

DEAR FELLOW SHAREHOLDERS,

Katahdin Bankshares Corp. and its subsidiary Katahdin Trust Company closed the fourth quarter of 2024 with several positive aspects, including continued loan growth, solid asset quality, core deposit growth, and a stabilizing net interest margin. While earnings results were lower than the prior year, the following outlines the key reasons contributing to this outcome.

Financial Highlights

Net income for 2024 totaled \$8,064,000, a decrease over the prior year of \$1,843,000. Year over year, net income was down mainly due to lower net interest income and increased operating expenses. Net interest income for 2024 was \$33,907,000, down 1.51% from 2023 full-year total. We increased non-interest income through higher loan fees and other revenue by \$432,000 or 9.08% year over year. Non-interest expense grew 6.9% over 2023 due to increased salaries, benefits, and other overall costs.

Fourth quarter net income fell \$510,000 from the prior quarter. While operating earnings grew in the fourth quarter of 2024 due to a widening net interest margin, we increased the allowance for credit losses and unfunded commitment liability, each of which is accomplished through added credit loss expense. Breaking that down, during the fourth quarter we added \$499,000 to the allowance for credit losses primarily for loan downgrades in two loan relationships, as well as a smaller portion for loan growth booked during the quarter. Additionally, due to a strong loan pipeline at year-end with signed commitments to lend to customers, we added \$170,000 to the unfunded commitment liability as of December 31, 2024. Overall, asset quality remains strong, and, in our opinion, the allowance is adequate for the present time.

As mentioned, our net interest margin rebounded in the second half of 2024, ending the year at 3.51%, an increase from the full year average of 3.36%. We are pleased with the increase and will strive to sustain it in 2025.

Total assets reached \$1,080,314,000, which was a 4.5% increase over 2023. Total loans for the full year increased \$25,559,000 or 3.2%, with 75% of the growth in the commercial portfolio.

Deposit balances for the year rose \$33,617,000, primarily reflecting an influx of \$42.2 million in local deposits during the fourth quarter 2024. While deposit levels tend to be seasonal in nature, we are pleased to see year-over-year deposits exceed loan growth for 2024.

Total shareholders' equity remains strong, keeping the Company well-capitalized for regulatory standards. As announced on

November 1, 2024, the Company offered to repurchase the outstanding \$14.5 million in Senior Notes. During the fourth quarter, the Company redeemed a total of \$12 million of the outstanding \$14.5 million. We expect that the remaining \$2.5 million will be redeemed at maturity in June 2026.

The board increased dividends to common shareholders again in 2024 by 15.1%, paying out a total of \$0.70 per share during the year. During the quarter, the Company purchased 9,383 shares at a price of \$24.00 per share under the 2024 stock buyback program. For 2025, the Board has approved a continuation of our stock buyback program, authorizing the purchase of up to \$1,000,000 of the Company's outstanding shares of common stock through the next 12 months. More information regarding the program can be found on our website.

For a more detailed analysis of 2024, please see our Annual Report, which will be available in early March.

Awards

I am proud to share that in 2024, Katahdin Trust was designated as one of the Best Places to Work in Maine – a testament to the incredible culture we've built together. This is the seventh straight year that we have received this honor. This award reflects the dedication of every employee who contributes to making Katahdin Trust a truly exceptional workplace.

Our Values & Mission

In alignment with our ongoing pursuit of excellence, I am excited to introduce our new mission to "approach each day with integrity and a commitment to better our team, customers, communities, and shareholders," anchored by our core values of commitment, integrity, service, and teamwork. We promise to employ our mission and values as the guiding principles for our behavior, decision-making, and interaction within the company, with our customers, and in the community.

Employee Spotlight

In October, we welcomed **Thomas Dwyer**, Assistant Vice President, Commercial Services Officer, to the Katahdin Trust family. He brings a wealth of commercial experience and a fresh perspective that will undoubtedly strengthen our team. Based at our Springer Drive office in Bangor, Tom assists with the development and service of commercial loan and banking relationships in the greater Bangor area.

Julie Winslow, Credit Control Officer, also joined our team last fall. She monitors and controls the collections function for all loan areas and branches. Julie identifies and resolves accounts to achieve the lowest delinquency rate possible

Continued on inside

SHAREHOLDER INFORMATION

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.otcmarkets.com/stock/KTHN/quote

TRANSFER AGENT

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

Computershare Trust Company, N.A.
Regular Mail:
PO Box 43006 | Providence, RI 02940-3006

Overnight Delivery:
150 Royall St., Suite 101 | Canton, MA 02021

1-800-368-5948 (U.S. or Canada)
1-781-575-4223 (outside the U.S. or Canada)
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.



