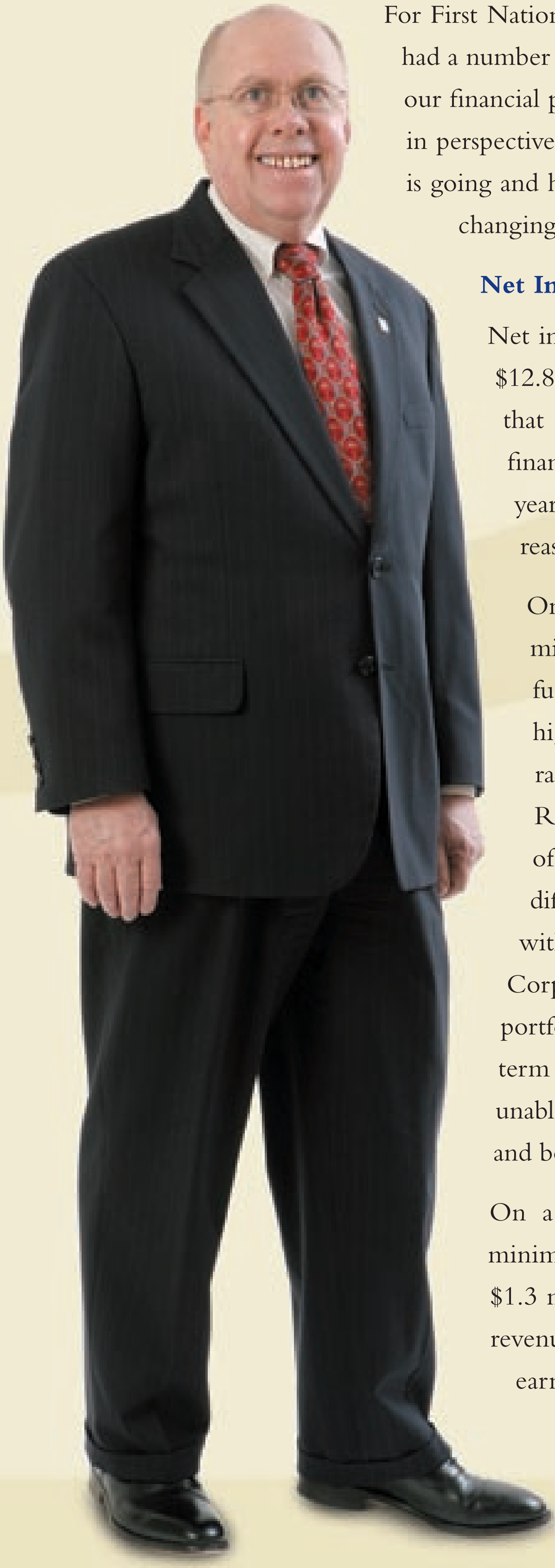
FNLC

First National Lincoln Corporation

ANNUAL REPORT 2006

First National Lincoln Corporation *is a $1.1 billion bank holding company headquartered in Damariscotta, Maine. Our banking and wealth management offices are charted along the rugged Maine coastline in fourteen communities from Wiscasset to Calais. FNLC's high-performance culture is built on a strong work ethic and is maintained by our unwavering focus on developing long-term relationships with our customers and our communities.*

Dear First National Lincoln Corporation Shareholder:



For First National Lincoln Corporation, 2006 was a year of mixed financial results. We had a number of very positive outcomes but also were disappointed with some areas of our financial performance. In my letter this year, I would like to put our performance in perspective and share with you my thoughts on the direction the banking industry is going and how First National Lincoln Corporation is positioned to flourish in this changing climate.

Net Income

Net income of $12.3 million was a decrease of $0.5 million compared to the $12.8 million earned in 2005. This is the first year since 1990 – 15 years ago – that the Company's earnings did not exceed the prior year. Our primary financial goal has been and continues to be to increase net income year over year. In 2006, however, we were unable to accomplish this for a number of reasons, some within our control and some outside of our power.

One of the leading contributions to the earnings reduction was a $1.0 million decline in net interest income. This was due to the cost of our funding – interest expense – increasing faster than our ability to offset these higher costs in interest income. One of the major reasons was the interest rate environment as the Federal Open Market Committee of the Federal Reserve continued to increase short-term interest rates for the first half of 2006. With the last rate increase in June 2006, the yield curve – the difference between short-term rates and long-term rates – became inverted with short-term rates exceeding long-term rates. For First National Lincoln Corporation, this was more acute than for other banks as over 50% of our loan portfolio is in residential real estate loans which are priced based on longer-term rates. With no meaningful increase in these longer-term rates, we were unable to offset the higher rates we had to pay for our certificates of deposit and borrowed funds which are primarily based on short-term rates.

On a positive note, we experienced good loan growth that helped to minimize the impact of the inverted yield curve. We also posted an impressive $1.3 million, or 14.1% increase in non-interest income, driven by enhanced revenues from our First Advisors wealth management division, as well as fees earned on deposit accounts.

One of the performance numbers I am especially proud of is the

$79,000 reduction we realized in operating expenses and the corresponding improvement in our efficiency ratio to 52.1%. I cannot overestimate the importance of keeping operating costs down, especially in a very challenging banking environment.

Loan Growth and Relationships

Total portfolio loan growth in 2006 was $65.8 million or 8.5%. At first glance this seems low compared to the average 15.2% loan increase First National Lincoln Corporation has posted in the past five years. Looking back over the year, however, and comparing ourselves to other Maine banks, we had a very good year, with one of the largest increases in both dollars and percentages of any of the publicly traded Maine-based banks. We cannot lose sight of the fact that our success is tied to the success of the Maine economy and the markets we serve. The Maine economy struggled somewhat in 2006, especially the housing sector, which is a major driver of growth for our loan portfolio. Even though residential mortgage rates remained low, reduced activity in the number of houses sold in our three largest markets resulted in lower volumes of mortgage loans. That, when combined with minimal mortgage refinancing activity, had a strong impact for us. Outside of the housing market, the economy along the Maine Coast was okay, but not as robust as in prior years. Given the impact of higher local and national energy costs, the increase in interest rates for business borrowers, and an overall concern about the direction of the economy, business expansion in 2006 was minimal throughout our markets.

