

# A MESSAGE FROM THE PRESIDENT

Unaudited results for the first quarter of 2019 show net income before preferred stock dividends of \$1,848,000, an increase of 13% over the first quarter of 2018. Earnings per common share increased by 16.7% to \$0.49 per share. Positive factors for these solid results include expense control, increased net interest income, and good credit quality which allowed us to refrain from adding to our provision for loan losses. Although non-performing loans ticked up a bit from year-end 2018, management feels our reserve for loan losses is adequately funded at this time.

The enclosed balance sheet illustrates period-end loan balances dropping \$1.3 million year over year, and growing \$3.6 million since year end. While growth is modest, average balances tell a larger story. During the first quarter, average balances for outstanding loans totaled \$664.9 million, rising \$6.4 million over the first quarter average of last year and \$8.8 million over average loans in the fourth quarter of 2018. Lending opportunities have picked up during the first quarter of 2019. We are optimistic about loan growth going forward.

Year over year local deposit growth remained solid, increasing \$20.5 million or 3.9%. Local deposit growth outpaced both investment and loan growth, allowing wholesale funding to be paid down by \$17.6 million by quarter end. Local deposits are down from year-end mainly due to seasonality experienced within the portfolio.

Total assets stood at \$800,131,000 at the end of the first quarter. Total equity less preferred stock stood at \$62,944,000, increasing by \$6,015,000 over last year due to solid retained earnings and security appreciation. Tangible Book Value per Share stood at \$17.14 at quarter end, an increase of 13% over the same period in 2018.

Non-interest income slowed to \$987,000 during the first quarter, down \$151,000. In 2018 we received a non-recurring contract signing bonus in the first quarter which accounts for the reduction this year. We continue efforts to grow non-interest income through enhancing revenue sources. Non-Interest expense rose only 1.8% from the first quarter of 2018 and was down from the fourth quarter. We continue to try to streamline operations and keep a careful eye on expense growth.

Longer term rates have trended down over the first quarter as the Federal Reserve has made several public statements which cast doubt on their future plans. Many economists think rates have peaked and the next Fed move may be in a downward direction. Time will tell.

In late March we launched a new look to our website at [KatahdinTrust.com](http://KatahdinTrust.com). The site offers a responsive new design that is optimized for mobile devices along with improved navigation and online banking with a familiar feel. New features include a FAQ page, calculators and more. I encourage you to visit our site.

As we enter our 101st year, our commitment to community remains stronger than ever. In addition to our corporate contributions our employees continue to demonstrate their dedication to volunteering their time, talent and resources to a wide variety of worthwhile causes. For example, in the first quarter we have partnered with Junior Achievement of Maine, Jobs for Maine's Graduates and New Ventures Maine to mentor high school students and adults in financial literacy training and education. We are proud to participate in building skills that help offer a strong financial footing as they enter college, the workforce or pursue a small business venture.

Congratulations to several employees on well-deserved promotions: Katie Hill to Vice President, Bank Operations Manager; Natasha McCarthy to Vice President, Human Resources Director; Kate Goodwin to Vice President, Project Manager; Alison Gould to Assistant Vice President, Commercial Services Officer; and Brad Berthiaume to Senior Vice President, Financial Consultant at Katahdin Financial Services\*.

Katie joined Katahdin Trust in 2003 and oversees all bank operations for deposits, loans and electronic banking. Natasha began in 2009 and is responsible for developing and implementing human resource policies and procedures, the Bank's employee benefit package and culture of employee engagement. Kate started in 2010 and manages various Bank projects to continually increase overall productivity and profitability as well as oversees the training department. Alison first joined Katahdin Trust from 1993-1997. After raising her family she returned in 2007 and is now responsible for commercial lending in southern Aroostook County. Brad has been with Katahdin Financial Services since 2007. He specializes in professional money management, financial planning, stocks, bonds, mutual funds, annuities, life insurance, and long term care.

As always, if you have questions regarding the Company or this report, please don't hesitate to contact us.

Sincerely,



Jon J. Prescott  
President & CEO

\* Securities and insurance products are offered through Cetera Investment Services LLC, member FINRA/SIPC. Advisory services are offered through Cetera Investment Advisers LLC. Neither firm is affiliated with the financial institution where investment services are offered. Investments are: \*Not FDIC insured \*May lose value \*Not financial institution guaranteed \*Not a deposit \*Not insured by any federal government agency.

