.1% from a year ago. Also of note was further asset quality improvement as demonstrated by the ratio of non-performing loans to total loans which fell to 0.57% as of June 30, 2020 from 0.75% as of March 31, 2020 and 1.23% as of June 30, 2019.

We are very proud of the efforts the Company has made, and continues to make, in support of our customers and community partners in addressing the impact of COVID-19. First National Bank has been an active lender in the Paycheck Protection Program (PPP) with over \$96 million in loans granted to Maine small businesses, at an average loan size of under \$60,000. We have also worked with over 900 borrowers economically impacted by the virus, to modify or defer loan payments during this crisis. As of early July the lobbies of our sixteen banking offices re-opened to serve customers under appropriate safety and social distancing protocols. Approximately 40% of our staff continues to work remotely and our overall employee count has grown since the pandemic began. Our team has truly stepped up throughout this crisis, and our strong results are a testament to their efforts.

Total assets at June 30, 2020 were \$2.3 billion, up \$130.7 million in the second quarter and up \$268.4 million from a year ago. Second quarter growth was centered in earning assets which increased \$127.3 million, most of which came from loans; year-over-year earning assets grew \$259.0 million. Total loans grew \$107.4 million during the quarter centered in PPP originations, while investments decreased \$507,000.

The Company's capital position remained strong as of June 30, 2020, with a total risk-based capital ratio of 15.03%, and a leverage capital ratio of 8.42%. Asset growth led to a decrease in leverage capital from 8.88% at December 31, 2019 and 8.72% at June 30, 2019; the total capital ratio is down from 15.27% as of December 31, 2019 and 15.42% as of June 30, 2019. The Company is eligible and enrolled to participate in the Federal Reserve's Paycheck Protection Program Liquidity Facility (PPPLF), but to date has elected not to do so. Had PPPLF been utilized to its fullest extent, the leverage capital ratio as of June 30, 2020 is estimated to have been 8.74%. Each of the Company's capital ratios remain well in excess of regulatory requirements.

Asset quality continued to trend positively in the second quarter. As of June 30, 2020, the ratio of non-performing assets to total assets decreased to 0.41%, improved from 0.49% at March 31, 2020, and from 0.83% at June 30, 2019. Net charge-offs for the quarter were an annualized 0.03% of total loans, and year-to-date in 2020 have been annualized to 0.04% of total loans, each measure below the 0.07% experienced in the year ended December 31, 2019. Past due loans were 0.66% of total loans as of June 30, 2020, down from 1.62% of total loans at March 31, 2020, and 0.98% as of June 30, 2019. In response to COVID-19's potential impact on the Company's loan portfolio, a provision for loan losses of \$2.4 million was made in the second quarter of 2020.

Net Income for the three months ended June 30, 2020 was \$6.6 million, up \$174,000 or 2.7% from the three months ended June 30, 2019. The Company's Return on Average Assets of 1.18% for the quarter was down modestly from 1.28% for the second quarter of 2019. Return on Average Tangible Common Equity was 14.03% and 14.96% respectively for the same periods.

On June 25, 2020 the Company's Board of Directors declared a second quarter dividend of 31 cents per share, an increase of one cent from the prior quarter. The second quarter dividend represents a payout to shareholders of 50.82% of earnings per share for the period, and was paid on July 20, 2020 to shareholders of record as of July 7, 2020.

Best always,

Tony C. McKim
President & Chief Executive Officer

Consolidated Balance Sheets (Unaudited)

