

# DEAR FELLOW SHAREHOLDERS,

Katahdin Bankshares Corp.'s financial performance remained solid and consistent for the third quarter of 2024. Our net interest margin remained relatively stable during the quarter, and, when combined with moderate growth and continued strong asset quality, it contributed to improved results compared to the second quarter.

Net income for the third quarter was \$2,265,000, increasing 13.2% from the quarter ended June 30, 2024, and down 12.3% or \$317,000 from the third quarter of 2023. Year to date, net income reached \$6,309,000, below last year by \$1,268,000 or 16.7%. The primary reason for the reduced income is a lower net interest margin compared to 2023, which has led to a decline in year-over-year net interest income.

Third quarter net interest income before credit loss expense increased by \$237,000 over the prior quarter, which is a positive development. Compared to 2023, net interest income is down \$129,000 for the third quarter and \$688,000 year to date. While we have maintained solid loan pricing and saw minimal loan growth in the third quarter totaling \$2,606,000, funding costs continued to put pressure on our margin. Reasons for increased funding costs include customers shifting from low-cost checking and savings accounts to higher-cost money markets and certificates of deposit. However, we were pleased that total deposits rose during the quarter by 2.96% or \$25,416,000.

Non-interest income declined slightly by \$73,000 from the second quarter; however, we saw year-over-year growth in this area by \$389,000 or 10.9%. Year to date, non-interest expense grew by \$1,184,000 or 5.9% over 2023. Succession planning expense, salary inflation, and health insurance usage are the main drivers of this increase. Management continues to balance our Company's long-term needs with the short-term costs associated with staffing.

Total assets increased \$10,978,000 during the third quarter, and \$32,027,000 year over year. Growth was primarily in loans across both our consumer and commercial portfolios.

We continued to experience strong asset quality and credit quality indicators remained solid. These factors provided positive benefits not only in the allowance for credit losses, but also in related areas, such as low collection costs and reduced management time spent on troubled loans.

The Company remains well-capitalized with total shareholders' equity of \$94,411,000 on September 30, 2024. For the nine months ended September 30, 2024, return on average assets was 0.81%, which is down year over year, and return on average equity stood at 9.43%. During the quarter, the Company paid a shareholder dividend totaling \$0.175 per share.

## Employee Spotlight

I would like to highlight the exceptional achievements of a few recently promoted employees.

**Blake Hamel** - Assistant Vice President, Commercial Services Officer. Blake works for our affiliate, Maine Financial Group, in Scarborough. He is responsible for servicing heavy equipment loans for northern New England's trucking, construction, forest products, and marine industries. Blake has been with the company for five years.

**Craig Robinson** - Vice President, Commercial Services Officer. Craig is based in Scarborough and is responsible for developing and servicing various business and individual loans in southern Maine. Craig has been with Katahdin Trust for three years.

**Sabra Scott** - Financial Consultant with Katahdin Financial Services\* (a service of Cetera Investment Services LLC, a registered broker-dealer and unaffiliated with Katahdin Trust Company). Sabra works with individuals and businesses throughout northern Maine, specializing in professional money management, financial planning, stocks, bonds, mutual funds, annuities, and IRAs. She has been with us since 2021.

**Patti Perry** - Accountant. Patti oversees escrow operations and provides financial reports and verification of general ledger accounts to the CFO and Controller. She is based in Houlton and has been with Katahdin Trust for five years.

In September, we welcomed **Michelle Ritcheson** as Senior Vice President, Senior Credit Officer. Michelle is based in Scarborough and is responsible for developing, implementing, and maintaining credit policies and procedures, and assessing and identifying risks on a transaction, relationship, and portfolio level.

I encourage you to join me in congratulating these outstanding team members.

# 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.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.  
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](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.



# 2024

## THIRD QUARTER



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

MEMBER FDIC EQUAL HOUSING LENDER

# KATAHDIN BANKSHARES CORP.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

## CONSOLIDATED STATEMENT OF CONDITION

(UNAUDITED)