Our focus as a Company was to work hard to expand and cement the relationships we have with our existing customer base and to win over others by demonstrating we will be their partner in both boom years and more challenging times. This philosophy is especially critical to the small businesses in Maine who need a bank that will try harder and find a way to help them meet their financial objectives. Although we are sharing a number of business success stories with you in this report, there are hundreds more that are not spoken about. Our primary focus in lending is to serve small businesses along the coast that are part of the industries crucial to the Maine economy and the vibrancy of our communities. These include the hospitality and retail businesses, the fishing industry, the boat building industry, health care providers such as the local hospitals and emergency medical services, the small manufacturing companies that are scattered all over Maine and the non-profits that are critical to all of our communities.

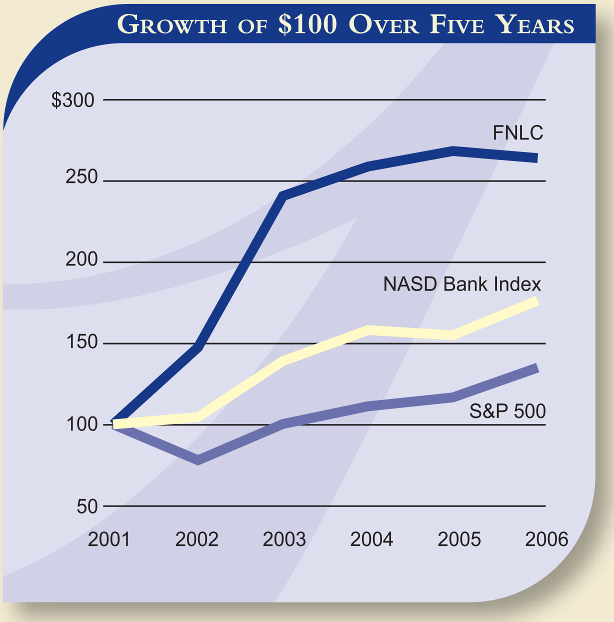
First National Lincoln Corporation and The First, N.A. are proud of the ties we have to these industries and to the communities we serve. In addition to providing financial services for these businesses in 2006, we donated to more than 400 non-profit organizations in the form of event sponsorships, cash donations and volunteerism.

FNLC Dividend History

Despite the decline in net income in 2006, the cash dividends declared continued to increase in each quarter of the year. This resulted in a 15% dividend increase compared to 2005 and 45 consecutive quarters of increases in the dividend over the past 11 years. The Company's Board of Directors and Management believe strongly in sharing a significant portion of earnings with our shareholders, which is reflected in the Company's divided payout ratio which has increased from 15.36% in 1994 to 48.8% in 2006. This dividend provides an excellent current return on your investment and is a good buffer against volatility in the market price of First National Lincoln Corporation stock.

FNLC Stock Performance

The performance of First National Lincoln Corporation stock has been disappointing for the last couple of years. In 2006, we saw a decline of $0.86 or 4.9%, with the closing price of $16.72 at December 31, 2006, compared to $17.58 at the end of 2005. Based on earnings per share of $1.25 and a closing price of $16.72, the price/earnings ratio as of year end 2006 was 13.4. This is low in comparison to other publicly traded banks, with trailing 12-month P/Es in the 15.0 to 18.0 range.



We remain optimistic that as First National Lincoln Corporation continues to show strong financial performance, our P/E will be more in line with the industry and the market price of the stock will adjust accordingly. Over the past five years, First National Lincoln Corporation shares have significantly outperformed the broad market S&P 500 as well as our industry specific NASD Bank Index with a compound annual return for FNLC of 21.44% versus 6.19% and 12.02% for the S&P 500 and the NASD Bank Index, respectively.

Banking Industry Trends for 2007 and Beyond

First National Lincoln Corporation and the banking industry as a whole experienced a number of changes in 2006 – most notably reduced net interest margins, increased competitive pressures, slower loan growth and a flat to inverted yield curve – and I feel these will continue in the future. The banking industry, as well as a lot of other industries in the United States, are at a point in their cycles that will test their traditional business models. The successful companies in the future will be those that prepare themselves for these changes and have the track record of making the strategic changes necessary to remain successful. At First National Lincoln Corporation we have been anticipating these changes occurring within the banking industry and are prepared to take the necessary steps to continue our long history of success as a true community bank serving the coast of Maine. We are refining our strategic focus and undertaking a comprehensive review of our business model and each of our profit centers and lines of business. We cannot just take for granted that a profitable line of business over the last decade will continue to be so over the next five to ten years.

We also are committed to maintaining our focus on expense control. As net interest margins shrink, successful banks will need to be even more efficient than they are today. At First National Lincoln Corporation we have a long history of operating efficiently, with an efficiency ratio as low as 48.3% in 2003. This ratio became higher over the last two years after our acquisition of FNB Bankshares, but at 52.1%, it is still one of the best in the country for banks our size. Over the next decade, I firmly believe that the ratio will have to be in the 45.0% to 48.0% range to offset continued declining margins. This will be very difficult for a lot of banks, but First National Lincoln Corporation is well ahead of most and has a very strong cost control culture that most of our peers and competitors view with envy.

As for the interest rate environment and the economy, we see a great deal of uncertainty in 2007. The Federal Reserve is carefully reviewing economic data to determine if inflation is still a threat or if the economy is weakening. The concern over inflation will likely result in the Fed not taking any action in the near future to reduce short-term interest rates. This would mean that the flat-to-inverted yield curve will remain for a majority of 2007, if not all year. On the other hand, a weakening economy with a weak job market and minimal threat of inflation will likely result in the Fed starting to slowly reduce interest rates.

