

DEAR FELLOW SHAREHOLDERS,

Katahdin Bankshares Corp. and its subsidiary, Katahdin Trust Company, delivered consistent results during the third quarter of 2025, somewhat above the second quarter of 2025 and well ahead of the same period of 2024.

Net income for the third quarter was \$2,659,000, increasing \$135,000 over the linked quarter and \$394,000 over the same period in 2024. Year to date, net income reached \$7,563,000, above last year's total for nine months, by 19.9%. The primary reason for the increased income is a strong increase in our net interest margin coupled with moderate loan growth and very good deposit growth.

Third quarter net interest income before credit loss expense increased \$382,000 over the second quarter, which is very positive. Compared to 2024, net interest income rose \$1,375,000 for the third quarter. Year to date, net interest income grew by \$3,499,000 to \$28,444,000. We have maintained solid loan pricing which, coupled with lower funding costs, led to an increase in net interest income.

Non-interest income remained at relatively stable levels, increasing year over year by \$230,000 year to date. Non-interest expense increased \$1,929,000 over last year. 59% of this increase was due to higher salaries and benefits.

Total assets rose slightly during the third quarter, ending at \$1,090,558,000. Year over year, total assets increased 3.9%. Loan growth for the quarter was minimal and grew 4.0% year over year. Loan growth took place in both commercial and consumer lending. Our pipeline as we advance into the fourth quarter is somewhat stronger, and we expect business development efforts to pay dividends over the long term.

Deposits continued to increase during the quarter, with the most important growth in local customer deposits. Year over year, deposits grew \$48,477,000. That included local deposit growth of \$54,981,000, or 6.8%, before paying off certain wholesale deposits. Our data indicates that nearly half of the growth can be attributed to new relationships, and the remainder from balance increases within our customer base. Deposit

growth has contributed significantly to our lower cost of funds, alleviating the need for higher cost alternatives.

Our non-performing asset ratio increased to 0.57% of total assets, as a result of an increase in non-accrual loans in the quarter of approximately \$4.6 million. Two relationships make up for this increase.

As we have written in the past, troubled assets have been at historic lows. We anticipate that over time, indicators could move back to a more normalized number. We're working to swiftly resolve any issues that surface and feel that our allowance for loan loss is adequate.

For the nine months ending September 30, 2025, return on average assets stood at 0.93%, while return on average equity was 10.57%. In September, the Company paid a dividend of \$0.2025 per share. The Company remains well capitalized with total shareholders' equity of \$100,655,000 on September 30, 2025. There were no shares purchased this quarter through the stock buyback program. More information regarding the program can be found on our website.

Employee Spotlight

Over the last few months, we were proud to recognize the outstanding contributions of several team members through well-deserved promotions, achievements, and retirements across the Bank.

- **Joe Clukey** announced his retirement after 34 years of service in Presque Isle effective October 31, 2025.
- **Michaela King** was promoted to Branch Manager of our Scarborough branch.
- **Ruba Haddad** earned her Certified Financial Marketing Professional (CFMP) designation.
- **Sue Fox** was promoted to Vice President, Appraisal and Credit Administration Manager.
- **Vickey Tilley** retired after 27 years of service in Accounts Payable.

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

THIRD 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)

	Sept. 30, 2025	June 30, 2025	Sept. 30, 2024
ASSETS			
Cash & Due from Banks	\$ 24,040	\$ 29,001	\$ 26,539
Investments	165,500	159,640	155,901
Total Loans	850,685	846,546	817,983
Allowance for Credit Losses	(8,545)	(8,307)	(7,873)
Fixed Assets	17,000	17,147	16,954
Other Assets	41,878	43,178	40,035
Total Assets	\$ 1,090,558	\$ 1,087,205	\$ 1,049,539
LIABILITIES			
Deposits	\$ 933,519	\$ 929,860	\$ 885,042
Borrowings	30,000	30,000	30,000
Other Liabilities	26,384	31,611	40,086
Total Liabilities	\$ 989,903	\$ 991,471	\$ 955,128
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity	\$ 107,588	\$ 105,571	\$ 101,039
Net Unrealized Appreciation (Depreciation) on Securities Available-for-Sale, Net of Tax	(8,550)	(11,670)	(8,919)
Net Unrealized Appreciation (Depreciation) on Derivative Investments at Fair Value, Net of Tax	2,324	2,592	3,003
Unearned ESOP Shares	(195)	(195)	(254)
Unearned Comp – Restricted Stock	(512)	(564)	(458)
Total Shareholders' Equity	\$ 100,655	\$ 95,734	\$ 94,411
Total Liabilities & Shareholders' Equity	\$ 1,090,558	\$ 1,087,205	\$ 1,049,539
Letters of Credit	\$ 3,321	\$ 3,439	\$ 4,022

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For 3 Months Ended			For 9 Months Ended	
	Sept. 30, 2025	June 30, 2025	Sept. 30, 2024	Sept. 30, 2025	Sept. 30, 2024
Interest Income	\$ 14,198	\$ 13,948	\$ 13,462	\$ 41,784	\$ 38,918
Interest Expense	4,335	4,468	4,798	13,230	13,333
Senior Notes Interest Expense	37	36	213	110	640
Net Interest Income	\$ 9,826	\$ 9,444	\$ 8,451	\$ 28,444	\$ 24,945
Credit Loss Expense (Benefit)	338	(145)	(96)	157	(70)
Net Interest Income after Credit Loss Expense (Benefit)	\$ 9,488	\$ 9,589	\$ 8,547	\$ 28,287	\$ 25,015
Non-Interest Income	1,374	1,272	1,348	4,174	3,944
Non-Interest Expense	7,597	7,747	7,118	23,152	21,223
Amortization of Investments in Limited Partnerships ⁷	-	-	32	-	97
Net Operating Income	\$ 3,265	\$ 3,114	\$ 2,745	\$ 9,309	\$ 7,639
Less: Provision for Income Taxes ⁷	606	590	480	1,746	1,330
Net Income Available to Common Shareholders	\$ 2,659	\$ 2,524	\$ 2,265	\$ 7,563	\$ 6,309
Earnings Per Common Share	\$ 0.84	\$ 0.79	\$ 0.71	\$ 2.38	\$ 1.98
Annualized Return on Average Assets	0.97%	0.93%	0.86%	0.93%	0.81%
Annualized Return on Average Common Equity	10.70%	10.68%	9.69%	10.57%	9.43%
Book Value Per Share at period end ¹				\$ 31.74	\$ 29.67
Tangible Book Value Per Share at period end ²				\$ 29.94	\$ 27.87
Weighted Average Common Shares Outstanding ³				3,173,320	3,184,175
Common Shares Outstanding period end				3,181,474	3,195,584
Adjusted Common Shares Outstanding period end ⁴				3,171,239	3,181,937
Allowance for Credit Losses to period end Loans				1.00%	0.96%
Non-performing Loans to period end Loans ⁵				0.73%	0.19%
Non-Performing Assets to Total Assets ⁶				0.57%	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.

(continued)

Community Commitment

Our employees collectively volunteered nearly 1,000 hours this past quarter, benefiting 71 non-profit organizations across Maine. Their efforts helped support families in need, promote leadership development and financial literacy, provide shelter and food, and improve access to essential services across our region.

Thank you

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

Sincerely,

Jon J. Prescott
President & CEO