



First National Lincoln Corporation

Board of Directors

Stuart G. Smith
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Daniel R. Daigneault
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Tony C. McKim
Randy A. Nelson
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David B. Soule, Jr.
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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

Corporate Counsel

Pierce Atwood
Portland, Maine

Independent Auditors

Berry, Dunn, McNeil & Parker
Portland, Maine

First National Lincoln Corporation
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Third Quarter 2007
Financial Results



First National Lincoln Corporation

October 31, 2007

Dear First National Lincoln Corporation Shareholder:

I am pleased to report the cash dividend for the third quarter of 2007 increased to \$0.175 per share from the \$0.170 per share declared in the second quarter of 2007. This results in an annualized dividend of \$0.70 per share and a dividend yield of 4.64% based on the closing price of \$15.08 on September 30, 2007. We continue to share our profits in the form of higher dividends for our shareholders, and we have now raised our dividend for 48 consecutive quarters.

The Company announced unaudited earnings per share for the quarter ended September 30, 2007 were \$0.35 on a fully diluted basis, up \$0.03 or 9.4% from the \$0.32 reported for the quarter ended September 30, 2006. Net income for the quarter ended September 30, 2007, was \$3,414,000, an increase of \$237,000 or 7.5% from the \$3,177,000 posted for the quarter ended September 30, 2006.

The Company also announced unaudited results for the first nine months of 2007, with earnings per share on a fully diluted basis of \$0.98, up \$0.04 or 4.3% from the \$0.94 reported for the first nine months of 2006. Net income year-to-date was \$9,613,000, an increase of \$288,000 or 3.1% from the \$9,325,000 posted for the same period in 2006.

The major force for our increase in earnings was net interest income, which was up \$419,000 or 5.4% over the same quarter last year and \$545,000 or 7.2% over the prior quarter. This was attributable to two factors. First, we saw excellent growth in earning assets during the third quarter, with total loans increasing \$14.5 million and investments increasing \$19.7 million from June 30, 2007. Second, our net interest margin improved from 3.07% in the second quarter to 3.11% in the third quarter. This was due to lower funding costs, with growth in low-cost deposits from normal seasonal inflows and a restructuring of a significant portion of our wholesale funding.

Expense control and reduction was the other driving force for our year-to-date and third-quarter performance. Non-interest expense for the first nine months of 2007 was \$16.6 million, \$150,000 or 0.9% lower than for the same period in 2006, with reductions in employee costs and occupancy expense. For the third quarter, non-interest expense was \$235,000 or 3.8% lower than for the third quarter of 2006, with the reduction in employee costs.

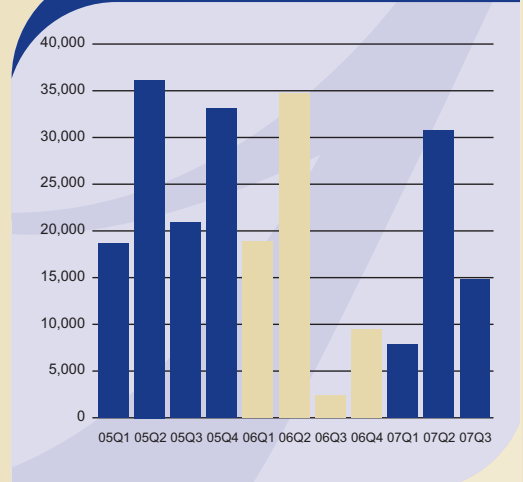
The one disappointment this quarter was our stock price, although it compares well to our industry. As of September 30, 2007, the KBW Regional Bank Index had a year-to-date total return of -9.67% while FNLC's total return was -7.06% for the same period. While bank stocks have significantly underperformed the market in 2007, we feel that FNLC's stock performance compared to peers is reflective of our results in relation to our industry.

On behalf of the Board of Directors and our employees, I thank you for your continued support in First National Lincoln Corporation and The First, N.A.

