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### Item 5. Other Events

The Company today issued the following press release:

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First National Lincoln Corporation Reports Record Second Quarter Earnings Per Share, Up 21.7% Over Prior Year

DAMARISCOTTA, ME., July 21 -- First National Lincoln Corporation (Nasdaq NM: FNLC), today announced earnings per share of \$0.28 on a fully diluted basis for the quarter ended June 30, 2004, an increase of \$0.05 or 21.7% over the \$0.23 reported for the same period in 2003. Net income for the second quarter was \$2,056,000, an increase of \$327,000 or 18.9% over the \$1,729,000 posted in the second quarter of 2003. Both earnings per share and net income reported by the Company for 2004 set new single-quarter records. All prior period results in this release have been adjusted to reflect the three-for-one stock split in 2004.

The Company also announced earnings per share of \$0.53 on a fully diluted basis for the six months ended June 30, 2004, an increase of \$0.07 or 15.2% over the \$0.46 reported for the same period in 2003. Net income for the first six months of 2004 was \$3,981,000, an increase of \$573,000 or 16.8% over the \$3,408,000 posted in 2003. Both earnings per share and net income reported by the Company for 2004 set new records for the first six months of the year.

Year-to-date changes on the balance sheet showed total assets at \$614.0 million on June 30, 2004 -- an increase of 7.9% over December 31, 2003. Loans totaled \$443.4 million, up 11.2% over December 31, 2003, while investments increased by 3.4% to \$141.3 million. Deposits of \$386.6 million were up 7.7% over year end. As of June 30, 2004, First National Lincoln Corporation had total equity of \$49.5 million, an increase of 3.8% or \$1.8 million over December 31, 2003.

"Our second quarter results are exceptional," commented Daniel R. Daigneault, First National Lincoln Corporation's President and Chief Executive Officer, "as are our results for the first six months of 2004. These were led by net interest income, which in the second quarter was up \$1.1 million or 25.7% over the second quarter of 2003, and for the first six months was up \$1.9 million or 23.2% over the same period in 2003.

"Growth in earning assets was the dominant factor in this increase," President Daigneault went on, "with total loans increasing \$44.5 million or 11.2% over December 31, 2003. We experienced this growth in all loan categories, with commercial loans growing by \$12.4 million and mortgage loans increasing by \$20.9 million. At the same time, credit quality remains excellent, with continued low levels of loan losses and the lowest level of loan delinquencies we have seen in many years.

"As I noted last quarter, record-low interest rates have presented an operating challenge for all banks," President Daigneault observed. "Fortunately, we manage our balance sheet so that we have a reasonable level of interest rate risk, and I am comfortable with the structure of our balance sheet should the Federal Reserve continue to increase interest rates.

"At the end of the second quarter," President Daigneault continued, "we launched a new program to attract new checking account customers to the Bank. We have redesigned our product offerings, making them easier to choose from and more customer-friendly. This will be combined with direct mail and in-bank promotions, and I am optimistic that we will see an increase in both net interest income and non-interest income in the future as a result of this program."

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"One of the things I continue to be proud of is our excellent efficiency ratio," President Daigneault noted, "which was 48.6% for the second quarter and 48.9% for the first six months of 2004. This important measure of how much we spend to generate a dollar in revenue continues to be well below that of our peers, and even though our non-interest income is down from last year's levels due to lower mortgage origination activity, we have more than made up for this in net interest income and our level of increase in operating expenses.

"Our excellent earnings performance translates into very strong performance statistics," commented F. Stephen Ward, the Company's Treasurer & Chief Financial Officer. "Our return on average equity was 16.58% in the second quarter of 2004 compared to 15.60% for the second quarter of 2003, and year-to-date stands at 16.37% in 2004 compared to 15.68% in 2003. Based on return on average equity, The First continues to be a top-performing bank, ranking in the 91st percentile of all banks in the United States as of March 31, 2004, according to a recent BancIntelligence report.

"We continue to share our profits with our Shareholders in the form of cash dividends," Mr. Ward continued. "In the second quarter, we increased our dividend, once again, to \$0.11 per share per quarter, which results in an annualized dividend of \$0.44 per share and a dividend yield of 2.26% based upon the June 30, 2004 closing price of our shares. The Company has now raised its dividend for 35 consecutive quarters, and we continue to view that sharing our profitability in the form of cash dividends is very important to our shareholders."

"The three-for-one stock split announced at the Company's Annual Meeting in April was very well received," President Daigneault concluded. "The market price of First National Lincoln Corporation stock ended the quarter at \$19.50 per share, which is an increase of \$2.87 or 17.2% over the \$16.63 closing price of our shares on December 31, 2003. Our stock traded at a high of \$24.52 per share during the quarter, and at quarter-end we had a very strong trailing-twelve-month price/earnings ratio of 18.1. Because of the consistent performance we have posted over many years, I continue to see First National Lincoln Corporation as an excellent investment opportunity."

