



First National Lincoln Corporation

Board of Directors

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

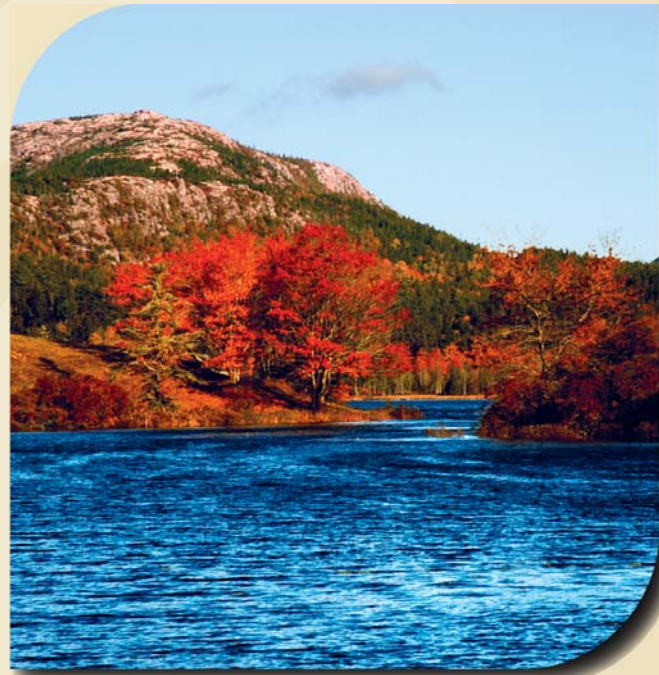
Independent Auditors

Berry, Dunn, McNeil & Parker
Portland, Maine

First National Lincoln Corporation
P.O. Box 940, Damariscotta, Maine 04543
207.563.3195



Third Quarter 2006
Financial Results



First National Lincoln Corporation

October 31, 2006

Dear First National Lincoln Corporation Shareholder:

I am pleased to report the cash dividend for the third quarter of 2006 increased to \$0.155 per share from the \$0.150 per share declared in the second quarter of 2006. This results in an annualized dividend of \$0.62 per share and a dividend yield of 3.66% based on the closing price of \$16.92 on September 30, 2006. We continue to share our profitability in the form of higher cash dividends for our shareholders, and the Company has now raised its dividend for 44 consecutive quarters and 13 consecutive years.

The Company recognized earnings per share of \$0.32 on a fully diluted basis for the quarter ended September 30, 2006, a decrease of \$0.02 or 5.9% from the \$0.34 reported for the same period in 2005. Net income for the quarter ended September 30, 2006, was \$3,177,000, down \$170,000 from the \$3,347,000 posted for the third quarter of 2005.

For the nine months ended September 30, 2006, the Company posted unaudited earnings of \$0.94 per share on a fully diluted basis, a decrease of \$0.02 or 2.1% from the \$0.96 reported for the same period in 2005. Net income for the nine months ended September 30, 2006, was \$9,325,000, a decline of \$152,000 or 1.6% from the \$9,477,000 posted for the first nine months of 2005.

The interest rate environment and the flat-to-inverted yield curve continue to present a challenge for the banking industry. This has caused our net interest margin for the nine months ended September 30, 2006, to decline to 3.29% on a tax-equivalent basis from 3.88% for the same period in 2005. Even though we have experienced loan growth of \$56.2 million or 7.3% year to date in 2006, net interest income declined by \$417,000 during the nine-month period due to margin compression.

While non-interest income increased by \$834,000 or 12.2% in the first nine months of 2006, the provision for loan losses increased by \$800,000 when compared to the same period in 2005. This additional provision is not indicative of a significant decline in loan quality – it was to maintain the allowance for loan losses at an adequate level given continued growth in our loan portfolio and our level of chargeoffs, which remains low. On a positive note, however, our operating expenses without the provision for loan losses declined by \$144,000.

Even though our earnings performance is down slightly for the year, we are still pleased with our overall returns which still continue to be strong in comparison to our peer banks.