## DIRECTORS

Steven L. Richardson, Chairman  
Richard J. York, Vice Chairman  
Jon J. Prescott  
Robert E. Anderson  
Keith P. Bourgoin, CPA

Peter F. Briggs  
Richard B. Harnum, Jr.  
Marianna Putnam Liddell, Esq.  
Kimberley A. Niles  
Paul R. Powers

## SENIOR MANAGEMENT

Jon J. Prescott, President & CEO  
Bonnie C. Foster, Executive Vice President, Retail Services  
William P. Lucy, Executive Vice President, Commercial Services  
Matthew M. Nightingale, Executive Vice President, Treasurer & CFO  
Krista K. Putnam, Senior Vice President, Marketing

## LOCATIONS

### BRANCH OFFICES

<b>Ashland ATM</b> 17 Main Street 435-6461	<b>Fort Fairfield ATM</b> 290 Main Street 472-3161	<b>Oakfield ATM</b> 200 Oakfield Smyrna Rd 757-8288
<b>Bangor ATM</b> 609 Broadway 942-3146	<b>Fort Kent ATM</b> 79 West Main Street 834-2348	<b>Patten ATM</b> 11 Main Street 528-2211
<b>Bangor ATM</b> 52 Springer Drive 947-9674	<b>Hampden ATM</b> 57 Western Avenue 862-2211	<b>Presque Isle ATM</b> 6 North Street 764-8000
<b>Caribou ATM</b> 105 Bennett Drive 498-4200	<b>Houlton ATM</b> 65 North Street 532-4277	<b>Scarborough</b> 144 US Route One 510-7017
<b>Eagle Lake</b> 3440 Aroostook Road 444-5543	<b>Island Falls ATM</b> 1007 Crystal Road 463-2228	<b>Van Buren ATM</b> 29 Main Street, Ste.105 868-2728
	<b>Mars Hill ATM</b> 28 Main Street 429-8400	

### REMOTE ATM LOCATION

**Limestone ATM ONLY**  
35 Main Street, Limestone

### COMMERCIAL LOAN OFFICE

**Maine Financial Group** 885-5900  
144 US Route One, Scarborough



[KatahdinTrust.com](http://KatahdinTrust.com)

MEMBER FDIC EQUAL HOUSING LENDER

# 2019

FIRST QUARTER



# KATAHDIN BANKSHARES CORP.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

# SHAREHOLDER INFORMATION

## CONSOLIDATED STATEMENT OF CONDITION

(UNAUDITED)	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
<b>ASSETS</b>			
Cash & Due from Banks	\$ 12,133	\$ 17,376	\$ 11,897
Investments	96,784	96,319	86,605
Total Loans	664,123	660,475	665,407
Reserve for Loan Loss	(5,864)	(5,856)	(6,149)
Fixed Assets	10,435	10,558	11,083
Other Assets	22,520	24,247	24,413
<b>Total Assets</b>	<b>\$ 800,131</b>	<b>\$ 803,119</b>	<b>\$ 793,256</b>
<b>LIABILITIES</b>			
Deposits	\$ 647,701	\$ 657,074	\$ 628,023
Repurchase Agreements	—	—	110
Borrowings	66,419	59,201	83,224
Other Liabilities	13,090	15,787	15,087
Total Liabilities	\$ 727,210	\$ 732,062	\$ 726,444
<b>SHAREHOLDERS' EQUITY</b>			
Preferred Stock, Series D	\$ 9,977	\$ 9,953	\$ 9,883
Common Shareholders' Equity	64,242	63,080	59,290
Net Unrealized Appreciation (Depreciation) on Securities Available-for-Sale, Net of Tax	(507)	(1,255)	(2,030)
Net Unrealized Appreciation (Depreciation) on Derivative Investments at Fair Value, Net of Tax	186	256	226
Unearned ESOP Shares	(977)	(977)	(557)
Total Shareholders' Equity	\$ 72,921	\$ 71,057	\$ 66,812
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 800,131</b>	<b>\$ 803,119</b>	<b>\$ 793,256</b>
Letters of Credit	\$ 2,353	\$ 2,505	\$ 3,615

## CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	Ended Mar 31, 2019	For 3 Months Ended Dec 31, 2018	Ended Mar 31, 2018
Interest Income	\$ 8,690	\$ 8,644	\$ 7,875
Interest Expense	1,972	1,859	1,491
Net Interest Income	\$ 6,718	\$ 6,785	\$ 6,384
Less: Provision for Loan Losses	—	—	180
Net Interest Income After Provisions	\$ 6,718	\$ 6,785	\$ 6,204
Non-Interest Income	987	1,114	1,138
Non-Interest Expense	5,380	5,598	5,287
Net Operating Income	\$ 2,325	\$ 2,301	\$ 2,055
Less: Provision for Income Taxes	477	415	419
<b>Net Income</b>	<b>\$ 1,848</b>	<b>\$ 1,886</b>	<b>\$ 1,636</b>
Less: Dividends on Preferred Stock	219	219	219
<b>Net Income Available to Common Shareholders</b>	<b>\$ 1,629</b>	<b>\$ 1,667</b>	<b>\$ 1,417</b>
Earnings Per Common Share	\$ 0.49	\$ 0.50	\$ 0.42
Annualized Return on Average Assets	0.93%	0.94%	0.84%
Annualized Return on Average Common Equity	10.59%	11.02%	10.11%
Book Value Per Share at period end <sup>1</sup>	\$ 18.85	\$ 18.29	\$ 16.85
Tangible Book Value Per Share at period end <sup>2</sup>	\$ 17.14	\$ 16.59	\$ 15.16
Weighted Average Common Shares Outstanding <sup>3</sup>	3,339,734	3,345,012	3,361,298
Common Shares Outstanding period end	3,404,367	3,404,367	3,404,367
Adjusted Common Shares Outstanding period end <sup>4</sup>	3,339,734	3,339,734	3,361,298
Allowance for Loan Losses to period end Loans	0.88%	0.89%	0.92%
Non-Performing Loans to period end Loans <sup>5</sup>	1.10%	0.96%	1.08%
Non-Performing Assets to Total Assets <sup>6</sup>	0.91%	0.79%	0.95%

1) Common equity per common share. Book Value shall be calculated using Adjusted Common Shares Outstanding period end.

2) Tangible common equity per common share. Tangible Book Value shall be calculated using Adjusted Common Shares Outstanding period end.

3) Weighted Average Common Shares Outstanding less weighted average unallocated ESOP shares. Used for calculating Earnings per Common Share.

4) Adjusted Common Shares Outstanding are Common Shares Outstanding period end less unallocated ESOP shares period end. Since unearned ESOP shares are deducted from capital, this adjustment deducts the unallocated shares from shares outstanding for calculating book value and tangible book value.

5) Non-Performing loans consist of non-accrual loans and restructured loans, where applicable. Inclusive of any guaranteed portion of non-accrual loans.

6) Non-Performing assets consist of non-accrual loans, restructured loans, and foreclosed assets, where applicable. Inclusive of any guaranteed portion of non-accrual loans.

## SHAREHOLDER RELATIONS

Katahdin Bankshares Corp. and Katahdin Trust Company welcome shareholder and public interest in our services and activities. Questions or comments pertaining to this report and requests for other information should be directed to:

Matthew M Nightingale  
Executive Vice President, Treasurer & CFO  
PO Box 450 | Patten, ME 04765  
(207) 521-3200  
m.nightingale@katahdintrust.com

## STOCK

Katahdin Bankshares Corp. stock is quoted on the OTC Markets quote board OTCQX under the symbol KTHN. Current stock information can be found at: [www.otcm Markets.com/stock/KTHN/quote](http://www.otcm Markets.com/stock/KTHN/quote)

## TRANSFER AGENT

For shareholder inquiries regarding change of address or title, please contact:

Computershare Trust Company, N.A.  
PO Box 30170 | College Station, TX 77842-3170  
1-800-368-5948 (U.S. or Canada)  
1-781-575-4223 (outside the U.S. or Canada)  
[www.computershare.com/investor](http://www.computershare.com/investor)

## DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

Katahdin's transfer agent, Computershare Trust Company, N.A. ("Computershare"), sponsors and administers the Computershare Investment Plan (CIP) for Katahdin Bankshares Corp. Common Stock. This plan offers direct stock purchase and dividend reinvestment options and is available to current Katahdin Bankshares Corp. shareholders as well as new investors. For more information, you may contact Computershare.