<i>In thousands of dollars, except per share data</i>	06/31/2020	12/31/2019	06/31/2019
Assets			
Cash and due from banks	\$22,143	\$14,433	\$16,918
Interest-bearing deposits in other banks	21,907	11,310	917
Securities available for sale	311,500	360,520	322,570
Securities to be held to maturity	341,962	281,606	302,527
Restricted equity securities, at cost	10,545	8,982	8,982
Loans held for sale	4,950	154	-
Loans	1,451,623	1,297,075	1,249,132
Less allowance for loan losses	14,110	11,639	11,471
Net loans	1,437,513	1,285,436	1,237,661
Accrued interest receivable	11,055	7,167	9,966
Premises and equipment	20,712	21,305	21,045
Other real estate owned	851	279	289
Goodwill	29,805	29,805	29,805
Other assets	54,181	47,799	48,019
Total assets	\$2,267,124	\$2,068,796	\$1,998,699
Liabilities			
Demand deposits	217,377	169,777	147,771
NOW deposits	432,407	393,569	363,092
Money market deposits	169,984	161,000	128,180
Savings deposits	263,720	236,141	236,915
Certificates of deposit	656,633	689,979	716,998
Total deposits	1,740,121	1,650,466	1,592,956
Borrowed funds	278,805	184,955	181,858
Other liabilities	31,614	20,867	19,292
Total Liabilities	2,050,540	1,856,288	1,794,106
Shareholders' equity			
Common stock	109	109	109
Additional paid-in capital	64,601	63,964	63,319
Retained earnings	151,083	144,839	138,493
Net unrealized gain on securities available-for-sale	7,100	\$3,657	2,750
Net unrealized loss on transferred securities	(146)	(182)	(190)
Net unrealized gain (loss) on cash flow hedging derivatives	(6,187)	97	75
Net unrealized gain on postretirement benefit costs	24	24	37
Total shareholders' equity	216,584	212,508	204,593
Total liabilities & shareholders' equity	\$2,267,124	\$2,068,796	\$1,998,699
Common Stock			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	10,933,428	10,899,210	10,890,236
Tangible book value per common share	\$17.07	\$16.75	\$16.04
Leverage capital ratio	8.42%	8.88%	8.72%
Total risk-based capital ratio	15.03%	15.27%	15.42%

Consolidated Statements of Income and Comprehensive Income (Unaudited)

<i>In thousands of dollars, except per share data</i>	For the six months ended		For the quarters ended	
	06/31/2020	06/31/2019	06/31/2020	06/31/2019
Interest income				
Interest and fees on loans	30,015	29,457	\$14,159	\$14,900
Interest on deposits with other banks	79	97	5	29
Interest and dividends on investments	9,386	9,536	4,622	4,893
Total interest income	39,480	39,090	18,786	19,822
Interest expense				
Interest on deposits	8,747	11,756	3,561	6,179
Interest on borrowed funds	1,324	1,485	734	693
Total interest expense	10,071	13,241	4,295	6,872
Net interest income	29,409	25,849	14,491	12,950
Provision for loan losses	2,750	625	2,350	250
Net interest income after provision for loan losses	26,659	25,224	12,141	12,700
Non-interest income				
Investment management and fiduciary income	1,803	1,637	909	864
Service charges on deposit accounts	882	1,170	305	609
Net securities gains	1,179	-	427	-
Mortgage origination and servicing income	1,888	651	1,384	355
Other operating income	3,070	3,291	1,576	1,777
Total non-interest income	8,822	6,749	4,601	3,605
Non-interest expense				
Salaries and employee benefits	9,687	8,833	4,662	4,423
Occupancy expense	1,408	1,287	695	635
Furniture and equipment expense	2,254	2,000	1,138	1,025
FDIC insurance premiums	359	439	186	231
Amortization of identified intangibles	22	22	11	11
Other operating expense	6,230	4,547	2,225	2,405
Total non-interest expense	19,960	17,128	8,917	8,730
Income before income taxes	15,521	14,845	7,825	7,575
Applicable income taxes	2,457	2,294	1,256	1,180
Net income	\$13,064	\$12,551	\$6,569	\$6,395
Basic earnings per common share	\$1.20	\$1.16	\$0.61	\$0.59
Diluted earnings per common share	\$1.20	\$1.15	\$0.60	\$0.59
Net unrealized gain (loss) on securities available for sale	3,443	7,801	(790)	4,289
Net unrealized gain on transferred securities	36	7	28	4
Net unrealized (loss) on hedging derivatives	(6,284)	(1,363)	(1,414)	(898)
Other comprehensive income gain (loss)	(2,805)	6,445	(2,176)	3,395
Comprehensive income	\$10,259	\$18,996	\$4,393	\$9,790
Financial Ratios				
Return on average tangible common equity	13.99%	15.03%	14.03%	14.96%
Net interest margin, tax equivalent	2.99%	2.90%	2.86%	2.88%