Very truly yours,

Daniel R. Daigneault
President & Chief Executive Officer



Consolidated Balance Sheets *(unaudited)*

<i>Dollars in thousands</i>	September 30, 2006	December 31, 2005	September 30, 2005
Assets			
Cash and due from banks	\$ 26,512	\$ 25,982	\$ 29,507
Overnight funds sold	-	-	2,500
Securities available for sale	45,190	54,743	49,171
Securities to be held to maturity (fair value \$133,015 at September 30, 2006, \$128,563 at December 31, 2005, and \$114,098 at September 30, 2005)	133,764	129,238	114,268
Loans held for sale (fair value approximates cost)	-	-	40
Loans	828,539	772,338	739,597
Less allowance for loan losses	6,221	6,086	6,474
Net loans	822,318	766,252	733,123
Accrued interest receivable	6,677	5,005	4,759
Premises and equipment	15,697	16,712	16,987
Other real estate owned	1,413	-	-
Goodwill	27,684	27,684	27,960
Other assets	16,185	16,593	15,006
Total assets	\$ 1,095,440	\$1,042,209	\$ 993,321
Liabilities			
Demand deposits	\$ 68,455	\$ 62,109	\$ 66,792
NOW deposits	106,785	109,124	127,312
Money market deposits	143,600	127,630	119,419
Savings deposits	103,272	109,615	116,440
Certificates of deposit	178,164	125,741	140,450
Certificates \$100,000 and over	247,772	179,745	184,911
Total deposits	848,048	713,964	755,324
Borrowed funds	130,300	215,189	126,647
Other liabilities	10,428	9,604	9,506
Total liabilities	988,776	938,757	891,477
Shareholders' equity			
Common stock	98	99	99
Additional paid-in capital	45,958	47,718	47,806
Retained earnings	59,859	54,901	52,798
Net unrealized gains on available-for-sale securities	749	734	1,141
Total stockholders' equity	106,664	103,452	101,844
Total liabilities & stockholders' equity	\$ 1,095,440	\$ 1,042,209	\$ 993,321
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	9,762,868	9,832,777	9,827,356
Book value per share	\$ 10.93	\$ 10.52	\$ 10.36
Allowance for loan losses/total loans	0.75%	0.79%	0.88%
Non-performing assets to total assets	0.34%	0.30%	0.30%

Consolidated Statements of Income *(unaudited)*

<i>Dollars in thousands</i>	For nine months ended Sept. 30,		For the quarters ended Sept 30,	
<i>except per share amounts</i>	2006	2005	2006	2005
Interest income				
Interest and fees on loans	\$ 40,164	\$ 30,619	\$ 14,253	\$ 11,157
Interest on deposits with other banks	61	9	61	5
Interest and dividends on investments	7,250	5,701	2,515	1,976
Total interest income	47,475	36,329	16,829	13,138
Interest expense				
Interest on deposits	18,539	8,978	7,486	3,911
Interest on borrowed funds	5,955	3,953	1,605	1,238
Total interest expense	24,494	12,931	9,091	5,149
Net interest income	22,981	23,398	7,738	7,989
Provision for loan losses	900	100	300	-
Net interest income after provision for loan losses	22,081	23,298	7,438	7,989
Other operating income				
Fiduciary income	1,447	1,245	474	426
Service charges on deposit accounts	2,054	1,779	704	628
Mortgage origination and servicing income	361	481	109	106
Other operating income	3,817	3,340	1,959	1,794
Total other operating income	7,679	6,845	3,246	2,954
Other operating expenses				
Salaries and employee benefits	8,207	8,349	3,037	2,875
Occupancy expense	1,058	1,016	301	319
Furniture and equipment expense	1,557	1,564	560	529
Amortization of identified intangibles	213	200	71	71
Other	5,717	5,767	2,266	2,460
Total other operating expenses	16,752	16,896	6,235	6,254
Income before income taxes	13,008	13,247	4,449	4,689
Applicable income taxes	3,683	3,770	1,272	1,342
Net income	\$ 9,325	\$ 9,477	\$ 3,177	\$ 3,347
Earnings per common share				
Basic earnings per share	\$ 0.95	\$ 0.98	\$ 0.32	\$ 0.34
Diluted earnings per share	0.94	0.96	0.32	0.34
Cash dividends declared	0.450	0.390	0.155	0.135
Closing market price per share	16.92	19.25	16.92	19.25
Financial ratios				
Return on average tangible equity ¹	16.07%	17.79%	16.21%	18.16%
Return on average assets ¹	1.16%	1.37%	1.17%	1.37%
Net interest margin tax-equivalent ¹	3.29%	3.88%	3.28%	3.76%
Dividend payout ratio	47.37%	39.80%	48.44%	39.71%
Efficiency ratio	51.97%	53.31%	54.08%	54.64%

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