

## The First Bancorp Reports Third Quarter Results

Written by Australian Business

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DAMARISCOTTA, Maine--( [BUSINESS WIRE](#) )--The First Bancorp (Nasdaq: FNLG), today announced unaudited results for the quarter ended September 30, 2013. Net income was \$3.4 million, up \$142,000 or 4.4% from the same period in 2012, and earnings per common share on a fully diluted basis of \$0.31 were the same as in 2012. Compared to the previous quarter, net income was up \$123,000 or 3.8% and earnings per common share on a fully diluted basis were up \$0.02 or 6.9%.

The Company also announced unaudited results for the nine months ended September 30, 2013. Net income was \$9.5 million, up \$4,000 from the same period in 2012, and earnings per common share on a fully diluted basis of \$0.87 were down \$0.04 or 4.4% from the same period in 2012.

"This was an excellent quarter for The First Bancorp in a number of ways," observed Daniel R. Daigneault, the Company's President & Chief Executive Officer. "Net income was the highest quarterly total posted by the Company since the second quarter of 2009. Margin compression appears to have stabilized, with our net interest margin up slightly from the second quarter. At the same time, asset quality is greatly improved, with non-performing assets at 1.48% of total assets compared to 2.04% a year ago.

"Our balance sheet grew \$20.3 million or 1.4% in the third quarter of 2013," President Daigneault noted. "The investment portfolio increased \$25.2 million or 5.3%, ending the quarter at \$504.1 million. The loan portfolio decreased \$4.0 million or 0.5%, with a decline in commercial, consumer and home equity loans being partially offset by modest growth in municipal loans and mortgages. On the funding side, low-cost deposits were up \$38.4 million or 10.4% in the third quarter, and year over year, low-cost deposits are up \$52.4 million or 14.7%. This is the result of healthy deposit inflows in 2013 and the low-cost deposits added in October 2012 with the purchase of the Union Street branch in Rockland.

"Net interest income on a tax-equivalent basis was down \$1.3 million for the first nine months of 2013 compared to the same period in 2012," President Daigneault continued. "Margin compression was responsible for \$1.2 million of the decline, and lower volumes of earning assets were responsible for \$120,000. For the quarter, however, net interest income was down only \$35,000 compared to the third quarter of 2012, with increased earning assets almost completely offsetting a \$199,000 drop due to margin compression.

## The First Bancorp Reports Third Quarter Results

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“Despite the drop in net interest income, year-to-date net income was buoyed by several factors,” President Daigneault observed. “We provisioned \$2.8 million less for loan losses in the first nine months of 2013 compared to the same period in 2012, and we saw a \$932,000 increase in non-interest income coming from a number of areas. When combined, these more than offset the decline in net interest income and a \$2.3 million increase in operating expenses, much of which is due to our addition of the Union Street office in Rockland late in 2012 and the opening of our new office in Bangor in the first quarter of this year.

“As noted before, we continue to see an improving trend in credit quality,” President Daigneault commented. “Non-performing assets stood at 1.48% of total assets as of September 30, 2013 - the lowest level we have seen since mid-2009. This is well below the 2.32% peak in non-performing assets we saw at December 31, 2011, and down from 1.75% at the end of the previous quarter. Net chargeoffs year to date were \$3.5 million or 0.55% of average loans on an annualized basis, compared to \$4.6 million or 0.70% of average loans on an annualized basis for the same period in 2012. The allowance for loan losses stood at 1.45% of total loans as of September 30, 2013, virtually even with December 31, 2012, and down from 1.69% a year ago.”

“Our core operating ratios remain healthy,” observed the Company's Chief Financial Officer, F. Stephen Ward, “with a return on average assets of 0.88% and a return on average tangible common equity of 10.29% year to date. These compare to a return on average assets of 0.89% and a return on average tangible common equity of 10.36% for the same period in 2012. Although our year-to-date efficiency ratio has increased to 56.00% with higher operating expenses attributable to the new Rockland and Bangor offices, it remains well below our UBPR peer group average at 67.07% as of June 30, 2013.