The housing market also continues to be a concern, both nationally and in the State of Maine. Weaknesses are still being experienced in both sales of houses as well as in selling prices. Optimism exists by some, however, that we have hit the bottom and the housing market will improve in 2007. Hopefully in our markets we will see this positive change as the housing cycle improves. We are confident the cycle will repeat, as it always has, but as to when and how fast is still a big unknown at this point in time.

First National Lincoln Corporation is still very well situated and in a position of strength to take advantage of both an improving economy and a more favorable interest rate environment. With our fourteen branches serving the counties along the Maine coast, we see this footprint as being ideal for a Maine-based bank. The coastal communities are the most vibrant areas in the Pine Tree State and will continue to serve us well in the future. The Board and staff are committed to maintaining our history as a high-performing bank with a focus on serving all of our wonderful communities.

Very Truly Yours,

Daniel R. Daigneault
President & Chief Executive Officer

Rapid Response Required

Imagine for a moment that your community is suddenly without emergency medical services: you call 9-1-1, but no one comes to help you in your time of need. This was the situation that residents of Washington County, Maine faced when their private ambulance service provider abruptly ceased operations in 2001. Eastport City Manager George "Bud" Finch, who had worked with The First on a number of municipal financing projects, made a quick call to his lender Lou Esposito, and in a very short time the newly formed emergency medical authority had the financial backing to restore service to the people of Washington County.

Washington County Emergency Medical Service Authority (WCEMSA) has become a significant contributor to the local economy, with an annual payroll and operations budget of $1.2 million. In addition, the Authority has purchased nearly $1 million in ambulances and equipment to date, including two state-of-the art ambulance units in 2006 that were financed by The First.

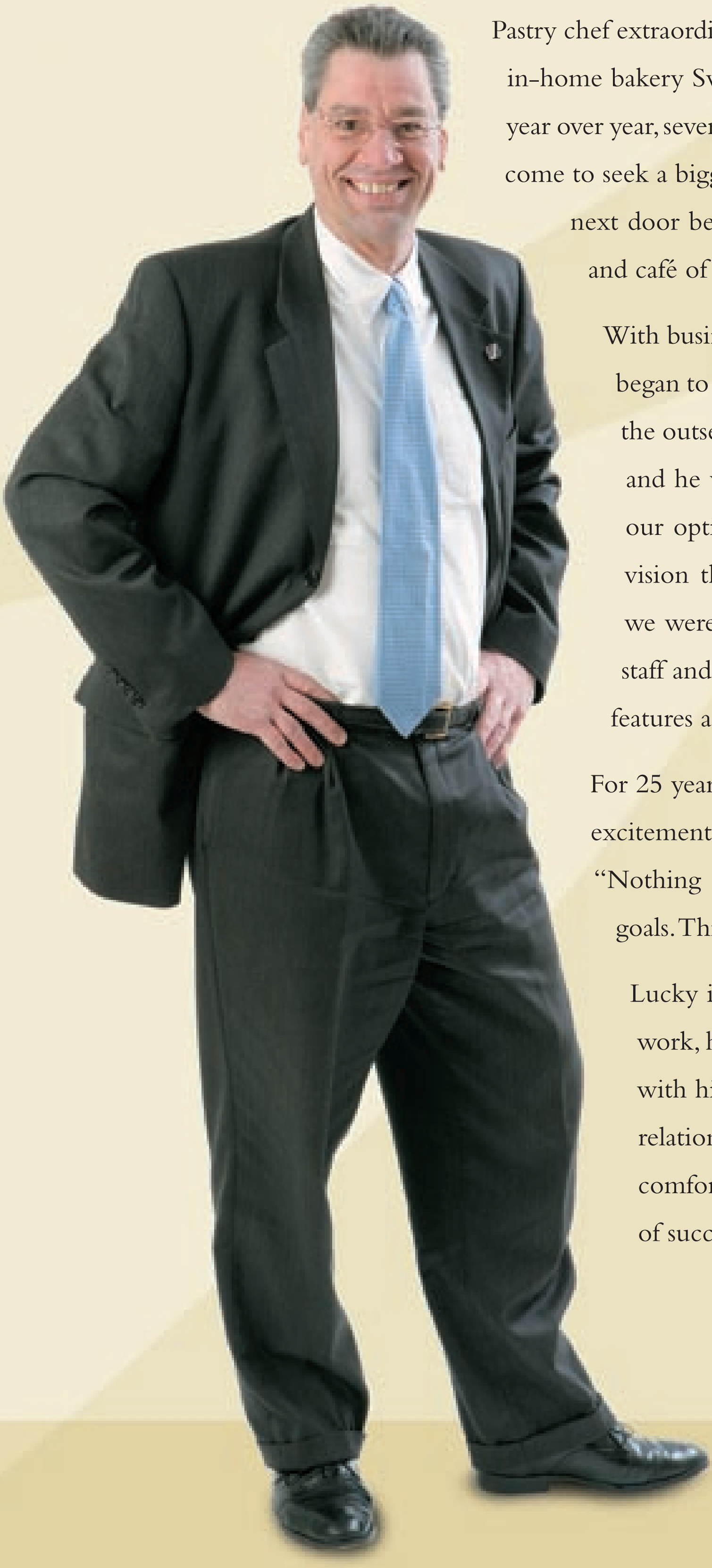
Finch, who also serves as chairman of the board for WCEMSA, describes his banking relationship with The First as "a true community partnership that provides a focused, single look at the health and welfare of our citizens." Finch adds, "In particular, our local banker Lou Esposito has gone the extra mile every time to make sure that our projects are first well founded and then well funded. I can openly and honestly say that this is the finest relationship I know between a bank and a small rural community."

Lou Esposito, the banker who came to the rescue, has enjoyed a thirty-year career in Washington County, the place he calls home. And, he knows that his community ties are made stronger through his work at The First. "When I see those ambulance lights flashing, I am reminded of the quick response we provided to get them up and running. It's a very rewarding feeling."

Lou Esposito
Vice President, Regional Manager, Senior Business Relationship Officer

Washington County Emergency Medical Service Authority

Operating under the name Downeast EMS, WCEMSA's staff of 46 EMTs, paramedics and drivers respond to nearly 2,000 emergency and transfer calls each year. Standing in front of one of their new ambulances (left to right) are EMTs Mark Cook, Tammy Pearson, Rose Smith, and Authority Chairman Bud Finch.



