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Robert B. Gregory
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Katherine M. Boyd
Daniel R. Daigneault
Tony C. McKim
Randy A. Nelson
Carl S. Poole, Jr.
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David B. Soule, Jr.
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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

Corporate Counsel

Pierce Atwood
Portland, Maine

Independent Auditors

Berry, Dunn, McNeil & Parker
Portland, Maine

First National Lincoln Corporation
P.O. Box 940, Damariscotta, Maine 04543
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Financial Results
First Quarter 2006



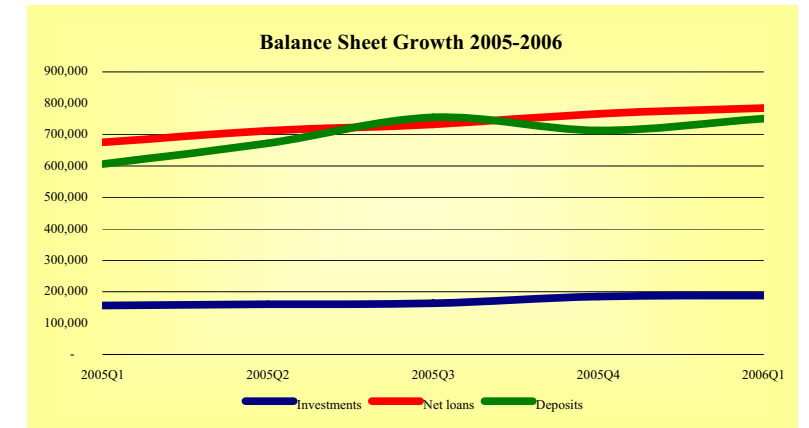
April 28, 2006

Dear First National Lincoln Corporation Shareholder:

I am pleased to report the cash dividend for the first quarter of 2006 is \$0.145 per share. This dividend is an increase over the \$0.14 per share declared in the fourth quarter of 2005. This first quarter dividend also represents an increase of 16.0% over the first quarter dividend declared in 2005 and is the 42nd consecutive quarter of dividend increases for First National Lincoln Corporation. On an annualized basis, the quarterly dividend of \$0.145 per share amounts to \$.58 per share.

The Company posted unaudited earnings of \$2,978,000 for the quarter ended March 31, 2006, a slight decrease of \$17,000 or 0.6% from the \$2,995,000 earned by FNLC in the first quarter of 2005. Earnings per share were \$0.30 on a fully diluted basis for the quarter, a decrease of \$0.01 compared to \$0.31 reported for the first quarter of 2005.

Under Generally Accepted Accounting Principles purchase accounting rules, results for the first quarter of 2005 do not fully reflect the impact of FNB Bankshares merger, which did not close until January 14, 2005. In order to present a more meaningful comparison, we have also calculated our results on a pro-forma basis which assumes the two companies were operating as one for the entire first quarter of 2005. Our first quarter net income of \$2,978,000 in 2006 was a \$158,000 or 5.6% increase over pro-forma net income of \$2,820,000 posted for the two companies for the first quarter of 2005.



While our first quarter results were not as strong as in previous years, in my view our long-term performance record remains excellent. As I have stated in the past, First National Lincoln Corporation focuses on the long-term and does not manage the Company on a quarter-to-quarter basis. The value of this strategy was once again affirmed by Keefe Bruyette and Woods, a full-service investment banking firm specializing in financial services companies, which named FNLC to its KBW Honor Roll for the second year in a row. This elite group includes banking institutions that have continually reported increases in earnings per share over the last decade, regardless of the economic environment. I am honored and pleased that our Company has once again been recognized for its outstanding long-term performance.

Thank you for your support and confidence in First National Lincoln Corporation.

