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FIRST NATIONAL LINCOLN CORP /ME/

Form 8-K

October 16, 2002

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): October 16, 2002

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

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The Company today issued the following press release:

First National Lincoln Corporation Reports
Record Year-to-Date EPS, Up 17.5% Over Prior Year

DAMARISCOTTA, ME., October 16 -- First National Lincoln Corporation (Nasdaq NM: FNLC), today announced earnings per share of \$1.95 on a fully diluted basis for the nine months ended September 30, 2002, an increase of 17.5% over the \$1.66 reported for the first nine months of 2001. Net income for the nine months ended September 30, 2002, was \$4,808,000, an increase of \$725,000 or 17.8% over the \$4,083,000 posted in 2001. Both earnings per share and net income reported by the Company for the first nine months set new records in 2002.

The Company also announced earnings per share of \$0.68 on a fully diluted basis for the quarter ended September 30, 2002, an increase of \$0.09 or 15.3% over the \$0.59 reported for the same period in 2001. Net income for the third quarter was \$1,689,000, an increase of \$243,000 or 16.8% over the \$1,446,000 posted in the third quarter of 2001. Both earnings per share and net income reported by the Company for the quarter ended September 30, 2002, set new single-quarter records.

Total assets were \$497.2 million at September 30, 2002 -- an increase of 17.9% over September 30, 2001. Loans totaled \$331.1 million, up 15.1% over September 30, 2001, while investments increased by 17.3% to \$124.1 million. Deposits of \$336.8 million were up 21.3% over the prior year. As of September 30, 2002, First National Lincoln Corporation had total equity of \$42.1 million, an increase of 13.9% or \$5.1 million over September 30, 2001.

"With three great quarters now behind us, 2002 is shaping up to be an excellent year for First National Lincoln Corporation," noted Daniel R. Daigneault, the Company's President & Chief Executive Officer. "Our balance sheet has seen excellent growth in both the loan and investment portfolios, and our deposit growth this year has been exceptional -- especially in core deposits. We are generating new business in all seven of our banking offices, and the performance in Rockland, our newest location which opened just one year ago, has been excellent.

"I am very pleased with the way that we have planned and managed our growth," President Daigneault continued. "Although we opened three new offices during the past five years, we have not pursued growth and disregarded profitability. Instead, our strategy has been to pursue growth opportunities that add to the bottom line in a reasonable period of time. This is noted in Bank & Thrift Quarterly published by Legg Mason, where we had the fourth best efficiency ratio in our peer group of the banking companies they cover on a national basis, and is ultimately reflected in our return on average equity, where the same Legg Mason publication ranked us eleventh in our peer group as of June 30, 2002."

"Our shareholders have been well rewarded this year," observed F. Stephen Ward, the Company's Treasurer & Chief Financial Officer, "with our shares up 29.2% or \$6.45 as of last night's close at \$28.55 per share. This is in sharp contrast to the 23.2% decline seen in the S&P 500 during the same period. Our price/earnings ratio is 11.4 based on trailing twelve months' earnings and last night's closing price of \$28.55, and our dividend yield currently stands at 3.5%. In our opinion, these factors suggest that FNLC shares continue to offer an excellent buying opportunity -- despite this year's increase -- especially considering that we are currently trading below the high of \$32.00 per share that was set earlier this year."

First National Lincoln Corporation, headquartered in Damariscotta, Maine, is

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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, at 207.563.3195
ext. 5001.

FIRST NATIONAL LINCOLN CORPORATION AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

Dollars in Thousands	9/30/02 (Unaudited)	9/30/01 (Unaudited)	12/31/01 (Unaudited)
Assets			
Cash and due from banks	\$ 26,304	\$ 13,447	\$ 10,894
Investments:			
Available for sale	57,115	58,812	50,914
Held to maturity (market values \$68,556)			