Sweet Dreams Do Come True

Pastry chef extraordinaire Steven Watts has welcomed customers to his Rockport in-home bakery Sweet Sensations for ten successful years. As his business grew year over year, several building additions were made; finally in 2006 the time had come to seek a bigger and better solution. As luck would have it, the land right next door became available, and soon Steve was designing the bakeshop and café of his dreams.

With business plan in hand, Watts and his business partner Keith Stone began to explore financing for their new venture, 3 Dogs Café. "From the outset, Steve Poulin at The First was willing to listen to our needs, and he was in constant communication with us while we explored our options. Most importantly, he shared the same enthusiasm and vision that we had for our project and saw the potential of what we were trying to create." The Café will employ fifteen year-round staff and seat up to 40 customers in a warm and relaxed setting that features a see-through stone hearth fireplace and wrap-around porch.

For 25 years, Steve Poulin's banking career has been punctuated by the excitement that customers feel as they embark on new business missions. "Nothing makes me happier than helping my customers reach their goals. This is what being a banker is all about."

Lucky is how Steve Watts describes himself these days. He loves his work, he's looking forward to reclaiming his home, and he is happy with his decision to partner with The First. "Bringing our banking relationship to The First was just good business. They made me feel comfortable and proud about taking my business to the next level of success." Yes, life is sweet.

Steve Poulin

Vice President, Senior Business Relationship Officer

3 Dogs Café

Steve Watts (left) and Keith Stone, owners, are flanked by the Café's namesake Labrador Retrievers. Watts' legendary line of French pastries, cookies and all-occasion cakes will be offered inside, along with an expanded menu of soups, sandwiches, ice cream, espresso and wine.

Harboring the Heart of a Community

Every community needs a place for young and old to gather, a place for all to be welcomed, engaged and inspired. For the residents of Southwest Harbor, Maine that place is Harbor House.

Founded in 1965 as a non-profit youth recreation program, Harbor House Community Center first opened its doors in a building constructed by volunteers from salvaged materials on donated land. As programs diversified and thrived over forty years, the humble beginnings were razed to make way for a new, state-of-the-art facility.

Originally, the trustees for Harbor House had envisioned a three-phase construction plan for the new community center. Mary Anne Griffin, President of the Board of Trustees, praises The First for encouraging a financing solution that allowed them to complete two phases of their project at once. "Tony McKim provided direction and a great deal of support in our quest to secure long-term financing through the United States Department of Agriculture's Rural Development program. His hands-on experience with non-profit organizations has been invaluable to us," states Griffin.

Tony McKim acknowledges that working with Harbor House is a win-win situation. "To partner with an organization that shares the same vested interest in the people of Mount Desert Island is a perfect match for The First. I was thrilled to guide the Harbor House trustees toward their very best financing solution."

In the fall of 2006, Harbor House welcomed residents into their beautiful new Children's Center and Community Room. Mary Ellen Martel, Children's Center Director, beams with pride as she speaks about the new space. "The window walls and radiant heating make our rooms so warm and inviting. We truly feel at home here." This is a sentiment echoed throughout Southwest Harbor.

Tony McKim
Executive Vice President, Chief Operating Officer

Harbor House Community Center

Mary Ellen Martel (center left) and Mary Anne Griffin share some playtime with the youngest participants of Harbor House. The Children's Center was the first occupant of the new 6,660 square foot building that opened in the fall of 2006.

Custom Built Partnership

Lyman Morse is a custom boat building yard with a long and distinguished history. In 2006, the owners approached The First with plans for an important expansion project to set them on course for a prosperous future.

"The banking team at The First was the most responsive to our needs, and they demonstrated flexibility with our financing terms," says Cabot Lyman, President. "Todd Savage made sure that the banking details were completed quickly, which allowed us to focus on the business of getting our new boatshop up and running before the end of the year."

Standing 55 feet tall, 140 feet wide and 160 feet long, the steel and shingle structure is currently the single largest custom boatbuilding shop in the State of Maine; an impressive sight along the banks of the St. George River in Thomaston. Inside, work hums along interactively on three floors, including a mezzanine level that allows for walk-on deck access to their boats in progress. "This building is all about volume and efficiency," explains JB Turner, Managing Partner. "We anticipate adding significantly to our workforce in early 2007 as a result of the contracts we can now schedule simultaneously." Equally impressive is the company's dedication to a healthy workspace, with state-of-the-art ventilation, circulation and air make-up systems providing a cleaner environment for all who work under this new roof.

Todd Savage shares some thoughts on the deeper meaning of this business partnership. "The roots of our bank date back to the heyday of coastal shipbuilding, so I am very proud to have the Lyman Morse name associated with The First. This is a company that has its sights set on the future, and I am looking forward to helping them get there."

Todd Savage

Vice President, Senior Business Relationship Officer

Lyman Morse Boatbuilding

Cabot Lyman (left) and his business partner, JB Turner, share a passion for the water and for custom-built boats. Together with their crew of marine craftsmen, they are building a new generation of grand-scale power boats, sailboats and catamarans under the roof of their new workshop.

A Major Player in the Marketplace

Perhaps the most visible financing success story of 2006 is that of the Breakwater Marketplace in Rockland, Maine. After years of sitting idly at the northern gateway to the city, the former factory has found new life as a campus host to a vital mix of businesses and professional services.

Carole Gartley, Owner and Building Manager for Breakwater Marketplace LLC, credits her teaching background and her banking team for helping her navigate through the hectic first year on the job. "My platform suddenly changed from classroom to construction site, and I had eight months to guide this epic transformation from factory to modern day office and retail space. Throughout my crash course in real estate management, I received great support from my banking team at The First. Charlie Wootton and his lending staff provided the calming encouragement that allowed me to maintain focus on getting the refitting stage done."