2024

FOURTH QUARTER



KatahdinTrust.com

MEMBER FDIC EQUAL HOUSING LENDER

KATAHDIN BANKSHARES CORP.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

CONSOLIDATED STATEMENT OF CONDITION

(UNAUDITED)

	Dec 31, 2024	Sept 30, 2024	Dec 31, 2023
ASSETS			
Cash & Due from Banks	\$ 50,903	\$ 26,539	\$ 26,529
Investments	151,767	155,901	156,070
Total Loans	824,552	817,983	798,993
Allowance for Credit Losses	(8,298)	(7,873)	(7,975)
Fixed Assets	17,162	16,954	17,078
Other Assets	44,228	40,035	43,551
Total Assets	\$1,080,314	\$1,049,539	\$1,034,246
LIABILITIES			
Deposits	\$ 926,998	\$ 885,042	\$ 893,381
Borrowings	30,000	30,000	10,000
Other Liabilities	31,519	40,086	43,059
Total Liabilities	\$ 988,517	\$ 955,128	\$ 946,440
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity	\$ 101,989	\$ 101,039	\$ 96,471
Net Unrealized Appreciation (Depreciation) on Securities Available-for-Sale, Net of Tax	(13,027)	(8,919)	(11,995)
Net Unrealized Appreciation (Depreciation) on Derivative Investments at Fair Value, Net of Tax	3,440	3,003	3,958
Unearned ESOP Shares	(195)	(254)	(254)
Unearned Comp – Restricted Stock	(410)	(458)	(374)
Total Shareholders' Equity	\$ 91,797	\$ 94,411	\$ 87,806
Total Liabilities & Shareholders' Equity	\$1,080,314	\$1,049,539	\$1,034,246
Letters of Credit	\$ 4,006	\$ 4,022	\$ 4,170

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For 3 Months Ended			For 12 Months Ended	
	Dec 31, 2024	Sept 30, 2024	Dec 31, 2023	Dec 31, 2024	Dec 31, 2023
Interest Income	\$ 13,768	\$ 13,462	\$ 12,584	\$ 52,686	\$ 46,468
Interest Expense	4,570	4,798	3,576	17,903	11,187
Senior Notes Interest Expense	236	213	214	876	854
Net Interest Income	\$ 8,962	\$ 8,451	\$ 8,794	\$ 33,907	\$ 34,427
Credit Loss Expense (Benefit)	620	(96)	309	550	106
Net Interest Income after Credit Loss Expense (Benefit)	\$ 8,342	\$ 8,547	\$ 8,485	\$ 33,357	\$ 34,321
Non-Interest Income	1,245	1,348	1,202	5,189	4,757
Non-Interest Expense	7,385	7,118	6,730	28,608	26,769
Amortization of Investments in Limited Partnerships ⁷	97	32	59	194	236
Net Operating Income	\$ 2,105	\$ 2,745	\$ 2,898	\$ 9,744	\$ 12,073
Less: Provision for Income Taxes ⁷	350	480	568	1,680	2,166
Net Income Available to Common Shareholders	\$ 1,755	\$ 2,265	\$ 2,330	\$ 8,064	\$ 9,907
Earnings Per Common Share	\$ 0.55	\$ 0.71	\$ 0.73	\$ 2.53	\$ 3.08
Annualized Return on Average Assets	0.65%	0.86%	0.90%	0.77%	0.99%
Annualized Return on Average Common Equity	7.59%	9.69%	11.01%	8.96%	11.99%
Book Value Per Share at period end ¹				\$ 28.93	\$ 27.57
Tangible Book Value Per Share at period end ²				\$ 27.12	\$ 25.76
Weighted Average Common Shares Outstanding ³				3,184,704	3,217,650
Common Shares Outstanding period end				3,183,708	3,198,393
Adjusted Common Shares Outstanding period end ⁴				3,173,473	3,184,746
Allowance for Loan Losses to period end Loans				1.01%	1.00%
Non-Performing Loans to period end Loans ^{5,8}				0.23%	0.09%
Non-Performing Assets to Total Assets ^{6,8}				0.18%	0.07%

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.

8) As of January 1, 2023, the Company adopted ASU No. 2022-02 Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosures which eliminates the accounting guidance for troubled debt restructurings. Troubled debt restructured loans are included in the numbers for December 2023.

while maintaining positive customer relations. She is a Houlton native and has more than 30 years of experience in the legal field.

At the end of 2024, we celebrated the retirement of two valued team members, **David Cambridge** and **Lorraine Guiggey**. Dave retired after more than 26 years of service with us, most recently as Senior Vice President, Commercial Services Officer based in Presque Isle. Lorraine, who served as Retail Underwriter in Patten, concluded her remarkable 24-year career with us. Their contributions have been instrumental to our success, and we wish them all the best in this new chapter of their lives.

Community Commitment

Finally, as part of our commitment to making a meaningful difference, Katahdin Trust employees recently donated \$2,500 to support the Anah Temple Shriners and their myoelectric prosthetics program to help children with congenital and acquired limb deficiencies. Funds raised were part of the Bank's Casual Because We Care program - designed to help Katahdin Trust employees give back to their local communities while having fun at work.

Thank You

Looking ahead, I am confident that the foundation we have built—bolstered by our exceptional team, clear vision, and unwavering dedication to our mission—positions us for continued success. Thank you for your investment in and support of Katahdin Trust.

As always, your comments or questions are welcome. Feel free to contact us at any time.

Sincerely,



Jon J. Prescott
President & CEO