



First National Lincoln Corporation

Board of Directors

Stuart G. Smith
Chairman of the Board
Katherine M. Boyd
Daniel R. Daigneault
Robert B. Gregory
Tony C. McKim
Randy A. Nelson
Carl S. Poole, Jr.
Mark N. Rosborough
David B. Soule, Jr.
Bruce B. Tindal

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

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
207.563.3195



First Quarter 2008
Financial Results



First National Lincoln Corporation

April 30, 2008

Dear First National Lincoln Corporation Shareholder:

I am pleased to report the cash dividend for the first quarter of 2008 is \$0.185 per share, an increase over the \$0.180 per share declared in the fourth quarter of 2007. This first quarter dividend also represents an increase of 12.1% over the first quarter dividend declared in 2007 and is the 50th consecutive quarter of dividend increases for First National Lincoln Corporation. On an annualized basis, the quarterly dividend of \$0.185 per share amounts to \$.74 per share, and with the March 31, 2008 closing price of \$15.15 this results in a yield of 4.88%. This is a very strong current return, especially in this lower interest rate environment.

The Company posted unaudited first quarter earnings of \$3,591,000 an increase of \$588,000 or 19.6% over the \$3,003,000 posted in the first quarter of 2007. Earnings per share for the three months ended March 31, 2008 amount to \$0.37 on a fully diluted basis, up \$0.06 or 19.4% from the \$0.31 reported for the quarter ended March 31, 2007. This was an excellent quarter for the Company and is a great start for the year 2008.

The reduction in interest rates by the Federal Reserve during the fourth quarter of 2007 and the first quarter of 2008 has been very positive for FNLC, resulting in our funding costs dropping faster than the yield we earn on our loans and investments. This led to increased net interest income of \$1.3 million or 16.5% for the first quarter of 2008 compared to the same period in 2007.

In addition to the improved margins we also had strong growth in our investment and loan portfolios with investments increasing by \$11.1 million and loans increasing by \$13.7 million. Our loan quality continues to be very good with losses at a very low level and delinquencies, although up slightly, still at historically low levels. The investment portfolio continued to perform well as our conservative approach to investments, taking minimal credit risk, has served us admirably.

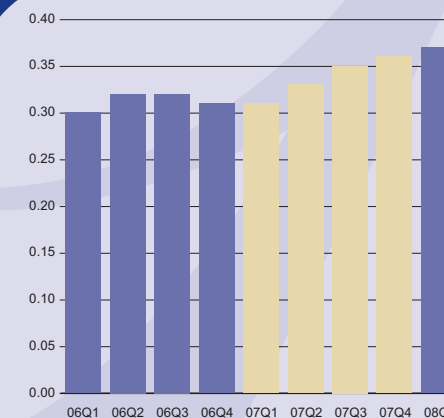
Finally I am pleased to report that the stock price of First National Lincoln Corporation increased by 3.48% in the first quarter from the year end 2007 closing price. This is especially encouraging given the continued decline in market price of most bank stocks.

All in all, it has been a very good start for 2008. Thank you for your continued support and confidence in First National Lincoln Corporation.