As the construction dust settled, a new buzz could be heard as business occupants took up residence. The building is anchored by Breakwater Bookland, the Hardcover Café, the Maine Department of Health and Human Services, the Maine Department of Labor, and an array of small businesses. The Knox County bureau of Village Soup and the University College of Rockland will move into the fourth floor in 2007. Gartley is proud to say that the building is home to nearly 300 working professionals.

Charlie Wootton says, "As the third largest bank in Maine, The First is adept at handling large financing projects such as Breakwater Marketplace. It is extremely rewarding to follow the progress of this real estate venture and know that we have helped pave the way for dynamic economic growth in our community."

Charlie Wootton

Executive Vice President, Senior Loan Officer

Breakwater Marketplace

Carole Gartley (far right) has assembled a diverse group of professionals to fill the 90,000 square foot Breakwater Marketplace in Rockland.

As President Daigneault noted, 2006 was a challenging year for First National Lincoln Corporation, and the Company's financial results tell two stories. On the one hand, an extremely difficult interest rate environment was the primary reason for earnings falling slightly short of 2005. On the other hand, earnings of $12.3 million for the year remain very respectable, especially when judged by return on tangible equity, which at 15.75% is well above the Bank's peer group average of 13.66%.

The interest rate policies and actions of the Federal Open Market Committee of the Federal Reserve (FOMC) had a significant impact on the Company's 2006 operating results. Between June of 2004 and June of 2006, the FOMC raised short-term rates by 4.25% in 17 consecutive moves, affecting the entire banking industry, not just FNLC. By the time the rate increases stopped in 2006, the yield curve was inverted, with short-term rates higher than long-term rates. This was significantly different than the positive, steeply sloped yield curve at the end of 2003, with a difference of nearly 4.00% between short-term and long-term rates. How the yield curve has changed from 2003 to 2006 can be seen in the chart on the opposite page.

The Balance Sheet

Total assets increased 6.0% or $62.7 million in 2006 from $1.04 billion at December 31, 2005, to $1.11 billion at December 31, 2006. Asset growth slowed in the third and fourth quarters of 2006, however, with loan demand at lower levels than the Company has experienced during prior years. This, in turn, has led to a higher level of competition for loans, sometimes with what is viewed to be irrational pricing from other lenders. The Company is committed, however, to remain disciplined in its approach, and will not chase loan volume if the pricing or associated level of interest rate risk and credit risk is not in the long-term best interest of the Bank and the Company.

The mix in our loan portfolio is substantially different than that of our peer group, with residential mortgage loans comprising 51.0% of total loans compared to the 20.8% average for our peers. This is representative of the lending opportunities available in the Bank's market area and Management's decision to retain a portion of residential mortgage origination in our portfolio instead of selling these loans to the secondary market. While this has resulted in a lower-yielding loan portfolio compared to peer, it also reflects a portfolio with a lower level of credit risk.

The Company's investment portfolio decreased 1.9% in 2006 to end the year at $180.5 million, compared to $184.0 million on December 31, 2005, although average investments of $192.2 million were $30.9 million or 19.2% higher in 2006 than in 2005. Because of the inverted yield curve, for much of the year the Company chose not to replace called securities since options available at the time did not fit with the Company's long-term objectives for the portfolio or presented an unfavorable amount of interest rate risk. The tax-equivalent yield of our investment portfolio compares extremely favorably to our peers, however, and at 5.77% is in the 92nd percentile compared to our peer group, which has a 4.71% average tax-equivalent yield.

Although the Company posted good growth in certificates of deposit from both local and wholesale sources, low-cost deposits (including checking and savings accounts) declined by $20.9 million or 7.5%. This was the result of a shift to higher-rate options available at the time. Total deposits increased $91.3 million or 12.8% from year end 2005 to year end 2006. At the same time, borrowed funds decreased $35.3 million or 16.4% in 2006 from $215.2 million to $179.9 million due to increases in wholesale deposits and a change in the Bank's liquidity strategy.

Asset Quality

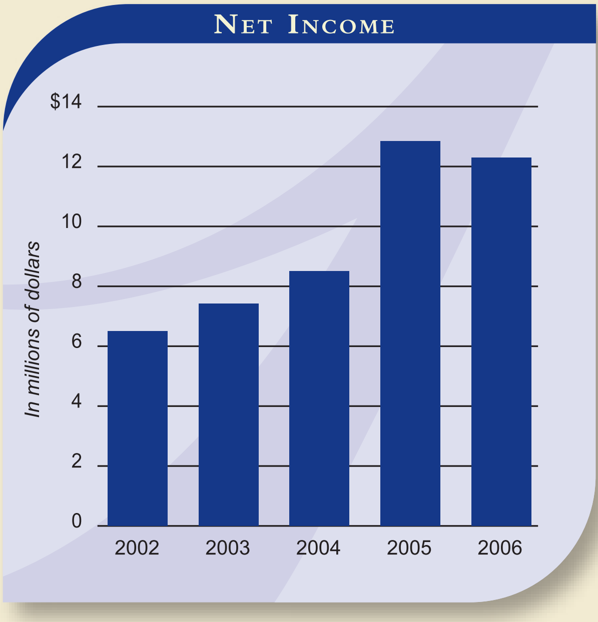
Delinquent loans were 1.50% of total loans at December 31, 2006, versus 1.17% at December 31, 2005. The increase was related to isolated circumstances involving a small number of borrowers, and the levels are within the normal range of delinquency rates for the Bank. In Management's opinion, there has been no pattern or trend of concern in non-performing assets. Chargeoffs as a percentage of loans outstanding were higher in 2006 than in 2005, although it remains historically low at 0.13% of total loans when compared to the 0.15% averaged over the past ten years. For the year ended December 31, 2006, the Bank's net chargeoffs were equal to the average for its peer group.

Operating Results

With an inverted yield curve and a shift in funding mix, the Company experienced margin compression in 2006, with its net interest margin declining from 3.84% in 2005 to 3.24% in 2006. When combined with lower levels of loan growth, the result was net interest income declining $1.0 million or 3.1% from the $31.6 million posted in 2005 to $30.6 million in 2006.

