

FIRST NATIONAL LINCOLN CORP /ME/
Form 8-K
April 16, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 15, 2003

FIRST NATIONAL LINCOLN CORPORATION
(Exact name of Registrant as specified in charter)

MAINE
(State or other jurisdiction of incorporation)

0-26589 01-0404322
(Commission file number) (IRS employer identification no.)

Main Street, Damariscotta, Maine 04853
(Address of principal executive offices) (Zip Code)

(207) 563-3195
(Registrant's telephone number, including area code)

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This information is being provided under Item 12 of Form 8-K.

The Company today issued the following press release:

First National Lincoln Corporation Assets Top \$500 Million,
Reports Record First Quarter Earnings, Up 13.3%

DAMARISCOTTA, ME., April 15 -- First National Lincoln Corporation (Nasdaq NM: FNLC), today announced earnings per share of \$0.68 on a fully diluted basis for the three months and quarter ended March 31, 2003, an increase of \$0.08 or 13.3% over the \$0.60 reported for the same periods in 2002. Net income for both the quarter and year to date was \$1,679,000, an increase of \$206,000 or 14.0% over the \$1,473,000 posted in 2002. Both earnings per share and net income reported by the Company for 2003 set new first-quarter records.

Year-to-date change on the balance sheet showed total assets at \$504.1 million on March 31, 2003 -- an increase of 2.0% over December 31, 2002. Loans totaled \$346.1 million, up 4.2% over December 31, 2002, while investments increased by 5.4% to \$128.7 million. Deposits of \$340.4 million were up 1.8% over year end. As of March 31, 2003, First National Lincoln Corporation had total equity of \$44.0 million, an increase of 2.9% or \$1.3 million over December 31, 2002.

"We have begun 2003 with another strong quarter," commented the Company's President and Chief Executive Officer, Daniel R. Daigneault. "While net income is just slightly lower than the single-quarter record set in the fourth quarter of 2002, this was the highest net income we have posted in the first quarter, and the 13.3% increase in diluted earnings per share demonstrates the continued excellent results which the Company has produced for many years.

"During the first quarter, we also surpassed a major milestone in the Company's history with total assets exceeding \$500 million," President Daigneault noted. This is a direct result of the cumulative asset growth we have generated during the past ten years -- with total assets increasing 178.4% or \$323.0 million from \$181.1 million at the end of 1993 to \$504.1 million on March 31, 2003. Our strategy has been to focus on 'organic growth,' and the results achieved in our three Knox County offices, which have been open five years or less, have been a major contributor to this growth. More importantly, I feel that First National Lincoln Corporation is well positioned to continue its growth in earning assets as a result of the Company's customer-centric culture, which focuses on exceeding expectations with exceptional service.

"Loan growth in the first quarter was very good," President Daigneault continued. "Not only did we increase our loan portfolio by \$14.0 million over December 31, 2002's totals, we also increased the volume of residential mortgages sold to the secondary market by \$7.3 million. This resulted in combined loan growth -- both on-balance-sheet and off-balance-sheet -- of \$21.3 million for the quarter. At the same time, our asset quality remains excellent, with past-due loans at the lowest levels we have seen in many years and the percentage of non-performing assets to total assets down slightly from year end."

"The price of First National Lincoln Corporation shares increased during the first quarter of 2003," noted F. Stephen Ward, the Company's Treasurer and Chief Financial Officer. "We closed the quarter at \$33.95 per share, up \$2.47 or 7.8% over December 31, 2002, which compares very favorably to the overall equity market, with the S&P 500 down 3.6% during the same period. Our stock reached a new high of \$37.50 per share during the quarter, and while the March 31, 2003 close was below this level, we believe the performance of our stock reflects the excellent financial results the Company continues to produce.

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"We also increased our dividend again in the first quarter of 2003," Mr. Ward concluded. "Following the pattern established for more than seven years, our cash dividend increased again by another \$0.01 to \$0.27 per share per quarter. This results in an annual dividend of \$1.08 per share, which in turn produces an annual dividend yield of 3.30% based on the March 31 closing price -- excellent in this continued low interest rate environment. In our opinion, the combination of all the factors presented here -- strong earnings, asset growth, excellent credit quality, as well as our stock price and dividend yield -- reinforce the attractiveness of FNLC as an investment."

First National Lincoln Corporation, headquartered in Damariscotta, Maine, is the holding company for The First National Bank of Damariscotta and Pemaquid Advisors. The First is an independent community bank serving Mid-Coast Maine with seven offices in Lincoln and Knox Counties that provide consumer and commercial banking products and services. Pemaquid Advisors provides investment advisory, private banking and trust services from offices in Damariscotta, Boothbay Harbor, and Portland, Maine.

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 to differ materially, as discussed in the Company's filings with the Securities and Exchange Commission.

