



First National Lincoln Corporation

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Tony C. McKim
Executive Vice President & Chief Operating Officer
F. Stephen Ward
Executive Vice President & Chief Financial Officer
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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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Fourth Quarter 2007
Financial Results



First National Lincoln Corporation

January 31, 2008

Dear First National Lincoln Corporation Shareholder:

I am pleased to report the cash dividend for the fourth quarter of 2007 is \$0.18 per share, an increase over the \$0.175 per share declared in the third quarter of 2007. This fourth quarter dividend also represents an increase of 12.5% over the fourth quarter dividend declared in 2006 and is the 49th consecutive quarter of dividend increases for First National Lincoln Corporation. On an annualized basis, the quarterly dividend of \$0.18 per share amounts to \$.72 per share and represents a yield of 4.92% based on the \$14.64 per share price as of December 31, 2007.

The Company posted record profits in 2007 with earnings per share on a fully diluted basis of \$1.34, up \$0.09 or 7.2% from the \$1.25 reported for the year ended December 31, 2006. Net income for 2007 was also a record at \$13,101,000, an increase of \$806,000 or 6.6% from the \$12,295,000 posted in 2006.

Results for the fourth quarter 2007 were very strong, with earnings per share on a fully diluted basis of \$0.36, up \$0.06 or 20.0% from the \$0.30 reported for the fourth quarter in 2006. Net income for the quarter ended December 31, 2007, was \$3,488,000, an increase of \$518,000 or 17.4% from the \$2,970,000 recorded in the quarter ended December 31, 2006. Both of these represent all-time highs for the Company.

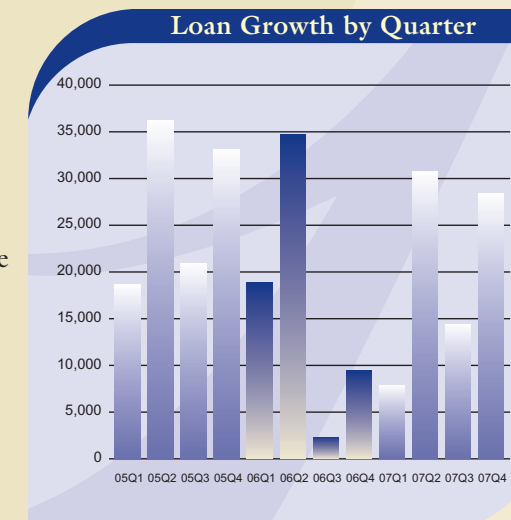
The driving force behind our improved performance was a strong increase in net interest income of \$1.2 million or 4.0% for 2007 compared to 2006. The growth in loans of \$82.0 million and investments of \$41.3 million were two of the primary reasons for this increase. At the same time, we took advantage of a declining rate environment to restructure our borrowed funds and lower our cost of funds, resulting in improved margins. We also remained focused on controlling operating expenses which showed a net decrease of \$256,000 for the year – an excellent accomplishment in a year of rising costs.

We were also successful in maintaining credit quality with the ratio of non-performing assets to total assets declining to 0.23% from the 0.32% level a year ago. First National Lincoln Corporation has not been involved in subprime mortgage lending and does not hold securities in its investment portfolio which are tied to subprime loans. Our focus is on booking good quality loans and controlling our interest costs to fund these loans.

All in all, 2007 was a very good year for the Company with a return to record profits and continued strong asset growth.