A positive factor in our 2006 results was non-interest income, which increased $1.3 million or 14.1% from $9.0 million in 2005 to $10.3 million in 2006. Wealth management and fiduciary income was up 15.7%, with assets under management increasing $20.9 million to $351.2 million at the end of 2006. At the same time, service charges on deposit accounts were up 12.9% and other operating income increased by 18.8%. While non-interest income posted strong gains in 2006, we aggressively sought to control operating expenses in 2006, with non-interest expense declining $79,000 or 0.4% from 2005. The decrease was primarily in salaries and employee benefits, with a lower payout in 2006 under the Company's Stakeholder bonus program due to the lower level of earnings in 2006 than in 2005. Savings were also realized on health insurance premiums in 2006 due to favorable claims experience.

The Company's provision to the allowance for loan losses increased $1.1 million in 2006, the result of a much lower level of provision necessary in 2005 than in 2006 to maintain the allowance at an adequate level. When compared to peers, the provision at 0.13% of average assets was lower than the peer's average of 0.16% of average assets. This is consistent with our lower level of allowance as a percentage of loans when compared to peer, since our adequacy calculation takes into account the higher level of residential mortgages, which typically carry a low level of credit risk.



Lower net interest income and a higher provision to the allowance for loan losses were the primary factors for the reduction in net income in 2006 compared to 2005, despite a strong increase in non-interest income and a slight decrease in non-interest expense. Net income for 2006 was $12.3 million – a 4.3% or $0.5 million decrease from net income of $12.8 million in 2005. Earnings per share on a fully diluted basis were $1.25, down $0.05 or 3.8% from the $1.30 reported for 2005.

Our cash dividend increased each quarter in 2006, and we paid out nearly half of our 2006 earnings in dividends to our shareholders. We continue to produce a return on tangible equity that is well above peer, and our improving efficiency ratio demonstrates our ability to control expenses during a difficult year. Although our performance has not been at the level we have achieved for a number of years, in Management's opinion it is very good considering current economic conditions and remains strong in comparison to our peers.

F. Stephen Ward
Executive Vice President & Chief Financial Officer

Selected Five-Year Financial Data

Dollars in thousands, except for per share amounts *Years ended December 31*	**2006**	2005	2004	2003	2002
Summary of Operations					
Interest Income	**$ 64,204**	$ 50,431	$ 30,528	$ 27,540	$ 22,154
Interest Expense	**33,589**	18,848	9,024	9,796	12,204
Net Interest Income	**30,615**	31,583	21,504	17,744	17,103
Provision for Loan Losses	**1,325**	200	880	907	1,323
Non-Interest Income	**10,306**	9,034	4,667	5,148	4,951
Non-Interest Expense	**22,439**	22,518	13,371	11,600	11,545
Net Income	**12,295**	12,843	8,509	7,427	6,507
Per Common Share Data					
Net Income					
Basic	**$ 1.25**	$ 1.32	$ 1.16	$ 1.02	$ 0.90
Diluted	**1.25**	1.30	1.14	1.00	0.88
Cash Dividends (Declared)	**0.61**	0.53	0.45	0.38	0.33
Book Value	**10.98**	10.52	7.18	6.57	5.89
Market Value	**16.72**	17.58	17.45	16.63	10.49
Financial Ratios					
Return on Average Equity	**11.63%**	12.98%	17.10%	16.39%	16.34%
Return on Average Tangible Equity	**15.75**	17.81	17.36	16.39	16.34
Return on Average Assets	**1.14**	1.36	1.41	1.41	1.39
Average Equity to Average Assets	**9.81**	10.44	8.22	8.58	8.49
Average Tangible Equity to Average Assets	**7.24**	7.61	8.27	8.58	8.49
Net Interest Margin (Tax-Equivalent)	**3.24**	3.84	3.93	3.73	4.00
Dividend Payout Ratio (Declared)	**48.80**	40.15	38.62	37.13	36.16
Allowance for Loan Losses/Total Loans	**0.76**	0.79	0.99	1.05	1.11
Non-Performing Loans to Total Loans	**0.42**	0.40	0.34	0.39	0.32
Non-Performing Assets to Total Assets	**0.32**	0.30	0.25	0.29	0.27
Efficiency Ratio (Tax-equivalent)	**52.12**	52.89	48.78	48.32	50.49
At Year End					
Total Assets	**$1,104,869**	$1,042,209	$634,238	$568,812	$494,068
Total Loans	**838,145**	772,338	478,332	398,895	332,074
Total Investment Securities	**180,549**	183,981	126,827	136,689	122,073
Total Deposits	**805,235**	713,964	369,844	359,077	334,224
Total Borrowings	**179,862**	215,189	207,206	157,822	113,365
Total Shareholders' Equity	**107,327**	103,452	52,815	47,718	42,695

	High	Low
Market price per common share of stock during 2006	$17.99	$16.39

Consolidated Balance Sheets

As of December 31	2006	2005
Assets		
Cash and cash equivalents	**$ 24,188,000**	$ 25,982,000
Securities available for sale	**44,815,000**	54,743,000
Securities to be held to maturity, fair value of $134,649,000 at December 31, 2006, and $128,563,000 at December 31, 2005	**135,734,000**	129,238,000
Loans held for sale	**460,000**	–
Loans	**838,145,000**	772,338,000
Less allowance for loan losses	**6,364,000**	6,086,000
Net loans	**831,781,000**	766,252,000
Accrued interest receivable	**6,140,000**	5,005,000
Premises and equipment, net	**15,845,000**	16,712,000
Other real estate owned	**1,144,000**	–
Goodwill	**27,684,000**	27,684,000
Other assets	**17,078,000**	16,593,000
Total assets	**$1,104,869,000**	$ 1,042,209,000
Liabilities		
Demand deposits	**$ 62,157,000**	$ 62,109,000
NOW deposits	**99,612,000**	109,124,000
Money market deposits	**137,163,000**	127,630,000
Savings deposits	**98,131,000**	109,615,000
Certificates of deposit under $100,000	**164,770,000**	125,741,000
Certificates of deposit $100,000 or more	**243,402,000**	179,745,000
Total deposits	**805,235,000**	713,964,000
Borrowed funds	**179,862,000**	215,189,000
Other liabilities	**12,445,000**	9,604,000
Total liabilities	**997,542,000**	**938,757,000**
Commitments and contingent liabilities (notes 13, 14 and 18)		
Shareholders' equity		
Common stock, one cent par value	**98,000**	99,000
Additional paid-in capital	**45,587,000**	47,718,000
Retained earnings	**61,298,000**	54,901,000
Accumulated other comprehensive income		
Net unrealized gain on securities available for sale, net of tax of $370,000 in 2006 and $373,000 in 2005	**696,000**	734,000
Net unrealized loss on postretirement benefit costs, net of tax benefit of $189,000	**(352,000)**	–
Total shareholders' equity	**107,327,000**	103,452,000
Total liabilities and shareholders' equity	**$1,104,869,000**	$ 1,042,209,000

