

DEAR FELLOW SHAREHOLDERS,

As we reflect on the second quarter of 2025, we are pleased to share another chapter of growth, resilience, and continued progress at Katahdin Trust. Your confidence and ongoing support remain the foundation upon which we build our success, and we extend a heartfelt thanks to all of you who joined us at this year's Annual Shareholders' Meeting. Your engagement and questions reflect a shared vision that inspires us every day.

Financial Performance Highlights

Second quarter financial performance was strong. For the quarter, net income was \$2,524,000, an increase of 6.1% over the first quarter of 2025, and 26.1% over the second quarter of 2024. Net income for the first six months of 2025 totaled \$4,904,000, an increase of \$860,000 or 21.3% over the period ended June 30, 2024. Pre-tax, pre-provision income year to date totaled \$5,863,000 or 19.2% over the same period in 2024. This indicates a strong increase in operating earnings.

Net interest income was the main driver of the increase, totaling \$18,618,000 through June 30, 2025, rising from \$16,494,000 during the same period in 2024. This was the result of an expanding net interest margin. The Bank experienced loan growth of \$31,169,000 over the past year, at acceptable yields. Though loans contracted slightly during the second quarter of 2025 compared to the first quarter, we continue to actively search for growth from both existing customers and new prospects and expect to see meaningful results in the months ahead.

Deposit growth had a major positive impact on our net interest margin, with balance levels exceeding expectations across all categories. Local customer deposits funded all loan growth. Deposits ended the quarter at \$929,860,000, higher than in the second quarter of 2024 by \$70,234,000. \$66.7 million of our deposit growth resulted from a combination of new and expanding customer relationships, while the remaining increase represented changes in our wholesale funding levels. We are pleased with the deposit growth, and it remains a major goal of our business development efforts.

Through June 30, 2025, non-interest income exceeded last year by \$204,000 or 7.9%. Non-interest income was off from the linked quarter by \$256,000 across several categories. Non-interest expense was down slightly from the first quarter of 2025 but rose 10.3% year-over-year. Approximately 65% of the increased year over year non-interest expenses are

related to salary and benefit costs, with the balance stemming from various other operational cost increases.

Our net interest margin stood at 3.63% on June 30, 2025. Return on average assets was 0.91%, while return on average common equity was solid at 10.50%.

Asset quality remained strong throughout the first six months of 2025, and management estimates our allowance for credit losses is appropriate.

The Company remains well-capitalized and paid a dividend of \$0.2025 per share during the second quarter, an increase of 15.7% over the same quarter in 2024. There were no share repurchases under the Stock Buyback Program during the quarter. More information regarding our Stock Buyback Program can be found on our website.

We are pleased with these results and look to build on them as we continue through 2025.

Employee Spotlight

We recently hosted a company-wide celebration to bring together nearly 140 employees from across our footprint for an evening of recognition, laughter, and shared purpose. Events like these not only boost morale but reinforce the sense of unity that drives our mission forward.

Congratulations to **Annette Beaton**, who received the 2024 Commitment to Community Top of the Mountain Award for her outstanding volunteer work in the Houlton community. Her efforts exemplify the deep compassion and civic responsibility that define our culture.

Investing in Our Communities

As part of our commitment to community enrichment, this quarter we participated and made meaningful contributions toward affordable housing:

- **Down Payment Assistance Programs**, promoting homeownership and offering financial assistance to qualified individuals who are purchasing their first home.
- **Housing New England-Fund VI** (HNE Fund VI), supporting the demand for safe, high-quality, and accessible housing for families and individuals across the region.

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

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.