“The First Bancorp's stock has increased 1.09% or \$0.18 per share in 2013,” said Mr. Ward, “and when the quarterly dividend of \$0.195 per share is added, our total return with dividends reinvested is 4.53%. We feel the price of our shares has held up exceptionally well after a common stock offering was announced in late March and as of September 30, 2013, we were trading at 1.53 times tangible book value - an excellent valuation for a community bank stock. A major reason for this valuation compared to tangible book value is the generous cash dividend we pay to our shareholders. We have been fortunate to keep the dividend at \$0.195 per share per quarter or \$0.78 per share per year in the challenging economic conditions we have seen over the past five years. In the third quarter of 2013 we paid out 62.9% of earnings in dividends - even with the third quarter of 2012 -

## The First Bancorp Reports Third Quarter Results

Written by Australian Business

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and based on the quarter-end closing price of \$16.65 per share, our dividend yield was 4.68% at September 30, 2013.

“The Company has placed a great deal of attention on capital management in 2013,” Mr. Ward observed, “beginning with a very successful equity raise at the end of the first quarter which enabled us to repay the U.S. Treasury’s remaining Capital Purchase Program investment in the second quarter. We remain very well capitalized after these transactions, with a leverage capital ratio for the Bank of 8.34%, and tier one and tier two risk-based capital ratios of 14.62% and 15.88%, respectively, as of September 30, 2013. Strong capital ratios are an important factor in our generous dividend payout, and these ratios are all well above the FDIC’s well-capitalized requirements and exceed the new Basel III requirements recently set forth by banking regulators.”

“The third quarter of 2013 was an excellent quarter for The First Bancorp,” President Daigneault concluded. “We are cautiously optimistic that we have begun to turn the corner after a number of years of challenging economic conditions, as demonstrated by the best quarterly net income in nearly five years and continued improvement in credit quality. At the same time, our new offices on Union Street in Rockland and in Bangor are beginning to have a positive impact on our operating results, and we look forward to the growth opportunity these provide for the future. We are pleased to have repaid the U.S. Treasury in full with proceeds from the common stock offering, and with strong capital and solid earnings, we continue to see our generous cash dividend as an important reason that investors hold our stock.”

The First Bancorp, headquartered in Damariscotta, Maine, is the holding company for The First, N.A. Founded in 1864, The First is an independent community bank with 16 offices in Lincoln, Knox, Hancock, Washington and Penobscot Counties. The Bank provides a full range of consumer and commercial banking products and services to mid-coast and eastern Maine. First Advisors, a division of The First, provides investment advisory, private banking and trust services from four offices in Lincoln, Hancock and Penobscot Counties.

### **The First Bancorp**

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

*In thousands of dollars*

**September 30, 2013**

# The First Bancorp Reports Third Quarter Results

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## Assets

Cash and due from banks	\$	20,117	
Interest-bearing deposits in <del>other</del> banks			1,638
Securities available for sale	317,900		291,614
Securities to be held to maturity	172,251		143,320
Restricted equity securities, <del>at cost</del>	13,912		14,448
Loans held for sale	1,555		1,035
Loans	862,073		869,284
Less allowance for loan losses		12,457	
Net loans	849,616		856,784
Accrued interest receivable	5,353		4,912
Premises and equipment	23,667		22,988

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Other real estate owned	<b>3,760</b>		7,593
Goodwill	<b>29,805</b>		29,805
Other assets		<b>26,026</b>	
<b>Total assets</b>		<b>\$</b>	<b>1,464,749</b>
<b>Liabilities</b>			
Demand deposits	<b>\$</b>	<b>110,007</b>	
NOW deposits	<b>151,126</b>		147,309
Money market deposits	<b>96,313</b>		80,983
Savings deposits	<b>147,560</b>		135,250
Certificates of deposit	<b>208,049</b>		199,265

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Certificates \$100,000 to \$250,000	<b>286,815</b>	277,571
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Certificates \$250,000 and over	<b>37,596</b>	
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Total deposits	<b>1,037,466</b>	958,850
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Borrowed funds	<b>266,777</b>	282,905
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Other liabilities	<b>13,853</b>	
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Total Liabilities	<b>1,318,096</b>	
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### Shareholders' equity

