

OUR BEST DAYS ARE AHEAD

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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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First Quarter 2020 Financial Results



April 30, 2020

Dear First Bancorp Shareholders:

Against a backdrop of unprecedented challenges brought about by the outbreak of COVID-19, I'm pleased to share that The First Bancorp posted strong operating results in the first quarter. Earning asset growth was again a driving factor in our performance, as was growth in non-interest income. Earning assets increased \$55.8 million in the first quarter and are \$135.2 million or 7.1% higher than a year ago. Growth, improved margins, and the recovery of interest on resolved problem loans, resulted in an increase of \$2.0 million, or 15.7%, in net interest income before provision for the three months ended March 31, 2020 versus the same period a year ago. Non-interest income was up year-over-year in all major categories, including a 15.7% increase in investment management income and a 70.3% increase in mortgage banking revenue. We also took advantage of market opportunities to restructure several interest rate swap positions and extend funding at favorable interest rates.

While proud of these results, our Company's collective focus has shifted to working with our customers and community partners to address the economic impact of COVID-19, and doing so in a manner that provides for the safety and well-being of our employees. Fourteen of our sixteen banking offices remain open, serving customers in drive-thru only mode and the majority of our employees are working remotely. Staff have been redeployed throughout the bank to best serve customer needs including in our call center, digital commerce department, and providing loan assistance, along with significant resources being devoted to the Payroll Protection Program. As a Company we are fortunate to have a talented team of bankers who are dedicated to supporting our customers and communities. Their response to the pandemic has been nothing short of incredible.

Total deposits at March 31, 2020 were \$1.64 billion, down slightly from the \$1.65 billion reported as of December 31, 2019, and up \$37.7 million or 2.3% from March 31, 2019. Low-cost deposits decreased \$27.0 million in the first quarter due to typical seasonal factors, and are up \$15.8 million, or 2.1%, year-over-year. Lower interest rates resulted in borrowed funds becoming the favored vehicle to support earning asset growth, increasing \$63.1 million in the first quarter and \$77.6 million year-over-year.

The Company's capital position remained strong as of March 31, 2020, with an estimated total risk-based capital ratio of 15.08%, and an estimated leverage capital ratio of 8.78%. Asset growth led to a modest decrease in leverage capital from 8.88% at December 31, 2019; leverage capital is up from 8.67% at March 31, 2019. The total capital ratio compares to 15.27% as of December 31, 2019 and 14.97% as of March 31, 2019. Each of the Company's capital ratios remain well in excess of regulatory requirements.

Asset quality improved in the first quarter, largely on the resolution of a large commercial credit that was a non-performing asset for several years. As of March 31, 2020, the ratio of non-performing assets to total assets decreased to 0.49%, improved from 0.82% at December 31, 2019, and from 0.77% at March 31, 2019. Net charge-offs for the quarter were an annualized 0.05% of total loans, comparable to the 0.07% experienced in the year ended December 31, 2019. Past due loans were 1.62% of total loans as of March 31, 2020, up from 1.16% of total loans at December 31, 2019, and 0.89% as of March 31, 2019.

Net Income for the three months ended March 31, 2020 was \$6.5 million, up \$339,000 or 5.5% from the three months ended March 31, 2019. On a fully diluted earnings per share basis, first quarter 2020 earnings were \$0.60, up \$0.03 or 5.3% from the first quarter of 2019. The Company's Return on Average Assets of 1.24% for the quarter was down slightly from 1.27% for the first quarter of 2019. Return on Average Tangible Common Equity was 13.95% and 15.09% respectively for the same periods.

On March 26, 2020 the Company's Board of Directors declared a first quarter dividend of 30 cents per share. This dividend represents a payout to shareholders of 50.00% of earnings per share for the period, and was paid on April 20, 2020 to shareholders of record as of April 10, 2020.