For more information, please contact F. Stephen Ward, Treasurer & Chief Financial Officer, at 207.563.3195 ext. 5001

First National Lincoln Corporation
Consolidated Balance Sheets (Unaudited)

Dollars in Thousands	March 31, 2003	March 31, 2002	December 31, 2002
Assets			
Cash and due from banks	\$ 10,146	\$ 7,829	\$ 14,181
Overnight Funds Sold	3,800	-	9,325
Investments:			
Available for sale	63,652	49,364	56,410
Held to maturity (market values \$66,771 at 3/31/03, \$56,141 at 3/31/02 and			

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\$67,421 at 12/31/02)	65,015	57,836	65,663
Loans held for sale (fair value approximates cost)	1,535	2,138	2,613
Loans	346,095	304,726	332,074
Less: allowance for loan losses	3,809	3,227	3,700
Net loans	342,286	301,499	328,374
Accrued interest receivable	3,051	2,821	2,642
Bank premises and equipment	7,657	7,784	7,833
Other real estate owned	75	200	255
Other assets	6,871	7,248	6,772
Total Assets	\$ 504,088	\$ 436,719	\$ 494,068
Liabilities & Stockholders' Equity			
Demand deposits	\$ 23,501	\$ 20,601	\$ 25,484
NOW deposits	46,736	42,363	46,989
Money market deposits	91,611	24,429	80,805
Savings deposits	60,116	48,996	59,521
Certificates of deposit	69,110	82,366	71,169
Certificates \$100,000 and over	49,303	57,642	50,256
Total deposits	340,377	276,397	334,224
Borrowed funds	115,151	118,763	113,365
Other liabilities	4,608	3,424	3,784
Total Liabilities	460,136	398,584	451,373
Shareholders' Equity:			
Common stock	25	25	25
Additional paid-in capital	4,687	4,687	4,687
Retained earnings	39,348	34,953	38,322
Net unrealized gains on available-for-sale securities	2,339	658	2,170
Treasury stock	(2,447)	(2,188)	(2,509)
Total Stockholders' Equity	43,952	38,135	42,695
Total Liabilities & Stockholders' Equity	\$ 504,088	\$ 436,719	\$ 494,068

First National Lincoln Corporation
Consolidated Statements of Income (Unaudited)

Dollars in Thousands	For the three months ended	
	2003	2002
Interest Income:		
Interest and fees on loans	\$ 5,265	\$ 5,474
Interest on deposits with other banks	43	5
Interest and dividends on investments	1,560	1,675
Total interest income	6,868	7,154
Interest expense:		
Interest on deposits	1,704	1,900

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Interest on borrowed funds	1,064	1,092
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Total interest expense	2,768	2,992
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Net interest income	4,100	4,162
Provision for loan losses	225	410
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Net interest income after provision for loan losses	3,875	3,752
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Other operating income:		
Fiduciary income	189	185
Service charges on deposit accounts	267	220
Other operating income	767	514
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Total other operating income	1,223	919
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Other operating expenses:		
Salaries and employee benefits	1,412	1,357
Occupancy expense	192	186
Furniture and equipment expense	358	310
Other	796	766
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Total other operating expenses	2,758	2,619
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Income before income taxes	2,340	2,052
Applicable income taxes	661	579
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NET INCOME	\$ 1,679	\$ 1,473
	=====	=====

First National Lincoln Corporation
Selected Financial Data (Unaudited)

Dollars in thousands, except for per share amounts	For the three months ended	
	March 31,	
	2003	2002

Summary of Operations		
Operating Income	\$ 8,091	\$ 8,073
Operating Expense	5,751	6,021
Net Interest Income	4,100	4,162
Provision for Loan Losses	225	410
Net Income	1,679	1,473

Per Common Share Data		
Basic Earnings per Share	\$ 0.69	\$ 0.62
Diluted Earnings per Share	0.68	0.60
Cash Dividends Declared	0.27	0.23
Book Value	18.16	15.92
Market Value	33.95	28.15

Financial Ratios

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Return on Average Equity (a)	15.77%	15.76%
Return on Average Assets (a)	1.36%	1.37%
Average Equity to Average Assets	8.59%	8.67%
Net Interest Margin Tax-Equivalent (a)	3.66%	4.23%
Dividend Payout Ratio	39.13%	37.10%
Allowance for Loan Losses/Total Loans	1.10%	1.06%
Non-Performing Loans to Total Loans	0.34%	0.56%
Non-Performing Assets to Total Assets	0.25%	0.48%
Efficiency Ratio	49.52%	49.69%

At Period End

Total Assets	\$ 504,088	\$ 436,719
Total Loans	346,095	304,726
Total Investment Securities	128,667	107,200
Total Deposits	340,377	276,397
Total Shareholders' Equity	43,952	38,135

(a) Quarterly data annualized using a 365-day basis

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be filed on its behalf by the undersigned thereunto duly authorized.

FIRST NATIONAL LINCOLN CORPORATION

By: /s/ F. Stephen Ward
F. Stephen Ward
Treasurer & Chief Financial Officer
April 15, 2003