Preferred stock	—	12,402
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Common stock	<b>106</b>	98
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Additional paid-in capital	<b>58,241</b>	46,314
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Retained earnings	<b>92,633</b>	89,692
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Net unrealized gain/(loss) on (4,212 securities available-for-sale )

7,9

Net unrealized loss on postretirement benefit costs (115 )

Total shareholders' equity **146,653**

**Total liabilities & shareholders' equity** \$ **1,464,749**

### Common Stock

Number of shares authorized **18,000,000** 18,000,000

Number of shares issued and outstanding **10,665,378**

Book value per common share \$ **13.75**





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Net interest income	<b>27,779</b>	29,394
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Provision for loan losses	<b>3,500</b>	
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Net interest income after provision for loan losses	<b>24,279</b>	
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### **Non-interest income**

Investment management and advisory income	<b>1,488</b>	1,230
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Service charges on deposit accounts	<b>2,099</b>	1,995
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Net securities gains	<b>1,087</b>	1,967
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Mortgage origination and servicing income	<b>1,705</b>	854
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Other operating income	<b>3,129</b>	
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Total non-interest income	<b>9,488</b>	
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## The First Bancorp Reports Third Quarter Results

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### Non-interest expense

Salaries and employee benefits	<b>10,607</b>	9,485
Occupancy expense	<b>1,557</b>	1,247
Furniture and equipment expense	<b>1,992</b>	1,650
FDIC insurance premiums	<b>864</b>	909
Amortization of identified intangible assets	<b>215</b>	212
Other operating expense	<b>6,553</b>	
Total non-interest expense	<b>21,818</b>	
Income before income taxes	<b>11,949</b>	12,147
Applicable income taxes	<b>2,486</b>	

# The First Bancorp Reports Third Quarter Results

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<b>Net Income</b>	<b>\$</b>	<b>9,463</b>
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Basic earnings per share	<b>\$</b>	<b>0.87</b>	<b>\$</b>
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Diluted earnings per share	<b>\$</b>	<b>0.87</b>
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**The First Bancorp**

***Selected Financial Data (Unaudited)***

# The First Bancorp Reports Third Quarter Results

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*Dollars in thousands,*

**For the nine months ended September 30,**

**For the quarters ended September 30,**

*except for per share amounts*

**2013**

## ***Summary of Operations***

Interest Income

\$

**37,169**

\$

Interest Expense

**9,390**

9,737

Net Interest Income

**27,779**

29,394

Provision for Loan Losses

**3,500**

6,300

Non-Interest Income

**9,488**

8,556

Non-Interest Expense

**21,818**

19,503

# The First Bancorp Reports Third Quarter Results

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Net Income **9,463**

## ***Per Common Share Data***

Basic Earnings per Share \$ **0.87**

\$

Diluted Earnings per Share **0.87** 0.91

Cash Dividends Declared **0.585** 0.585

Book Value per Common Share ~~13.75~~ 14.64

Tangible Book Value per Common Share ~~10.66~~ 11.83

Market Value **16.65**

## ***Financial Ratios***

Return on Average Equity (a) **8.51** %

8.

## The First Bancorp Reports Third Quarter Results

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Return on Average Tangible Common Equity (a) 10.29 % 10

Return on Average Assets (a) 0.88 % 0

Average Equity to Average Assets 19.73 % 10

Average Tangible Equity to Average Assets 8.63 % 8

Net Interest Margin Tax-Equivalent (a) 3.14 % 3

Dividend Payout Ratio 67.24 % 6

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Allowance for Loan Losses/Total Loans % 1.

Non-Performing Loans to Total Loans % 2.

Non-Performing Assets to Total Assets % 2.