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)

|                         | June 30,<br>2004 | June 30, December 31,<br>2003 | 2003 |
|-------------------------|------------------|-------------------------------|------|
| In thousands of dollars |                  |                               |      |

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|   |            |            |            |
|---|------------|------------|------------|
| Assets  |            |            |            |
| Cash and due from banks   | \$ 13,777  | \$ 12,973  | \$ 17,087  |
| Overnight Funds Sold  | 0          | 6,100      | 0          |
| Investments:  |            |            |            |
| Available for sale  | 53,642     | 64,339     | 57,445     |
| Held to maturity (market values \$87,248<br>at 6/30/04, \$66,204 at 6/30/03, and<br>\$80,820 at 12/31/03) | 87,659     | 63,952     | 79,244     |
| Loans held for sale (fair value<br>approximates cost)   | 0          | 1,162      | 982        |
| Loans   | 443,433    | 367,915    | 398,895    |
| Less: allowance for loan losses   | 4,580      | 3,987      | 4,200      |
|   | -----      | -----      | -----      |
| Net loans   | 438,853    | 363,928    | 394,695    |
|   | -----      | -----      | -----      |
| Accrued interest receivable   | 3,055      | 2,922      | 2,743      |
| Bank premises and equipment   | 8,843      | 7,659      | 9,007      |
| Other real estate owned   | 44         | 75         | 51         |
| Other assets  | 8,099      | 8,017      | 7,558      |
|   | -----      | -----      | -----      |
| Total Assets  | \$ 613,972 | \$ 531,127 | \$ 568,812 |
|   | =====      | =====      | =====      |
| Liabilities & Stockholders' Equity  |            |            |            |
| Demand deposits   | \$ 27,504  | \$ 27,035  | \$ 28,874  |
| NOW deposits  | 55,938     | 49,985     | 52,161     |
| Money market deposits   | 78,233     | 86,566     | 80,586     |
| Savings deposits  | 65,336     | 64,735     | 63,356     |
| Certificates of deposit   | 76,170     | 69,867     | 69,880     |
| Certificates \$100,000 and over   | 83,392     | 60,822     | 64,220     |
|   | -----      | -----      | -----      |
| Total deposits  | 386,573    | 359,010    | 359,077    |
| Borrowed funds  | 173,661    | 121,933    | 157,822    |
| Other liabilities   | 4,223      | 4,582      | 4,195      |
|   | -----      | -----      | -----      |
| Total Liabilities   | 564,457    | 485,525    | 521,094    |
|   | -----      | -----      | -----      |
| Shareholders' Equity:   |            |            |            |
| Common stock  | 74         | 74         | 74         |
| Additional paid-in capital  | 3,721      | 4,638      | 4,650      |
| Retained earnings   | 44,006     | 40,399     | 42,988     |
| Net unrealized gains on available-for-<br>sale securities   | 1,714      | 2,919      | 2,497      |
| Treasury stock  | 0          | (2,428)    | (2,491)    |
|   | -----      | -----      | -----      |
| Total Stockholders' Equity  | 49,515     | 45,602     | 47,718     |
|   | -----      | -----      | -----      |
| Total Liabilities<br>& Stockholders' Equity   | \$ 613,972 | \$ 531,127 | \$ 568,812 |
|   | =====      | =====      | =====      |

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Prior periods have been adjusted to reflect the three-for-one stock split in 2004

First National Lincoln Corporation  
Consolidated Statements of Income (Unaudited)

| In thousands of dollars    | For the six months ended |                  | For the quarters ended |                  |
|----------------------------|--------------------------|------------------|------------------------|------------------|
|                            | 2004                     | June 30,<br>2003 | 2004                   | June 30,<br>2003 |
| -----                      |                          |                  |                        |                  |
| Interest Income:           |                          |                  |                        |                  |
| Interest and fees on loans | \$ 11,298                | \$ 10,591        | \$ 5,745               | \$ 5,326         |

