DEAR FELLOW SHAREHOLDERS,

Katahdin Bankshares Corp. delivered another solid quarter of financial performance for the second quarter of 2026. Net income for the quarter totaled $2.4 million, or $0.76 per common share, while net income for the first six months of the year totaled $4.9 million, consistent with the same period in 2025.

While quarterly earnings were modestly below both the linked quarter and the same quarter last year, operating performance remained steady. Pre-tax, pre-provision income totaled $3.7 million for the quarter and $7.2 million for the first six months of the year. That represents an increase of 22.9% compared with the same six-month period in 2025 and reflects continued improvement in core operating earnings, supported by stronger net interest income and disciplined expense management.

Net interest income continued to be the primary driver of our results. Net interest income totaled $10.3 million for the quarter and $20.4 million for the first six months of 2026, an increase of 9.5% over the comparable six-month period last year. Growth in earning assets, improved loan yields, and lower interest expense all contributed to this improvement.

Loan growth remained strong. Total loans reached $930.5 million at June 30, 2026, increasing 5.4% during the quarter and 9.9% over the past year. This growth reflects continued demand throughout our markets and the efforts of our lending teams to help local families, businesses, and organizations meet their financial needs. We remain committed to disciplined growth and maintaining the credit standards that have served the Company well over time.

Deposits also increased during the quarter and compared with a year ago. Total deposits reached $962.9 million at quarter end, up $14.3 million from March 31, and $33.1 million from June 30, 2025. $13.6 million of the $33.1 million was from local customer deposits. Borrowings increased year over year by $33.5 million to fund loan growth. Strong local deposit relationships remain an important part of our business model. We continue to focus on providing the personal service, local decision-making, and practical banking solutions our customers expect.

Total assets increased to $1.16 billion at June 30, 2026, reflecting continued loan growth and overall balance sheet expansion. We remain focused on meeting customer needs while maintaining appropriate levels of liquidity and capital.

The provision for credit losses totaled $807,000 for the second quarter and $1.2 million for the first six months of the year. The increase from the prior year primarily reflects reserve requirements for new loan growth, with a smaller component due to credit risk changes. We believe the allowance for credit losses remains appropriate based on current conditions and the composition of the loan portfolio.

Asset quality remained sound, although non-performing loan levels increased from the unusually low levels reported a year ago. Non-performing loans represented 0.51% of total loans at June 30, 2026. The allowance for credit losses totaled $9.0 million, or 0.96% of total loans. We continue to monitor credit quality closely and maintain a disciplined approach to underwriting and portfolio management.

Non-interest income remained steady during the quarter, while expenses continued to be well managed. We remain committed to investing in our employees, technology, and facilities while maintaining a disciplined approach to controlling costs.

Profitability remained consistent, with annualized return on average assets of 0.85% and annualized return on average common equity of 9.19% for the quarter. Although these measures were modestly below prior-year levels, largely due to the increased provision requirements for loan growth this year, the Company continued to generate stable earnings and strengthen capital.

Our capital position remains strong. Shareholders' equity totaled $105.7 million at June 30, 2026. Tangible book value per share increased to $31.52 from $28.39 a year ago, while book value per share increased to $33.31 from $30.19. These improvements reflect retained earnings and the continued recovery in the value of the available-for-sale securities portfolio. During the quarter, the Company purchased a total of 6,000 shares at a price of $32.37 per share under the 2026 stock buyback program.