Efficiency Ratio 56.00 %

## ***At Period End***

Total Assets \$ 1,464,749 \$

Total Loans 862,073 869,871

Total Investment Securities 504,063 468,604

## The First Bancorp Reports Third Quarter Results

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Total Deposits	<b>1,037,466</b>	944,547
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Total Shareholders' Equity	<b>146,653</b>	
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*(a) Annualized using a 365-day basis in 2013 and 366-day basis in 2012*

### Use of Non-GAAP Financial Measures

Certain information in this release contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management uses these "non-GAAP" measures in its analysis of the Company's performance and believes that these non-GAAP financial measures provide a greater understanding of ongoing operations and enhance comparability of results with prior periods as well as demonstrating the effects of significant gains and charges in the current period. The Company believes that a meaningful analysis of its financial performance requires an understanding of the factors underlying that performance. Management believes that investors may use these non-GAAP financial measures to analyze financial performance without the impact of unusual items that may obscure trends in the Company's underlying performance. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

In several places net interest income is calculated on a fully tax-equivalent basis. Specifically included in interest income was tax-exempt interest income from certain investment securities and loans. An amount equal to the tax benefit derived from this tax-exempt income has been added back to the interest income total, which adjustments increased net interest income accordingly. Management believes the disclosure of tax-equivalent net interest income information improves the clarity of financial analysis, and is particularly useful to investors in understanding and evaluating the changes and trends in

## The First Bancorp Reports Third Quarter Results

Written by Australian Business

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the Company's results of operations. Other financial institutions commonly present net interest income on a tax-equivalent basis. This adjustment is considered helpful in the comparison of one financial institution's net interest income to that of another institution, as each will have a different proportion of tax-exempt interest from its earning assets. Moreover, net interest income is a component of a second financial measure commonly used by financial institutions, net interest margin, which is the ratio of net interest income to average earning assets. For purposes of this measure as well, other financial institutions generally use tax-equivalent net interest income to provide a better basis of comparison from institution to institution. The Company follows these practices.

The following table provides a reconciliation of tax-equivalent financial information to the Company's consolidated financial statements, which have been prepared in accordance with GAAP. A 35.0% tax rate was used in both 2013 and 2012.

**For the nine months ended September 30,**

**For the quarters ended September 30,**

*In thousands of dollars*

**2013**

Net interest income as presented

**27,779**

Effect of tax-exempt income

**2,647**

## The First Bancorp Reports Third Quarter Results

Written by Australian Business

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Net interest income, tax equivalent	\$	30,426
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The Company presents its efficiency ratio using non-GAAP information. The GAAP-based efficiency ratio is noninterest expenses divided by net interest income plus noninterest income from the Consolidated Statements of Income. The non-GAAP efficiency ratio excludes securities losses and other-than-temporary impairment charges from noninterest expenses, excludes securities gains from noninterest income, and adds the tax-equivalent adjustment to net interest income. The following table provides a reconciliation between the GAAP and non-GAAP efficiency ratio:

**For the nine months ended September 30,**

**For the quarters ended September 30,**

*In thousands of dollars*

**2013**

## The First Bancorp Reports Third Quarter Results

Written by Australian Business

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Non-interest expense, as presented	\$	21,818
Net interest income, as presented		29,394
Effect of tax-exempt income		2,318
Non-interest income, as presented		8,556
Effect of non-interest tax-exempt income		137
Net securities gains	(1,087	)
Adjusted net interest income plus non-interest income	\$	38,960

## The First Bancorp Reports Third Quarter Results

Written by Australian Business

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Non-GAAP efficiency ratio	<b>56.00</b>	%
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GAAP efficiency ratio	<b>58.55</b>	%
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The Company presents certain information based upon average tangible common equity instead of total average shareholders' equity. The difference between these two measures is the Company's preferred stock and intangible assets, specifically goodwill from prior acquisitions. Management, banking regulators and many stock analysts use the tangible common equity ratio and the tangible book value per common share in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, typically stemming from the use of the purchase accounting method in accounting for mergers and acquisitions. The following table provides a reconciliation of average tangible common equity to the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles:

**For the nine months ended September 30,**

**For the quarters ended September 30,**

## The First Bancorp Reports Third Quarter Results

Written by Australian Business

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**2013**

Average shareholders' equity as presented		<b>154,029</b>
Less preferred stock	<b>(5,374</b>	<b>)</b>
Less intangible assets	<b>(30,705</b>	<b>)</b>
Tangible average shareholders' equity	<b>\$</b>	<b>117,950</b>

## Forward-Looking and Cautionary Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially, as discussed in the Company's filings with the Securities and Exchange Commission.