Best always,

Tony C. McKim
President & Chief Executive Officer

Consolidated Balance Sheets (Unaudited)

<i>In thousands of dollars, except per share data</i>	03/31/2020	12/31/2019	03/31/2019
Assets			
Cash and due from banks	\$21,117	\$14,433	\$15,270
Interest-bearing deposits in other banks	6,047	11,310	231
Securities available for sale	312,928	360,520	325,276
Securities to be held to maturity	341,592	281,606	281,219
Restricted equity securities, at cost	9,994	8,982	8,982
Loans held for sale	561	154	436
Loans	1,344,208	1,297,075	1,264,639
Less allowance for loan losses	11,858	11,639	11,490
Net loans	1,332,350	1,285,436	1,253,149
Accrued interest receivable	9,648	7,167	9,307
Premises and equipment	21,156	21,305	21,767
Other real estate owned	316	279	584
Goodwill	29,805	29,805	29,805
Other assets	50,882	47,799	45,376
Total assets	\$2,136,396	\$2,068,796	\$1,991,402
Liabilities			
Demand deposits	\$153,477	\$169,777	\$148,500
NOW deposits	382,307	393,569	371,305
Money market deposits	161,184	161,000	137,700
Savings deposits	236,706	236,141	236,894
Certificates of deposit	710,938	689,979	712,476
Total deposits	1,644,612	1,650,466	1,606,875
Borrowed funds	248,040	184,955	170,419
Other liabilities	28,487	20,867	16,321
Total Liabilities	1,921,139	1,856,288	1,793,615
Shareholders' equity			
Common stock	109	109	109
Additional paid-in capital	64,277	63,964	63,037
Retained earnings	147,904	144,839	135,364
Net unrealized gain (loss) on securities available-for-sale	7,890	3,657	(1,539)
Net unrealized loss on transferred securities	(174)	(182)	(194)
Net unrealized gain (loss) on cash flow hedging derivatives	(4,773)	97	973
Net unrealized gain on postretirement benefit costs	24	24	37
Total shareholders' equity	215,257	212,508	197,787
Total liabilities & shareholders' equity	\$2,136,396	\$2,068,796	\$1,991,402
Common Stock			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	10,921,206	10,899,210	10,884,381
Tangible book value per common share	\$16.97	\$16.75	\$15.42
Leverage capital ratio	8.78%	8.88%	8.67%
Total risk-based capital ratio	15.08%	15.27%	14.97%

Consolidated Statements of Income and Comprehensive Income (Unaudited)

<i>In thousands of dollars, except per share data</i>	For the quarters ended	
	03/31/2020	03/31/2019
Interest income		
Interest and fees on loans	15,856	14,557
Interest on deposits with other banks	74	68
Interest and dividends on investments	4,764	4,643
Total interest income	20,694	19,268
Interest expense		
Interest on deposits	5,186	5,577
Interest on borrowed funds	590	792
Total interest expense	5,776	6,369
Net interest income	14,918	12,899
Provision for loan losses	400	375
Net interest income after provision for loan losses	14,518	12,524
Non-interest income		
Investment management and fiduciary income	894	773
Service charges on deposit accounts	577	561
Net securities gains	752	-
Mortgage origination and servicing income	504	296
Other operating income	1,494	1,514
Total non-interest income	4,221	3,144
Non-interest expense		
Salaries and employee benefits	5,025	4,410
Occupancy expense	713	652
Furniture and equipment expense	1,116	975
FDIC insurance premiums	173	208
Amortization of identified intangibles	11	11
Other operating expense	4,005	2,142
Total non-interest expense	11,043	8,398
Income before income taxes	7,696	7,270
Applicable income taxes	1,201	1,114
Net income	\$6,495	\$6,156
Basic earnings per common share	\$0.60	\$0.57
Diluted earnings per common share	\$0.60	\$0.57
Net unrealized gain (loss) on securities available for sale	4,233	3,512
Net unrealized gain (loss) on transferred securities	8	3
Net unrealized (loss) on hedging derivatives	(4,870)	(465)
Other comprehensive income gain (loss)	(629)	3,050
Comprehensive income	\$5,866	\$9,206
Financial Ratios		
Return on average tangible common equity	13.95%	15.09%
Net interest margin, tax equivalent	3.12%	2.93%