

A MESSAGE FROM THE PRESIDENT

To our Shareholders, Customers and Employees:

Unaudited results through March 31 show net income before preferred stock dividends of \$981,000, an increase of 4.8% over the prior year. This is largely due to net interest income growth of 3.6% coupled with a reduction in the provision for loan losses of \$269,000. As credit quality has remained stable, and because loan balances shrank in the first quarter by \$6,006,000, management determined no provision was necessary for the quarter.

Net interest income, the largest component of our profitability, grew \$197,000 year over year. Non-interest income was relatively flat with a modest decrease of \$21,000. Non-interest expense grew \$368,000 due to the addition of branch personnel in Fort Kent during the prior year, as well as increases in costs relating to data processing and technology.

On the balance sheet, loan growth year over year totaled \$18,041,000, which was slower than in prior years. Total Assets at period end were \$665,741,000. Deposit growth was a good story, with local deposits including checking, savings, regular money markets and certificates of deposit growing \$33,037,663 or 8.9%. This allowed us to reduce brokered CDs by \$18,134,000.

Total equity of \$71,614,000 reflected the Series D preferred stock raised in June of 2014. Katahdin Bankshares book value increased to \$15.15 per share. The Board declared a dividend of \$.10 per share for the first quarter.

I would like to congratulate Krista Putnam for her recent promotion to Vice President of Marketing. Krista has over twelve years of experience with Katahdin Trust. She joined the Bank as Marketing Assistant in 2003, was promoted to Marketing Officer in 2008 and to Assistant Vice President of Marketing in 2012. In her new role she will continue with responsibilities in all areas of marketing and will begin to assume additional duties in management and communications.

We continually strive to enhance the level of customer convenience with our online banking service and in January introduced the iPad and Android tablet app for our retail customers. In February we completed another successful fundraising effort for the benefit of the American Red Cross, raising over \$12,000 to assist our friends and neighbors in northern Maine who have been struck by disaster. On April 1 we introduced our new retail checking product line-up featuring account offerings designed to reward customers for their banking behavior and/or balances and relationships which they maintain with us. These enhanced products create value for customers and the Bank, and we feel both will benefit from these new accounts.

As always, if you have questions regarding the Company or this report, please don't hesitate to contact us.

Sincerely,



Jon J. Prescott
President & CEO

DIRECTORS

- Steven L. Richardson**, Chairman
Harold L. Stewart II, Esq., Vice Chairman
Jon J. Prescott
Robert E. Anderson
Robert H. Anderson
- Peter F. Briggs**
Paul R. Powers
Arthur L. Shur
Richard J. York

SENIOR MANAGEMENT

- Jon J. Prescott**, President & CEO
Bonnie C. Foster, Senior Vice President, Retail Services
Matthew M. Nightingale, Senior Vice President, Treasurer & CFO
Vicki J. Smith, Senior Vice President, Marketing & Communications
Peter P. St. John, Senior Vice President, Commercial Services

LOCATIONS

BRANCH OFFICES

- | | | |
|---|---|--|
| Ashland*
17 Main Street
435-6461 | Fort Kent*
79 West Main Street
834-2348 | Oakfield
200 Oakfield Smyrna Rd
757-8288 |
| Bangor*
609 Broadway
942-3146 | Hampden*
57 Western Avenue
862-2211 | Patten*
11 Main Street
528-2211 |
| Bangor*
52 Springer Drive
947-9674 | Houlton*
65 North Street
532-4277 | Presque Isle*
6 North Street
764-8000 |
| Caribou*
105 Bennett Drive
498-4200 | Island Falls*
1007 Crystal Road
463-2228 | Scarborough
144 US Route One
510-7017 |
| Eagle Lake
3440 Aroostook Road
444-5543 | Limestone*
35 Main Street
325-4711 | Van Buren*
29 Main Street, Ste.105
868-2728 |
| Easton
82 Center Road
488-6642 | Mars Hill*
28 Main Street
429-8400 | Washburn
1282 Main Street
455-8141 |
| Fort Fairfield*
290 Main Street
472-3161 | | |

*24-HOUR ATM

COMMERCIAL LOAN OFFICE

Maine Financial Group
144 US Route One, Scarborough
885-5900

PHOTOS BY PAUL CYR

CONSOLIDATED
STATEMENT OF CONDITION
(UNAUDITED)

	March 31,	
ASSETS	2015	2014
Cash & Due from Banks	\$ 14,688	\$ 14,914
Investments	63,502	55,970
Total Loans	559,331	541,290
Reserve for Loan Loss	(5,804)	(6,481)
Fixed Assets	13,920	14,383
Other Assets	20,104	19,542
Total Assets	\$ 665,741	\$ 639,618
LIABILITIES		
Deposits	\$ 581,950	\$ 562,331
Repurchase Agreements	862	935
Borrowings	196	4,607
Other Liabilities	11,119	12,068
Total Liabilities	\$ 594,127	\$ 579,941
SHAREHOLDERS' EQUITY		
Preferred Stock, Series C	\$ 11,000	\$ 11,000
Preferred Stock, Series D	\$ 9,603	\$ -
Common Shareholders' Equity	51,537	49,375
Net Unrealized Appreciation/(Depreciation) on Securities Available-for-Sale, Net of Tax	281	(383)
Net Unrealized Appreciation/(Depreciation) on Derivative Investments at Fair Value, Net of Tax	(807)	(315)
Total Shareholders' Equity	\$ 71,614	\$ 59,677
Total Liabilities & Shareholders' Equity	\$ 665,741	\$ 639,618
Letters of Credit	\$ 2,409	\$ 2,819

CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	For 3 Months Ended March 31,	
	2015	2014
Interest Income	\$ 6,662	\$ 6,573
Interest Expense	967	1,075
Net Interest Income	\$ 5,695	\$ 5,498
Less: Provision for Loan Losses	-	269
Net Interest Income After Provisions	\$ 5,695	\$ 5,229
Non-Interest Income	836	857
Non-Interest Expense	5,081	4,713
Net Operating Income	\$ 1,450	\$ 1,373
Less: Provision for Income Taxes	469	437
Net Income	\$ 981	\$ 936
Less: Dividends on Preferred Stock	\$ 246	\$ 27
Net Income Available to Common Shareholders	\$ 735	\$ 909
Earnings Per Common Share	\$ 0.22	\$ 0.27
Annualized Return on Average Assets	0.60%	0.59%
Annualized Return on Average Common Equity	5.83%	7.58%
Book Value Per Share at period end ¹	\$ 14.98	\$ 14.30
Tangible Book Value Per Share at period end ²	\$ 13.31	\$ 12.62
Weighted Average Common Shares Outstanding	3,404,367	3,404,367
Common Shares Outstanding period end	3,404,367	3,404,367
Allowance for Loan Losses to period end Loans	1.04%	1.20%
Non-Performing Loans to period end Loans ³	2.33%	2.33%
Non-Performing Assets to Total Assets ⁴	2.05%	2.04%

1) Common Equity per common share

2) Tangible common equity per common share

3) Non-performing loans consist of non-accrual loans and restructured loans, where applicable. Inclusive of any guaranteed portion of non-accrual loans.

4) Non-performing assets consist of non-accrual loans, restructured loans, and foreclosed assets, where applicable. Inclusive of any guaranteed portion of non-accrual loans.

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
Senior Vice President, Treasurer & CFO
PO Box 450 | Patten, ME 04765
(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

Shareholder inquiries regarding change of address or title should be directed to:

INVESTOR RELATIONS

Computershare Shareholder Services
PO Box 30170 | College Station, TX 77842-3170
(800) 368-5948 | www.computershare.com/investor

