

# A MESSAGE FROM THE PRESIDENT

The first quarter of 2021 has begun positively. Net Income totaled \$2,374,000, exceeding the first quarter of 2020 by \$1,118,000. In addition to solid operating earnings, key profit improvements over 2020 included the following:

- Additional fee income derived from the Small Business Administration Paycheck Protection Program (PPP) loans totaling \$605,000.
- Overall solid credit quality results led to a first quarter provision for loan loss expense of \$135,000, a year over year decrease of \$425,000.
- Our staff continues their diligence in controlling operating expenses, which totaled \$5,832,000, an increase of 1.4% over the first quarter of last year.

Net interest income totaled \$7,493,000, growing \$749,000 over the first quarter of last year. Our larger balance sheet, coupled with PPP fee income, helped offset net interest margin reduction over the last year. Non-Interest Income totaled \$1,423,000, an increase of \$285,000 over the first quarter of 2020. This was achieved from a mix of improvements.

Turning to the Balance Sheet, Total Assets reached \$941.4 million on March 31st, 2021, an increase over last year of \$37.7 million. Total loans grew by \$54.2 million last year, reaching \$770.5 million. \$49.5 million consists of PPP loans that remained on the balance sheet as of quarter end. We were pleased to assist customers during the first quarter of 2021 to access \$21.2 million of second round PPP loans. The remaining \$28.3 million of first round PPP are in the process of forgiveness. Commercial loans (excluding PPP) increased \$18.9 million in the first quarter. Year over year, commercial loan categories are under 2020 by \$7.4 million. Consumer loans continued to grow. Year over year, consumer loan categories increased \$13.2 million, mostly consisting of real estate loan growth.

Credit quality has remained solid. Non-performing loans to period end loans totaled 0.58% compared to 0.84% at the end of the first quarter of 2020. Over the last 12 months, the Bank has worked with customers impacted by the COVID-19 pandemic. Nearly all borrowers that had been offered payment deferrals have returned to making payments. Past due balances remain low.

Deposit growth has remained strong. Year over year local deposit growth reached \$124.8 million. Total deposits reached \$815.9 million, an increase of \$77.5 million year over year, which included a net paydown of wholesale deposits by \$47.3 million. Additionally, total borrowings were paid down to \$11 million, a reduction of \$49.5 million from the first quarter last year. Deposit growth has come from a mix of government stimulus funds, additional customer savings over this timeframe, and new account generation. We continue to monitor deposit levels closely and are prepared to react as necessary should changes occur.

Total shareholders' equity stood at \$78.8 million at quarter end, an increase of \$10.4 million from the first quarter of 2020. Tangible book value per share at period end stood at \$22.08. Return on

average assets for the quarter totaled 1.03% and the return on average common equity reached 12.40%. During the first quarter, the Bank paid a quarterly dividend of \$0.125 per share representing an increase of 5.5% over the first quarter last year.

Our Annual Shareholders' Meeting will be held in a virtual-only format this year on Monday, May 3, 2021 at 10:30 AM EST. I encourage each shareholder to complete and return your proxy for this year's meeting. Your votes are important to the Company and voting can be done by mail, telephone, or online.

2021 marks our 103rd year as a local community bank helping our friends and neighbors reach their financial goals.

In mid-March, we were pleased to fully reopen all our sixteen branch locations after a year of limited in-person access. We continue to follow safety guidelines in the branch and focus on the well-being of our employees, customers, and the community. We appreciate everyone's support and patience over the past year.

I am pleased to announce the promotions of two senior management team members – Angela Butler and Krista Putnam to Executive Vice President. I value their leadership and expertise as we continue to grow the Bank, serve our local communities, and help our customers achieve their financial dreams.

Angela has more than 25 years of banking experience. She joined Katahdin in 2016 as Senior Vice President, Commercial Services Officer in Bangor and was promoted to Senior Vice President, Retail and Business Banking in 2019. Angela is responsible for the oversight of all 16 branch locations, retail lending, and business development.

Krista has more than 18 years of bank marketing experience, having joined Katahdin in 2003 as marketing assistant. She was most recently promoted to Senior Vice President, Marketing in 2018. Krista oversees all areas of marketing and advertising including communications, brand strategy, contributions, and public relations efforts. She also holds a Certified Financial Marketing Professional (CFMP) designation.

Thank you for your investment and continued support of Katahdin. As always, if you have questions regarding the Company or this report, feel free to contact us.