Very truly yours,

Daniel R. Daigneault
President & Chief Executive Officer



Consolidated Balance Sheets *(unaudited)*

| <i>Dollars in thousands</i> | December 31, 2007 | December 31, 2006 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and due from banks | \$ 17,254 | \$ 24,188 |
| Securities available for sale | 40,461 | 44,815 |
| Securities to be held to maturity (fair value \$181,132 at December 31, 2007 and \$134,649 at December 31, 2006) | 181,354 | 135,734 |
| Loans held for sale (fair value approximates cost) | 1,817 | 460 |
| Loans | 920,164 | 838,145 |
| Less allowance for loan losses | 6,800 | 6,364 |
| Net loans | 913,364 | 831,781 |
| Accrued interest receivable | 6,585 | 6,140 |
| Premises and equipment | 16,481 | 15,845 |
| Other real estate owned | 827 | 1,144 |
| Goodwill | 27,684 | 27,684 |
| Other assets | 17,423 | 17,078 |
| Total assets | \$ 1,223,250 | \$1,104,869 |
| Liabilities | | |
| Demand deposits | \$ 60,637 | \$ 62,157 |
| NOW deposits | 101,680 | 99,612 |
| Money market deposits | 124,033 | 137,163 |
| Savings deposits | 86,611 | 98,131 |
| Certificates of deposit | 301,364 | 164,770 |
| Certificates \$100,000 and over | 106,955 | 243,402 |
| Total deposits | 781,280 | 805,235 |
| Borrowed funds | 316,719 | 179,862 |
| Other liabilities | 12,583 | 12,445 |
| Total liabilities | 1,110,582 | 997,542 |
| Shareholders' equity | | |
| Common stock | 97 | 98 |
| Additional paid-in capital | 44,762 | 45,587 |
| Retained earnings | 67,647 | 61,298 |
| Net unrealized gains on available-for-sale securities | 436 | 696 |
| Net unrealized loss on postretirement benefits | (274) | (352) |
| Total stockholders' equity | 112,668 | 107,327 |
| Total liabilities & stockholders' equity | \$ 1,223,250 | \$ 1,104,869 |
| Number of shares authorized | 18,000,000 | 18,000,000 |
| Number of shares issued and outstanding | 9,732,493 | 9,770,792 |
| Book value per share | \$ 11.58 | \$ 10.98 |
| Allowance for loan losses/total loans | 0.74% | 0.76% |
| Non-performing assets to total assets | 0.23% | 0.32% |

Consolidated Statements of Income *(unaudited)*

| <i>Dollars in thousands</i> | For the years ended Dec. 31, | | For the quarters ended Dec. 31, | |
|---|------------------------------|-----------|---------------------------------|-----------|
| <i>except per share amounts</i> | 2007 | 2006 | 2007 | 2006 |
| Interest income | | | | |
| Interest and fees on loans | \$ 60,585 | \$ 54,585 | \$ 15,626 | \$ 14,421 |
| Interest on deposits with other banks | - | 64 | - | 3 |
| Interest and dividends on investments | 11,136 | 9,555 | 3,107 | 2,304 |
| Total interest income | 71,721 | 64,204 | 18,733 | 16,728 |
| Interest expense | | | | |
| Interest on deposits | 29,745 | 25,804 | 7,084 | 7,264 |
| Interest on borrowed funds | 10,140 | 7,785 | 3,146 | 1,829 |
| Total interest expense | 39,885 | 33,589 | 10,230 | 9,093 |
| Net interest income | 31,836 | 30,615 | 8,503 | 7,635 |
| Provision for loan losses | 1,432 | 1,325 | 582 | 425 |
| Net interest income after provision for loan losses | 30,404 | 29,290 | 7,921 | 7,210 |
| Other operating income | | | | |
| Fiduciary income | 1,737 | 1,951 | 393 | 504 |
| Service charges on deposit accounts | 2,740 | 2,752 | 681 | 698 |
| Mortgage origination and servicing income | 589 | 503 | 211 | 143 |
| Other operating income | 5,079 | 5,100 | 1,259 | 1,283 |
| Total other operating income | 10,145 | 10,306 | 2,544 | 2,628 |
| Other operating expenses | | | | |
| Salaries and employee benefits | 11,037 | 10,826 | 2,884 | 2,620 |
| Occupancy expense | 1,438 | 1,421 | 349 | 363 |
| Furniture and equipment expense | 1,944 | 2,124 | 488 | 567 |
| Amortization of identified intangibles | 283 | 283 | 71 | 71 |
| Other | 7,481 | 7,785 | 1,791 | 2,068 |
| Total other operating expenses | 22,183 | 22,439 | 5,583 | 5,689 |
| Income before income taxes | 18,366 | 17,157 | 4,882 | 4,149 |
| Applicable income taxes | 5,265 | 4,862 | 1,394 | 1,179 |
| Net income | \$ 13,101 | \$12,295 | \$ 3,488 | \$ 2,970 |
| Earnings per common share | | | | |
| Basic earnings per share | \$ 1.34 | \$ 1.25 | \$ 0.36 | \$ 0.30 |
| Diluted earnings per share | 1.34 | 1.25 | 0.36 | 0.30 |
| Cash dividends declared | 0.690 | 0.610 | 0.180 | 0.160 |
| Closing market price per share | 14.64 | 16.72 | 14.64 | 16.72 |
| Financial ratios | | | | |
| Return on average tangible equity ¹ | 15.89% | 15.75% | 16.39% | 14.80% |
| Return on average assets ¹ | 1.13% | 1.14% | 1.15% | 1.08% |
| Net interest margin tax-equivalent ¹ | 3.13% | 3.24% | 3.34% | 3.11% |
| Dividend payout ratio | 51.49% | 48.80% | 50.00% | 53.33% |
| Efficiency ratio | 50.16% | 52.12% | 45.88% | 52.44% |

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