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

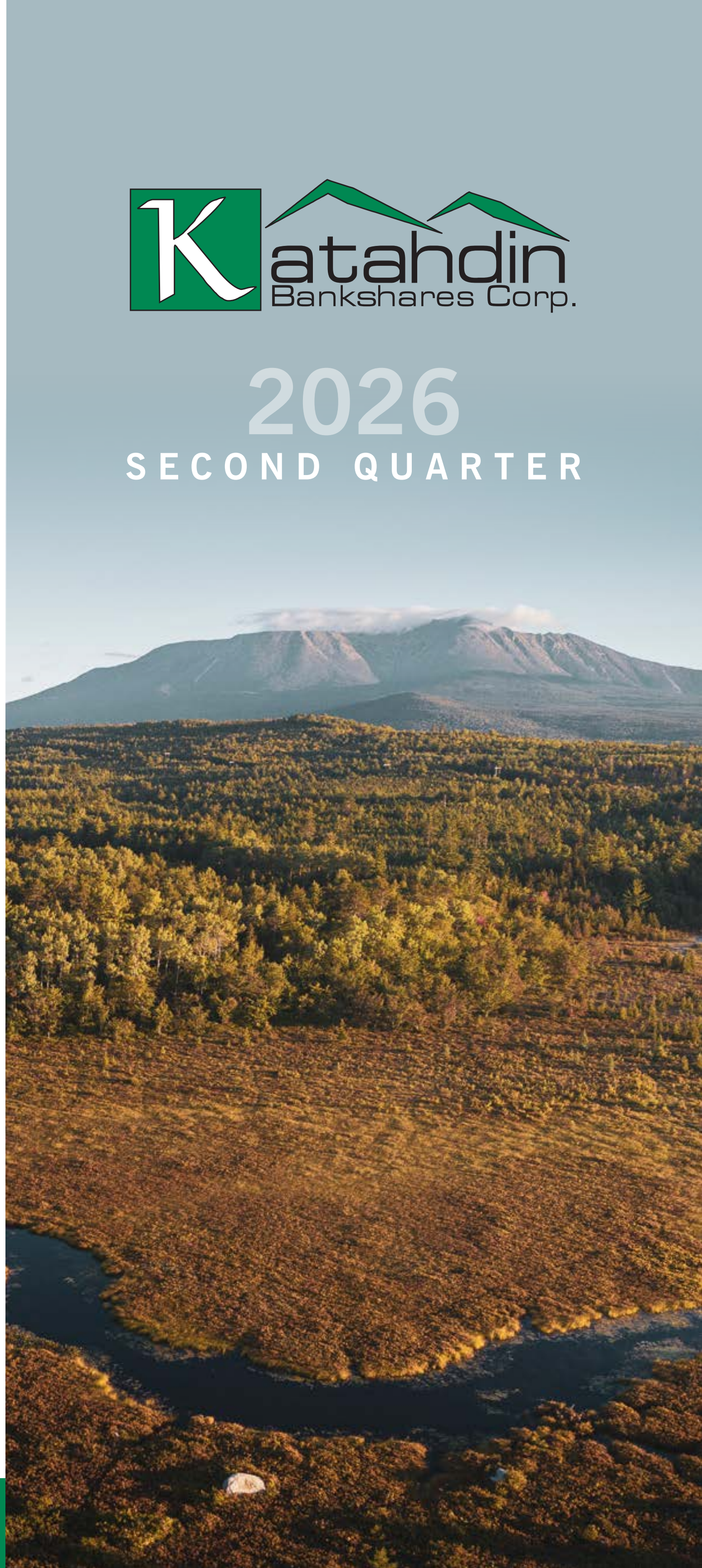
1-800-368-5948 (U.S. or Canada)
1-781-575-4223 (outside the U.S. or Canada)
www.computershare.com/investor

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.

Katahdin Trust Company

2018-2025 Best Places to Work in ME



KATAHDIN BANKSHARES CORP.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

CONSOLIDATED STATEMENT OF CONDITION

(UNAUDITED)

ASSETS	June 30, 2026	Mar. 31, 2026	June 30, 2025
Cash & Due from Banks	$ 20,097	$ 18,642	$ 29,001
Investments	158,951	163,696	159,640
Total Loans	930,511	883,152	846,546
Allowance for Credit Losses	(8,967)	(8,381)	(8,307)
Fixed Assets	16,616	16,826	17,147
Other Assets	42,484	40,357	43,178
Total Assets	**$ 1,159,692**	**$ 1,114,292**	**$ 1,087,205**
LIABILITIES			
Deposits	$ 962,946	$ 948,662	$ 929,860
Borrowings	63,500	33,000	30,000
Other Liabilities	27,594	28,563	31,611
Total Liabilities	$ 1,054,040	$ 1,010,225	$ 991,471
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity	$ 113,463	$ 111,972	$ 105,571
Net Unrealized Appreciation (Depreciation) on Securities Available-for-Sale, Net of Tax	(8,864)	(9,042)	(11,670)
Net Unrealized Appreciation (Depreciation) on Derivative Investments at Fair Value, Net of Tax	1,837	1,979	2,592
Unearned ESOP Shares	(133)	(133)	(195)
Unearned Comp – Restricted Stock	(651)	(709)	(564)
Total Shareholders' Equity	$ 105,652	$ 104,067	$ 95,734
Total Liabilities & Shareholders' Equity	**$ 1,159,692**	**$ 1,114,292**	**$ 1,087,205**
Letters of Credit	$ 4,588	$ 4,711	$ 3,439