Very truly yours,

Daniel R. Daigneault
President & Chief Executive Officer

Loan Growth by Quarter



Consolidated Balance Sheets *(unaudited)*

<i>Dollars in thousands</i>	September 30, 2007	December 31, 2006	September 30, 2006
Assets			
Cash and due from banks	\$ 27,339	\$ 24,188	\$ 26,512
Securities available for sale	44,430	44,815	45,190
Securities to be held to maturity (fair value \$171,645 at September 30, 2007, \$134,649 at December 31, 2006, and \$133,015 at September 30, 2006)	175,425	135,734	133,764
Loans held for sale (fair value approximates cost)	1,313	460	-
Loans	891,675	838,145	828,539
Less allowance for loan losses	6,714	6,364	6,221
Net loans	884,961	831,781	822,318
Accrued interest receivable	7,360	6,140	6,677
Premises and equipment	15,526	15,845	15,697
Other real estate owned	625	1,144	1,413
Goodwill	27,684	27,684	27,684
Other assets	17,916	17,078	16,185
Total assets	\$ 1,202,579	\$1,104,869	\$ 1,095,440
Liabilities			
Demand deposits	\$ 72,597	\$ 62,157	\$ 68,455
NOW deposits	110,051	99,612	106,785
Money market deposits	114,620	137,163	143,600
Savings deposits	91,708	98,131	103,272
Certificates of deposit	311,773	164,770	178,164
Certificates \$100,000 and over	110,646	243,402	247,772
Total deposits	811,395	805,235	848,048
Borrowed funds	267,011	179,862	130,300
Other liabilities	12,068	12,445	10,428
Total liabilities	1,090,474	997,542	988,776
Shareholders' equity			
Common stock	98	98	98
Additional paid-in capital	45,926	45,587	45,958
Retained earnings	65,911	61,298	59,859
Net unrealized gains on available-for-sale securities	507	696	749
Net unrealized loss on postretirement benefits	(337)	(352)	-
Total stockholders' equity	112,105	107,327	106,664
Total liabilities & stockholders' equity	\$ 1,202,579	\$ 1,104,869	\$ 1,095,440
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	9,810,329	9,770,792	9,762,868
Book value per share	\$ 11.43	\$ 10.98	\$ 10.93
Allowance for loan losses/total loans	0.75%	0.76%	0.75%
Non-performing assets to total assets	0.15%	0.32%	0.34%

Consolidated Statements of Income *(unaudited)*

<i>Dollars in thousands</i>	For the nine months ended Sept. 30,		For the quarters ended Sept. 30,	
<i>except per share amounts</i>	2007	2006	2007	2006
Interest income				
Interest and fees on loans	\$ 44,959	\$ 40,164	\$ 15,554	\$ 14,253
Interest on deposits with other banks	-	61	-	61
Interest and dividends on investments	8,030	7,250	2,984	2,515
Total interest income	52,989	47,475	18,538	16,829
Interest expense				
Interest on deposits	22,661	18,539	7,792	7,486
Interest on borrowed funds	6,994	5,955	2,589	1,605
Total interest expense	29,655	24,494	10,381	9,091
Net interest income	23,334	22,981	8,157	7,738
Provision for loan losses	850	900	300	300
Net interest income after provision for loan losses	22,484	22,081	7,857	7,438
Other operating income				
Fiduciary income	1,345	1,447	389	474
Service charges on deposit accounts	2,059	2,054	659	704
Mortgage origination and servicing income	378	361	164	109
Other operating income	3,821	3,817	1,773	1,959
Total other operating income	7,603	7,679	2,985	3,246
Other operating expenses				
Salaries and employee benefits	8,153	8,207	2,819	3,037
Occupancy expense	1,089	1,058	341	301
Furniture and equipment expense	1,456	1,557	487	560
Amortization of identified intangibles	213	213	71	71
Other	5,691	5,717	2,282	2,266
Total other operating expenses	16,602	16,752	6,000	6,235
Income before income taxes	13,485	13,008	4,842	4,449
Applicable income taxes	3,872	3,683	1,428	1,272
Net income	\$ 9,613	\$ 9,325	\$ 3,414	\$ 3,177
Earnings per common share				
Basic earnings per share	\$ 0.98	\$ 0.95	\$ 0.35	\$ 0.32
Diluted earnings per share	0.98	0.94	0.35	0.32
Cash dividends declared	0.510	0.450	0.175	0.155
Closing market price per share	15.08	16.92	15.08	16.92
Financial ratios				
Return on average tangible equity ¹	15.71%	16.07%	16.29%	16.21%
Return on average assets ¹	1.13%	1.16%	1.15%	1.17%
Net interest margin tax-equivalent ¹	3.11%	3.29%	3.11%	3.28%
Dividend payout ratio	52.04%	47.37%	50.00%	48.44%
Efficiency ratio	50.96%	51.97%	51.28%	54.08%

¹Quarterly results have been annualized using a 365-day basis