Very truly yours,

Daniel R. Daigneault
President & Chief Executive Officer

Earnings Per Share



Consolidated Balance Sheets *(unaudited)*

<i>Dollars in thousands</i>	March 31, 2008	December 31, 2007	March 31, 2007
Assets			
Cash and due from banks	\$ 15,837	\$ 17,254	\$ 21,103
Overnight funds sold	-	-	-
Securities available for sale	40,578	40,461	43,924
Securities to be held to maturity (fair value \$193,416 at March 31, 2008, \$181,132 at December 31, 2007 and \$133,474 at March 31, 2007)	192,300	181,354	134,466
Loans held for sale (fair value approximates cost)	2,281	1,817	584
Loans	933,814	920,164	846,190
Less allowance for loan losses	7,208	6,800	6,495
Net loans	926,606	913,364	839,695
Accrued interest receivable	7,273	6,585	7,202
Premises and equipment	16,250	16,481	15,670
Other real estate owned	1,558	827	1,144
Goodwill	27,684	27,684	27,684
Other assets	17,841	17,423	17,149
Total assets	\$ 1,248,208	\$1,223,250	\$ 1,108,621
Liabilities			
Demand deposits	\$ 57,008	\$ 60,637	\$ 53,128
NOW deposits	96,226	101,680	96,685
Money market deposits	127,360	124,033	140,465
Savings deposits	86,247	86,611	93,472
Certificates of deposit	329,833	301,364	182,890
Certificates \$100,000 and over	129,803	106,955	258,121
Total deposits	826,477	781,280	824,761
Borrowed funds	295,253	316,719	162,512
Other liabilities	12,867	12,583	12,548
Total liabilities	1,134,597	1,110,582	999,821
Shareholders' equity			
Common stock	97	97	98
Additional paid-in capital	44,309	44,762	45,693
Retained earnings	69,234	67,647	62,685
Net unrealized gains on available-for-sale securities	240	436	672
Net unrealized loss on postretirement benefit cost	(269)	(274)	(348)
Total stockholders' equity	113,611	112,668	108,800
Total liabilities & stockholders' equity	\$ 1,248,208	\$ 1,223,250	\$ 1,108,621
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	9,706,784	9,732,493	9,783,515
Book value per share	\$ 11.70	\$ 11.58	\$ 11.12
Allowance for loan losses/total loans	0.77%	0.74%	0.77%
Non-performing assets to total assets	0.27%	0.23%	0.20%

Consolidated Statements of Income *(unaudited)*

<i>Dollars in thousands</i>	<i>For the three months ended March 31, For the quarters ended March 31,</i>			
<i>except per share amounts</i>	2008	2007	2008	2007
Interest income				
Interest and fees on loans	\$ 15,292	\$ 14,462	\$ 15,292	\$ 14,462
Interest on deposits with other banks	-	-	-	-
Interest and dividends on investments	3,038	2,486	3,038	2,486
Total interest income	18,330	16,948	18,330	16,948
Interest expense				
Interest on deposits	6,439	7,229	6,439	7,229
Interest on borrowed funds	3,074	2,154	3,074	2,154
Total interest expense	9,513	9,383	9,513	9,383
Net interest income	8,817	7,565	8,817	7,565
Provision for loan losses	500	300	500	300
Net interest income after provision for loan losses	8,317	7,265	8,317	7,265
Other operating income				
Investment management and fiduciary income	390	503	390	503
Service charges on deposit accounts	682	659	682	659
Mortgage origination and servicing income	94	100	94	100
Other operating income	1,010	886	1,010	886
Total other operating income	2,176	2,148	2,176	2,148
Other operating expenses				
Salaries and employee benefits	2,925	2,712	2,925	2,712
Occupancy expense	411	379	411	379
Furniture and equipment expense	490	474	490	474
Amortization of identified intangibles	71	71	71	71
Other	1,552	1,614	1,552	1,614
Total other operating expenses	5,449	5,250	5,449	5,250
Income before income taxes	5,044	4,163	5,044	4,163
Applicable income taxes	1,453	1,160	1,453	1,160
Net income	\$ 3,591	\$ 3,003	\$ 3,591	\$ 3,003
Earnings per common share				
Basic earnings per share	\$ 0.37	\$ 0.31	\$ 0.37	\$ 0.31
Diluted earnings per share	0.37	0.31	0.37	0.31
Cash dividends declared	0.185	0.165	0.185	0.165
Closing market price per share	15.15	15.92	15.15	15.92
Financial ratios				
Return on average tangible equity ¹	17.47%	15.12%	17.47%	15.12%
Return on average assets ¹	1.18%	1.10%	1.18%	1.10%
Net interest margin tax-equivalent ¹	3.24%	3.16%	3.24%	3.16%
Dividend payout ratio	50.00%	53.23%	50.00%	53.23%
Efficiency ratio	46.97%	51.16%	46.97%	51.16%

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