	Sept 30, 2024	Jun 30, 2024	Sept 30, 2023
<b>ASSETS</b>			
Cash & Due from Banks	\$ 26,539	\$ 15,052	\$ 22,362
Investments	155,901	153,120	143,694
Total Loans	817,983	815,377	791,711
Allowance for Credit Losses	(7,873)	(8,029)	(7,665)
Fixed Assets	16,954	17,095	17,111
Other Assets	40,035	45,946	50,299
<b>Total Assets</b>	<b>\$1,049,539</b>	<b>\$1,038,561</b>	<b>\$1,017,512</b>
<b>LIABILITIES</b>			
Deposits	\$ 885,042	\$ 859,626	\$ 890,515
Borrowings	30,000	46,000	-
Other Liabilities	40,086	43,272	45,748
Total Liabilities	\$ 955,128	\$ 948,898	\$ 936,263
<b>SHAREHOLDERS' EQUITY</b>			
Common Shareholders' Equity	\$ 101,039	\$ 99,303	\$ 94,679
Net Unrealized Appreciation (Depreciation) on Securities Available-for-Sale, Net of Tax	(8,919)	(13,023)	(17,839)
Net Unrealized Appreciation (Depreciation) on Derivative Investments at Fair Value, Net of Tax	3,003	4,143	5,226
Unearned ESOP Shares	(254)	(254)	(406)
Unearned Comp – Restricted Stock	(458)	(506)	(411)
Total Shareholders' Equity	\$ 94,411	\$ 89,663	\$ 81,249
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$1,049,539</b>	<b>\$1,038,561</b>	<b>\$1,017,512</b>
Letters of Credit	\$ 4,022	\$ 4,022	\$ 3,416

## CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For 3 Months Ended			For 9 Months Ended	
	Sept 30, 2024	Jun 30, 2024	Sept 30, 2023	Sept 30, 2024	Sept 30, 2023
Interest Income	\$ 13,462	\$ 12,945	\$ 12,041	\$ 38,918	\$ 33,884
Interest Expense	4,798	4,517	3,248	13,333	7,611
Senior Notes Interest Expense	213	214	213	640	640
Net Interest Income	\$ 8,451	\$ 8,214	\$ 8,580	\$ 24,945	\$ 25,633
Credit Loss Expense (Benefit)	(96)	155	(125)	(70)	(203)
Net Interest Income after Credit Loss Expense (Benefit)	\$ 8,547	\$ 8,059	\$ 8,705	\$ 25,015	\$ 25,836
Non-Interest Income	1,348	1,421	1,187	3,944	3,555
Non-Interest Expense	7,118	7,026	6,713	21,223	20,039
Amortization of Investments in Limited Partnerships <sup>7</sup>	32	33	59	97	177
Net Operating Income	\$ 2,745	\$ 2,421	\$ 3,120	\$ 7,639	\$ 9,175
Less: Provision for Income Taxes <sup>7</sup>	480	420	538	1,330	1,598
<b>Net Income Available to Common Shareholders</b>	<b>\$ 2,265</b>	<b>\$ 2,001</b>	<b>\$ 2,582</b>	<b>\$ 6,309</b>	<b>\$ 7,577</b>
Earnings Per Common Share	\$ 0.71	\$ 0.63	\$ 0.81	\$ 1.98	\$ 2.35
Annualized Return on Average Assets	0.86%	0.78%	1.01%	0.81%	1.02%
Annualized Return on Average Common Equity	9.69%	9.16%	12.43%	9.43%	12.32%
Book Value Per Share at period end <sup>1</sup>				\$ 29.67	\$ 25.54
Tangible Book Value Per Share at period end <sup>2</sup>				\$ 27.87	\$ 23.72
Weighted Average Common Shares Outstanding <sup>3</sup>				3,184,175	3,230,187
Common Shares Outstanding period end				3,195,584	3,204,393
Adjusted Common Shares Outstanding period end <sup>4</sup>				3,181,937	3,181,190
Allowance for Credit Losses to period end Loans				0.96%	0.97%
Non-performing Loans to period end Loans <sup>5,8</sup>				0.19%	0.24%
Non-Performing Assets to Total Assets <sup>6,8</sup>				0.15%	0.21%

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 March 2023.

### Community Commitment

We are honored to be one of the lead donors contributing to the Tekakapimək Contact Station at the Katahdin Woods and Waters National Monument. This new facility supports the growing recreation economy in the Katahdin region, where we opened our first branch in Patten in 1918, bringing \$28 million into the local economy and providing jobs and opportunities for regional contractors, businesses, artisans, and Tribal members.

### Thank You

Thank you for your investment in and support of Katahdin Trust. If you would like to keep up on the latest bank news, I encourage you to connect and follow us on social media.

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

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. Cetera is not affiliated with the financial institution where investment services are offered. Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Advisor Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

**Investments: 1) Are not FDIC/NCUSIF insured 2) May lose value 3) Are not financial institution guaranteed 4) Are not a deposit 5) Are not insured by any federal government agency.** Cetera registered offices: 12 North Street, Presque Isle, ME 04769 and 65 North Street, Houlton, ME 04730