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|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Interest on deposits with other banks               | 3        | 48       | 0        | 5        |
| Interest and dividends on investments               | 3,237    | 3,033    | 1,672    | 1,473    |
| Total interest income                               | 14,538   | 13,672   | 7,417    | 6,804    |
| Interest expense:                                   |          |          |          |          |
| Interest on deposits                                | 2,526    | 3,282    | 1,265    | 1,578    |
| Interest on borrowed funds                          | 1,827    | 2,126    | 919      | 1,062    |
| Total interest expense                              | 4,353    | 5,408    | 2,184    | 2,640    |
| Net interest income                                 | 10,185   | 8,264    | 5,233    | 4,164    |
| Provision for loan losses                           | 480      | 450      | 240      | 225      |
| Net interest income after provision for loan losses | 9,705    | 7,814    | 4,993    | 3,939    |
| Other operating income:                             |          |          |          |          |
| Fiduciary income                                    | 430      | 374      | 216      | 185      |
| Service charges on deposit accounts                 | 580      | 565      | 310      | 298      |
| Mortgage origination and servicing income           | 250      | 490      | 85       | 198      |
| Other operating income                              | 962      | 1,004    | 509      | 529      |
| Total other operating income                        | 2,222    | 2,433    | 1,120    | 1,210    |
| Other operating expenses:                           |          |          |          |          |
| Salaries and employee benefits                      | 3,303    | 2,831    | 1,640    | 1,419    |
| Occupancy expense                                   | 428      | 393      | 216      | 201      |
| Furniture and equipment expense                     | 754      | 701      | 389      | 343      |
| Other   | 1,872    | 1,590    | 991      | 794      |
| Total other operating expenses                      | 6,357    | 5,515    | 3,236    | 2,757    |
| Income before income taxes                          | 5,570    | 4,732    | 2,877    | 2,392    |
| Applicable income taxes                             | 1,589    | 1,324    | 821      | 663      |
| NET INCOME  | \$ 3,981 | \$ 3,408 | \$ 2,056 | \$ 1,729 |

Prior periods have been adjusted to reflect the three-for-one stock split in 2004

First National Lincoln Corporation  
Selected Financial Data (Unaudited)

| Dollars in thousands,<br>except for per share amounts | For the six months ended |                  | For the quarters ended |                  |
|---|--------------------------|------------------|------------------------|------------------|
|   | 2004                     | June 30,<br>2003 | 2004                   | June 30,<br>2003 |
| Summary of Operations                                 |                          |                  |                        |                  |
| Operating Income                                      | \$ 16,760                | \$ 16,105        | \$ 8,537               | \$ 8,014         |
| Operating Expense                                     | 11,190                   | 11,373           | 5,660                  | 5,622            |
| Net Interest Income                                   | 10,185                   | 8,264            | 5,233                  | 4,164            |
| Provision for Loan Losses                             | 480                      | 450              | 240                    | 225              |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Net Income                             | 3,981   | 3,408   | 2,056   | 1,729   |
| -----                                  |         |         |         |         |
| Per Common Share Data                  |         |         |         |         |
| Basic Earnings per Share               | \$ 0.54 | \$ 0.47 | \$ 0.28 | \$ 0.24 |
| Diluted Earnings per Share             | 0.53    | 0.46    | 0.28    | 0.23    |
| Cash Dividends Declared                | 0.21    | 0.18    | 0.11    | 0.09    |
| Book Value                             | 6.74    | 6.28    | 6.74    | 6.28    |
| Market Value                           | 19.50   | 13.06   | 19.50   | 13.06   |
| -----                                  |         |         |         |         |
| Financial Ratios                       |         |         |         |         |
| Return on Average Equity (a)           | 16.37%  | 15.68%  | 16.58%  | 15.60%  |
| Return on Average Assets (a)           | 1.39%   | 1.35%   | 1.41%   | 1.35%   |
| Average Equity to Average Assets       | 8.47%   | 8.63%   | 8.51%   | 8.67%   |
| Net Interest Margin Tax-Equivalent (a) | 3.92%   | 3.65%   | 3.97%   | 3.63%   |
| Dividend Payout Ratio                  | 39.51%  | 39.01%  | 39.29%  | 39.44%  |
| Allowance for Loan Losses/Total Loans  | 1.03%   | 1.08%   | 1.03%   | 1.08%   |
| Non-Performing Loans to Total Loans    | 0.35%   | 0.30%   | 0.35%   | 0.30%   |
| Non-Performing Assets to Total Assets  | 0.27%   | 0.23%   | 0.27%   | 0.23%   |
| Efficiency Ratio                       | 48.91%  | 49.06%  | 48.60%  | 48.70%  |
| -----                                  |         |         |         |         |
| At Period End                          |         |         |         |         |
| Total Assets                           | 613,972 | 531,127 | 613,972 | 531,127 |
| Total Loans                            | 443,433 | 367,915 | 443,433 | 367,915 |
| Total Investment Securities            | 141,301 | 128,291 | 141,301 | 128,291 |
| Total Deposits                         | 386,573 | 359,010 | 386,573 | 359,010 |
| Total Shareholders' Equity             | 49,515  | 45,602  | 49,515  | 45,602  |
| -----                                  |         |         |         |         |

(a) Annualized using a 365-day basis

Prior periods have been adjusted to reflect the three-for-one stock split in 2004

-30-

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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  
July 21, 2004