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at 9/30/02, \$47,574 at 9/30/01 and \$56,921 at 12/31/01)	66,989	46,979	57,272
Loans held for sale	1,983	458	466
Loans	331,142	287,799	301,304
Less allowance for loan losses	3,628	2,742	3,000
Net loans	327,514	285,057	298,304
Accrued interest receivable	2,852	2,785	2,635
Bank premises and equipment	7,851	6,189	7,563
Other real estate owned	192	429	202
Other assets	6,448	7,548	6,216
Total Assets	\$497,248	\$421,704	\$434,466
Liabilities & Shareholders' Equity			
Demand deposits	\$ 29,885	\$ 23,590	\$ 22,496
NOW deposits	49,078	43,274	43,644
Money market deposits	76,632	13,199	15,878
Savings deposits	58,986	44,856	46,855
Certificates of deposit	72,096	84,277	79,907
Certificates \$100,000 and over	50,123	68,537	53,909
Total deposits	336,800	277,733	262,689
Borrowed funds	113,975	102,696	131,357
Other liabilities	4,359	4,297	3,086
Total Liabilities	455,134	384,726	397,132
Shareholders' Equity:			
Common stock	25	25	25
Additional paid-in capital	4,687	4,687	4,687
Retained earnings	37,103	33,146	34,030
Net unrealized gains on available-for-sale securities	2,356	1,329	784
Treasury stock	(2,057)	(2,209)	(2,192)
Total Shareholders' Equity	42,114	36,978	37,334
Total Liabilities & Shareholders' Equity	\$497,248	\$421,704	\$434,466

FIRST NATIONAL LINCOLN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

Dollars in Thousands	For the Nine months ended September 30,		For the quarters ended September 30,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Interest and Dividend Income:				
Interest and fees on loans	\$16,652	\$17,261	\$5,623	\$5,764
Interest on deposits with other banks	26	70	21	20
Interest and dividends on investments	5,392	5,380	1,869	1,757
Total interest				

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and dividend income	22,070	22,711	7,513	7,541
Interest expense:				
Interest on deposits	5,809	7,893	2,034	2,577
Interest on borrowed funds	3,433	3,918	1,140	1,086
Total interest expense	9,242	11,811	3,174	3,663
Net interest income	12,828	10,900	4,339	3,878
Provision for loan losses	945	690	255	215
Net interest income after provision for loan losses	11,883	10,210	4,084	3,663
Other operating income:				
Fiduciary income	555	521	172	176
Service charges on deposit accounts	719	671	249	225
Other operating income	2,030	1,643	947	752
Total other operating income	3,304	2,835	1,368	1,153
Other operating expenses:				
Salaries and employee benefits	4,113	3,611	1,451	1,318
Occupancy expense	532	426	174	155
Furniture and equipment expense	958	742	334	267
Other	2,767	2,505	1,082	1,036
Total other operating expenses	8,370	7,284	3,041	2,776
Income before income taxes	6,817	5,761	2,411	2,040
Applicable income taxes	2,009	1,678	722	594
NET INCOME	\$ 4,808	\$ 4,083	1,689	1,446

FIRST NATIONAL LINCOLN CORPORATION AND SUBSIDIARY
SELECTED FINANCIAL DATA

	For the Nine Months ended September 30,		For the quarters ended September 30,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Dollars in thousands, except for per share amounts				

Summary of Operations

Operating income	\$25,374	\$25,546	\$8,881	\$8,694
Operating expense	18,557	19,785	6,470	6,654
Net interest income	12,828	10,900	4,339	3,878
Provision for loan losses	945	690	255	215
Net income	4,808	4,083	1,689	1,446

Per Common Share Data

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Net income				
Basic	\$2.00	\$1.71	\$0.70	\$0.61
Diluted	1.95	1.66	0.68	0.59
Cash dividends declared	0.72	0.60	0.25	0.21
Book value	17.42	15.48	17.42	15.48
Market value	28.80	20.00	28.80	20.00

Financial Ratios

Return on average equity(a)	16.49%	15.72%	16.56%	16.07%
Return on average assets(a)	1.40%	1.33%	1.38%	1.37%
Average equity to average assets	8.47%	8.46%	8.35%	8.52%
Net interest margin tax-equivalent(a)	4.08%	3.92%	3.92%	4.08%
Dividend payout ratio	35.96%	35.04%	35.78%	34.68%
Allowance for loan losses/total loans	1.10%	0.95%	1.10%	0.95%
Non-performing loans to total loans	0.52%	0.63%	0.52%	0.63%
Non-performing assets to total assets	0.39%	0.54%	0.39%	0.54%
Efficiency ratio, tax equivalent	50.06%	50.85%	51.45%	53.01%

At Period End

Total assets	497,248	421,704	497,248	421,704
Total loans	331,142	287,799	331,142	287,799
Total investment securities	124,104	105,791	124,104	105,791
Total deposits	336,800	277,733	336,800	277,733
Total shareholders' equity	42,114	36,978	42,114	36,978

(a) Annualized using 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
October 16, 2002