FIRST NATIONAL LINCOLN CORP /ME/
Form 8-K
July 22, 2004

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): July 21, 2004

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)

Item 5. Other Events

The Company today issued the following press release:

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 was 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."

"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)

In thousands of dollars	June 30, 2004	June 30, 2003	December 31, 2003

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 at 6/30/04, $66,204 at 6/30/03, and $80,820 at 12/31/03)	87,659	63,952	79,244
Loans held for sale (fair value 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-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 & Stockholders' Equity	$ 613,972	$ 531,127	$ 568,812

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

First National Lincoln Corporation

Consolidated Statements of Income (Unaudited)

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

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, except for per share amounts	For the six months ended June 30, 2004	2003	For the quarters ended June 30, 2004	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

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

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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