2025

SECOND QUARTER



Continued on inside

KatahdinTrust.com

MEMBER FDIC EQUAL HOUSING LENDER

KATAHDIN BANKSHARES CORP.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

CONSOLIDATED STATEMENT OF CONDITION

(UNAUDITED)

	Jun 30, 2025	Mar 31, 2025	Jun 30, 2024
ASSETS			
Cash & Due from Banks	\$ 29,001	\$ 20,635	\$ 15,052
Investments	159,640	155,591	153,120
Total Loans	846,546	853,086	815,377
Allowance for Credit Losses	(8,307)	(8,523)	(8,029)
Fixed Assets	17,147	16,942	17,095
Other Assets	43,178	42,944	45,946
Total Assets	\$1,087,205	\$1,080,675	\$1,038,561
LIABILITIES			
Deposits	\$ 929,860	\$ 925,581	\$ 859,626
Borrowings	30,000	30,000	46,000
Other Liabilities	31,611	30,451	43,272
Total Liabilities	\$ 991,471	\$ 986,032	\$ 948,898
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity	\$ 105,571	\$ 103,666	\$ 99,303
Net Unrealized Appreciation (Depreciation) on Securities Available-for-Sale, Net of Tax	(11,670)	(11,134)	(13,023)
Net Unrealized Appreciation (Depreciation) on Derivative Investments at Fair Value, Net of Tax	2,592	2,934	4,143
Unearned ESOP Shares	(195)	(195)	(254)
Unearned Comp – Restricted Stock	(564)	(628)	(506)
Total Shareholders' Equity	\$ 95,734	\$ 94,643	\$ 89,663
Total Liabilities & Shareholders' Equity	\$1,087,205	\$1,080,675	\$1,038,561
Letters of Credit	\$ 3,439	\$ 3,547	\$ 4,022

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For 3 Months Ended			For 6 Months Ended	
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2024	Jun 30, 2025	Jun 30, 2024
Interest Income	\$ 13,948	\$ 13,638	\$ 12,945	\$ 27,586	\$ 25,456
Interest Expense	4,468	4,427	4,517	8,895	8,535
Senior Notes Interest Expense	36	37	214	73	427
Net Interest Income	\$ 9,444	\$ 9,174	\$ 8,214	\$ 18,618	\$ 16,494
Credit Loss Expense (Benefit)	(145)	(36)	155	(181)	26
Net Interest Income after Credit Loss Expense (Benefit)	\$ 9,589	\$ 9,210	\$ 8,059	\$ 18,799	\$ 16,468
Non-Interest Income	1,272	1,528	1,421	2,800	2,596
Non-Interest Expense	7,747	7,808	7,026	15,555	14,105
Amortization of Investments in Limited Partnerships ⁷	-	-	33	-	65
Net Operating Income	\$ 3,114	\$ 2,930	\$ 2,421	\$ 6,044	\$ 4,894
Less: Provision for Income Taxes ⁷	590	550	420	1,140	850
Net Income Available to Common Shareholders	\$ 2,524	\$ 2,380	\$ 2,001	\$ 4,904	\$ 4,044
Earnings Per Common Share	\$ 0.79	\$ 0.75	\$ 0.63	\$ 1.54	\$ 1.27
Annualized Return on Average Assets	0.93%	0.89%	0.78%	0.91%	0.79%
Annualized Return on Average Common Equity	10.68%	10.32%	9.16%	10.50%	9.30%
Book Value Per Share at period end ¹				\$ 30.19	\$ 28.19
Tangible Book Value Per Share at period end ²				\$ 28.39	\$ 26.38
Weighted Average Common Shares Outstanding ³				3,174,378	3,185,613
Common Shares Outstanding period end				3,181,474	3,194,370
Adjusted Common Shares Outstanding period end ⁴				3,171,239	3,180,723
Allowance for Credit Losses to period end Loans				0.98%	0.98%
Non-performing Loans to period end Loans ⁵				0.20%	0.19%
Non-Performing Assets to Total Assets ⁶				0.15%	0.15%

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.

We believe that our success is intrinsically tied to the prosperity of the communities we serve, and we are honored to give back in ways that create lasting impact.

Thank You

Thank you once again for your trust and partnership. We are excited about what lies ahead and remain dedicated to our mission to approach each day with integrity and a commitment to better our team, customers, communities, and shareholders.

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

Sincerely,

Jon J. Prescott
President & CEO