Common stock		
Number of shares authorized	**18,000,000**	18,000,000
Number of shares issued	**9,770,792**	9,832,777
Number of shares outstanding	**9,770,792**	9,832,777
Book value per share	**$ 10.98**	$ 10.52

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Income

Years ended December 31	**2006**	2005	2004
Interest and dividend income			
Interest and fees on loans	**$54,585,000**	$42,623,000	$23,982,000
Interest on deposits with other banks	**64,000**	13,000	4,000
Interest and dividends on investments (includes tax-exempt income of $3,677,000 in 2006 $3,361,000 in 2005, and $1,802,000 in 2004)	**9,555,000**	7,795,000	6,542,000
Total interest and dividend income	**64,204,000**	50,431,000	30,528,000
Interest expense			
Interest on deposits	**25,804,000**	13,489,000	5,175,000
Interest on borrowed funds	**7,785,000**	5,359,000	3,849,000
Total interest expense	**33,589,000**	18,848,000	9,024,000
Net interest income	**30,615,000**	31,583,000	21,504,000
Provision for loan losses	**1,325,000**	200,000	880,000
Net interest income after provision for loan losses	**29,290,000**	31,383,000	20,624,000
Non-interest income			
Fiduciary and investment management income	**1,951,000**	1,686,000	874,000
Service charges on deposit accounts	**2,752,000**	2,438,000	1,177,000
Net securities gains	**18,000**	-	-
Mortgage origination and servicing income	**503,000**	616,000	419,000
Other operating income	**5,082,000**	4,294,000	2,197,000
Total non-interest income	**10,306,000**	9,034,000	4,667,000
Non-interest expense			
Salaries and employee benefits	**10,826,000**	11,099,000	7,071,000
Occupancy expense	**1,421,000**	1,395,000	850,000
Furniture and equipment expense	**2,124,000**	2,136,000	1,431,000
Amortization of core deposit intangible	**283,000**	271,000	-
Other operating expenses	**7,785,000**	7,617,000	4,019,000
Total non-interest expense	**22,439,000**	22,518,000	13,371,000
Income before income taxes	**17,157,000**	17,899,000	11,920,000
Income tax expense	**4,862,000**	5,056,000	3,411,000
Net income	**$12,295,000**	$ 12,843,000	$ 8,509,000

Earnings per common share			
Basic earnings per share	**$ 1.25**	$ 1.32	$ 1.16
Diluted earnings per share	**1.25**	1.30	1.14
Cash dividends declared per share	**0.61**	0.53	0.45
Weighted average number of shares outstanding	**9,816,307**	9,745,456	7,330,434
Incremental shares	**49,476**	114,751	149,721

The accompanying notes are an integral part of these consolidated financial statements

Directors and Management

BOARD OF DIRECTORS

Robert B. Gregory
Chairman of the Board

Daniel R. Daigneault
President & Chief Executive Officer

Tony C. McKim
Executive Vice President, Chief Operating Officer

Katherine M. Boyd

Randy A. Nelson

Carl S. Poole, Jr.

Mark N. Rosborough

Stuart G. Smith

David B. Soule, Jr.

Bruce B. Tindal

Directors of First National Lincoln Corporation also serve as Directors of The First, N.A.

EXECUTIVE OFFICERS

Daniel R. Daigneault
President & Chief Executive Officer

Tony C. McKim
Executive Vice President, Chief Operating Officer

F. Stephen Ward
Executive Vice President, Chief Financial Officer

Charles A. Wootton
Executive Vice President & Clerk

EXECUTIVE LEADERSHIP TEAM

Daniel R. Daigneault
President & Chief Executive Officer

Tony C. McKim
Executive Vice President, Chief Operating Officer

F. Stephen Ward
Executive Vice President, Chief Financial Officer

Charles A. Wootton
Executive Vice President, Senior Loan Officer

Richard M. Elder
Senior Vice President, Retail Services

Michael T. Martin
Senior Vice President, Credit Officer

Susan A. Norton
Senior Vice President, Human Resources & Compliance

Ronald J. Wrobel
Senior Vice President, Operations Officer

ADMINISTRATION

Jody L. Brown
Vice President, Credit Administration

John P. Quesnel
Vice President, Special Assets Manager

Cathryn A. Peterman
Assistant Vice President, Security & Branch Operations Officer