Very truly yours,

Daniel R. Daigneault
President & Chief Executive Officer

Consolidated Balance Sheets *(unaudited)*

<i>Dollars in thousands</i>	March 31, 2006	December 31, 2005	March 31, 2005
Assets			
Cash and due from banks	\$ 21,052	\$ 25,982	\$ 22,206
Overnight Funds Sold	-	-	-
Investments:			
Available for sale	54,369	54,743	52,362
Held to maturity (market values \$131,610 at 3/31/06, \$128,563 at 12/31/05, and \$103,367 at 3/31/05)	133,560	129,238	103,820
Loans held for sale (fair value approximates cost)	-	-	-
Loans	791,315	772,338	682,668
Less allowance for loan losses	6,131	6,086	6,577
Net loans	785,184	766,252	676,091
Accrued interest receivable	6,096	5,005	5,032
Bank premises and equipment	16,516	16,712	17,000
Other real estate owned	498	-	-
Goodwill	27,684	27,684	27,960
Other assets	15,689	16,593	13,747
Total assets	\$ 1,060,648	\$1,042,209	\$ 918,218
Liabilities & stockholders' equity			
Demand deposits	\$ 58,526	\$ 62,109	\$ 54,443
NOW deposits	100,432	109,124	104,693
Money market deposits	118,670	127,630	114,191
Savings deposits	103,266	109,615	110,543
Certificates of deposit	152,174	125,741	114,093
Certificates \$100,000 and over	217,645	179,745	108,217
Total deposits	750,713	713,964	606,180
Borrowed funds	194,172	215,189	202,856
Other liabilities	11,184	9,604	9,467
Total liabilities	956,069	938,757	818,503
Shareholders' equity			
Common stock	100	99	100
Additional paid-in capital	47,430	47,718	49,398
Retained earnings	56,505	54,901	48,887
Net unrealized gains on available-for-sale securities	544	734	1,330
Treasury stock	-	-	-
Total stockholders' equity	104,579	103,452	99,715
Total liabilities & stockholders' equity	\$ 1,060,648	\$ 1,042,209	\$ 918,218
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	9,849,166	9,832,777	9,871,317
Book value per share	\$ 10.62	\$ 10.52	\$ 10.10
Allowance for loan losses/total loans	0.77%	0.79%	0.96%
Non-performing assets to total assets	0.38%	0.30%	0.27%

"FNLC was named to the KBW Honor Roll for the second year in a row. This elite group includes banking institutions that have continually reported increases in earnings per share over the last decade, regardless of the economic environment."

Consolidated Statements of Income *(unaudited)*

<i>Dollars in thousands except per share amounts</i>	For three months ended		For the quarters ended	
	March 31,		March 31,	
	2006	2005	2006	2005
Interest income				
Interest and fees on loans	\$ 12,507	\$ 9,085	\$ 12,507	\$ 9,085
Interest on deposits with other banks	-	-	-	-
Interest and dividends on investments	2,305	1,811	2,305	1,811
Total interest income	14,812	10,896	14,812	10,896
Interest expense				
Interest on deposits	5,119	2,212	5,119	2,212
Interest on borrowed funds	1,945	1,241	1,945	1,241
Total interest expense	7,064	3,453	7,064	3,453
Net interest income	7,748	7,443	7,748	7,443
Provision for loan losses	250	-	250	-
Net interest income after provision for loan losses	7,498	7,443	7,498	7,443
Other operating income				
Fiduciary income	496	400	496	400
Service charges on deposit accounts	622	487	622	487
Mortgage origination and servicing income	84	128	84	128
Other operating income	871	648	871	648
Total other operating income	2,073	1,663	2,073	1,663
Other operating expenses				
Salaries and employee benefits	2,662	2,626	2,662	2,626
Occupancy expense	374	350	374	350
Furniture and equipment expense	505	453	505	453
Amortization of identified intangibles	71	59	71	59
Other	1,822	1,418	1,822	1,418
Total other operating expenses	5,434	4,906	5,434	4,906
Income before income taxes	4,137	4,200	4,137	4,200
Applicable income taxes	1,159	1,205	1,159	1,205
Net income	\$ 2,978	\$ 2,995	\$ 2,978	\$ 2,995
Earnings per common share				
Basic earnings per share	\$ 0.30	\$ 0.32	\$ 0.30	\$ 0.32
Diluted earnings per share	0.30	0.31	0.30	0.31
Cash dividends declared	0.145	0.125	0.145	0.125
Closing market price per share	17.59	17.00	17.59	17.00
Financial ratios				
Return on average equity ¹	11.56%	13.23%	11.56%	13.23%
Return on average tangible equity ¹	15.74%	17.74%	15.74%	17.74%
Return on average assets ¹	1.15%	1.40%	1.15%	1.40%
Net interest margin tax-equivalent ¹	3.46%	3.99%	3.46%	3.99%
Average equity to average assets	9.92%	10.61%	9.92%	10.61%
Average tangible equity to average assets	7.29%	7.92%	7.29%	7.92%
Dividend payout ratio	48.33%	39.06%	48.33%	39.06%
Efficiency ratio	52.60%	51.37%	52.60%	51.37%

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