Sincerely,



Jon J. Prescott  
President & CEO

## DIRECTORS

**Steven L. Richardson**, Chairman  
**Richard J. York, Sr.**, Vice Chairman  
**Jon J. Prescott**  
**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  
**Angela T. Butler**, Executive Vice President, Retail and Business Banking  
**William P. Lucy**, Executive Vice President, Commercial Services  
**Matthew M. Nightingale**, Executive Vice President, Treasurer & CFO  
**Krista K. Putnam**, Executive Vice President, Chief Marketing Officer

## 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

### MAINE FINANCIAL GROUP

**Scarborough**  
144 US Route One  
885-5900



[KatahdinTrust.com](https://www.KatahdinTrust.com)

MEMBER FDIC EQUAL HOUSING LENDER



FIRST  
QUARTER

2021

# KATAHDIN BANKSHARES CORP.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

## SHAREHOLDER INFORMATION

### CONSOLIDATED STATEMENT OF CONDITION

(UNAUDITED)	Mar 31, 2021	Dec 31, 2020	Mar 31, 2020
<b>ASSETS</b>			
Cash & Due from Banks	\$ 25,080	\$ 56,941	\$ 29,412
Investments	111,645	95,973	124,702
Total Loans	770,504	746,593	716,312
Reserve for Loan Loss	(7,598)	(7,454)	(6,866)
Fixed Assets	11,804	9,946	10,325
Other Assets	30,005	35,008	29,822
<b>Total Assets</b>	<b>\$ 941,440</b>	<b>\$ 937,007</b>	<b>\$ 903,707</b>
<b>LIABILITIES</b>			
Deposits	\$ 815,870	\$ 809,024	\$ 738,385
Borrowings	11,038	13,041	60,549
Other Liabilities	35,696	38,740	36,288
Total Liabilities	\$ 862,604	\$ 860,805	\$ 835,222
<b>SHAREHOLDERS' EQUITY</b>			
Common Shareholders' Equity	\$ 78,149	\$ 75,965	\$ 68,930
Net Unrealized Appreciation on Securities Available-for-Sale, Net of Tax	918	2,120	1,685
Net Unrealized Appreciation (Depreciation) on Derivative Investments at Fair Value, Net of Tax	786	(1,043)	(1,296)
Unearned ESOP Shares	(697)	(697)	(834)
Unearned Comp—Restricted Stock	(320)	(143)	—
Total Shareholders' Equity	\$ 78,836	\$ 76,202	\$ 68,485
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 941,440</b>	<b>\$ 937,007</b>	<b>\$ 903,707</b>
Letters of Credit	\$ 2,700	\$ 2,889	\$ 2,133

### CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For 3 Months, Ended		
	Mar 31, 2021	Dec 31, 2020	Mar 31, 2020
Interest Income	\$ 8,538	\$ 9,820	\$ 8,952
Interest Expense	832	986	1,995
Senior Notes Interest Expense	213	214	213
Net Interest Income	\$ 7,493	\$ 8,620	\$ 6,744
Less: Provision for Loan Losses	135	250	560
Net Interest Income After Provisions	\$ 7,358	\$ 8,370	\$ 6,184
Non-Interest Income	1,423	1,376	1,138
Non-Interest Expense	5,832	5,804	5,752
Amortization of Investments in Limited Partnerships <sup>7</sup>	59	1,166	—
Net Operating Income	\$ 2,890	\$ 2,776	\$ 1,570
Less: Provision for Income Taxes <sup>7</sup>	516	(575)	314
<b>Net Income Available to Common Shareholders</b>	<b>\$ 2,374</b>	<b>\$ 3,351</b>	<b>\$ 1,256</b>
Earnings Per Common Share	\$ 0.72	\$ 1.01	\$ 0.38
Annualized Return on Average Assets	1.03%	1.42%	0.59%
Annualized Return on Average Common Equity	12.40%	17.82%	7.32%
Book Value Per Share at period end <sup>1</sup>	\$ 23.87	\$ 23.16	\$ 20.76
Tangible Book Value Per Share at period end <sup>2</sup>	\$ 22.08	\$ 21.43	\$ 19.04
Weighted Average Common Shares Outstanding <sup>3</sup>	3,301,449	3,299,905	3,317,812
Common Shares Outstanding period end	3,344,655	3,332,638	3,350,275
Adjusted Common Shares Outstanding period end <sup>4</sup>	3,302,168	3,290,151	3,297,739
Allowance for Loan Losses to period end Loans	0.99%	1.00%	0.96%
Non-Performing Loans to period end Loans <sup>5</sup>	0.58%	0.64%	0.84%
Non-Performing Assets to Total Assets <sup>6</sup>	0.48%	0.52%	0.68%

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.

7) The Bank invested in federal historic tax credits which were recognized as a reduction of federal tax expense. Amortization of the corresponding investment was accounted for in other expenses through Tax Investment Amortization Expense.

### 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 36 | Houlton, ME 04730  
(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.otcmart.com/stock/KTHN/quote](http://www.otcmart.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.