Amy M. Rollins
Assistant Vice President, Marketing Director

Thomas C. Bland
Accounting Manager

Eva-Marie Fleury
Collections Manager

Denise C. Griffin
Human Resources Officer

Jeanette M. Hayes
Mortgage Loan Underwriter

Deborah J. Wallace
Financial Analyst

Glory Ann West
Marketing Manager

OPERATIONS

Tammy L. Plummer
Vice President, Chief Technology Officer

Thomas M. Wilhelm
Vice President, Operations Officer

Terri L. Geroux
Assistant Vice President, Deposit Services Officer

Janett N. Muise
Assistant Vice President, Deposit Services Officer

John W. Bentley
Senior Network Administrator

Ann E. Greenleaf
Phone Center Manager

Patti J. Gwara
Data Processing Manager

Lucinda B. Leeman
Loan Processing Manager

Connie J. Miller
Loan Services Manager

BAR HARBOR OFFICE

Jeffrey C. Dalrymple
Senior Vice President, Senior Business Relationship Officer

Robert S. Wilson
Vice President, Senior Business Relationship Officer

Karri A. Bailey
Vice President, Business Relationship Officer

Marilyn E. Silocka
Vice President, Regional Manager, Branch Manager

Stephen H. Sprague
Vice President, Senior Mortgage Loan Officer

Kathleen R. Kief
Branch Supervisor

BLUE HILL OFFICE

Duane R. Crawford
Business Relationship Officer

Bonnie A. Marckoon
Branch Manager

BOOTHBAY HARBOR OFFICE

Brenda L. Blackman
Vice President, Business Relationship Officer

Tana J. Gamage
Branch Manager

CALAIS OFFICE

Louis J. Esposito
Vice President, Regional Manager,
Senior Business Relationship Officer

Marlene R. Parks
Branch Manager

CAMDEN OFFICE

Eric G. Belléy
Vice President, Business Relationship Officer

Bonnie L. Lash
Vice President, Senior Mortgage Loan Officer

Angela M. Sabins
Branch Supervisor

DAMARISCOTTA OFFICE

Kurt A. Maynard
Vice President, Senior Business Relationship Officer

Todd L. Savage
Vice President, Senior Business Relationship Officer

Barbara A. Wright
Vice President, Senior Mortgage Loan Officer

Sherry D. Smith
Assistant Vice President, Branch Manager

Dana J. Orenstein
Assistant Branch Manager

EASTPORT OFFICE

Tari L. Camick
Branch Manager

Gloria J. Harris
Business Relationship Officer

ELLSWORTH OFFICE

Lornie E. Smith
Vice President, Senior Business Relationship Officer

E. Ray Huntley
Vice President, Senior Business Relationship Officer

Gail C. Sargent
Branch Manager

NORTHEAST HARBOR OFFICE

Hannah E. Wilkinson
Branch Supervisor

ROCKLAND OFFICE

Petrea Allen
Vice President, Regional Manager, Mortgage Loan Officer

ROCKPORT OFFICE

Steven H. Poulin
Vice President, Senior Business Relationship Officer

Jennifer B. Stewart
Branch Manager

SOUTHWEST HARBOR OFFICE

Felice D. Janes
Branch Manager

WALDOBORO OFFICE

Tina P. O'Donnell
Vice President, Regional Manager,
Business Relationship Officer

Susan E. Blackler
Branch Manager

Angela M. Powell
Branch Supervisor

WISCASSET OFFICE

Lorna J. Weber
Assistant Vice President, Branch Manager

Monique C. McRae
Assistant Branch Manager

FIRST ADVISORS

Principals

Scott S. Hammond
Edythe A. Jordan
Steven K. Parady
Martin S. Snider
Kent A. Whitaker

Information for Shareholders

Common Stock Prices and Dividends
The common stock of First National Lincoln Corporation (ticker symbol FNLC) trades on the Nasdaq National Market System. The following table reflects the high and low prices of actual sales in each quarter of 2006 and 2005. Such quotations do not reflect retail mark-ups, mark-downs or brokers' commissions.

	2006		2005	
	High	*Low*	*High*	*Low*
1st Quarter	**$17.89**	**$17.10**	$19.00	$16.65
2nd Quarter	**17.72**	**16.45**	17.50	16.00
3rd Quarter	**17.99**	**16.62**	19.95	16.49
4th Quarter	**17.40**	**16.39**	20.40	17.24

The last known transaction of the Company's stock during 2006 was on December 31 at $16.72 per share. There are no warrants outstanding with respect to the Company's common stock, and the Company has no securities outstanding which are convertible into common equity. The table below sets forth the cash dividends declared in the last two fiscal years:

Date Declared	Amount Per Share	Date Payable
March 17, 2005	$0.125	April 29, 2005
June 16, 2005	$0.130	July 29, 2005
September 15, 2005	$0.135	October 28, 2005
December 15, 2005	$0.140	January 31, 2006
March 16, 2006	$0.145	April 28, 2006
June 15, 2006	$0.150	July 31, 2006
September 21, 2006	$0.155	October 31, 2006
December 21, 2006	$0.160	January 31, 2007

Pending Legal Proceedings
There are no material pending legal proceedings to which the Company or the Bank is the party or to which any of its property is subject, other than routine litigation incidental to the business of the Bank. None of these proceedings is expected to have a material effect on the financial condition of the Company or of the Bank.

Annual Meeting
The Annual Meeting of the Shareholders of First National Lincoln Corporation will be held Tuesday, April 24, 2007 at 11:00 a.m. at The Samoset Resort, 220 Warrenton Street, Rockport, Maine 04856.

Number of Shareholders
The number of shareholders of record as of February 14, 2007 was approximately 2,200.

Annual Report on Form 10-K
The Company's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission is available online at the Commission's website: www.sec.gov. Shareholders may obtain a written copy, without charge, upon written request to the address listed below.

Accessing Reports Online
First National Lincoln Corporation's press releases, SEC filings and other reports or information issued by the Company are available at: www.fnlc.com. In addition, all SEC filings are accessible at the Commission's website: www.sec.gov.

Corporate Headquarters
Contact:
F. Stephen Ward, Chief Financial Officer
First National Lincoln Corporation
223 Main Street, P.O. Box 940
Damariscotta, Maine 04543
207-563-3195; 1-800-564-3195

Transfer Agent
Shareholder inquiries regarding change of address or title should be directed to:
Shareholder Relations
First National Lincoln Corporation
223 Main Street, P.O. Box 940
Damariscotta, Maine 04543
207-563-3195; 1-800-564-3195

Independent Certified Public Accountants
Berry, Dunn, McNeil & Parker
100 Middle Street, P.O. Box 1100
Portland, Maine 04104-1100

Corporate Counsel
Pierce Atwood, Attorneys
One Monument Square
Portland, Maine 04101

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FNLC

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