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For 3 Months Ended			For 6 Months Ended	
	June 30, 2026	Mar. 31, 2026	June 30, 2025	Jun 30, 2026	Jun 30, 2025
Interest Income	$ 14,825	$ 14,177	$ 13,948	$ 29,002	$ 27,586
Interest Expense	4,477	4,074	4,468	8,551	8,895
Senior Note Interest Expense	30	37	36	67	73
Net Interest Income	$ 10,318	$ 10,066	$ 9,444	$ 20,384	$ 18,618
Provision (Benefit) for Credit Losses	807	414	(145)	1,221	(181)
Net Interest Income after Provision for Credit Losses	$ 9,511	$ 9,652	$ 9,589	$ 19,163	$ 18,799
Non-Interest Income	1,325	1,281	1,272	2,606	2,800
Non-Interest Expense	7,936	7,848	7,747	15,784	15,555
Net Operating Income	$ 2,900	$ 3,085	$ 3,114	$ 5,985	$ 6,044
Less: Provision for Income Taxes	486	593	590	1,079	1,140
Net Income Available to Common Shareholders	**$ 2,414**	**$ 2,492**	**$ 2,524**	**$ 4,906**	**$ 4,904**
Earnings Per Common Share	$ 0.76	$ 0.78	$ 0.79	$ 1.54	$ 1.54
Annualized Return on Average Assets	0.85%	0.91%	0.93%	0.88%	0.91%
Annualized Return on Average Common Equity	9.19%	9.63%	10.68%	9.40%	10.50%
Book Value Per Share at period end[1]				$ 33.31	$ 30.19
Tangible Book Value Per Share at period end[2]				$ 31.52	$ 28.39
Weighted Average Common Shares Outstanding[3]				3,175,921	3,174,378
Common Shares Outstanding period end				3,178,414	3,181,474
Adjusted Common Shares Outstanding period end[4]				3,171,921	3,171,239
Allowance for Loan Losses to period end Loans				0.96%	0.98%
Non-performing Loans to period end Loans[5]				0.51%	0.20%
Non-Performing Assets to Total Assets[6]				0.39%	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.

CONTINUED

Overall, we are pleased with the Company's performance through the first half of 2026. Growth remained strong, operating results improved, and capital continued to build. While economic and interest rate conditions continue to present challenges, we remain focused on serving our customers, supporting our communities, maintaining sound credit quality, and creating long-term value for our shareholders.

Employee Spotlight

We were pleased to recognize several employee promotions during the quarter. **Allissa Given** was promoted to Vice President, Branch Manager and Community Banking Officer, overseeing the Island Falls, Oakfield, and Patten branches. **Angela Franck** was promoted to Vice President, Branch Manager and Community Banking Officer for the Eagle Lake and Fort Kent branches. In addition, **Lucas Tompkins** was promoted to Cash Management Officer serving the greater Bangor market, and **Craig Staples** was promoted to Senior Vice President, Municipal Services Officer.

Community Commitment

Community involvement remains an important part of our culture. As activities increased across our market area during the spring and early summer months, we supported nearly 50 events across Maine through volunteer service, sponsorships, and local outreach efforts. During the second quarter, employees contributed more than 745 volunteer hours. Whether coaching Little League, helping with community clean-up projects, participating in local fundraisers, or teaching financial literacy, our employees continue to make a positive difference in the places we live and work.

Thank You

Thank you for your continued confidence and support. As always, your comments or questions are welcome. Please feel free to contact us at any time.

Sincerely,

Jon J. Prescott
President & CEO